

UNIVERSAL VACATION CLUB

AMENDED AND RESTATED

RULES AND REGULATIONS

Effective as of October 24, 2017

AMENDED AND RESTATED
ARTICLES OF INCORPORATION
AND BYLAWS

Effective as of October 22, 2011

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AMENDED AND RESTATED

UNIVERSAL VACATION CLUB RULES AND REGULATIONS

These Amended and Restated Rules and Regulations hereby entirely amend, restate, and supersede all previously adopted Rules and Regulations of Universal Vacation Club. Any references in the Membership Purchase Agreements (defined below) to Rules; UVC Rules; Rules for a particular Project (defined below); Regulations; Rules and Regulations; Covenants, Conditions and Restrictions; CC&Rs and similar matters shall mean these Rules and Regulations. The Board of Directors of the Club approved these Rules and Regulations pursuant to Section 9.01 hereof. These Rules and Regulations have been established for the benefit of all existing and prospective Members.

Article I. CERTAIN DEFINITIONS

Section 1.01 Administrative Services Agreement

Means any administrative services agreement between the Club and the Administrator (as may be amended from time to time) to provide for the Club and Administrator's duties and obligations respecting the administration and operation of the Club including the Club's Exchange Program and oversight of the Off-Site Manager, On-Site Manager, and Exchange Companies associated with the Club.

Section 1.02 Administrator

Means the entity or individual hired by the Club to act as the Club's agent to perform the specific duties and obligations associated with the Club pursuant to the Administrative Services Agreement, in accordance with the Governing Documents, and under the ultimate direction and control of the Board.

Section 1.03 Annual Expenses

Has the meaning set forth in Section 6.03 of these Rules and Regulations.

Section 1.04 Applicable Laws

Means all local, state, federal, international and other ordinances, statutes, codes, orders, judgments and other laws applicable to the matter in question, and any successor laws, all as the same may be amended from time to time.

Section 1.05 Articles

Means the Articles of Incorporation of the Club as the same may be amended from time to time.

Section 1.06 Assessments

Means any charge(s) levied against a Member and his or her Membership arising from or in connection with the Club, the On-Site Manager, the Off-Site Manager, the Administrator, the

Developer and/or their respective Related Parties and/or the Projects, including, but not limited to, Maintenance Assessments, Special Assessments, Personal Charges, Late Charges, and collection costs.

Section 1.07 Bank or Banking

Means the act of a Member saving an unused Use Period in the Vacation Bank for use in later years up to the number of years allowed in these Rules and Regulations.

Section 1.08 Board or Board of Directors

Means the Board of Directors of the Club. Except as expressly indicated otherwise in the Governing Documents, all decisions, actions and powers of the Club shall be exercised by the Board of Directors.

Section 1.09 Borrow or Borrowing

Means the act of a Member borrowing time from years in the future to be used in the current Calendar Year.

Section 1.10 Bylaws

Means the Bylaws of the Club as the same may be amended from time to time.

Section 1.11 Budget

Has the meaning set forth in Section 5.02(d) of these Rules and Regulations.

Section 1.12 Calendar Year

Means the one-year period commencing on January 1st and ending on December 31st of each year.

Section 1.13 Cancellation of Reservation

Means the act of a Member canceling a previously confirmed reservation, subject to the terms and conditions described in these Rules and Regulations.

Section 1.14 Check-In Date, Check-In Time and Check-Out Time

Check-In Date means the day on which a Member may check into a Project. Except as otherwise provided in these Rules and Regulations, the time that a Member may check into a Project is at the beginning of a Use Period and the time that a Member must check out of the Project is at the end of a Use Period. Except as otherwise provided in these Rules and Regulations, the Check-In Time shall be 4:00 p.m., local time at the Project where the Member is checking-in on the Member's Check-In Date established pursuant to the Member's Membership Certificate and these Rules and Regulations. Except as otherwise provided in these Rules and Regulations, the Check-Out Time shall be 11:00 a.m., local time at the Project where the Member is checking-out, at the end of the Use Period following the Member's Check-In Date. The Club may require

that specific Check-In Dates be applicable during certain Seasons in order to accommodate the maximum amount of reservations and to minimize unused reservations.

Section 1.15 Club

Means the Universal Vacation Club, a California nonprofit mutual benefit corporation or any successor-in-interest by merger or by express assignment of the rights of the Club hereunder. The Club and its Members (except Developer Members) have no equitable, voting or other legal interest in any Administrator, Developer, On-Site Manager, Off-Site Manager, or other service provider to the Club or any of their respective Related Parties.

Section 1.16 Club Benefits Program

Means the additional vacation, travel, redemption, activities, events, and other benefits created and made available to Members from time to time.

Section 1.17 Club-to-Club Partnership

Means the partnership with other clubs or resorts, giving Members the opportunity to use the other clubs or resorts pursuant to the Exchange Program.

Section 1.18 Club Point(s)

Means the number of points assigned to a Villa Preferred Access Membership which permit the Villa Preferred Access Member to use Club accommodations, services and benefits in accordance with the Governing Documents. A Club Point is the symbolic unit of measuring the respective rights of Members to enjoy the benefits of their Memberships within the reservation system set forth in the Rules and Regulations. A Club Point is a unit of use designated by the Club for use in connection with the Club's reservation system and has been created for purposes of administrative convenience only and for no other purposes. The Club will establish a daily allocation of Club Points. The daily allocation of Club Points varies from one Season to another, from one Unit Type to another, from one day of the week to another and from one Project to another as reflected in the Club Point Chart published by the Club. Club Points are not securities or real property interests and have not been registered as such under any Applicable Laws.

Section 1.19 Club Point Account

Means the record of the number of Club Points available for use by a Villa Preferred Access Member during each Calendar Year.

Section 1.20 Club Point Chart

Means the schedule detailing the number of Club Points required for Villa Preferred Access Members to reserve a specified Use Period for a certain Unit Type at a particular Project for a specific Season. The Club Point Chart may be revised from time to time as determined by the Club.

Section 1.21 Club Priority Period

Has the meaning set forth in Section 3.01(d) of these Rules and Regulations.

Section 1.22 Common Areas

Means all portions of the Projects other than the Units including, but not limited to, the lobbies, recreational facilities, swimming pools, pool decks, hot tubs, poolside furniture, tennis courts, and barbecue facilities. The use and maintenance of the Common Area facilities and services shall be administered by the On-Site Manager and are subject to disruptions in use for maintenance, repair or improvement, or as otherwise determined by the Club. The Club, Developer or On-Site Manager shall have the right to designate certain sections of the Common Areas for priority reservation and use by certain Members and Users for specific purposes.

Section 1.23 Common Furnishings

Means all furniture, furnishings, appliances, fixtures, equipment, telephone systems, electrical equipment, décor, and all other personal property which comprises a part of each Unit. The Units shall be furnished and decorated to a standard as determined by the Club. In all cases, the Common Furnishings shall be maintained in a state as originally furnished (ordinary wear and tear excepted) and to a level acceptable to the Club for the respective Project. All Units shall have sufficient Common Furnishings to accommodate the maximum occupancy limit of the Unit.

Section 1.24 Daily Use Period

Means a Use Period which is divided into one-day periods which allow use during any night of the Use Period by Villa Preferred Access Members. The Club reserves the right to limit, restrict or prohibit the reservation of Daily Use Periods in the best interests of the Villa Preferred Access Members as a whole. Daily Use Period reservations may be made by Villa Preferred Access Members within the Club Priority Period and at any other time based upon availability.

Section 1.25 Detained User and Detaining User

Have the meanings set forth in Section 2.03 of these Rules and Regulations

Section 1.26 Developer

Means a developer of any Project in the Club.

Section 1.27 Developer Member

Means the holder of a Developer Membership as set forth herein and in the Articles.

Section 1.28 Director

Means a member of the Board of Directors of the Club.

Section 1.29 Elite Program Membership

Means a loyalty program that the Developer may offer to Members with a certain number of Club Points as determined by the Developer where such Members have purchased their Club Points directly from the Developer.

Section 1.30 Exchange Company

Means an external independent exchange company that facilitates the exchange of lodging rights and services for the Club and/or its Members pursuant to the Exchange Program.

Section 1.31 Exchange Program

Means a service provided by an Exchange Company whereby Members may exchange (1) their Use Periods in the Project, and/or (2) the Unit size specified on their Membership Certificate, for time periods in resorts at other locations, and Exchange Users may exchange time in other resorts for Use Periods in the Projects.

Section 1.32 Exchange User

Means an owner of a use period in another Exchange Program or resort who may exchange time in another resort for use of Use Period(s) in the Projects pursuant to an Exchange Program.

Section 1.33 Family Member

Means a person directly related to Member including a spouse, parent, sibling or child.

Section 1.34 Governing Documents

Means the Articles, Bylaws and Rules and Regulations of the Club as may be amended from time to time. The Governing Documents for each Member shall also include the Membership Purchase Agreement and the Membership Certificate associated with that Member and his or her Membership. The Governing Documents shall also include any Project Rules in connection with any Project or Club. The objective of the Governing Documents is to establish the rights and obligations of both the Club and the Members with respect to the Members' use of the Projects.

Section 1.35 Initial Reservation

Means the first reservation made by a Member for lodging rights and services at a Project during a given Calendar Year.

Section 1.36 Internal Exchange

Means a reservation by (a) a Member (other than a Gold Member or Villa Preferred Access Member) for lodging rights and services at any Project other than the Project or Primary Use Project named in that Member's Membership Certificate as the Project or Primary Use Project which the Member is entitled to use; or (b) a Gold Member or Villa Preferred Access Member for lodging rights and services at any Project other than the Villa del Mar Project.

Section 1.37 Internal Reservation

Means a reservation by (a) a Member (other than a Gold Member or Villa Preferred Access Member) for lodging rights and services at the Project or Primary Use Project named in that Member's Membership Certificate as the Project or Primary Use Project which the Member is entitled to use; or (b) a Gold Member or Villa Preferred Access Member for lodging rights and services at any Project other than the Villa del Mar Project.

Section 1.38 Late Charge

Means any interest, service fees, reinstatement fees and/or other late charges assessed in connection with a Member's delinquent payment of any Assessments. The Late Charges shall be established and modified by the Club from time to time in the Club's sole discretion subject to Applicable Laws.

Section 1.39 Maintenance Assessment

Means the annual fee each Member is required to pay to the Club to cover the Annual Expenses of the Club. The Maintenance Assessment may include (a) a fixed portion based on the cost of maintaining, operating and servicing the Common Areas, including reserves for future replacements and general charges assessed to Members, and (b) a variable portion based on the Membership type and/or number of Club Points owned by each Member.

Section 1.40 Maintenance Assessment Due Date

Has the meaning set forth in Section 6.04 of the Rules and Regulations.

Section 1.41 Maintenance Period

Means one designated Week per Calendar Year per Unit reserved by the Club for the maintenance, service and repair of that Unit. The Club shall designate one Week per Calendar Year as the Maintenance Period for each Unit.

Section 1.42 Management Fee

Means any management fee paid by the Club to any Off-Site Manager, On-Site Manager and/or Administrator.

Section 1.43 Member

Means the owner of a Membership in the Club who has purchased the Membership for the purpose of exercising the lodging rights and services granted thereunder, or a Developer Member who has the rights granted in the Governing Documents.

Section 1.44 Membership

Means the status of a holder of a Membership Certificate as a Member of the Club. Every Member shall have a Membership in the Club. Each Member shall have the rights, duties,

privileges, and obligations of a Member as set forth in this Section and the Governing Documents. A Member's Membership status shall be evidenced by a Membership Certificate. The Club may establish various types of Memberships from time to time. The different types of Memberships include (a) Developer Memberships, (b) Gold Memberships, (c) Premier Memberships, (d) Villa del Palmar Vallarta Memberships, (e) Villa del Palmar Cabo Memberships, (f) Biennial Memberships, and (g) Villa Preferred Access Memberships. Memberships shall be operated and managed by the Club pursuant to the terms of the Governing Documents. A Membership gives the Member the right to reserve and use lodging rights and services for a period of time during a Season in a Unit Type in a Project subject to the reservation procedures and other provisions in these Rules and Regulations. In order to be assured this right, a Member must request a reservation in accordance with these Rules and Regulations and prior to the applicable Reservation Deadline. A Membership also entitles a Member to the non-exclusive right to use the Common Areas of a Project (subject to restrictions in the Governing Documents) during the period of time in which the Member is entitled to lodging services at that Project. The Memberships and Club Points are not securities or real property interests and have not been registered as such under any Applicable Laws.

(a) **Developer Membership.** A Developer Membership gives a Developer Member certain rights set forth in the Governing Documents including the voting and approval rights set forth therein but does not entitle the holder to lodging rights and services.

(b) **Fixed Week Membership.** A Fixed Week Membership is a Membership pursuant to which the Member has a right to reserve lodging rights and services during a specified Use Period in a specified Unit. If a Fixed Week Member changes such Member's original Fixed Week reservation date, that Fixed Week shall automatically become a floating Week for the Use Period in question and that floating Week will be assigned to the Member based upon availability upon Check-In.

(c) **Floating Week Membership.** A Floating Week Membership is a Membership pursuant to which the Member has a right to reserve lodging rights and services in a specified Unit Type.

(d) **Gold Membership.**

(1) General. A Gold Membership gives the Member the right to reserve and use lodging rights and services for an unspecified Use Period in a designated Unit Type during a specified Season at any Project except the Villa del Mar Project. A Gold Membership also entitles the Member to the non-exclusive right to use the Common Areas of any such Project during the Use Period that the Member is entitled to lodging rights and services at such Project. The term of a Gold Membership shall be 30 years from the effective date of the Membership Purchase Agreement, regardless of termination dates of any other Memberships owned by other Members. A Gold Membership shall entitle the Member to make an Initial Reservation at any Project (except the Villa del Mar Project) and to make an Internal Exchange at the Villa del Mar Project without the payment of an Internal Exchange fee. Subject to the Governing Documents, a Gold Membership entitles the Member to split a Use Period between two or more Projects. Gold Members may split a Use Period into two separate stays within the same Calendar Year, provided the stay includes a Saturday or Sunday (but not both), without an additional fee. A Gold Membership, unless specified otherwise in the Membership Certificate, entitles the

Member to check in any available day of the Use Period, provided that the Use Period falls within the seasonal designation owned. A Gold Member may split its Unit and either use both Units (during the same or separate stay), or use one Unit and exchange the other. For example, if a Gold Member purchases a three-bedroom Unit, the Gold Member may choose to split the reservation into a two-bedroom Unit and a studio Unit; if a Gold Member purchases a two-bedroom Unit, the Gold Member may choose to split the reservation into a one-bedroom Unit and a studio Unit; and if a Gold Member purchases a one-bedroom Unit, the Gold Member may choose to reserve two studio Units. The same split options pertain to Penthouse Units. Split reservations are based on availability. Fees associated with any split reservations may be charged by the Club and/or its agents as they may determine from time to time.

(2) **Gold Time.** A Gold Membership gives the Member the right to use additional Use Periods each Calendar Year equal to the number of Use Periods purchased (“Gold Time”). Gold Time must be used in the months of May through October, Weeks 18-43, when used at any Project except the Villa del Mar Project. Gold Time may be traded, as full Use Periods only, through an Exchange Company in accordance with the rules of the Exchange Company in question and the Club. Gold Time reservations shall be based upon availability. At least one Gold Member must be present in order to use a Gold Time reservation. Gold Time reservations may not be made in the name or used by anyone not specifically referenced on the Gold Membership Certificate. Gold Time may not be Banked, Borrowed, Rented accelerated or split by a Gold Member at any time. A Gold Member shall pay the current annual Maintenance Fee and any other charges for the Gold Time in question upon reservation of that Gold Time. A Gold Member will not be invoiced for Maintenance Fees and other charges associated with any Gold Time unless and until such Gold Member makes a reservation for such Gold Time. Gold Time may be used as individual nights equal to the number of nights purchased at prorated Maintenance Fee and other costs associated with the Gold Time in question.

(3) **Combining Studio Use Periods Into One-Bedroom Use Periods.** Gold Members may combine two primary studio Use Periods or two Gold Time studio Use Periods to make a reservation for one Use Period in a one-bedroom Unit. Gold Members may not combine one primary studio Use Period with one Gold Time studio Use Period to make a reservation for one Use Period in a one-bedroom Unit. The same combination options pertain to Penthouse Units. These reservations are based on availability. Fees associated with any combination reservations may be charged by the Club and/or its agents as they may determine from time to time.

(e) **Premier Membership.** A Premier Membership gives the Member the right to reserve and use lodging rights and services for an unspecified Use Period during a specified Season in a designated Unit Type in the Project which is identified in the Member’s Membership Certificate as the Project which the Member is entitled to use or which is designated therein as the Member’s Primary Use Project. In addition, a Premier Membership gives the Member the privilege, subject to space availability, to reserve lodging rights and services for an unspecified Use Period during a specified Season in a designated Unit Type in any Project other than the Member’s Primary Use Project. A Premier Membership also entitles the Member to the non-exclusive right to use the Common Areas of any such Project during the Use Period that the Member is entitled to lodging rights and services at such Project. The term of a Premier Membership shall be 30 years, regardless of termination dates of any other Memberships owned by other Members. A Premier Membership shall entitle the Member to make an Initial

Reservation for an Internal Exchange without the payment of an Internal Exchange fee. Subject to the Governing Documents, a Premier Membership entitles the Member to split a Use Period between two or more Projects. Such Use Period may be split into two separate stays within the same Calendar Year, provided that the stay includes either a Saturday or Sunday (but not both a Saturday and a Sunday), subject to an additional fee. A Premier Membership, unless specified otherwise in the Membership Certificate, entitles the Member to check in any available day of the Use Period, provided that the Use Period falls within the seasonal designation owned. All Premier Memberships are Floating Week Memberships.

(f) **Villa del Mar Membership.** A Villa del Mar Membership means a Fixed Week Membership which includes lodging rights and services for a specific Use Period each Calendar Year in a specific Unit in the Villa del Mar Project and the Common Furnishings related thereto, and the non-exclusive right to use the Common Areas of both the Villa del Mar Project and the Villa del Palmar Vallarta Project as indicated in each Member's Membership Certificate.\

(g) **Villa del Palmar Vallarta Membership.** A Villa del Palmar Vallarta Membership means either (i) a Fixed Week Membership which includes lodging rights and services for a specific Use Period each Calendar Year in a specific Unit in the Villa del Palmar Vallarta Project and the Common Furnishings related thereto, or (ii) a Floating Week Membership which includes lodging rights and services for an unspecified Use Period during a specified Season in a designated Unit Type in the Villa del Palmar Vallarta Project and the Villa del Palmar Project and the Common Furnishings related thereto. Both Fixed Week and Floating Week Memberships in Villa del Palmar Vallarta shall include the non-exclusive right to use the Common Areas of both the Villa del Palmar Vallarta Project and the Villa del Mar Project.

(h) **Villa del Palmar Cabo Membership.** A Villa del Palmar Cabo Membership means either (i) a Fixed Week Membership which includes lodging rights and services for a specific Use Period each Calendar Year in a specific Unit in the Villa del Palmar Cabo Project and the Common Furnishings related thereto, or (ii) a Floating Week Membership which includes lodging rights and services for an unspecified Use Period during a specified Season in a designated Unit Type in the Villa del Palmar Cabo Project and the Common Furnishings related thereto. Both Fixed Week and Floating Week Memberships in the Villa del Palmar Cabo Project shall include the non-exclusive right to use the Common Areas of the Villa del Palmar Cabo Project but not the Villa del Arco Cabo Project.

(i) **Biennial Membership.** A Biennial Membership (sometimes called an Odd-Even Membership) means the right of a Member to reserve and use lodging rights and services for a particular Use Period during alternating years, as indicated on the Membership Certificate. For example, a Biennial Membership could allow one Member to use a particular Use Period during even Calendar Years and another Member to use that same Use Period during odd Calendar Years. A Biennial Membership shall be associated with one of the other types of Memberships in the Club and confers on the Member all the rights and obligations associated with the related Membership, except as otherwise set forth herein. For example, a Biennial Premier Membership would entitle the Member to all of the rights and subject the Member to all of the obligations associated with a Premier Membership for the alternating Use Period in question. A Biennial Membership is entitled to only one cumulative vote for the Use Period in question. For example, if a Biennial Membership designates that a particular Use Period is owned during even years by

one Member and owned during odd years by another Member, then each of those Members shall be entitled to one-half of a vote for a total aggregate of one vote associated with the Use Period in question.

(j) Villa Preferred Access Membership.

(1) General. A Villa Preferred Access Membership means the right of a Member to participate in the Club Points Program. Upon a Villa Preferred Access Member's exercise of the right and option to use the Club Projects, the usage rights conveyed to such Member shall be converted into Club Points as described on the Villa Preferred Access Membership Certificate. The Villa Preferred Access Member shall have the right to redeem the Club Points with the Club for accommodations at any of the Projects or for other Club services or benefits as may be offered by the Club and available from time to time, throughout the life of the Member's Villa Preferred Access Membership.

(2) Creation of Club Points. The total number of Club Points in the Villa Preferred Access program shall be the sum of all of the Club Points available by taking into consideration all the Units. That inventory shall have an associated Club Point value for every night of the year and that value shall be based upon the Unit Type including the cost of the resort product, relative supply and demand for the accommodation size, historical market average occupancy rates, resort seasonality, holidays and special events, day of the week and other applicable factors as determined from time to time by the Club. The total number of Club Points within the Villa Preferred Access program may vary slightly from year to year based on Use Periods falling on certain days within that year. Club Points may be increased upon the addition of future phases or other Projects or resort locations associated with the Club.

(3) Reallocation of Club Points. In the best interest of Villa Preferred Access Memberships as a whole, the Club may elect to reallocate Club Points across Seasons, Project locations and/or Unit Types. Any such reallocation shall be based upon research of specific market data. Villa Preferred Access Members will be notified of any planned reallocation of Club Points, other than a reallocation resulting from the addition or deletion of Club Projects or locations, approximately 12 months prior to any such reallocation becoming effective. At no time will the original Club Points allocated to a Villa Preferred Access Member at the time of purchase of that Member's Villa Preferred Access Membership be reallocated or decreased. The Club and/or the Developer of a Project may at any time decide to remodel a Project to upgrade that Project to the standard and quality of any other Project, or otherwise, which could then change the value of the Club Points associated with that Project.

(4) Club Point Charts. The Club shall issue Club Point Charts which describe the associated Club Point value required for a Villa Preferred Access Member to use his or her Use Period. The Club reserves the right to periodically modify, change, and/or amend the Club Point Charts.

(5) Club Point Allocations to Members. When a Villa Preferred Access Member chooses to use his or her Use Period, the allocation of the Club Points for that Use Period will be determined based on the Membership Certificate given at the time of purchase. The date may vary for the annual allocation of Club Points.

(6) Use of Club Points. A Villa Preferred Access Member shall have the right to use the Club Points allocated to that Member during each Calendar Year. If a Villa Preferred Access Member purchases his or her Villa Preferred Access Membership within a particular Calendar Year, the Calendar Year for that particular year will be the period of the year remaining in that Calendar Year. Club Points that remain unused as of the end of a Calendar Year shall automatically expire and all usage rights associated with the expired Club Points shall be deemed to be forfeited by the Villa Preferred Access Member for that Calendar Year if that Member does not Bank those unused Club Points. Club Points, or portions thereof, may be combined with Preferred Points and used to upgrade a Unit type 60 days or less prior to the Check-In Date based upon space availability. Consecutive reservations using different types of Club Points within the same stay are not permitted 61 days or more prior to the Check-In Date and thereafter solely based on space availability at the time in question.

(7) Additional Club Points. If a Villa Preferred Access Member does not have sufficient Club Points to reserve a desired Unit or Season upgrade during a given Calendar Year, that Member may Borrow Club Points from the next successive Calendar Year(s) or Rent Club Points all at a cost determined by the Club from time to time. Renting of Club Points shall be limited to no more than 50 percent of the total number of Club Points required to confirm the desired reservation. A Biennial Member may only Borrow Club Points up to the next Use Period or only Rent Club Points up to 50 percent of the amount of Club Points that such Biennial Member then currently actually owns for the use of Season upgrades. Biennial Members are only allowed to use Club Point allotments, not Banked, Borrowed or Rented Club Points, within their Use Period for Suite size upgrades. A Villa Preferred Access Member may also purchase additional Club Points on terms and at the prices designated by the Club from time to time.

(8) Preferred Points. A Villa Preferred Access Member may use additional Preferred Points up to the amount of Club Points purchased but not in excess of a maximum aggregate of two weeks of Club Points each Calendar Year. Those Preferred Points may be used between May (Week 18) and October (Week 43) of a Calendar Year and are based on space availability. Preferred Points may not be converted to Club Points. Preferred Points may be split into smaller amounts. A Villa Preferred Access Member shall pay a full Maintenance Assessment for a full Week of Preferred Points or a prorated Maintenance Assessment for use of less than a full Week of Preferred Points. Preferred Points, or portions thereof, may be exchanged with an Exchange Company (if allowed) but cannot be Banked, Borrowed, or Rented. Preferred Points, or portions thereof, may be requested up to 12 months prior to the actual date of use of the Preferred Points in question. Preferred Points, or portions thereof, may be combined with Club Points and used to upgrade a Unit type 60 days or less prior to the Check-In Date. Consecutive reservations using different types of Club Points within the same stay are not permitted 61 days or more prior to Check-In Date and thereafter solely based upon availability. At least one Member must be present during the use of any Preferred Points. A Preferred Points reservation may only be made in the name of a Member and not in the name of any other person. Biennial Members shall be entitled to use Preferred Points during their Use Period consistent with the other provisions in the Governing Documents respecting Preferred Points.

Section 1.45 **Membership Certificate**

Means a certificate issued by the Club to a Member which shall specify all of the following information, if applicable: (a) the name of the person(s) to whom it is issued; (b) the type of Membership; (c) the specific Project or Primary Use Project in which the Member is entitled to lodging rights and services with the understanding that Membership Certificates associated with Gold Members or Villa Preferred Access Members shall not designate any specific Project or Primary Use Project because Gold Members and Villa Preferred Access Members are entitled to use any Project other than the Villa del Mar Project, except as expressly stated otherwise in these Rules and Regulations; (d) the Unit Type and maximum occupancy of the Unit Type; (e) whether it is a Fixed Week Membership or a Floating Week Membership; (f) the Season (with respect to Floating Week Memberships) or Week (with respect to Fixed Week Memberships) in which the Member is entitled to lodging rights and services; (g) Club Points associated with the Membership, if any; (h) voting class of the Member; (i) the number of Weeks the Member owns; (j) the Membership number; and (k) the effective date of the Membership. The Club shall issue and sell no more than (1) the product of 51 Memberships times the total number of Units in all Projects based on Weeks; and (2) the total number of points allocated as the use or occupancy value of all Units use of which is based on points in all Projects.

Section 1.46 **Membership Purchase Agreement**

Means the purchase and sale agreement by which a Member purchases a Membership in the Club along with any purchase-money financing documents as well as all exhibits, attachments and disclosures and associated with the foregoing as may be amended from time to time. In case of any conflict between a Membership Purchase Agreement and the other Governing Documents, the other Governing Documents shall control.

Section 1.47 **Minutes**

Means the minutes of meetings of the Members, the Board of Directors, or committees, as appropriate.

Section 1.48 **Off-Site Management Agreement**

Means the off-site management agreement among the Club and/or Administrator (if approved by the Club) and the Off-Site Manager to provide for the off-site management, operation and maintenance of the Club's activities and the Club Membership program.

Section 1.49 **Off-Site Manager**

Means the professional management company or individual hired to perform the duties and activities relating to the off-site management, operation and maintenance of the Club's activities and the Club Membership program pursuant to the Off-Site Management Agreement.

Section 1.50 On-Site Management Agreement

Means the on-site management agreement among the Club and/or Administrator (if approved by the Club) and the On-Site Manager to provide for the on-site operation, management and maintenance of the Projects.

Section 1.51 On-Site Manager

Means the company or individual which shall be responsible for the on-site operation, management and maintenance of a particular Project, including the Units and the Common Areas, pursuant to the On-Site Management Agreement.

Section 1.52 Payment Default

Has the meaning set forth in Section 6.06(a) of these Rules and Regulations.

Section 1.53 Permitted User

Means any person occupying a Unit in a Project by or through any Member including, but not limited to, such Member's Family Members, friends, guests, invitees, licensees, or renters (where authorized). Any act or omission of a Permitted User shall be deemed the act or omission of the Member by or through whom such Permitted User occupies the Unit or enters the Project.

Section 1.54 Personal Charge

Has the meaning set forth in Section 6.07 of these Rules and Regulations.

Section 1.55 Preferred Points

Means the Club Points given to or purchased by a Villa Preferred Access Member for use during May (Week 18) through October (Week 43) each Calendar Year.

Section 1.56 Primary Use Project

Means the Project named in a Member's Membership Certificate as the Project which the Member is primarily entitled to use. The Primary Use Project may or may not be the Project location where the Member's original Membership Purchase Agreement was executed.

Section 1.57 Project

Means any Club resort community, property and/or project in which the Club now or hereafter has use rights and in which the Club may now or hereafter grant to any Club Member use rights pursuant a Membership Certificate as determined by the Club from time to time.

Section 1.58 Project Rules.

Has the meaning set forth in Section 8.03 of these Rules and Regulations.

Section 1.59 Related Party or Related Parties

Means, the past, present, and future owners, directors, trustees, officers, employees, personnel, affiliates, agents, contractors, successors and assigns of a person or entity. In no event shall any person or entity and its Related Parties be deemed to be a Related Party of any other person or entity or its Related Parties. The Related Parties of the Club shall include the Developer, Seller, any On-Site Manager, any Off-Site Manager, any Administrator, any Project and/or their respective Related Parties. The Related Parties of a Member shall include that Member's Permitted Users and Exchange Users and their respective Related Parties.

Section 1.60 Rent or Renting

Means the act of a Member renting additional time or Club Points from the Club for a specified one-time use as offered by the Club from time to time.

Section 1.61 Reservation Deadline

Has the meaning set forth in Section 3.01 of these Rules and Regulations.

Section 1.62 Rules and Regulations

Means these Rules and Regulations as may be amended from time to time. Any references in the Membership Purchase Agreements to Rules; Regulations; Rules and Regulations; Covenants, Conditions and Restrictions; CC&Rs and similar matters shall mean these Rules and Regulations.

Section 1.63 Season or Seasons

Means any of the following three seasons:

Winter Season: Weeks 1-17 and Weeks 44-50, inclusive.

Summer Season: Weeks 18-43, inclusive.

Holiday Season: Weeks 51-52, inclusive as determined by the Club. Holiday Season use with Club Points shall be for a stay of either 7 consecutive nights or 14 consecutive nights, with Check-In on either a Saturday or Sunday and must not involve Banked, Borrowed or Rented Club Points. Reservations made 60 days or less prior to Week 51 will not be subject to these restrictions.

The Club reserves the right, exercisable in its sole discretion, to establish and modify the dates of the Seasons to adjust for peculiar or excessive demand or seasonal circumstances; provided, however, that any such change shall not reduce or shorten a Member's Season as provided in the Membership Purchase Agreement.

Section 1.64 Seller

Means the seller of an original Membership or its designee or successor in interest. Seller does not mean any re-seller of any Memberships unless that re-seller is the same as the seller of the original Club Membership in question.

Section 1.65 Service Period

Means, with respect to each Unit, the five-hour time period between Check-Out Time and Check-In Time reserved by the Club for the maintenance, cleaning and repair of the Unit and Common Furnishings.

Section 1.66 Special Assessments

Means a charge levied against each Member to cover any additional costs or expenses incurred by the Club, if the Board determines that, if for any reason, the annual Maintenance Assessment is or will become inadequate to meet all expenses incurred by the Club in any given year.

Section 1.67 Transfer, Transferor and Transferee

Have the meanings set forth in Section 2.06 of these Rules and Regulations.

Section 1.68 Unit

Means one of the individual residential units in a Project, including the Common Furnishings contained therein and attached balconies reserved for the use of Members who have purchased Memberships in the Club.

Section 1.69 Unit Type

Means the type of Unit designated in a Member's Membership Certificate in which such Member is entitled to lodging rights and services.

Section 1.70 Use Period

See the definition of Week below.

Section 1.71 User

Means any Member, Permitted User, Exchange User or other person who uses a Unit at a Project. Each User must be at least 18 years of age or be accompanied by a person who is at least 18 years of age. If the oldest User in a Unit is less than 25 years of age, then the Club and/or On-Site Manager shall have the right to require that (i) an additional written authorization be submitted to the Club, (ii) a credit card number and authorization guaranteeing any unpaid charges or damages incurred by the User, (iii) a refundable security deposit of \$500.00 US or such other amount determined by the Club and/or On-Site Manager be paid to the Club upon checking in at the Project and prior to occupancy of the Unit, subject to deductions for unpaid charges or damages, and/or (iv) any other security that the Club and/or On-Site Manager deems necessary to protect the Unit, Project and Club.

Section 1.72 Vacation Bank

Means the system or program maintained by the Club to allow Members to save and Bank unused Use Periods for use in later years.

Section 1.73 **Villa del Arco Cabo or the Villa del Arco Project**

Means the Project known as Villa del Arco located in Cabo San Lucas, Baja California Sur, Mexico.

Section 1.74 **Villa del Mar or the Villa del Mar Project**

Means the Project known as Villa del Mar located adjacent to the Villa del Palmar Vallarta Project in Puerto Vallarta, Jalisco, Mexico.

Section 1.75 **Villa del Palmar Cabo or the Villa del Palmar Cabo Project**

Means the Project known as Villa del Palmar located in Cabo San Lucas, Baja California Sur, Mexico.

Section 1.76 **Villa del Palmar Flamingos or the Flamingos Project**

Means the Project known as Villa del Palmar Flamingos located in Nuevo Vallarta, Nayarit, Mexico.

Section 1.77 **Villa del Palmar Vallarta or the Villa del Palmar Vallarta Project**

Means the Project known as Villa del Palmar located adjacent to the Villa del Mar Project in Puerto Vallarta, Jalisco, Mexico.

Section 1.78 **Voting Power**

Has the meaning set forth in the Bylaws.

Section 1.79 **Week or Use Period**

Means the time and use period designated in a Member's Membership Certificate during which the Member has the exclusive right to use the lodging rights and services in a Unit and associated Common Areas in accordance with the Governing Documents. For purposes of the Governing Documents, a Week or Use Period may constitute a time period different from (more or less) than a traditional seven-day week from Sunday through Saturday.

(a) **Fixed Week Memberships.** With respect to Fixed Week Memberships, each Use Period shall consist of a period of seven consecutive days and shall commence each Saturday at the Check-In Time and shall terminate on the following Saturday at the Check-Out Time, except that Use Periods associated with the following Units at Villa del Palmar Vallarta shall commence each Sunday at the Check-In Time and shall terminate on the following Sunday at the Check-Out Time: Units 1309, 4383 and 4483.

(b) **Villa del Palmar Vallarta and Building G Premier Memberships.** With respect to Villa del Palmar Vallarta and Premier Memberships designated in "Building G" of Villa del Palmar Vallarta, each Use Period shall consist of a period of seven consecutive days and shall

commence each Saturday at the Check-In Time and shall terminate at the Check-Out Time on the following Saturday.

(c) **Floating Week Memberships.** With respect to Floating Week Memberships (except Gold Memberships and Villa Preferred Access Memberships), each Use Period shall consist of a period of seven consecutive days and shall commence on the Member's Check-In Date at the Check-In Time and shall terminate on the Member's Check-Out Date at the Check-Out Time except as otherwise provided in these Rules and Regulations.

(d) **Premier Memberships, Gold Memberships, Villa Preferred Access Memberships and Biennial Memberships.** With respect to Premier Memberships, Gold Memberships, Villa Preferred Access Memberships and Biennial Memberships, each Use Period shall consist of any number of days and shall commence on any Check-In Date at the Check-In Time and shall terminate on the Check-Out Date at the Check-Out Time determined in accordance with the Membership in question and the Check-In Date may be any day of the Use Period.

(e) **Floating Holiday Season.** Each Member owning a Floating Holiday Season at any Project other than Villa del Mar may select a Check-In Date in accordance with these Rules and Regulations provided however, that the Use Period shall only include one holiday date within the requested Use Period, either Christmas Day or New Year's Day.

(f) **Week Numbering.** The Weeks of each Calendar Year shall be numbered consecutively. Upon purchase of a Membership, a Member shall be provided with a calendar which shows the Weeks for each Calendar Year throughout the term of that Member's Membership.

(1) **Fixed Week Memberships.** For Fixed Week Memberships, Week 1 shall be the Use Period commencing on the first Saturday in January and Week 52 shall be the Use Period commencing on the last Saturday in December, except (a) as revised by the Club when the Calendar Year includes 53 Weeks, or (b) that for the following Units at Villa del Palmar Vallarta Week 1 shall be the Use Period commencing on the first Sunday in January and Week 52 shall be the Use Period commencing on the last Sunday in December: Units 1309, 4383 and 4483.

(2) **Villa del Palmar Vallarta Memberships.** For Villa del Palmar Vallarta Memberships, Week 1 shall be the Use Period commencing on the first Saturday in January and Week 52 shall be the Use Period commencing on the last Saturday in December.

(3) **Floating Week Memberships.** For Floating Week Memberships (except Gold Memberships and Villa Preferred Access Memberships), Week 1 shall be the Use Period commencing on the first Thursday, Friday, Saturday, Sunday or Monday in January (as designated on the Membership Certificate), and Week 52 shall be the Use Period commencing on the last Thursday, Friday, Saturday, Sunday or Monday in December (as designated on the Membership Certificate).

(4) **Gold and Villa Preferred Access Memberships.** For Gold Memberships and Villa Preferred Access Memberships, Week 1 shall be the Use Period commencing on any day during the first 7 days of January (as designated on the Membership Certificate), and Week 52 shall be the Use Period commencing on any day during the last 7 days of December (as designated on the

Membership Certificate, except as revised by the Club when the Calendar Year includes 53 Weeks).

Article II. Restrictions on Lodging Rights and Services

Section 2.01 Lodging Rights and Services

Subject to all the terms and conditions contained in a Member's Membership Certificate and in the Governing Documents, (i) each owner of a Fixed Week Membership shall have exclusive lodging rights and services for each Fixed Week Membership owned in a specific Unit and the non-exclusive right (subject to restrictions in the Governing Documents) to use and enjoy the Common Areas during the one specific Use Period each Calendar Year that such Member has purchased pursuant to such Member's Membership Certificate; and (ii) each owner of a Floating Week Membership shall have the exclusive right, for each Floating Week Membership owned, to reserve and receive lodging rights and services in a Unit of a designated Unit Type for one Use Period each Calendar Year during a designated Season pursuant to such Member's Membership Certificate. A Member shall only use the exclusive lodging rights and services associated with that Member's Membership during the exact reserved Use Period(s) designated with that Membership and not at any other time. A User staying in one Project shall not use the services or Common Areas of any adjacent or other Project except that Users staying at Villa del Mar or Villa del Palmar may use the services and Common Areas of both of those Projects.

Section 2.02 Restrictions

Each User shall keep the Unit in which he or she has lodging rights and services and the Common Furnishings therein in good condition and in the same condition as when the Member or Permitted User checked into the Unit, vacate the Unit at the Check-Out Time on the Check-Out Date associated with his or her Use Period, remove all persons and personal property there from (except the Common Furnishings), leave the Unit and the Common Furnishings therein in good and sanitary condition and in the same condition as originally found and otherwise comply with such checkout and other regulations as may be contained in these Rules and Regulations and any Project Rules. Any charges or expenses incurred or to be incurred for damage or loss to any Project whatsoever caused by a Member and/or his or her Permitted User will be charged to the Member as a Personal Charge pursuant to Section 6.07 below and any nonpayment of such a Personal Charge shall be cause for suspension of such Member's Membership privileges until such Personal Charge has been paid, and provided that the Member has been provided notice of the opportunity for a hearing in compliance with the Governing Documents and Applicable Laws. Each User shall report any damage or deterioration of his or her assigned Unit or its Common Furnishings to the On-Site Manager as soon as possible after checking in. Except as required to prevent damage or injury to persons or property in an emergency, no User shall make or authorize any alterations to a Unit or its Common Furnishings; paint or otherwise refinish, redecorate, or attach any items to the walls, ceilings, floors, windows or doors bounding any Unit; or remove, alter, repair or replace any portion of the Common Furnishings without the prior written consent of the On-Site Manager. No animals shall be allowed or kept in or upon any Unit, except for duly licensed service animals.

Section 2.03 **Failure to Vacate**

If any User (the “Detaining User”) fails to vacate a Unit at the Check-Out Time on the Check-Out Date or otherwise makes unauthorized use of a Unit during a period other than his or her Use Period, or prevents another User (the “Detained User”) from using his or her lodging rights and services for a Unit during the Detained Member’s Use Period, such Detaining User shall (a) be subject to immediate removal, eviction or ejection from the Unit wrongfully used; (b) reimburse the Club, On-Site Manager and the Detained User for all costs and expenses incurred by Club, On-Site Manager, and/or the Detained User as a result of such conduct, including, but not limited to, costs of alternate accommodations, travel costs, court costs and reasonable attorneys’ fees incurred in connection with removing, evicting or ejecting the Detaining User from such Unit and costs (including reasonable attorneys’ fees and expenses) incurred in collecting such amounts and expenses incurred to repair any damage and restore the Unit to the same condition as existed at the beginning of the Check-In Time; and (c) pay to the Detained User entitled to lodging rights and services for the Unit during such wrongful occupancy, as liquidated damages (in addition to the costs and expenses set forth in Section 2.03 (c) above), a sum equal to 200 percent of the fair rental value per day of the Unit for each day or portion thereof, including the day of surrender, during which the Detaining User prevents the use of lodging rights and services for the Unit. The Club shall be responsible for determining the “fair rental value” of a Unit. “Fair rental value” for a Unit shall be based upon the costs of renting comparable accommodations located in the vicinity of the Project. The On-Site Manager shall use reasonable efforts to remove such Detaining User from the Unit, to assist any Detained User in finding alternate accommodations during such holdover period, or to secure, at the expense of the Detaining User, alternate accommodations for any Detained User. Such alternate accommodations shall be as near in value to the Detained User’s Unit as possible and the cost thereof shall be assessed to the Detaining User as a Personal Charge. If the On-Site Manager, in its sole discretion, deems it necessary to contract for a period greater than the actual period for which the permitted use is prevented, in order to secure alternate accommodations as set forth above, the cost of the entire period shall be assessed to the Detaining User as a Personal Charge. By accepting issuance of a Membership Certificate, each Member agrees that, in the event of a wrongful occupancy or use by such Member or his or her Permitted User, damages would be impracticable or extremely difficult to ascertain and that the measure of liquidated damages provided for herein constitutes a fair compensation to those who are deprived of the use of their lodging rights and services. If a Member or his or her Permitted User by intentional or negligent act renders a Unit uninhabitable, then (i) such Member or Permitted User shall be deemed a Detaining User, (ii) the foregoing provisions of this Section 2.03 shall apply, and (iii) such Detaining User shall be liable to any Detained User during any such successive Use Period just as if such Detaining User had refused to vacate the Unit at the end of his or her Use Period. For purposes of this Section, the act, omission, or negligence of a Permitted User shall be deemed to be the act, omission or negligence of the Member authorizing the Permitted User to use such Member’s Membership rights and Unit.

Section 2.04 **Maximum Occupancy Limitations**

The maximum number of persons allowed to occupy each Unit Type shall be as follows:

1. Small Studio only in Villa del Mar: two persons

2. Studio: four persons (two adults and two children under age 12)
3. One-Bedroom: four persons
4. Two-Bedroom: six persons
5. Two-Bedroom Ocean-Front: six persons
6. Two-Bedroom Penthouse: six persons
7. Three-Bedroom Ocean-Front: eight persons
8. Three-Bedroom Penthouse: eight persons

Such occupancy limitations apply only to use by a Member or Permitted User and not by any Exchange User. Occupancy limitations imposed on an Exchange User shall be in accordance with the requirements of the applicable Exchange Company but in no event shall exceed those limitations set forth above. In the event a User arrives at the Project and attempts to register persons in excess of the maximum number allowable for the Unit Type in question, the On-Site Manager, in its sole discretion, may allow one additional person to be accommodated in said Unit Type. However, the User will be levied a Personal Charge in an amount determined by the On-Site Manager for that additional person for providing additional towel, linen, bedding, housekeeping and other service. In the event a User arrives at the Project and attempts to register more than one person in excess of the maximum number allowable for the Unit Type in question and the On-Site Manager declines to accommodate any extra persons, the User may rent an additional Unit, if available, at the applicable rack rate (e.g., normal room rate), less any discount that may be established by the Club from time to time or seek accommodations elsewhere at the User's option and expense. For the purpose of calculating occupancy of any Unit or Unit Type under this Section, each child over two years of age occupying a Unit shall constitute one person.

Section 2.05 Rights of Entry

Without limitation thereto, the On-Site Manager and its Related Parties shall have the right to enter the Units and the Common Areas for the purposes of performing administrative, maintenance and other duties or obligations including, without limitation, the right to enter Units during the Service Periods each Use Period and the annual Maintenance Period. The On-Site Manager shall be provided with a passkey to all Units. In case of emergency, the On-Site Manager and its Related Parties and such other designated Project employees may immediately enter any Unit and, in such case, shall notify the User occupying such Unit, as soon as reasonably possible, of the reason for such entry. No User shall block, alter any lock or install a new lock on any door leading to any Unit.

Section 2.06 Transfer of Memberships

(a) **General.** Subject to the Governing Documents, a Member may directly or indirectly sell, assign, encumber, convey or otherwise transfer ("Transfer") all of his or her Membership provided that such Member Transfers all, but not less than all, of his or her interest in his or her Membership (i.e., not less than the entire Use Period represented by each Membership owned). Any Transfer by any Member of less than all of his or her interest in a Membership shall be null, void and of no effect. A Member shall not Transfer his or her Membership during the first year of that Membership. A Member shall not Transfer his or her Membership except as specifically

authorized by the Governing Documents and any agreement to which the Member is a party. Certain benefits and rights associated with certain Memberships may not be Transferable as determined by the Club from time to time, especially if such Transfer does not comply with the Governing Documents, including but not limited to the following: (a) Club Points may be removed from the Transferred Membership so that it reverts to a traditional Membership based on Weeks; (b) Preferred Time may be removed from the Transferred Membership; and (c) extra fees may be required to accomplish the Transfer.

If a Member desires to Transfer his or her Membership before paying in full the price of sale under the Membership Purchase Agreement associated with that Membership, that Member shall first obtain the prior written approval of such Transfer from the Seller designated in that Membership Purchase Agreement, who may grant or deny approval of such Transfer at such Seller's sole discretion and without which said Transfer shall be null and void. If a Member (the "Transferor") Transfers a Membership to any buyer, recipient, assignee, beneficiary or transferee (the "Transferee"), that Transferee shall specifically agree in writing to abide by the Membership Certificate and the Governing Documents.

No Transfer shall be valid until the following conditions have been completed to the satisfaction of the Club: (i) any Assessments and purchase price financing have been paid in full and the Membership is otherwise in good standing under the Governing Documents; (ii) a notarized written statement from all original signatories authorizing the transaction and amendment to the Membership Certificate in question has been delivered to the Club; (iii) the Transferee has furnished a notarized written statement to the Club of the Transferee's name, address and telephone number and delivered to the Club the Transferee's agreement to abide by the Governing Documents; and (iv) the Transferee's agreement to pay the balance, if any, due under the Transferor's Membership Certificate has been delivered to the Club. Furthermore, Transferor shall pay to the Club a transfer fee in an amount determined by the Club from time to time. On satisfaction of the requirements for Transfer set forth in this Section, a new Membership Certificate may be issued to the Transferee and the Membership Certificate of the Transferor shall be cancelled. Upon completing the change of ownership in the Club records, the Transferee will assume any existing reservations previously made by the Transferor. The Club will notify the Transferee of those existing reservations that are being assumed.

(b) **Notice.** Within 10 days after the Transfer of any Membership, the Transferee shall notify the Club in writing of such Transfer. Such notice shall set forth the name, address, telephone number and email address (if any) of the Transferor and Transferee and the date on which such Transfer is to be, or was, consummated. Unless and until such notice is given and the conditions in this Section are satisfied (1) the Transferor Member remains subject to the obligations in the Governing Documents and is responsible for any and all Assessments, responsibilities and/or liabilities imposed or incurred pursuant to that Membership, and (2) the Club is not required to recognize the Transferee for any purpose. Prior to receipt of any such notification by the Club, any and all communications required or permitted to be given by the Club shall be deemed duly given and made to the Transferee if duly and timely made and given to the Transferor.

(c) **Villa Preferred Access Membership.** Notwithstanding any provisions herein otherwise, upon the Transfer of a Villa Preferred Access Membership, the Transferor shall forfeit any and all rights to utilize any remaining Club Points associated with that Membership. If the

Transferee is a Family Member of the Transferor (i.e. spouse, sibling or child), then the use rights associated with the Transferred Membership shall remain unchanged and the Transferee shall assume the Transferor's Club Points remaining as of the date of the Club's recognition of the Transfer. However, if the Transferee is not a Family Member of the Transferor, then the Transferred Membership shall automatically revert to a Premier Membership without any Club Points.

(1) **Right of First Refusal.** Notwithstanding any provisions herein otherwise, if a Member desires to Transfer any of that Member's right, title or interest in a Membership or Purchase Agreement, that Member shall first deliver to Seller written notice of that proposed Transfer along with the price and all other terms and conditions associated with that proposed Transfer (the "Notice"). Within the first 30 days following the date that Seller receives such Notice (the "Notice Date"), Seller shall have an exclusive right of first refusal to purchase that Membership or Purchase Agreement on the same price, terms and conditions as the proposed Transfer (the "Right of First Refusal"). If Seller does not exercise its Right of First Refusal, that Right of First Refusal shall automatically come back into full effect if (i) the Member ever changes the price, terms or conditions of the proposed Transfer from those delivered to Seller in the Notice, or (ii) the Member does not actually complete the proposed Transfer within 90 days following the Notice Date.

(d) **Security Interests.** Except as provided in Section 2.06(a) above or otherwise herein, no Member shall permit a Membership to be subject to any lien, claim or charge, the enforcement of which may result in a sale or threatened sale of the Membership or any part therein, of any other Member or in any interference in the use or enjoyment thereof by any other Member. Any authorized encumbrance shall be subordinate to all of the provisions of the Governing Documents. The Governing Documents shall be binding upon any Member whose title is derived through the enforcement of a security interest held in a Membership by any action, public or private. Notwithstanding, any other provision of these Rules and Regulations no breach of the provisions herein contained, nor the enforcement of any security interest created pursuant to the provisions hereof shall defeat or make invalid a purchase money security interest in any Member's Membership if the same is given in good faith and for value.

Section 2.07 **Protection of Memberships**

Except as provided in Section 2.06(d) above, a Member shall not permit his or her Membership to be subject to any lien, claim or charge, the enforcement of which may result in a sale or threatened sale of the Membership, or any part thereof, of any other Member or in any interference in the use or enjoyment thereof by any other Member. No Member shall seek or obtain judicial partition, or the equivalent of such remedies, of any Project, Unit or Membership. Any rights the Members may have as purported owners or purported tenants-in-common of any Project or Unit are hereby expressly waived and substituted in the place thereof are the terms and conditions of the Governing Documents. Should the lodging rights and services for, and enjoyment of, any portion of a Project, Unit, the Common Areas or Common Furnishings by any Member be threatened by reason of any lien, claim or charge against any Member and/or that Member's Membership, or should proceedings be instituted to effect any such sale or interference, any Member acting on his or her own behalf or through the Club, or the Club acting on behalf of any one or more Members (if the acting Member or Club is promptly indemnified to

his or her 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 Member whose interest was subjected to such lien, claim or charge shall forthwith pay the amount so paid or expended to the Member or the Club, whomsoever shall have paid or compromised the lien, claim or charge, together with such reasonable attorneys' fees and related costs as the Member or Club may have incurred. No Member shall permit his or her interest in any funds from time to time in possession of the Club to be subjected to any attachment, lien, claim or charge or other legal process and shall reimburse the Club for all reasonable attorneys' fees or other costs incurred in respect thereof.

(a) **Member Representations.** Each Member represents and warrants for himself or herself that the following statements are true, correct and not misleading through the term of the Membership:

(1) The Member has received, read, understood, approved and, where applicable, signed the Governing Documents.

(2) The Club and/or its Related Parties are not required to pay the Member for referring any future or potential customers to the Club and/or its Related Parties.

(3) The Club and/or its Related Parties have not made any representations, warranties or promises to the Member that the Member shall derive any income, profit or earning from the rents, profits or use of any other lodging right and service associated with the Governing Documents, the Club and/or the Membership. The Member understands that the Membership and Club Points are not securities or real property interests and have not been registered as such under any Applicable Laws.

(4) The Member has been given an adequate opportunity to investigate and become familiar with all aspects and components of the Membership and the Member is relying upon the Member's own investigation and familiarization and not upon any statement, representation or warranty of the Club and/or its Related Parties except as specifically set forth in the Governing Documents.

(5) The Member understands that that the Memberships are not intended to be securities and have not been registered or qualified under any federal, state, blue sky or other laws.

(b) **Limited Representations.** Each Member accepts his or her Membership in "as is" condition without any representations or warranties from the Club and/or its Related Parties except for the limited representations that may be provided to Member in writing in the Membership Purchase Agreement (collectively, the "Limited Representations"). Member's Related Parties shall not rely upon any other alleged statements, warranties, promises, guarantees or representations attributable to the Club and/or its Related Parties, or anyone acting or claiming to act on behalf of the same and no such other matters shall be binding upon the Club and/or its Related Parties.

(c) **Rental and Resale of Use Period.** A Member may rent or resell that Member's Use Period to others in accordance with the terms of the Governing Documents; however, that rental

or resale process is that Member's sole responsibility and that Member hereby releases and indemnifies the Club and its Related Parties from any liability or expense associated with any such rental or resale. In the event that a Member rents a Member's Use Period to others, that Member shall be responsible for the conduct of the renters and their guests at the Projects. A Member may rent or resell that Member's Use Period directly through that Member's own efforts or through any rental/resale entity, person or program except an employee associated with or employed by the Club and/or its Related Parties or any salesperson associated with the Member's purchase or upgrade of a Membership. In addition, a Member's salesperson is not allowed, in any way, to represent any specific rental or sales rates or refer any rental/resale companies to any Member. Each Member understands that there are various rental/resale companies in the marketplace, but many are not credible companies with proven track records. The Club does not recommend or endorse any rental/resale companies. Each Member acknowledges that such Member did not purchase the Membership with the expectations of receiving rental/resale returns which may offset the purchase price, Assessments or other expenses associated with the Membership.

Section 2.08 **Grant of Lodging Rights and Services by Permitted User**

In the event that a Member grants his or her lodging rights and services to a Permitted User, (a) the Club may charge a fee in an amount determined by the Club for the issuance of a Permitted User confirmation; (b) the Member shall provide a copy of the Governing Documents to the Permitted User; (c) the Member shall specifically notify the Permitted User of the maximum occupancy limitations associated with the Unit; and (d) the Member shall be ultimately responsible for any and all Personal Charges, costs, expenses or damages unpaid or arising from the Permitted User's use of the Club and Projects, including the Permitted User's failure to comply with the Governing Documents.

In the event that a Member authorizes any other person or entity to access that Member's Membership or account information, the Club may (i) require that the Member and the authorized party execute documents acceptable to the Club memorializing the nature, terms and conditions of such authority and access; and (ii) charge a fee in an amount determined by the Club for accommodating and permitting that access.

Section 2.09 **Common Area Use Restrictions**

A User's non-exclusive right to use a Project's Common Areas, is subject to reasonable restrictions including, but not limited to, the following:

(a) **Nuisance.** Radios, stereos, televisions, computers, electronic and other noise producing or similar devices must be played at a volume so as not to disturb the comfort of others. Users shall not cause any type of disturbance which is an annoyance to any other person staying at the Project. Noise shall be kept to a minimum between 11:00 p.m. and before 8:00 a.m. Any User who is disturbed by the volume of any radio, stereo, television, computer, electronic or other noise producing or similar device being used by another person should register a complaint at the Project's front desk, rather than directly with the person causing the nuisance.

(b) **Behavior.** Users shall comply with all the Rules and Regulations including the Club's rules governing the use of the pools, barbecue areas, tennis courts, recreation facilities, spas, wet areas and all other Common Areas of each Project. Users shall abide by generally accepted standards of reasonable conduct, whether or not specified in these Rules and Regulations. Users shall conduct themselves in a reasonable manner and shall not engage in any offensive, annoying, obnoxious, or threatening manner while at any Project. Appropriate dress is required in and around the pools, beaches, restaurants, recreational facilities, and all other Common Areas.

(c) **Visitors.** Each Project is a private facility. Unauthorized guests and visitors are not allowed on the Projects. Users may invite visitors on to a Project so long as the conditions in this paragraph to protect the security and comfort of all Users are met. Before any visitor is permitted on a Project, he or she must first obtain a visitor's pass from the On-Site Manager. Unless an overnight pass is obtained, each visitor's pass will be valid for a single day's visit between 8:00 a.m. and 11:00 p.m. or such other hours as may be determined by the Club, the On-Site Manager or the Project in question. Users may obtain overnight passes for their guests at the Project front desk upon the visitor's display of photo identification and the User's confirmation of financial responsibility for the visitor and posting of appropriate security deposits, credit card information or other security as determined by the On-Site Manager. The On-Site Manager has the right, in its sole discretion, to refuse visitor passes or overnight passes to any invited visitor who does not or does not appear (in the On-Site Manager's sole determination) likely to meet satisfactory standards of conduct, behavior or appearance, or who has violated or appears likely to violate any of the Club's Governing Documents. The number of permitted visitors allowed on any Project or in any Unit at one time may be limited by the rules instituted at each Project. Each Project shall have the right to determine and impose a charge for overnight or excessive visitors as determined in the sole discretion of the On-Site Manager.

(d) **Glassware.** Coolers, drinking glasses, bottles or other glassware are not permitted in or around swimming pools, hot tubs, spas, wet areas, beaches or other Common Areas.

(e) **Children.** Children under 14 years of age must be supervised and accompanied by an adult at all times while in any pool areas, hot tubs, wet areas and fitness facilities associated with the Common Area. Children under 14 years of age are discouraged from being in hot tubs even with adult supervision. Users may not play or make loud noises in corridors, parking areas, driveways, streets, or lobbies. Users are responsible for the behavior of their children and must ensure that their children do not disturb other people or cause damage or injury to any other person, any Project or the Club and/or its Related Parties.

(f) **Storage.** Towels, bathing apparel, clothing or any other personal property or articles may not be hung on balcony railings or balcony furniture. No clothing, brooms, cartons or other containers or cleaning equipment may be placed on balconies, in passageways or windows which may be viewed from the exterior of the building in which such balconies, passageways, or windows are located. Shoes, sandals, laundry, bagged or un-bagged trash, carriages, bicycles, mats, surfboards and all other similar items must be stored within the User's Unit and not in hallways, building entrances, balconies or any other Common Areas. Open flames, fires, hibachis or other items for cooking are not permitted on balconies or in Units. Furniture placed

on balconies, inside Units or in Common Areas by the Club or the On-Site Manager shall not be removed by any User.

(g) **Trash.** Garbage and refuse must be put in the appropriate garbage receptacles located in designated areas throughout each Project. Any discarded food must be tightly wrapped in order to minimize pest infestation.

(h) **Pool Furniture.** Use of pool beach lounge chairs and outdoor furniture is on a first-come, first-served, first-available basis. Pool, beach lounge chairs and outdoor furniture may not be reserved for extended periods of time by just placing personal articles thereon. Any pool, beach lounge chair, or outdoor furniture may not be saved. Any personal articles placed thereon, shall be removed for the use of another person by the On-Site Manager or its designated agent or employee. The Club and/or its Related Parties are not responsible for the loss or theft of any personal items left anywhere in the Common Areas.

(i) **Facilities.** Use of each Project's sport, leisure, recreational, food, and beverage facilities and other Common Areas is on a first-come, first-served, first-available basis, unless reservations are permitted by the On-Site Manager.

(j) **Food and Beverages.** Eating and drinking shall be confined to the Member's Unit, restaurants and other areas designated by the Club or On-Site Manager.

(k) **Soliciting.** No soliciting is permitted in the Common Areas without the prior written consent of the On-Site Manager, including posting flyers in hallways, holding signs anywhere in the Common Area, and/or distributing or posting petitions anywhere within any Project. Members are encouraged to address grievances in writing directly to the Club.

(l) **Risk.** Use of all Common Areas and facilities, including, but not limited to, swimming pools, health spas, wet areas, fitness centers, beach areas, oceans and other recreational facilities and equipment, is at the User's own risk. The Club and/or its Related Parties shall not be responsible for injuries to any person or damage or loss to any User's property from any cause whatsoever. Users are responsible for their own safety and the safety of their guests at all times. Because wet surfaces can be dangerous, Users should use caution in pool and wet areas and in all other outside areas and building entrances at all times, particularly during and following rain or where water is present. Users should exercise a very high degree of caution while on the beach and are reminded that in most cases, beaches are government property of the country in which the Project is located and in those cases the beaches are controlled by the government of that country rather than by the Club and/or its Related Parties. Users are reminded that recreational activities such as, but not limited to, parasailing, zip-lining, four-wheeling, horseback riding, waterskiing, jet skiing, personal water craft, paddle boarding, fly boarding, kayaking, boating, fishing, scuba diving and snorkeling involve risks and Users should use extreme care when engaging in these activities. The Club and/or its Related Parties do not sponsor or endorse, nor are they responsible for, any person's participation in off-site activities including, but not limited to, parasailing, zip-lining, four-wheeling, horseback riding, waterskiing, jet skiing, personal watercraft, paddle boarding, fly boarding, kayaking, boating, fishing, scuba diving, and snorkeling, and such activities are done at each User's own risk.

(m) **Currency Exchange.** The Club may, in its discretion, allow Users to exchange foreign currency for local currency. The exchange rate shall be based on current fair market exchange rates as determined by the On-Site Manager in its sole discretion. The On-Site Manager has the right to refrain from offering any currency exchange services. The On-Site Manager may charge an administrative fee for currency exchange services as determined by the On-Site Manager.

(n) **Safe Deposit Box.** Safe deposit boxes are available at the front desk or in the Unit at no charge. Users should not leave valuables in their Units. Neither the Club nor its Related Parties shall be responsible for any loss or damage to any personal property that is not placed in a safe deposit box at the front desk of the Project in question. A User shall be charged a fee for replacing a safe deposit box key lost by the User.

(o) **Check-Out.** When checking out, Users must completely vacate their Units and bring the following to the front desk: all luggage and other personal belongings, all beach towel receipts, all safe deposit box keys, and all room keys.

(p) **Keys.** A User will be charged a fee for the replacement of any key or key chain lost by any User.

(q) **Pools.** All swimming pools are open for use from approximately 9:00 a.m. to 9:00 p.m. each day or any other hours established by the On-Site Manager and/or Project in question. Hot tubs may be open longer as posted at each Project. No diving, climbing, running or jumping is permitted from any siding or islands or bridges in any swimming pools or hot tubs. Users must check water depth marks (located on the sides of each swimming pool) before entering the pools. Lifeguards may not be present at any of the pools, hot tubs or beaches. Use of any of the swimming pools (including without limitation diving boards and slides, where present) and hot tubs can involve risks and Users should use care when using the swimming pools, diving boards, slides and hot tubs.

(r) **Pets.** No pets or other animals may be brought onto a Project at any time, except for properly licensed service animals. Only dogs shall be allowed as service animals as long as they meet the requirements as service animals. In order for a dog to qualify as a service animal, the work it performs must be directly related to the handler's disability. Examples of such work or tasks include guiding people who are blind, alerting people who are deaf, pulling a wheelchair, alerting and protecting a person who is having a seizure, reminding a person with mental illness to take prescribed medications, calming a person with Post Traumatic Stress Disorder during an anxiety attack, or performing other duties. Service animals are working animals, not pets. Therapy animals deemed to provide emotional support, well-being, comfort or companionship shall not be deemed to be service animals allowed at the Project.

Service animals must be harnessed, leashed, or tethered, unless these devices interfere with the service animal's work or the individual's disability prevents using these devices in which case, the individual must maintain control of the animal through voice, signal, or other effective controls. Individuals are solely responsible for the care and supervision of their service animal. The Project is not required to provide care or food or a special location for any service animal. Individuals must promptly clean up after their service animals. Service animals shall not be left alone and unattended in Units for extended periods of time. Individuals may be

charged and liable for any damage or injury caused by a service animal. Service animals may be removed if either: (1) the animal is out of control and the handler does not take effective action to control it; or (2) the animal is not housebroken. The Project may exclude any service animal whose behavior poses a direct threat to the health or safety of others. Individuals shall follow the Governing Documents, including Project Rules, respecting service animals. Individuals are fully responsible for all actions of their service animals as well as any damage, injury, liability and/or nuisance caused by their service animals.

(s) **Parking.** Users may not leave cars unattended at lobby entrances, in driveways, or in loading or maintenance areas. Parking is available on a first-come, first-served, first-available basis. Repair of motor vehicles, boats, surfboards or other equipment and/or storage of such equipment, is not permitted in the parking stalls or other parking areas of a Project.

(t) **Towels.** Beach and pool towels are available from booths adjacent to the swimming pools between the hours of 9:00 a.m. and 5:30 p.m. daily, or any other hours established by the On-Site Manager and/or Project in question. Each User is allowed one towel per person per day and is fully responsible to return that towel in good condition. Towels may not be removed from a Project at any time. Towels in Units may not be used around the swimming pools, hot tubs, beaches or other Common Areas unless indicated otherwise by the On-Site Manager and/or Project. Users may be assessed a fee for each towel lost by such User. A User requiring a pool towel on the day of his or her departure may obtain a towel pass from the front desk to obtain a towel after leaving a cash deposit or signed credit card voucher as security.

(u) **Health Spas, Physical Fitness Facilities, Wet Areas.** The Club, the On-Site Manager and their respective authorized affiliates may charge a fee in the amount they determine for the use of the health spas and physical fitness facilities at the Projects. Except for Villa del Palmar Vallarta and Villa del Palmar Cabo, the Club and its authorized affiliates may charge a fee in the amount they determine for the use of the wet areas at the Projects.

(v) **Use.** Users shall only use the accommodations, facilities and services associated with the Club and its Projects and Units for their own personal use in accordance with the Governing Documents and all Applicable Laws and not for any commercial or other use. Use of the pool areas, hot tubs, wet areas, fitness facilities, Common Areas and associated accommodations, facilities and services is at the sole risk of the User and the Club and its Related Parties shall not have any liability for the same.

(w) **Smoking.** All Users must adhere to the current smoking policy in effect at the Project in which they are staying.

(x) **Drones.** No person shall directly or indirectly operate or use any unmanned aerial systems, radio-controlled aircraft, drones and similar devices on any common areas, parking lots, pools, spas, beaches and other areas associated with a Project except to the extent that may be allowed in the Project Rules associated with the Project in question. Any violation of this policy shall be a violation of the Governing Documents and may result in suspension of Membership privileges; confiscation of the device; liability for damages, injuries, regulatory fees, fines and legal fees and expenses.

(y) **Reserved Use.** The Club, Developer and/or On-Site Manager shall have the right, in their sole discretion, to designate certain sections of the Common Areas for priority reservation and use by certain Members for specific purposes.

(z) **Governing Documents.** The Club and its Related Parties are authorized to enforce the Governing Documents against any User. The Club and/or its Related Parties shall not be responsible for the violation of the Governing Documents by any User.

Article III. Reservations

Section 3.01 Reservation System

(a) **General.** With the exception of Premier, Gold and/or Villa Preferred Access Members, a Member may only reserve an entire Use Period falling within such Member's designated Season and may not reserve a portion of any such Use Period. Premier, Gold and/or Villa Preferred Access Members may reserve a portion of a Use Period at one Project and the remainder of the same Use Period at another Project, on the following conditions: (i) a Premier Member may not request such a splitting of a Use Period until the last 60 days prior to the Check-In Date of that Use Period (Gold and Villa Preferred Access Members are not subject to such time limitation), and (ii) the rights of Premier, Gold and/or Villa Preferred Access Members to split a Use Period between two (or more) Projects are subject to the availability of Units at those Projects during the Use Period in question. Premier and Gold Members may split a Use Period into two separate stays within the same Calendar Year, provided that the stay must include a Saturday or Sunday but may not include both a Saturday followed by a Sunday. Villa Preferred Access Members may split a Use Period into two separate stays with a minimum two-night stay required. Premier Members (but not Gold or Villa Preferred Access Members) must pay an additional fee for splitting their Use Period into two separate stays within the same Calendar Year. If a Member does not use a Use Period during any Calendar Year, there shall be no accrual or carry-over of such unused Use Period unless that Member can and does place the Use Period in the Vacation Bank pursuant to these Rules and Regulations. Biennial Members may only split a Use Period for Season upgrades and not for any other purpose.

(b) **Reservation Requests.** Requests for reservations may be made in-person, online, by telephone, email, facsimile, or mail. A reservation request will only be accepted by the Club if the Member has paid all applicable Assessments and is in good standing under the Governing Documents and the Member's Membership. Requests for reservations shall be confirmed on the first-come, first-served, first-available basis. The earlier a request is submitted, the better the chance that a reservation confirmation can be secured. The Club may require that all reservation requests be made in writing regardless of any other mode of communication permitted by this Section. The Club's ability to confirm a reservation is dependent upon the availability of the Unit Type requested. Therefore, the Club cannot guarantee that a particular reservation request can be fulfilled.

(c) **Prepaid Assessments.** Prior to accepting a reservation request made by a Member in advance of a Calendar Year, the Club may require that Member to prepay the Assessments for the Calendar Year in question. The amount of that prepaid Assessment shall be the actual amount of that Assessment established by the Club or if the actual amount has not yet been

established, then an amount determined by the Club which may include a percentage increase as projected and determined by the Club from time to time. The prepaid Assessment will be credited to such Member and applied in the Calendar Year in question. If any prepaid Assessment is less than the actual Assessment, then the Member shall pay the deficiency to the Club within 30 days of delivery of the Club's request for the same. If any prepaid Assessment is greater than the actual Assessment, then the Club shall credit the excess towards such Member's next Assessment.

(d) **Club Priority Period.** The reservation time-periods set forth in this Section and elsewhere in these Rules and Regulations are herein collectively called the "Club Priority Period."

(1) Reservations by Villa Preferred Access Members. During the Club Priority Period, Villa Preferred Access Members will compete with each other on a first-requested, first served, space-available basis for a reservation of any available Club accommodations. Villa Preferred Access Members will have the right to reserve full Weeks and/or Daily Use Periods within the Club during the Club Priority Period. Villa Preferred Access Members may request a reservation 24 months prior to the Check-In Date at any Project (but without guarantee of reservation in a specific Project), but receive priority during the first 14 months of such 24-month period. Villa Preferred Access Members may Rent Club Points no more than 10 months prior to the Check-In Date. Villa Preferred Access Members are entitled to Holiday Season use for a minimum stay of at least seven consecutive nights, and thereafter for another consecutive seven nights, for a total duration of either seven nights or fourteen nights, exclusively, with check in on Saturday which must not involve Banked, Borrowed or Rented Club Points. Villa Preferred Access Members may only reserve Holiday Season upgrades 60 days prior to the Check-In Date. Villa Preferred Access Members may have priority to request reservations of a minimum 2 nights' stay from 24 to 10 months prior to the Check-In Date. The Club and some Projects may allow single-night stays during this period in their sole discretion up to the Check-In Date. Villa Preferred Access Members may also make reservations outside of the Club Priority Period based upon availability.

(2) Reservations by Gold Members. Gold Members may request a reservation for an unspecified Use Period in a designated Unit Type during a specified Season at any Project (other than Villa del Mar and without guarantee of reservation in a specific Project) 24 months prior to the Check-In Date. In order to be assured this right, a Gold Member must request a reservation in accordance with the Rules and Regulations during the first 11 months of the 24-month period in which the Gold Member is entitled to do so. A Gold Member will receive priority during the first 14 months of such 24-month period at Villa del Palmar Flamingos and Villa del Arco Cabo. A Gold Member may request a reservation of Gold Time 12 months prior to the Check-In Date at any Project.

(3) Reservations by Other Members at Projects or Primary Use Projects Designated on Membership Certificates. All other Members may request reservations for Use Periods at the Project or Primary Use Project designated in their Membership Certificate commencing 24 months prior to the Check-In Date. All other Members (except Villa del Mar Members) may request reservations at all other Projects (without guarantee of reservation in a specific Project) commencing 10 months prior to the Check-In Date.

(4) Assured Reservations by Premier Members at Primary Use Projects. In order to be assured the right to reserve and use lodging rights and services for an unspecified Use Period during a specified Season in a designated Unit Type in a Premier Member's Primary Use Project, a Premier Member must request a reservation in accordance with the Rules and Regulations during the first 2 months of the 24-month period in which the Premier Member is entitled to do so.

(5) Reservations by Premier Members at Other Projects. Premier Members who desire to use a Project other than the Project identified on their Membership Certificates as their Primary Use Project may initiate reservations at the desired Project within 10 months prior to the Check-In Date. Those reservations will be accepted on a first-come, first-served, space-available basis without guarantee of reservation in a specific Project.

(6) Reservations by Other Members at Other Projects. Other Members (except Gold Members and Villa Preferred Access Members discussed above or Villa de Mar Members discussed below) who desire to use a Project other than the Project identified on their Membership Certificates may initiate reservations at the desired Project no more than 60 days prior to the Check-In Date. Those reservations will be accepted on a first-come, first-served, space-available basis. The Club will charge all Members (other than Premier, Gold and Villa Preferred Access Members) a fee for requesting an Internal Exchange of this nature.

(7) Reservations by Villa del Mar Members at Other Projects. Villa del Mar Members shall have no rights to reserve Use Periods at any other Projects except by means of exchange, Member rental discount or if reserved at least 60-days prior to the Check-In Date with payment of any reservation fee established by the Club from time to time.

(e) **Reservation Windows and Priorities.** To provide optimum utilization of accommodations available within the Club, the Club has established various reservation windows that provide a priority to reservation requests submitted for multiple-Week owners or requests for longer periods of time, such as seven nights, over reservation requests for accommodations of shorter duration, such as three nights. When making reservation requests, Members should be aware of the reservation priorities and windows that govern how far in advance reservations of varying lengths can be requested.

(f) **Reservation Deadlines.** Except as otherwise expressly stated herein, all reservations, Banking, Borrowing, and/or Renting associated with a Week must be made by the applicable reservation deadlines associated with that Week as set forth in these Rules and Regulations (the "Reservation Deadlines").

(1) Reservation Deadlines for Summer Season Weeks are as follows: (i) Floating Week Memberships for Villa del Mar (July 15th); Villa del Palmar Vallarta (August 1st); Villa del Palmar Cabo (August 15th); (ii) Gold Memberships (September 1st); and (iii) Villa Preferred Access Memberships (November 1st).

(2) Reservation Deadlines with respect to Winter and Holiday Season Weeks are as follows: (i) Floating Week Memberships for Villa del Mar (September 15th); Villa del Palmar

Vallarta (October 1st); Villa del Palmar Cabo (October 15th); and (ii) Gold Memberships and Villa Preferred Access Memberships (November 1st).

(3) Biennial Memberships associated with particular Use Periods shall have the same Reservation Deadlines as regular Memberships associated with those same Use Periods. All Banked Use Periods must also comply with the applicable Reservation Deadline each Calendar Year. Biennial Members may make a reservation for their Use Period during their non-Use Period 60 days prior to arrival. Requests for reservations received after a Reservation Deadline are less likely to be confirmed and may be subject to the other provisions contained herein. In the event reservation requests are received by the Club at approximately the same time and cannot all be confirmed for a particular Use Period, the Club shall confirm reservations to Members in equitable manner determined by the Club taking into consideration the past use or history of such Members.

(g) **Reservation Modifications, Cancellations, No Shows, and Fees.** The Club may charge a fee as determined by the Club for the making of any Internal Exchange or Internal Reservation subsequent to the Initial Reservation for lodging rights and services at a Project during a given Calendar Year for additional lodging rights and services during any Calendar Year. Any Cancellation or modification of a reservation during the first 24 hours after that reservation is made shall not incur any administration fee. Thereafter, any Cancellation or modification of a reservation shall be subject to an administration fee based on a sliding scale as determined by the Club except that Gold Members and Villa Preferred Access Members shall be entitled to one free Cancellation or modification per Use Period during each Calendar Year without incurring any administration fee at any time. In the event any Use Period has not been reserved by a Member before or at the time of the Reservation Deadline, or a confirmed reservation has been canceled less than seven days prior to the Check-In Date, or a Member has not taken possession of a reserved Unit within 24 hours after his or her scheduled Check-In Time, such Member shall be considered to have used the entire Use Period for which the reservation was made and charged accordingly and the Club or its authorized agent shall have the right to: (1) charge a cancellation fee, a “no show” fee and/or a reinstatement fee as determined by the Club and/or its authorized agent; (2) cancel the Use Period and any Club Points relating to the Use Period in question; and/or (3) occupy said Unit and/or to rent said Unit to other Members or the general public, subject to the following conditions: (i) if reservation requests are received at approximately the same time from Members and the general public, Members will receive higher priority; and (ii) the sale of occupancy days in the Units to the public must not materially interfere with confirmed reservations made by Members. Proceeds from the rental of any Unit under this Section shall be paid to the Club and/or its authorized agent as such parties may agree, and no Member shall be entitled to any part of such proceeds. If a Member does not use a Use Period during any Calendar Year, there shall be no accrual or carry-over of such unused Use Period unless that Member can and does place the Use Period in the Vacation Bank pursuant to the Governing Documents.

(h) **Reservation Confirmations.** A reservation request must be confirmed by the Club before it is valid. Confirmations will be made by the Club in writing; provided, however, that reservation requests received or confirmed after a Reservation Deadline may be confirmed by telephone. A reservation request may not be confirmed by the Club if at the time such request is

submitted the Member is in breach of the Governing Documents, or is delinquent in the payment of any amounts due including, but not limited to, the Assessments.

(i) **Early Check Out.** A Member, Permitted User or Exchange User who begins using a Use Period but checks out before the scheduled Check-Out Time, shall not be entitled to save, reserve, transfer or otherwise allocate the unused time in the Unit or associated Club Points and the Club or its agents shall have the right to rent that unused time to any other person without any compensation to the Member, Permitted User or Exchange User who checked out early.

(j) **Club-to-Club.** In the event the Club shall enter into a Club-to-Club Partnership with another club or resort, benefits may be extended to Members allowing them use of specified resorts. The Club and/or its Related Parties shall have the right to charge fees for the use of those benefits as they so determine.

(k) **Villa Access Preferred Reservations.** In addition to the other provisions respecting reservations in these Rules and Regulations, the following provisions shall pertain to Villa Preferred Access reservations. In the event of any conflict between the provisions in this Section and the provisions in any other Section of these Rules and Regulations, the provisions in this Section shall govern.

(1) **Making a Reservation.** A Villa Preferred Access Member must first access Club benefits and determine whether he or she has sufficient Club Points available in his or her Club Account to complete a reservation. To make that determination, a Villa Preferred Access Member may either call the Club for reservation assistance or utilize the annual Club Point Chart provided by the Club to each Villa Preferred Access Member. There may be a limited number of oceanfront and penthouse Units available for reservation through the Club due to the fact that the Club has designated this inventory for purchasers of Fixed Weeks. A Villa Preferred Access Member may relinquish Club Points and reserve a Unit at a Project in the name of a Permitted User. A Villa Preferred Access Member may be subject to a guest fee determined by the Club upon transferring any reservation.

(2) **Daily Use Period Options.** A Villa Preferred Access Member will be permitted to make reservations for Daily Use Periods at the Projects as permitted by the Club and respective Projects from time to time. Daily Use Periods may not be available at all the Projects. All reservations for Daily Use Periods shall be subject to the reservation request priorities. The Club reserves the right in its sole discretion to designate those Use Periods in which Daily Use Periods will be permitted to be reserved from time to time. Club Points required to reserve a Daily Use Period are subject to reasonable change by the Club from time to time without Member consent in the best interests of the Members as a whole as determined by the Club. A Villa Preferred Access Member who uses Club Points to reserve a Use Period or Daily Use Period may use any remaining Club Points to reserve another available Use Period or Daily Use Period.

(3) **Rentals.** A Villa Preferred Access Member may reserve a Use Period based on availability, and rent that Use Period for that Member's own personal account. A Villa Preferred Access Member may only rent a complete seven-day Use Period. Rental of any Daily Use Period is prohibited. All renters must comply with the Governing Documents and Applicable Laws. Rental or sub-rental of Preferred Time is prohibited. Once the rental reservation is made

for the Villa Preferred Access Member's Use Period, that Member shall notify the Club of the renter and pay any applicable guest or other fees. Each Villa Preferred Access Member shall assume liability for, release, waive, defend, hold harmless and indemnify the Club and/or its Related Parties from and against any and all liabilities, claims, actions, debts, liens, encumbrances, demands, obligations, damages, losses and/or expenses, including attorneys' fees and expenses and collection costs, incurred by Club and/or its Related Parties at any time directly or indirectly, entirely or in part, in connection with the rental of a Villa Preferred Access Member's Unit or Use Period, except to the extent caused solely by the gross negligence or intentional misconduct of the Club.

(l) **Wait List.** In order to accommodate high levels of use and demand for certain period of the Calendar Year for certain Projects, the Club shall have the right to establish a special reservation wait list for those days which are unavailable to the Members due to heavy booking. The wait list will be administered as determined by the Club, who shall also have the right to charge a fee for each wait-list reservation, substantially as follows:

(1) A Member must specifically request to be added to the wait list and pay a non-refundable wait-list fee as determined by the Club. At the time that a Member requests to be placed on the wait list, that Member must also select three alternative Use Periods. All wait-listed reservation requests shall be processed on a first-come, first-served and first-available basis. Upon cancelation or modification of a previously confirmed Use Period, the Club will offer the resulting available space to the next Member on the wait list. Reservation requests subject to the wait list shall be automatically canceled upon the first to occur of the following: (i) confirmation of one of the Member's alternative Use Periods, or (ii) confirmation of an alternative Use Period offered by the Club to such Member.

(2) In the event that the Club is unable to confirm a wait-listed reservation request, the Club may give priority to such Member in confirming that Member's reservation request for the following year by placing that Member at the top of the wait list for the following year ahead of other Members who may request to be placed on the wait list for the following year.

(3) Once a Member has received a confirmed reservation from the wait list, that Member shall be removed from the wait list. If a Member declines a reservation from the wait list, that Member shall be removed from the wait list.

Section 3.02 **Unfulfilled Reservations**

The Club shall respect and observe reservations made by the Member when duly confirmed by the designated reservations agent for the Club. In the event the Club or its On-Site Manager shall fail to provide the Unit(s) and Use Period(s) as reserved pursuant to these Rules and Regulations, the Club shall provide accommodations to the Member in another Unit of equal or superior category available within the Project as determined by the Club. If no additional Units are available within the Project for any reason other than an "Act of God" or a force majeure, the Club or its On-Site Manager shall obtain and pay for additional lodging in another hotel or resort of equal or superior category as determined by the Club. In the event that such alternate lodging is not available for any reason other than an "Act of God" or a force majeure, the Club, or its On-Site Manager, shall promptly pay for all of the Member's reasonable and actual transportation

and travel expenses from his or her place of residence to the Project and his or her point of departure, using similar modes and quality of transportation as the Member originally used as determined by the Club. In addition, the Club shall grant the Member the use of an additional Unit(s) and Use Period(s) during a future period of equal or superior category, time, and location as determined by the Club. In order to maintain full services at the Projects at the lowest costs, the Developer shall have the right to commercialize and use any unused reservations or other Club inventory, Weeks and Use Periods for the Developer's hotel purposes.

Section 3.03 **Internal Exchanges**

Members may make Internal Exchanges of Use Periods with other Members of the Club (including without limitation Villa del Mar Members) or with members of other vacation clubs or resorts that are approved by the Club and any affected Internal Exchange Projects. Any such Internal Exchange shall be in accordance with procedures established by the Club and the participating Internal Exchange Projects from time to time. Members shall be notified in writing of such procedures by the person or entity designated by the Club to coordinate such Internal Exchange programs.

Section 3.04 **Vacation Banking**

(a) **General.** A Member who does not use certain Use Periods or Club Points to which he or she is entitled may save those Use Periods or Club Points for use in a later year by placing them in the Vacation Bank for a maximum of three consecutive years, except that (i) a Gold Member or Villa Preferred Access Member may Bank Use Periods or Club Points for a maximum of five consecutive years; and (ii) a Villa Preferred Access Biennial Member may only Bank Club Points into that Biennial Member's next Use Period. The right of a Member to use a Use Period or Club Points which the Member has placed in the Vacation Bank is subject to availability on a first-come, first-served, first-available basis. The Club may charge a fee as determined by the Club each Calendar Year per Use Period for the placement of a Use Period into the Vacation Bank; provided, however, such fee does not apply to Gold or Villa Preferred Access Members or to Club Points. The Club may charge a fee to any Member (including a Gold or Villa Preferred Access Member) who does not place a Use Period into the Vacation Bank by the deadline to do so as such fees and deadlines may be established by the Club from time to time. The ability of a Member to place a Use Period or Club Points into the Vacation Bank or to use a Banked Use Period or Club Points shall be subject to notice requirements and other requirements which may be established by the Club from time to time. If a Member wishes to place a Use Period in the Vacation Bank, all current or accrued Use Periods must be Banked by the Member by the applicable Reservation Deadline. The Club reserves the right to prohibit a Member from Banking any Use Period or Club Points if that Member is delinquent in the payment of any Assessments and/or otherwise not in good standing under the Governing Documents. The Club reserves the right, in its sole discretion, to suspend or modify Banking activity at any time, if the Club, in its reasonable business judgment, determines that such suspension or modification will result in an improvement in the quality and operation of the Banking program, as a whole.

(b) **Villa Preferred Access.** Furthermore, a Villa Preferred Access Member may Bank his or her current Calendar Year's Club Points for use during any or all of the next successive five Calendar Years, subject to the following restrictions:

(1) A Villa Preferred Access Member may Bank up to 100 percent of his or her current Calendar Year's Club Points for use during the next successive five Calendar Years, to reserve multiple nights' accommodations, or to access Club services and benefits. Banked Club Points may be used to reserve Club accommodations up to 24 months in advance of the date of the reservation in question.

(2) A Villa Preferred Access Member must notify the Club's reservation services of that Member's intent to Bank Club Points by the applicable Reservation Deadline.

(3) A Biennial Member may only use Banked Club Points for Season upgrades and not for Unit size upgrades.

Section 3.05 **Borrowing**

(a) **General.** A Member may Borrow Use Periods up to three years in advance from the current Calendar Year, except that (i) a Gold Member or Villa Preferred Access Member may Borrow Use Periods or Club Points up to five years in advance from the current Calendar Year; and (ii) a Villa Preferred Access Biennial Member may only Borrow Use Periods or Club Points from that Biennial Member's next Use Period. A Member may not Borrow Use Periods or Club Points from the end of that Member's contracted Use Periods or Club Points. The total amount of existing and Borrowed Use Periods or Club Points during any one Calendar Year may not exceed five years total. When Borrowing, a Member must Borrow a full year's allocation of Club Points. As such Members are not allowed to Borrow only a part of their annual allocation of Club Points. After a Member has used all five years of existing and Borrowed Use Periods or Club Points in that Member's active Club Points account, then that Member will be allowed to Borrow additional Use Periods or Club Points so long as the aggregate amount of existing and Borrowed Use Periods or Club Points does not exceed a total of five years for the then current Calendar Year. Borrowed Use Periods or Club Points may be used to reserve Club accommodations up to 24 months in advance of the Check-In Date of the reservation in question. The right of a Member to use Borrowed Use Periods or Club Points is subject to availability on a first-come, first-served, first-available basis. A Biennial Member may only Borrow Club Points from that Biennial Member's next Use Period and may only use those Borrowed Club Points for Season upgrades and not for Suite size upgrades. The Club may charge a fee as determined by the Club per Use Period each year to Borrow Use Periods; provided, however, such fee does not apply to Gold or Villa Preferred Access Members or Club Points. The ability of a Member to Borrow Use Periods or Club Points and/or to use Borrowed Use Periods or Club Points shall be subject to notice requirements and other requirements which may be established by the Club from time to time. If a Member wishes to Borrow Use Periods or Club Points, such Use Periods or Club Points must be Borrowed by the applicable Reservation Deadline.

(b) **Fees.** At the time of Borrowing any Use Periods or Club Points, a Member must pay in full all the estimated Assessments for those Borrowed Use Periods or Club Points in an amount determined by the Club (which may include a percentage increase as projected and determined by the Club from time to time) and the Member must be in good standing under the Governing Documents. As the Member must Borrow a full year's allocation of Club Points, the Member is required to pay the full annual Assessment when Borrowing Points. Prepaid Assessments will be credited to such Member and applied in the Calendar Year in question. If any prepaid

Assessment is less than the actual Assessment, then the Member shall pay the deficiency to the Club within 30 days of delivery of the Club's request for the same. If any prepaid Assessment is greater than the actual Assessment, then the Club shall credit the excess towards such Member's next Assessment.

(c) **Other.** Members shall have the right to redeem Club Points with the Club for accommodations at any of the Projects or for other Club services or benefits as may be offered by the Club and available from time to time. The remaining balance of Club Points in that Member's account for that Calendar Year may be used for Club accommodations or carried over to the following Calendar Year. If a Member cancels a reservation made with Borrowed Use Periods or Borrowed Club Points, those Use Periods or Club Points may be deposited into the Vacation Bank upon paying any applicable cancellation fees as determined by the Club or the Developer in their discretion and any Borrowed Use Periods or Borrowed Club Points will be returned to the status they held immediately prior to booking the reservation in question. The Club reserves the right to prohibit a Member from Borrowing or using Use Periods or Club Points if that Member is delinquent in the payment of any Assessments or in violation of, or not in good standing under, any of the Governing Documents. The Club reserves the right to prohibit a Member from Borrowing Use Periods or Club Points during any Calendar Year during which that Member has a purchase-money loan balance of more than 50 percent of the original principal sum of that loan. The Club reserves the right, in its sole discretion, to suspend Borrowing activity at any time if the Club, in its reasonable business judgment, determines that such suspension will result in an improvement in the quality and operation of the Borrowing program, as a whole.

Section 3.06 **Rental of Additional Time**

(a) **General.** Members also have the option of Renting additional Club Points or time in order to extend or acquire a Use Period. The amount of additional Club Points or time that a Member may rent shall be subject to availability on a first-come, first-served, first-available basis at the discretion of the Club. Members may rent additional Club Points or time while at a Project during a Use Period or at the time of making a reservation therefore. This Rental option is only available to Members in good standing under the Governing Documents who will use or have used all of their Use Periods or Club Points during a Calendar Year and who desire additional time at a Project without Borrowing future Use Periods or Club Points. The cost of Renting additional Club Points or time shall be set by the Club or the Developer and may change from time to time. A Biennial Member may only Rent Club Points up to 50 percent of the amount of Club Points that such Biennial Member then currently actually owns and may only use those rented Club Points for Season upgrades and not for Suite size upgrades.

(b) **Costs.** The cost of Renting additional Club Points or time shall be equal to the fair rental value of such Club Points and time as determined by the Club less any discount that may be offered to Members during certain time periods as determined by the Club, which discounts may change from time to time at the Club's discretion. All Rental income directly or indirectly derived from the Rental of additional Club Points or time shall inure to the benefit of the On-Site Project Manager or its affiliates, except as may otherwise be provided in any separate Club Points rental agreement approved by the Club for the time and space in question.

Section 3.07 **Exchange Program**

(a) **Exchange Program.** In order to expand the range of vacation and resort options available to the Members, the Club may arrange for an Exchange Program. The Exchange Program consists of various exchange agreements among the Club, the Projects, Internal Exchange Projects and External Exchange Companies and Developers at particular Projects and resorts. Those exchange agreements allow Exchange Users to exchange lodging rights and services among the Projects and other resorts within and outside of the Club. No Exchange Company, Project, resort or other party is obligated to renew any exchange agreement upon the expiration of the term of that agreement. The External Exchange Companies, the Club, the Developers and other parties to the Exchange Agreements, and their respective subsidiaries and affiliates are in many cases separate and distinct entities. Each External Exchange Company and Internal Exchange Project is managed and operated entirely independent from the Club. The Club and its Related Parties make no representation or warranty respecting the quality, performance, availability or any other aspects associated with any exchange associated with any Internal Exchange Project or External Exchange Company or exchange and the Club and its Related Parties shall not have any liability for the same.

(b) **Exchange Requests.** All exchange requests shall be processed through the Club. Following verification that the Member is in good standing, the Club will forward the Member's exchange request to the Exchange Company for processing. A Member's participation in the Exchange Program is governed by the terms and conditions of the Exchange Program and the Governing Documents. All exchanges are limited to a Member's time and/or Club Points for the interval in question and will be designated by the Member's Membership, Season and Unit Type. Members are limited to their annual allocation of Club Points for exchange purposes and may not use Rented, purchased, Banked, or Borrowed Club Points to create a higher Season or larger Unit type.

Section 3.08 **Other Programs**

(a) **Club Benefits Program.** The Club may offer special services and benefits to Members from time to time through its Club Benefits Program. The Club reserves the right to establish such rules and regulations as the Club deems necessary to adequately govern Member access to and participation in the Club Benefits Program.

(b) **Elite Program.** The Developer may offer at its sole discretion, exclusive privileges through a loyalty program for Members who have purchased a certain number of multiple Club Points, Weeks, Memberships and/or use rights directly from a Developer in amounts determined by the Developer from time to time. Elite Program Members may have the exclusive benefits and rights determined by the Developer from time to time. The Elite Program and its terms may be offered and modified from time to time by the Developer at its sole discretion.

Article IV. Maintenance

Section 4.01 **Housekeeping Service**

Housekeeping service will be provided without additional charge on a daily basis so that the Units are always maintained in good order and repair. Prior to the Member's arrival at the

Project and occupancy of his or her assigned Unit on the Member's Check-In Date, the Unit shall be cleaned and returned to an orderly condition. In general, daily housekeeping service shall include a daily cleansing and making-up of the Unit, except for kitchen utensils, which shall be cleaned following the Member's departure. Bed linens shall be changed at least twice weekly and bathroom towels at least once daily. Housekeeping service shall not include cooking, preparation of meals, washing dishes, or washing or ironing of clothing. Housekeeping service shall be available daily from 9:00 a.m. to 11:00 p.m. or such other hours as may be determined by the Project or On-Site Manager in question. The Club may also implement other housekeeping service plans from time to time as determined by the Club.

Section 4.02 **Maintenance Period**

The Club may designate one Week per Calendar Year per Unit for the major maintenance, service and repair of that Unit by the On-Site Manager. The Club may determine the Maintenance Period for each Unit.

Section 4.03 **Maintenance Services**

The Common Areas and Units of each Project shall be continuously maintained and serviced by the On-Site Manager under an on-going maintenance program which shall include pre-established corrective, preventative and emergency maintenance procedures. Any Member may request specific corrective or emergency maintenance services while occupying his or her Unit without additional charge, except to the extent caused by the negligence or intentional misconduct of the responsible Member, Permitted User, or Exchange User. The specific degree or nature of preventative maintenance shall be carried out at the discretion of the Club and On-Site Manager. The provisions of the respective maintenance services shall conform to the following guidelines:

(a) **Corrective Maintenance.** Corrective maintenance shall consist of repairing or replacing any part, equipment or system, whether in a Unit or Common Area, which has ceased to function adequately as a result of wear and tear or normal damage. Repair will be made as quickly as possible given the human and material resources available at the time of repair. The option to repair rather than replace an item shall be solely at the discretion of the Club and the On-Site Manager.

With respect to Units and their contents, a corrective maintenance inspection shall be initially provided to a Member's Unit prior to his or her checking into that Unit. Thereafter, corrective maintenance services shall be provided on any occasion where the On-Site Manager is made aware of a situation requiring corrective maintenance, whether by staff inspection or notification by the Member. This service shall be available daily from 7:00 a.m. to 11:00 p.m., year-round or such other hours as may be determined by the Project in question.

With respect to Common Areas and other physical plants, corrective maintenance shall be provided daily upon staff inspection and/or upon notification by a Member of a situation requiring corrective maintenance. This service shall be provided daily from 7:00 a.m. to 11:00 p.m., year around or such other hours as may be determined by the Project in question.

(b) **Preventative Maintenance.** Preventative maintenance shall consist of maintaining, painting, lubricating, repairing, tuning-up, verifying performance of or replacing any part, equipment or system in each Project, such that the general life of the Units, the Common Areas and physical plant are prolonged in a cost-effective manner, thereby avoiding premature wear and tear or abnormal damage to same. Preventative maintenance shall take second priority to corrective maintenance and, in general, shall be performed pursuant to a predetermined schedule designed by the On-Site Manager taking into consideration several factors such as operational constraints, types of equipment, parts and systems, number of condition of Units, wear and tear, and required frequency of maintenance.

With respect to Units and their contents, preventative maintenance shall be provided at least once a year during (a) a period of time in which a Unit is either unoccupied or out of order for corrective maintenance, or (b) the Maintenance Period. To the extent reasonably possible, major refurbishment, replacement and repair work shall be performed during the Maintenance Period.

With respect to Common Areas and physical plants, preventative maintenance shall be provided on a pre-established and continuous basis pursuant to specific manufacturer requirements in the case of equipment, as well as generally accepted norms for other physical plant parts and systems.

(c) **Emergency Repair Maintenance.** Emergency repair maintenance shall include emergency repair to broken water and gas pipes, electrical outages, or malfunctions with central air conditioners, boilers, elevators, water/sewage pumps, potable water treatment equipment and any other malfunctioning equipment which can cause additional damage or uncomfortable conditions to the majority of occupied Units in the Project. This service shall be available daily, 24 hours a day, year-round.

Section 4.04 Units Which are “Out of Order”

The On-Site Manager shall have the right to designate a Unit as “Out of Order” when the Unit has one or more deficiencies which will affect the Member’s reasonable use of the Unit or when, in the sole discretion of the Club or On-Site Manager, the Unit’s appearance or general condition has become sub-standard such that it is deemed to be below the standard of the Project. In the event a Unit assigned to a Member is deemed to be Out of Order, the On-Site Manager shall accommodate the Member in alternative accommodation which shall be of equal or superior size and type as determined by the Club. The On-Site Manager shall take all reasonable steps to place the Unit which is Out of Order back in service as soon as practical.

Article V. Management

Section 5.01 Powers and Duties Generally

The Club, acting alone (through its Board, its officers or other duly authorized agents or representatives) shall be the sole party authorized to make any decisions, take any actions and enter into any agreements respecting the Club. The Club may, subject to the provisions of the Governing Documents, exercise any and all of its rights and, except as specifically limited

herein, all of the powers of a nonprofit mutual benefit corporation formed under the laws of the State of California.

Section 5.02 **Specific Powers and Duties of the Club**

The Club shall also have the duties to administer the Club Membership program and to levy, collect and enforce the fees and Assessments provided for herein. Without limitation on the above powers and duties, the Club is expressly authorized in its discretion and on behalf of the Members to do any or all of the following:

- (a) **Management Fee.** The Club shall have the duty to pay Management Fees to any Off-Site Manager, On-Site Manager and/or Administrator pursuant to the terms in the management or administrative service agreement between the contracting parties.
- (b) **Legal and Accounting.** The Club shall obtain legal and accounting services which the Club deems necessary or proper in the operation of each Project and the enforcement of the Governing Documents.
- (c) **Levy and Collection of Fees.** The Club and its Related Parties shall levy, collect and enforce the Assessments against the Members in the manner provided in the Governing Documents in order to pay the Management Fees owed to any Off-Site Manager, On-Site Manager or Administrator relating to the operation, management and maintenance of the Club and its Projects, the expenses of the operation of the Club Membership program and to enforce each Member's obligations.
- (d) **Financial Statements and Accounting.** The Club shall cause to be prepared regularly and distributed to all Members an annual report and a pro forma operating statement and budget (the "Budget") as provided for in the Governing Documents and/or pursuant to Applicable Laws.
- (e) **Bank Accounts.** The Club shall cause to be deposited all funds collected from Members in a separate bank account or accounts with a bank selected by the Club. Funds deposited in such account may be used by the Club only for the purposes for which such funds have been collected.
- (f) **Other Necessary Acts.** The Club shall do all other things or acts deemed by the Club to be necessary or desirable for the off-site, on-site and asset and inventory management and operation of the Club's activities and the operation of the Club Membership program pursuant to the Governing Documents.
- (g) **Delegation.** To the extent permitted under the Applicable Laws, and under the ultimate control and direction of the Club, the Club may delegate its authority and responsibilities to one or more agents including, without limitation, the Off-Site Manager, the On-Site Manager and/or the Administrator.

Section 5.03 **Authority to Engage Off-Site Manager**

The Club shall have the authority (but not the obligation) to engage and maintain a reputable entity or individual as the Off-Site Manager and other service providers and agents for the off-

site management and operation of the Club's activities and the Club Membership program as the Board shall authorize pursuant to an Off-Site Management Agreement meeting the requirements of this Section 5.03. The Off-Site Management Agreement shall:

- (a) Obligate the Off-Site Manager to perform any or all of the duties of the Off-Site Manager specified in this Article V as the agent of the Club and under the ultimate control and direction of the Club.
- (b) Provide for a term of not more than five years (unless otherwise approved by the Board), except that the Off-Site Management Agreement may provide that the term will automatically be renewed for successive annual terms unless notice of non-renewal is given no later than 90 days prior to the end of any term by either party. The Off-Site Management Agreement shall be subject to termination by the Club as follows: (i) for cause, upon no more than 30 days' prior written notice; or (ii) without cause, upon the vote or written consent of a majority of the voting power of the Club and upon no more than 30 days' prior written notice.
- (c) Provide that the Off-Site Manager may resign only upon compliance with such conditions as shall be set out in the Off-Site Management Agreement.
- (d) Provide for a Management Fee to be paid to the Off-Site Manager.

Section 5.04 Authority to Engage On-Site Managers

The Club shall have the authority (but not the obligation) to engage and maintain a reputable entity or individual as the On-Site Manager for the on-site management, operation and maintenance of each Project and the Club's activities in regards to each Project as the Board shall authorize and pursuant to an On-Site Management Agreement for each Project meeting the requirements of this Section 5.04. Each On-Site Management Agreement shall:

- (a) Obligate the On-Site Manager to perform any or all of the duties of the On-Site Manager specified in this Article V as the agent of the Club and under the ultimate control and direction of the Club.
- (b) Provide for a term of not more than three years (unless otherwise approved by the Board), except that the On-Site Management Agreement may provide that the term will automatically be renewed for successive annual terms unless notice of non-renewal is given no later than 90 days prior to the end of any term by either party. The On-Site Management Agreement shall be subject to termination by the Club as follows: (i) for cause, upon no more than 30 days' prior written notice; or (ii) without cause, upon the vote or written consent of a majority of the voting power of the Club and upon no more than 30 days' prior written notice.
- (c) Provide that the On-Site Manager may resign only upon compliance with such conditions as shall be set out in the On-Site Management Agreement.
- (d) Provide for a Management Fee to be paid to the On-Site Manager.

Section 5.05 Authority to Engage Administrator

The Club shall have the authority (but not the obligation) to engage an entity or individual as the Administrator to oversee, under the ultimate direction and control of the Board, the off-site, on-site and other management, operation and maintenance of the Club, the Off-Site Manager, the On-Site Manager, the Exchange Companies, the Club's Projects and other contracts, activities and transactions associated with the Club only to the extent necessary to fulfill the Administrators administrative obligations. The Club is authorized to enter into an Administrative Services Agreement meeting the requirements of this Section 5.05. The Administrative Services Agreement shall:

- (a) Provide that the Administrator will perform any or all of the duties specified in the Administrative Services Agreement as the agent of the Club and under the ultimate control and direction of the Club.
- (b) Provide for a term of not more than three years, except that the Administrative Services Agreement may provide that the term will automatically be renewed for successive annual terms unless notice of non-renewal is given no later than 90 days prior to the end of any term by either party. The Administrative Services Agreement shall be subject to termination by the Club as follows: (i) for cause, immediately and without notice; and (ii) without cause, upon 30 days' written notice.
- (c) Provide that the Administrator may resign only upon compliance with such conditions as shall be set out in the Administrative Services Agreement.
- (d) Provide for a Management Fee to be paid to the Administrator.
- (e) Provide that Administrator or Administrator's acts shall not change, alter, amend or violate any of the Club's or Members' rights and obligations under the Governing Documents.

Section 5.06 Multiple Off-Site and On-Site Managers

Subject to the guidelines set forth in Sections 5.03 and 5.04, the Club may hire a separate Off-Site Manager and/or On-Site Manager for each Project. The Club shall only have one Administrator at a time.

Article VI. Assessments

Section 6.01 Creation of Personal Obligation for Assessments

Each Member, by acceptance of a Membership Certificate, hereby promises to pay the Assessments to the Club for each Membership owned. The Assessments, together with interest, costs of collection and reasonable attorneys' fees, shall be the personal obligation of each Member at the time the Assessments become due and payable, shall bind such Members, successors and assigns, and shall be a lien or charge upon the Membership against which the Assessments are made. No Member may waive or otherwise avoid liability for the Assessments by non-use or abandonment of his or her Membership or any part thereof.

Section 6.02 **Purpose of Assessment**

Assessments shall be used exclusively to promote the recreation, health, safety and welfare of the Members, the operation and maintenance of the Club and the Club Membership program and to pay and reimburse the Club for Annual Expenses and other expenses incurred by the Club in the performance of the duties of the Club as set forth in the Governing Documents.

Section 6.03 **Annual Expenses**

“Annual Expenses” means the estimated aggregate amount of expenses as set forth in the Budget, to be incurred by the Club during the applicable Calendar Year (a) to provide for the payment of the Management Fees to each Off-Site Manager, On-Site Manager and Administrator, for the operation, management, maintenance, administration, improvement and repair of the Projects, including without limitation, the Units, the Common Areas, and the Common Furnishings, and for the creation of reserves for payment of capital expenditures relating to the repair, restoration or replacement of the Units, Common Areas and/or Common Furnishings; (b) to provide for the payment of miscellaneous expenses incurred in connection with the operation of the Club; and (c) payment of any insurance and bonding costs as well as any federal, state or municipal taxes and/or licensing fees.

Section 6.04 **Maintenance Assessment**

On a Calendar Year basis, a Maintenance Assessment for each Membership shall be determined by the Club in good faith taking into account Annual Expenses and reserve contributions attributable to such Calendar Year. The Maintenance Assessment may vary depending upon the Unit Type, the number of Club Points and/or the Project which is the subject of the Membership. The Maintenance Assessment shall be levied by the Club once a Calendar Year for each Membership, at such time during the Calendar Year as determined by the Club. The Club will use good faith efforts to send notices of the Maintenance Assessment in October each year except in the event that a Member purchases a Membership after that time, then the Club will use good faith efforts to send notice 30 days after the date of purchase. A Maintenance Assessment shall be due and owing for each Use Period (or equivalent in Club Points) owned by a Member, regardless of whether or not the Member uses his or her Use Period (or equivalent Club Points). Each Calendar Year, the Club may increase the annual Maintenance Assessment, provided, however, that any such increase shall not exceed 20 percent of the preceding year's Maintenance Assessment, unless a majority of the voting power of the Club present in person or by proxy at a duly-called meeting of the Members at which a quorum is present, shall consent thereto by vote or written consent.

The Maintenance Assessment shall be paid beginning with the month of November (or such other date as may be determined by the Club from time to time) in one lump sum or on such other installment payment plans as the Club may implement from time to time. In the event that a Member elects to pay the Maintenance Assessment in installments, the Club may charge a processing fee for each installment as determined by the Club from time to time. The Maintenance Assessment shall be due and payable on the date set forth in the notice of Maintenance Assessment issued by the Club and if no date is set forth in such notice then 30 days after the date that the Club issues that notice (the “Maintenance Assessment Due Date”).

Notices provided under this Section may be sent via mail and/or e-mail at the discretion of the Board of Directors. Billing statements and billing reminder notices may also be sent via e-mail. E-mail notice shall have the same force and effect as if the notice was mailed through the government postal service.

Section 6.05 Special Assessments

If the Maintenance Assessment with respect to any Membership is, or will become, inadequate to meet all expenses associated with the Club hereunder (other than for items constituting Personal Charges) for any reason, including nonpayment by any Member of assessments on a current basis, the Club shall promptly determine the approximate amount of such inadequacy, prepare and distribute a supplemental budget and levy (in the manner provided for the Maintenance Assessment in Section 6.04 above) against each Member, a Special Assessment in an amount sufficient to provide for such inadequacy; provided, however, that without the vote or written consent of a majority of the voting power of the Club present in person or by proxy at a duly-called meeting of the Members at which a quorum is present, Special Assessments shall not, in the aggregate, exceed five percent of budgeted gross Annual Expenses for the applicable Calendar Year. Any Special Assessment shall be payable in one lump sum or periodically (as determined by the Club) and shall be due and payable on the date set forth in the notice of Special Assessment issued by the Club and if no date is set forth in such notice then 30 days after the date that the Club issues that notice. Special Assessments relating to the operation, management, maintenance, administration, improvement, restoration, repair or replacement of a particular Project shall be borne solely by the Members associated with that Project. Special Assessments relating to any aspect of the off-site administration or management of the Club Membership program shall be levied on a pro-rata basis among all the Members. Special assessments shall be levied and collected in the same manner as the annual Maintenance Assessment. The Board may levy a Special Assessment in one lump sum or in installments over a period of time as the Board deems appropriate.

Notices provided under this Section may be sent via mail and/or e-mail at the discretion of the Board of Directors. Billing statements and billing reminder notices may also be sent via e-mail. E-mail notice shall have the same force and effect as if the notice was mailed through the government postal service.

Section 6.06 Payment Default

(a) If the Club has not received payment from a Member of the Maintenance Assessment by the Maintenance Assessment Due Date or of any other Assessment by the due date set forth in the notice of that Assessment issued by the Club and if no date is set forth in such notice then 30 days after the date that the Club issues that notice (a "Payment Default"), the Club shall deliver a "First Delinquent Notice" to the Member. The First Delinquent Notice shall, among other things, assess to the Member a Late Charge of 12 percent or such other amount as may be determined by the Club from time to time. So long as there is a Payment Default, subject to Applicable Laws, the Club may elect to not accept reservation requests from the Member, may elect to not mail reservation confirmations to the Member, and may elect to cancel any existing reservations the Member may already have made and confirmed (such cancelation may subject the Member to a cancelation fee). Once the First Delinquent Notice has been delivered, and after

compliance with any other requirements under the Governing Documents and Applicable Laws, the Club shall no longer have any obligation to assure the Member's right to reserve lodging rights and services at any Project, even if the delinquent payment and any Late Charge are thereafter received by the Club. If the delinquent payment (including any Late Charge) is not received by the Club within 30 days after the Club's issuance of the First Delinquent Notice, the Club shall deliver a "Second Delinquent Notice" to the Member. The Second Delinquent Notice shall, among other matters, assess a reinstatement fee to the Member in an amount determined by the Club from time to time, together with interest at the maximum rate allowable by Applicable Laws, compounded daily, on the overdue amounts and reinstatement fee, effective as of the date of the Second Delinquent Notice and continuing until the overdue amounts are paid in full. In addition, the Second Delinquent Notice shall notify the Member that the Club may cancel the Member's Membership subject to Applicable Laws if the overdue amounts (together with all Late Charges) are not paid immediately. In no event shall a Member be allowed to exercise the lodging rights and services associated with each of his or her Membership(s) prior to having paid all Assessments which are owed (both for the current Calendar Year and past Calendar Years) on each of his or her Membership(s). If a Member's rights to use his or her Membership(s) are forfeited or suspended due to failure to pay any Assessments, the Club shall have the right to rent the Use Period attributable to the Membership and to receive the rental income there from and the delinquent Member shall not be entitled to receive any of that income. Prior to a Member reserving any future Use Periods, all Assessments must be current for all Use Periods utilized. The First Delinquent Notice, the Second Delinquent Notice and all other communications shall be delivered to the last address shown for the Member in the records of the Club. The Club shall collect the Assessments plus any estimated increase in those amounts that is determined by the Club. The Club and its authorized agents shall have the right, but not the obligation, to waive any Late Charges.

(b) Apart from suspension from privileges and reservations and cancellation of Memberships for nonpayment of Assessments as provided above, the Club shall also have the right to suspend such Member's voting rights for the longest period allowed by Applicable Laws and to impose monetary penalties in excess of Late Charges for any other failure to comply with the Governing Documents by any Member and/or that Member's Permitted Users; provided that any suspension of voting rights shall be made, or monetary penalties in excess of Late Charges imposed by the Club for any reason other than nonpayment of Assessments, only at duly called meeting of the Board at which a quorum of the Board is present, held for such purpose in the same manner as provided in the Governing Documents for the noticing, calling, and holding of a special meeting of the Board. To the extent required by the Governing Documents and/or Applicable Laws, the Member whose voting rights are being sought to be suspended or against whom monetary penalties in excess of Late Charges are sought to be imposed shall be entitled to present either a written or oral defense to the charges. The decision as to whether a Member's rights should be suspended or monetary penalties in excess of Late Charges should be imposed shall be made by a majority of the Directors of the Board present at such meeting and shall be binding upon all Members. No suspension of voting rights or imposition of monetary penalties in excess of Late Charges shall be effective unless and until written notice of such matter has been given to the Member, which notice shall include the reason(s) therefore and the length of the suspension and the amount of any monetary penalties in excess of Late Charges, and not less than five days have elapsed after the aforesaid Board meeting. The Board may adopt a resolution and policy respecting such matters in general to be implemented by the Off-Site Manager, On-Site Manager

and/or Administrator. The Board may delegate to the Off-Site Manager, the On-Site Manager and/or Administrator the authority to carry out the disciplinary actions imposed by the Board.

(c) Any expulsion, suspension or termination of a Member's Membership rights, including, but not limited to, the Member's lodging rights and services, voting rights, and right to run for a position on the Board are subject to the following notice and hearing procedures as may be modified by any changes in the Governing Documents and/or Applicable Laws: (i) the Member is given 15 days' prior notice of the expulsion, suspension or termination of Membership privileges and the reasons therefore; and (2) the Member is provided an opportunity to be heard, orally or in writing, not less than five days before the effective date of the expulsion, suspension or termination by a person or body authorized to decide that the proposed suspension not take place.

Section 6.07 Personal Charge

The term "Personal Charge" means any expense resulting from the act or omission of, or otherwise in connection with, any Member, Permitted User, Exchange User or other User, including, without limitation: (i) the cost of telephone or internet charges incurred by such Member, Permitted User, Exchange User or other User; (ii) any special services, meals and beverages, supplies, resort use or facility fees, taxes, tips, gratuities, service charges and/or other fees and charges imposed by a Project and/or On-Site Manager attributable to the use of the lodging rights and services for a Unit during such Member's, Permitted User's, Exchange User's or other User's Use Period; (iii) the cost to replace or repair any damage or loss to the Unit, Common Furnishings, Common Area or any other area of a Project, due to loss or damage caused by a Member, Permitted User, Exchange User or other User; (iv) the cost to satisfy any amounts owing to any other Member(s) or to the Club, the Developer and/or their respective Related Parties due to any intentional or negligent act or omission or breach of the Governing Documents or Applicable Laws by such Member, Permitted User, Exchange User or other User; and (v) any Late Charges. For purposes of this Section 6.07, any act, negligence, intentional misconduct or breach of the Governing Documents or Applicable Laws by a Permitted User, Exchange User or User shall be deemed to be the act of the Member. All Personal Charges shall be paid by a Member as follows:

(a) If the Club and/or On-Site Manager can determine the amount of the Personal Charge at Check-Out Time, such Personal Charge shall be payable in cash, traveler's check or credit card at the Check-Out Time.

(b) Personal Charges which are not ascertainable at Check-Out Time shall be payable by cashier's check or credit card within 30 days after a Member receives a statement for the Personal Charges.

Section 6.08 Reserves

The Board shall have the power and authority to determine and establish the amount of Assessments, use, allocation, investment, expenditure and all other matters associated with the Club's savings and reserves.

Article VII. Enforcement of the Governing Documents

Section 7.01 General

If any Member, Permitted User, Exchange User or other User violates any of the terms of the Governing Documents and/or the Applicable Laws, the Board, on behalf of the Club and its Related Parties shall have the full power and authority to enforce compliance with the Governing Documents and Applicable Laws in any manner provided under Applicable Laws or in equity. The Club's enforcement powers are cumulative. If the Club employs any attorneys to enforce the terms of the Governing Documents, the Club shall be entitled to recover from the violating User reasonable and actual attorneys' fees and costs of enforcement or defense, in addition to any other amounts due. All sums payable by a Member hereunder, whether on account of Assessments or otherwise, shall bear interest at the maximum rate allowable by Applicable Laws, compounded daily, from the due date, or if advanced or incurred by the Club, or any other Member pursuant to authorization contained in the Governing Documents, from the date of such expenditure. By virtue of a Member's Membership in the Club, each Member hereby promises and agrees that the Club shall have all the rights, powers and remedies set forth in this Article VII and elsewhere in the Governing Documents and agrees to be bound by the provisions in the Governing Documents. The Club, Off-Site Manager, On-Site Managers, Administrator, Seller and/or Developer and their respective Related Parties shall not be responsible for the violation of the Governing Documents by any User and shall have the right to enforce any of the obligations under the Governing Documents directly against any Member or other person or entity who may be in violation of the obligations in the Governing Documents.

Section 7.02 Certain Specific Enforcement Powers

In addition to the general powers specified in Section 7.01 above, the Club shall have the following additional rights and powers:

- (a) **Suspension of Privileges.** If any Member or his or her Permitted User shall be in breach of the Governing Documents, the Club may suspend the right of such Member and Permitted User(s) to use the lodging rights and services for his or her Unit and the right of such Member to participate in any vote or other determination provided for herein after proper notice and opportunity for hearing in compliance with the Governing Documents and Applicable Laws.
- (b) **Cross Default.** If a Member owns more than one Membership, then any default under one Membership shall constitute a default under all such Member's Memberships and the Club may exercise rights and remedies against all such Memberships. Those defaults shall only be cured once all defaults are cured on all Memberships as determined by the Club and/or Developer.
- (c) **Enforcement by Cancellation.** The Club has a security interest (which shall be subordinate to any security interest created by a Member's Membership Certificate), in the form of a right to cancel a Member's Membership and accompanying lodging rights and services, securing the prompt and faithful performance of each Member's obligations under the Governing Documents and the payment to the Club of any and all Assessments levied against any and all Memberships, together with interest thereon at the maximum rate allowable under Applicable

Laws from the date of delinquency, any Late Charges and all costs of collection which may be paid or incurred by the Club in connection therewith, including reasonable attorneys' fees. In addition to a Payment Default discussed above, if any other default is not cured within 30 days after delivery of written demand by the Club, the Club may elect to cancel such defaulting Member's Membership following a Board meeting and decision as set forth above in connection with a Payment Default. Any demand for payment shall be executed and acknowledged by any officer of the Club and shall contain substantially the following information: (i) the name of the defaulting Member; (ii) the total amount of the delinquency, interest thereon, collection cost and reasonable attorneys' fees and monetary penalties imposed by the Club; (iii) that a demand for curing a default is hereby being made by the Club pursuant to the Governing Documents; and (iv) that the Membership will be canceled if the default is not cured. Upon the timely curing of any default for which a demand was made by the Club, the officers and agents of the Club are hereby authorized to rescind such demand. Cancellation of a Member's Membership shall be effective by giving such Member notice of such cancellation after a proper demand to cure such default. Upon proper notice of cancellation hereunder the Membership rights of such defaulting Member shall immediately cease and such Membership shall revert to the Club free and clear of any other interests or encumbrances associated therewith. Notwithstanding any provision to the contrary, any enforcement of the Governing Documents under this Section must comply with the Governing Documents and Applicable Laws.

Article VIII. Relationships Among Projects

Section 8.01 Types of Memberships

The Club issues different types of Memberships as described in these Rules and Regulations and as set forth in the Membership Certificates.

Section 8.02 Allocation of Reserves and Annual Expenses

Reserves and Annual Expenses relating to the off-site, on-site and asset and inventory management and administration of the Club and the Projects, including, without limitation, fees paid to all Off-Site Managers, On-Site Managers and the Administrator which are not specific to particular Projects, shall be shared on a pro-rata basis by all Members based upon Unit Type or Club Points and duration of use rights and shall be allocated among the various Projects each year as set forth in the Budget and approved by the Board.

Section 8.03 Additional Rules and Regulations – Project Rules

In addition to the Governing Documents, each Project On-Site Manager, Off-Site Manager, Administrator, Seller and Developer may recommend additional rules and regulations for the Project or Projects managed by said entities (the "Project Rules"); however, any Project Rules shall become effective and binding after they are duly approved by the Board. Such additional Project Rules shall specifically relate to the on-site, off-site and asset and inventory operation and administration of the Project to which they pertain, and shall be implemented to enhance the smooth and efficient operation of the Projects and Club for the benefit of Members, Permitted Users, Exchange Users and other Users. Among other matters, said additional Project Rules may include specific rules and regulations concerning the use of the Common Areas of the Projects

and Personal Charges and shall be implemented to enhance the use of the Common Areas and the Projects. Such additional Project Rules shall be automatically incorporated into these Rules and Regulations as though fully set forth herein and any breach of the same shall constitute a breach of these Rules and Regulations. Any Project Rules or other additional rules and regulations shall be consistent with the other Governing Documents. In the event of any conflict between the Governing Documents and such Project Rules or other additional rules and regulations, the existing provisions of the Governing Documents shall control.

Each User shall abide by the Project Rules and any violation of the Project Rules shall constitute a violation of the Governing Documents. The Club authorizes the On-Site Manager, the Off-Site Manager, the Administrator, the Developer and/or any of their respective Related Parties to enforce the Governing Documents, including Project Rules, against any User. The Club, the On-Site Manager, the Off-Site Manager, the Administrator, the Seller, the Developer and/or their respective Related Parties shall not be responsible for the violation of the Governing Documents by any User.

Section 8.04 Changes to Common Areas

Any substantial change to be made to the Common Areas of the Projects shall first be notified to Members for their approval by means of a majority vote of those in attendance in person or by proxy at a duly called meeting of the Members.

Article IX. Miscellaneous Provisions

Section 9.01 Amendment

These Rules and Regulations may be amended at any time by a vote of the majority of the Board acting in fairness and good faith. Notice of any amendment to the Rules and Regulations, including additional rules and regulations pursuant to Section 8.03 of these Rules and Regulations, shall be given in accordance with Section 9.03 of these Rules and Regulations.

Section 9.02 Termination

These Rules and Regulations shall remain in place until the dissolution of the Club or until the earlier termination or modification of these Rules and Regulations by the Board of Directors.

In the event that any agreement that affiliates the Club with any resort, Project, Developer, Off-Site Manager, On-Site Manager, Administrator, Exchange Company or other party is ever terminated for any reason or expires in accordance with its own terms, the terminated resort, Project or party may no longer be affiliated with the Club. However, upon any such termination, the Club will use best efforts to require that all confirmed reservations of Members will be honored. In the event of any such termination, and to the fullest extent permitted by Applicable Laws, each Member, on behalf of such Member and all its Related Parties, hereby irrevocably, unconditionally and forever releases, waives, terminates, discharges, covenants not to sue and dismisses all liabilities, claims, actions, debts, liens, encumbrances, liabilities, demands, obligations, damages, injuries, death, losses, and/or expenses, including attorneys' fees and expenses and collection costs, incurred at any time in law, equity or otherwise, in any amount

directly or indirectly, entirely or in part, in connection with the Club and its Related Parties as a result of any such termination.

Section 9.03 Notices

Notices provided for in these Rules and Regulations shall be in writing and shall be deemed sufficiently given either (i) when delivered personally at the appropriate address, (ii) upon the 5th day after deposit of same in any United States postal mail system postage prepaid, (iii) upon the 15th day following the deposit of such notice in the mail system of a country other than the United States, postage prepaid, (iv) upon receipt, when delivered by overnight or express delivery service, or (v) upon transmission when delivered by facsimile machine, provided that a copy of the notice is also sent on the date of facsimile transmission by an overnight or express delivery service. Any notice to a Member required under these Rules and Regulations shall be addressed to the Member at the last address for such Member appearing in the records of the Club. Notices to the Club shall be addressed to the address designated by the Club by written notice to all Members. Notices to the On-Site Manager shall be addressed to the Project associated with that On-Site Manager. Notices to the Off-Site Manager shall be addressed to the location designated by the Off-Site Manager. Notices to the Administrator shall be addressed to the location designated by the Administrator. The addresses and addressees for purpose of this Section 9.03 may be changed by giving written notice in accordance herewith. A party's last known address as provided in this Section shall continue in effect until notice is provided in accordance with this Section.

Section 9.04 Interpretation

The Article and Section headings in these Rules and Regulations are for convenience and reference purposes only and do not define, limit, describe, expand, modify or aid in the scope, intent, interpretation, construction or meaning of the Governing Documents. As used herein the singular shall include the plural and the masculine shall include the feminine and neuter and the word "person" shall include any corporation, firm, company, entity or other form of association.

Section 9.05 No Waiver

The failure to enforce any provision of the Governing Documents shall not constitute a waiver thereof of the right to enforce such provision thereafter. The provisions of the Governing Documents may be waived only in a writing signed by the party intended to be benefited by the provisions, and a waiver by a party of a breach hereunder by the other party shall not be construed as a waiver of any succeeding breach of the same or other provisions.

Section 9.06 Insurance

The Club shall obtain and maintain at all times a bodily injury and property insurance policy which shall cover damages and claims by Members, Permitted Users, Exchange Users or other Users for damages to their person and property while at the Project. All such policies of insurance for bodily injury and property damage shall provide coverage in amounts determined by the Club in its sole discretion. All such policies of insurance shall be issued and enforced in accordance with the Applicable Laws and policies of the country in which the Project to which they pertain is located. The Club shall also obtain and keep in force directors and officers and

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errors and omissions insurance and a fidelity bond in coverage and amounts as determined by the Board of Directors in its sole discretion.

Section 9.07 Force Majeure

Any prevention, delay or stoppage of work or other obligations to be performed by the Club and/or its Related Parties that are due to strikes; labor disputes; inability to obtain labor, materials, equipment or reasonable substitutes therefore; acts of nature; governmental restrictions, regulations or controls; judicial orders; enemy or hostile government actions; civil commotion; fire or other casualty or other causes beyond the reasonable control of the Club and/or its Related Parties shall excuse performance of the obligations by the Club and its Related Parties for a period equal to the duration of that prevention, delay or stoppage.

Section 9.08 Fees

Except as otherwise expressly stated in the Governing Documents, all fees and charges contemplated in the Governing Documents shall be established and may be modified by the Club from time to time.

Section 9.09 International Provisions

All payments and amounts under the Governing Documents shall be calculated in United States Dollars at the rate of exchange in effect on the date in question. Except as otherwise set forth herein, all time periods in the Governing Documents shall be calculated as of the time zone in which the Club's principal office or residence is located. Some of the Governing Documents may be prepared in both the English and other languages. Both translations shall constitute a single instrument and each shall be deemed an original of the Governing Documents for all purposes. In the event of any conflict between the English and the other translations of the Governing Documents, the English translation shall govern.

Section 9.10 Dispute Resolution

(a) **Claims Among Members.** Should any dispute arise among any Members that relate in any way to each other, prior to the institution of any legal proceeding, the parties in dispute shall mediate that dispute in San Diego, California (unless a different location is otherwise agreed to by the Directors) before an agreed upon mediator. If the parties in dispute cannot agree upon a mediator within 15 days following the time that a notice of mediation is served by one Director upon another or the Club, the mediator shall be selected from Judicial Arbitration and Mediation Services ("JAMS") utilizing JAMS Rules of Mediation applicable to commercial mediations. The decision of the mediator shall not be binding upon the parties in dispute. All applicable statutes of limitations and statutes of repose shall be tolled among the parties in dispute from the time that a notice of mediation is served by one party in dispute to another, until the mediation is concluded either by way of a settlement or if no settlement, by way of written notification served by one party or the mediator on another party that the mediation has concluded. This provision respecting Mandatory Mediation shall not be applicable to any Membership Purchase Agreement and disputes under a Membership Purchase Agreement shall be handled in accordance with the provisions of, and laws applicable to, that Membership Purchase Agreement.

(b) **Claims Involving Club and its Related Parties.** In the event that any Member, User and/or their respective Related Parties, or anyone claiming rights through the foregoing (collectively and/or individually a "Claimant"), has any dispute, claim, demand, offset, right or defense assertable against the Club and/or its Related Parties or involving any Project on any matter (collectively, a "Claim"), the Claimant shall first submit such Claim to the insurance company associated with the person, entity or Project in question for resolution and allow at least 90 days after submission of that Claim to the insurance company for resolution of that Claim before commencing any legal proceedings respecting such Claim. Such Claim shall be entirely barred, and fully released and waived, unless the Claimant commences mediation in accordance with the Rules and Regulations respecting such Claim within 180 days after the first occurrence of the event on which the Claim is based.

Any Claim of any kind by any Member, User and/or their respective Related Parties in connection with the Membership, the Documents, any Project, Seller, Exchange Company or program, the Club and/or their respective Related Parties or otherwise shall be resolved only by mutual agreement between the Parties or by binding arbitration (without right of appeal) in accordance with this provision. A Member shall not have the right to resolve any Claim by filing an action in any court of law or similar venue. A Member shall only have the right to submit a Claim for resolution by binding arbitration conducted in Spanish, administered by, and pursuant to the rules of, a Mexican arbitration association approved by the Parties. If the Parties cannot agree on a Mexican arbitration association then the Claim may be unilaterally submitted for resolution to the Arbitration Center of Mexico. Any such arbitration shall be conducted at an office of the designated Mexican arbitration association nearest to the Developer's principal office in Mexico by one or more arbitrators appointed in accordance with the rules of the approved Mexican arbitration association. The cost of arbitration, including the fees of the arbitrator(s), shall initially be paid by the Parties; provided, the prevailing Party shall be entitled to recover those costs, in addition to reasonable and actual attorneys' fees and expenses, collection costs and other expenses incurred during the entire Claim as reasonably determined by the arbitrator(s). The provisions in this Section shall survive the termination of the Documents for any reason.

Section 9.11 Choice of Law and Conflicting Provisions

The Governing Documents other than the Membership Purchase Agreements shall be interpreted in accordance with the laws of the State of California, United States of America, without giving effect to those principles of conflict of laws that might otherwise require the application of the laws of another jurisdiction. In the event that any provision of the Governing Documents other than the Membership Purchase Agreements conflicts with any provisions of the laws of the State of California, such conflicting provisions shall be null and void upon final court determination to such effect, but all other provisions of the Governing Documents shall remain in full force and effect. In case of any conflict between the Bylaws and these Rules and Regulations, the Bylaws shall control. In case of any conflict between a Membership Purchase Agreement and the other Governing Documents, the other Governing Documents shall control except that each Membership Purchase Agreement shall be interpreted in accordance with the laws expressly referenced therein and applicable thereto.

Section 9.12 Enforcement and Jurisdiction.

The Governing Documents may be enforced by rights and remedies in law and in equity, including injunctive relief, and all of such rights and remedies shall be cumulative. In the event of a dispute instituted in connection with the Governing Documents, the parties shall be subject to the jurisdiction of the Superior Court of California San Diego and/or the Federal District Court located in San Diego, California, USA. The parties hereby expressly consent and submit to that jurisdiction, irrevocably waiving the right to any other jurisdiction to which they may be entitled to by reason of their present or future domiciles. The Governing Documents were made and executed and shall be performed in the County of San Diego, California, USA.

Section 9.13 Benefitted Parties

The rights and obligations arising under the Governing Documents exist exclusively for the benefit and duty of the individuals and entities subject to the Governing Documents and shall not be deemed to create any third-party beneficiary rights.

Section 9.14 Waiver

The provisions of the Governing Documents may be waived only in a writing signed by the party intended to be benefited by the provisions, and a waiver by a party of a breach hereunder by the other party shall not be construed as a waiver of any succeeding breach of the same or other provisions.

Section 9.15 Attorneys' Fees

The prevailing party shall be entitled to be reimbursed by the non-prevailing party for all costs, including attorneys' fees, incurred by the prevailing party in any enforcement, action or defense involving the Governing Documents.

Section 9.16 Enforceability

If any portion of the Governing Documents is held to be unenforceable, any enforceable portion thereof and the remaining provisions shall continue in full force and effect. No rule of strict construction shall be applied against any party.

Section 9.17 Joint and Several

In the event that any party consists of more than one person or entity, all of the rights and obligations contained herein shall be joint and several rights and obligations of each such person or entity.

Section 9.18 Time of Essence

Time is expressly made of the essence with respect to the performance of each and every obligation under the Governing Documents.

Section 9.19 **Proprietary Information.**

(a) **Definition.** For purposes of the Rules and Regulations, “Proprietary Information” shall mean all names, abbreviations, logos, trademarks, service marks, trade secrets, copyrights, domain names, websites, brands, electronic materials, technologies, concepts, ideas, products, plans, drawings, works of authorship, models, licenses, patents, inventions (whether patentable or not), customer and owner lists and information, records, databases, manuals, images, photographs, videos, audio productions, music, text, applets and other intellectual property (along with any variations, amendments and updates thereto) directly or indirectly associated with the Projects, the Club, the On-Site Manager, the Off-Site Manager, the Seller, the Developer and/or their respective Related Parties.

(b) **Restrictions.** Each Member and its Related Parties shall not directly or indirectly at any time or in any manner (i) purchase placement rights for any Proprietary Information or use any Proprietary Information in any manner of advertising or marketing materials or media, including but not limited to internet and web advertising; (ii) target, solicit, or otherwise exploit any of the Proprietary Information to seek or offer business, services or products to any person or entity in connection with any Proprietary Information; (iii) use, or allow any websites within its control, to use any predatory advertising methods designed to generate traffic from websites associated with the Proprietary Information in any manner including creating or overlaying links or banners on websites, spawning browser windows, or utilizing any other method to generate traffic from a website with Proprietary Information without the owner’s knowledge, permission and participation; (iv) use, copy, decompile, disassemble or reverse engineer any of the Proprietary Information; (v) create any intellectual property, product, service or technology that is based upon, developed with, derived from, uses, employs, or incorporates, any of the Proprietary Information; (vi) make any commercial use of the Proprietary Information; (vii) disclose, solicit, contact or enter into any agreements respecting the Proprietary Information; and/or (viii) have any right, title or interest in the Proprietary Information.

(c) **Liquidated Damages.** Each Member stipulates and agrees that any violation of these covenants respecting the Proprietary Information shall cause damages in amounts that are difficult if not impossible to ascertain with particularity. It is therefore stipulated that in the event of any breach of these covenants respecting Proprietary Information, the person breaching shall be required to pay the Club \$100,000, which amount is recognized as the best estimate or the valuation of such a breach, and the same is stipulated and acknowledged to be reasonable and not in the nature of a penalty or forfeiture.

Section 9.20 **Noncompetition.**

A Member and its Related Parties shall not directly or indirectly engage in any reservation, rental, marketing or other business or other activity that directly or indirectly competes or adversely impacts any business or interests associated with the Projects, the Club, the Seller and/or the Developer including any rental, sale, resale, financing or other disposition of Memberships or timeshare intervals on a commercial basis. Any revenues that a Member or its Related Parties shall directly or indirectly receive in connection with any such competitive business or other activity shall be held in constructive trust by the recipient thereof for the benefit of, and delivery to, the Club or its designee. This provision shall not prohibit a Member from

renting or selling any Membership owned by such Member in accordance with the Rules and Regulations.

Section 9.21 **Limitations on Liability.**

(a) **Club Responsibilities.** The Club may, to the maximum extent permitted under Applicable Laws, reimburse, indemnify and hold harmless each present and future director, officer, committee member and employee of the Club and its Related Parties and each person who, at the request of the Club acts as a director, officer, committee member or employee of any other entity in which the Club has an interest, from and against all loss, cost, liability and expense (including legal fees and costs) which may be imposed upon or reasonably incurred by him or her, including reasonable settlement payments, in connection with any claim, action, suit or proceeding or threat thereof, made or instituted, in which he or she may be involved or be made a party by reason of his being or having been a director, officer, committee member or employee of the Club and/or its Related Parties, or by reason of any action alleged to have been taken or omitted by him or her in such capacity. Notwithstanding the foregoing, no director, officer, committee member and/or employee of the Club and/or its Related Parties shall be entitled to such protection if the claim, action, suit or proceeding or threat thereof, arose in whole or in part because of his or her failure to act in good faith, in a manner that is in the best interests of the entity, or with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances, or if the director, officer, committee member and/or employee of the Club and/or its Related Parties fails to meet any of the exclusions to coverage under Applicable Laws. The right of indemnification provided in this Section shall inure to each person referred to in this Section, whether or not the claim asserted against him or her is based on matters which arose in whole or in part prior to the adoption of this Section and in the event of his or her death shall extend to his or her legal representatives.

(b) **Member Responsibilities.** To the extent permitted by Applicable Laws, each Member shall irrevocably, unconditionally and forever assume liability for, release, waive, defend, hold harmless and indemnify the Projects, Club, the Seller, the Developers, the Administrator, the Off-Site Manager, the On-Site Managers and/or their Related Parties from and against any and all liabilities, claims, actions, debts, liens, encumbrances, demands, obligations, damages, losses and/or expenses, including attorneys' fees and expenses and collection costs, incurred by the Projects, Club, the Seller, the Developers, the Administrator, the Off-Site Manager, the On-Site Managers and/or their Related Parties at any time directly or indirectly, entirely or in part, in connection with that Member, that Member's Membership, that Member's Related Parties, and/or any breach of the Governing Documents or Applicable Laws by that Member and/or its Related Parties except to the extent caused solely by the gross negligence or intentional misconduct of the person or entity seeking indemnification.

(c) **Acknowledgement.** In connection with any waiver or release required of any Member under the Governing Documents, such Member acknowledges that the significance and consequence of that waiver and release are that even if the Member should eventually suffer additional damages or have additional claims arising out of the circumstances associated with the released matters, the Member shall not be able to recover those damages or pursue those claims. Furthermore, each Member acknowledges that such Member intends these consequences even as to damages and claims that may exist but which the Member does not know exist, and which, if

known, would materially affect the Member's decision to be bound by the Governing Documents regardless of whether the Member's lack of knowledge is the result of ignorance, oversight, error, negligence or any other cause.

(d) **Releases and Waivers.** In connection with all the various releases and waives under these Rules and Regulations, each Member, Permitted User, Exchange User, other User and/or other person or entity and/or their respective Related Parties further understands and agrees that any and all rights under the provisions of Section 1542 of the California Civil Code are hereby expressly waived by each Member to the extent that they may be waived under Applicable Laws. That Section provides as follows: "A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor."

(e) **Nonliability.** To the fullest extent permitted by Applicable Laws, neither the Club nor its Club's Related Parties shall have any personal, recourse, deficiency or other liability of any kind to any Member, Permitted User, Exchange User, other User, other person or entity and/or their respective Related Parties for any damage, loss or prejudice suffered or claimed on account of (a) any decision, approval or disapproval of plans or specifications (whether or not defective), course of action, act, omission, error, negligence or the like made in good faith within which the Club and/or its Related Parties, committees or persons reasonably believed to be the scope of their duties; (b) any condition or circumstance at any Project or Common Areas; (c) any travel to or from any Project; (d) the acts or omissions of any Member, Exchange Company, On-Site Manager, Off-Site Manager, Administrator, Seller, Developer or other third party or their respective Related Parties; and/or (e) in connection with any agreement with any Exchange Company, On-Site Manager, Off-Site Manager, Administrator, Seller, Developer or other third party or their respective Related Parties.

(f) **No Negative Statements or Actions.** No Member shall at any time directly or indirectly take any action and/or make, publish, file or record any oral or written statements that would likely have a negative or injurious impact upon the Club and/or its Related Parties except in connection with enforcing the Governing Documents and/or as required by Applicable Law. No Member shall engage in any action that is derogatory, defamatory, libelous or slanderous to the Club and/or its Related Parties.

(g) **No liability for Other Projects.** The Club and its Related Parties shall not have any liability in connection with any projects or resorts other than the Club Projects and the Members and Users hereby irrevocably, unconditionally and forever release the Club and its Related Parties from any such liability.

Section 9.22 **Protection of Memberships.**

Memberships shall be indivisible. No Member shall seek or obtain judicial partition, or the equivalent of such remedies, of any Project, Unit or Membership. Any rights the Members may have as purported owners or purported tenants-in-common of any Project or Unit are hereby expressly waived and substituted in the place thereof are the provisions of the Governing Documents. Should the lodging rights and services for, and enjoyment of, any portion of a Project, Unit, the Common Areas or Common Furnishings by any Member be threatened by

reason of any lien, claim or charge against any Member and/or that Member's Membership, or should proceedings be instituted to effect any such sale or interference, any Member acting on his or her own behalf or through the Club, or the Club acting on behalf of any one or more Members (if the acting Member or Club is promptly indemnified to his or her 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 Member whose interest was subjected to such lien, claim or charge shall forthwith pay the amount so paid or expended to the Member or the Club, whomsoever shall have paid or compromised the lien, claim or charge, together with such reasonable attorneys' fees and related costs as the Member or Club may have incurred. No Member shall permit his or her interest in any funds from time to time in possession of the Club to be subjected to any attachment, lien, claim or charge or other legal process and shall reimburse the Club and/or its Related Parties for all reasonable attorneys' fees or other costs incurred in respect thereof as determined by judicial resolution.

AMENDED AND RESTATED

ARTICLES OF INCORPORATION OF UNIVERSAL VACATION CLUB

FIRST

The name of this corporation is Universal Vacation Club, hereinafter referred to as the “Club.”

SECOND

This corporation is a nonprofit mutual benefit corporation organized under the Nonprofit Mutual Benefit Corporation Law of the State of California. The purpose of this corporation is to engage in any lawful act or activity, other than Credit Union business, for which a corporation may be organized under such law.

This corporation has been formed for the specific and primary purpose of using, occupying, managing and maintaining resort property for the benefit of its members; and to promote and encourage various sorts of pleasure, leisure, exercise and recreation of its members.

THIRD

The Club shall have and exercise any and all powers, rights and privileges which a corporation organized under the Non-Profit Mutual Benefit Corporation Law may now or hereafter have or exercise, provided that the Club shall not, except to an insubstantial degree, engage in any activities or exercise any powers that are not in furtherance of the specific purposes of the Club.

FOURTH

The classes of Membership and the voting rights and privileges shall be as set forth in the Bylaws. The Club shall have no capital stock and shares therein shall not be issued. The Club shall have two classes of voting members: (1) “Developer Class” and (2) “Member Class” as those terms are defined in this corporation’s Bylaws.

FIFTH

All or any portion of these Articles of Incorporation may be amended by the vote or written consent of at least seventy-five percent (75%) of the Members present and voting, in person or by written proxy, at a duly-called meeting of the Members, at which a quorum is present, provided that the general nature of any proposed amendment is described in the notice of the meeting. To the extent that a particular provision of these Articles requires the approval of a specified percentage of all Members or of Members participating in a duly-called meeting, that provision may only be amended by a vote equal to or greater than that required for action under that provision.

SIXTH

The following acts cannot be taken without the approval by a majority of all members of the Developer Class:

1. Amendment of these Articles or Bylaws,
2. Removal of a Director authorized to be elected by the Developer Class

SEVENTH

The Club is one which does not contemplate pecuniary gain or profit to the members thereof, and is organized solely for nonprofit purposes. In no event shall the net earnings, income or assets of the Club be distributed or inure to the benefit of, any member, Director or officer of the Club or other private individual, either directly or indirectly, except upon winding up in dissolution. Upon the winding up in dissolution of the Club, after paying or adequately providing for the debts and obligations of the Club, the remaining assets may be distributed to the members of the Club as provided in the Bylaws.

EIGHT

The Club is authorized to indemnify its Agents (as defined in Section 7237 of the California Nonprofit Corporation Law, or any successor statute thereto) for breach of duty to the Club and its members, by Bylaw, Agreement, vote of Members or disinterested Directors or otherwise to the fullest extent such indemnification may be authorized hereby, subject to the limits on such indemnification set forth in Section 7237 or the California Nonprofit Corporation Law or any successor statute thereto.

NINTH

These Amended and Restated Articles of Incorporation hereby entirely amend, restate, and supersede all previously filed and adopted Articles of Incorporation for this corporation.

AMENDED AND RESTATED
BYLAWS OF UNIVERSAL VACATION CLUB

**THESE AMENDED AND RESTATED BYLAWS HEREBY ENTIRELY AMEND,
RESTATE, AND SUPERSEDE ALL PREVIOUSLY ADOPTED BYLAWS FOR THE
CLUB.**

ARTICLE I. DEFINITIONS

Except as otherwise defined in these Bylaws, the terms used herein shall have the same meanings as set forth in the Rules and Regulations of the Universal Vacation Club as amended from time to time.

ARTICLE II. GENERAL PROVISIONS

Section 2.01 Name

The name of the corporation is the UNIVERSAL VACATION CLUB, hereinafter referred to as the "Club." The principal office of the Club shall be in California or at such other place as may be designated by the Board.

Section 2.02 Application

The provisions of these Bylaws are applicable to each Project including, without limitation, any additional Units, buildings or other improvements which may be constructed on any of the Projects. The mere acquisition of any Membership in the Club or the mere act of using the lodging rights and services in any Unit in which the Club has lodging rights and services will signify that these Bylaws are accepted, ratified, and will be complied with by such Member.

Section 2.03 Statement of Purpose

The Club has been formed for the purposes of using, occupying, managing, and maintaining the Projects for the benefit of the Members of the Club and of promoting various sorts of pleasure, leisure, exercise and recreation of its Members and is more specifically described in the Club's Articles of Incorporation.

ARTICLE III. VOTING BY CLUB MEMBERSHIP

Section 3.01 Qualification

Each purchaser of a Membership in the Club shall be a Member of the Club. If a Membership is owned by more than one person, all such persons shall be Members of the Club; provided, however, that for the purposes of representation of such Membership with regard to the affairs of the Club and the voting of the Members of the Club, such Membership shall be represented by and entitled to only one vote which shall be cast and exercised in accordance with the provisions of these Bylaws.

Section 3.02 **Classes of Members**

The Club shall have two classes of Members: (1) Developer Class, and (2) Member Class. Developer Class means the Developer Members all as one group. Member Class means the holders of Memberships including unsold Memberships and sold Memberships regardless of whether paid in full, all as one group.

Section 3.03 **Voting Rights**

(a) Each Membership shall be entitled to one vote for each Week, except that all of the Biennial Memberships associated with a particular Week shall cumulatively be entitled to only one aggregate vote for the Week in question. For example, if a Biennial Premier Membership designates that a particular Week is owned during even years by one Member and owned during odd years by another Member, then each of those Members shall be entitled to one-half of a vote for a total of one vote associated with the Week in question and each such one-half vote may be voted at any time that a matter to be voted upon occurs regardless of whether that matter arises during an even year or an odd year. A Member's voting rights are subject to suspension for violation of the Governing Documents after notice and opportunity for hearing in accordance with the Governing Documents and Applicable Laws.

(b) The "voting power" of the Membership or Club, as that term shall be used in the Governing Documents shall mean the combined votes associated with all the Memberships in the Club consisting of (1) unsold Memberships, including those held or controlled in person or by written proxy by the Developer Members; (2) sold Memberships not paid in full, including those held or controlled in person or by written proxy by the Developer Members; and (3) sold Memberships paid in full, including those held or controlled in person or by written proxy. A vote or decision of the Members under the Governing Documents shall be the same as a vote or decision by the voting power of the Club or Members, and vice versa.

(c) Any approval by or of the Members in these Bylaws means approved or ratified by the affirmative vote of a majority of the votes represented and voting at a duly held meeting at which a quorum is present (which affirmative votes also constitute a majority of the required quorum) or written ballot in conformity with Applicable Laws or by the affirmative vote or written ballot of such greater proportion, including all of the votes of the Memberships of any class, unit, or grouping of Members as may be provided in these Bylaws.

Section 3.04 **Quorum**

Except as otherwise provided in these Bylaws, the presence in person or by written proxy of at least 10 percent of the voting power of the Club (excluding voting power suspended in accordance with the Governing Documents) shall constitute a quorum of the Membership. For purposes of establishing a quorum, Developer Members may use (i) all Memberships that are unsold; (ii) all Memberships that are sold and paid in full to the extent that a Developer Member is designated in writing as the proxy holder for those Memberships; and (iii) all Memberships that are sold and not paid in full because the Developer Members hold the general proxy for those not-paid-in-full Memberships even though the Developer Members shall not vote those

not-paid-in-full Memberships for Member Directors except as otherwise indicated in Section 5.06 below.

The Members present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough Members to leave less than a quorum.

Section 3.05 Proxies

Votes of the Members may be cast in person or by proxy. All proxies must be in writing. Proxies distributed to Members must meet all title requirements for written ballots set forth in Section 4.08 below and must include the name of the person to whom the written proxy is given. Only Members of record or their designated representatives are eligible to sign a proxy. Designated representatives of Members must have written documentation on file with the Club evidencing their authority to act and sign on behalf of Members of record.

ARTICLE IV. ADMINISTRATION

Section 4.01 Club Responsibilities

The Club shall have the responsibility of administering the Club Membership program, establishing and approving the annual Budget, and establishing and collecting all Assessments. The Club may delegate such duties and responsibilities in accordance with the Governing Documents and to the extent permissible under the Applicable Laws. The Club shall also have the responsibility of arranging and contracting for the on-site, off-site and asset and inventory management, operation and maintenance of the Projects and Club by contracting with third parties.

Section 4.02 Place of Meetings of Members

Meetings of the Members shall be held at a suitable place reasonably convenient to the Members as may be designated by the Board of Directors.

Section 4.03 Annual Meetings of Members

The first annual meeting of Members shall be held within one year after the first closing for the sale of a Membership in the Club. Thereafter, the annual meetings of the Members shall be held in October each year unless otherwise determined by the Board. At the applicable annual meetings, the Members shall elect members of the Board of Directors of the Club in accordance with the requirements of the Governing Documents. The Members may also transact such other Club business as may properly come before them.

Section 4.04 Special Meetings of Members

It shall be the duty of the Board to call a special meeting of the Members, if so directed by resolution of a majority of the Board of Directors, or upon receipt by the Secretary of the Club of a petition signed by Members representing at least five percent of the total voting power of the Club. The notice of any special meeting shall be given within 20 days after adoption of such

resolution or receipt of such petition and shall state the time and place of such meeting and the purpose thereof. The special meeting shall be held not less than 35 days or more than 90 days after adoption of such resolution or receipt of such petition. No business shall be transacted at a special meeting except as provided for in the notice.

Section 4.05 Notice of Meetings to Members

It shall be the duty of the secretary to send a notice to each Member of record, of each annual or special meeting, at least 30 days but not more than 90 days prior to such meeting, stating the purpose thereof as well as the day, hour and place where it is to be held. The notice may set forth time limits for speakers and nominating procedures for the meeting. The notice of any meeting at which Directors are to be elected shall include the names of all those who are nominees at the time the notice is given. That notice may be sent to Members in any manner allowed by Applicable Laws and as set forth in the Governing Documents including first-class mail, facsimile and/or electronic mail, communications and transmissions. The mailing of a notice, postage prepaid, in the manner provided in this Section, shall be considered notice served 48 hours after said notice has been deposited in a regular depository of the United States mail. The Board of Directors may establish a day in the future as a record date for the determination of the Members entitled to notice of any meeting of Members, provided that the record date so fixed shall be not less than 30 days or more than 60 days prior to the date of the meeting. Only Members who on the record date for notice of the meeting are entitled to vote thereat, shall be entitled to notice of such meeting, notwithstanding any Transfer or issuance of Membership Certificates on the books of the Club after the record date.

Section 4.06 Adjourned Meetings

If no quorum is present at a duly called meeting of the Members, the presiding officer shall adjourn the meeting. In the event of a meeting for the election of Directors, the meeting shall be adjourned to a time not later than 45 days from the adjourned meeting date, but no other business may be transacted at that meeting.

Section 4.07 Order of Business

Unless otherwise determined by the Board, the business at all meetings of the Members shall be substantially as follows: (a) establish quorum; (b) proof of notice of meeting or waiver of notice; (c) reading of the Minutes of the preceding meeting unless otherwise waived; (d) reports of officers; (e) reports of committees; (f) election of inspector of elections (at annual meetings or special meetings at which elections will be conducted) if not previously appointed by the President or the Board; (g) election of Directors (at annual meetings or special meetings held for such purpose); (h) unfinished business; and (i) new business.

Section 4.08 Action Without Meeting

Any action which may be taken at a meeting of the Members may be taken without a meeting if the following requirements are met:

(a) A written ballot is distributed to every Member entitled to vote setting forth the proposed action, providing an opportunity to signify approval or disapproval of the proposal and providing a reasonable time for the Member to complete the ballot and return it to the Club.

(b) The written ballot distributed to every Member affords an opportunity for the Member to specify a choice between approval and disapproval of each order of business proposed to be acted upon by the Club and further provides that the vote of the Member shall be cast in accordance with the choice specified.

(c) The number of votes cast by written ballot within the specified time period equals or exceeds the quorum required to be present at a meeting authorizing the action.

(d) The number of approvals of the action equals or exceeds the number of votes required to approve the action had it been taken at a meeting at which the total number of votes cast was the same as the number of votes cast by written ballot.

Section 4.09 Consent of Absentees

The actions taken at any meeting of Members, either annual or special, however called and noticed, shall be as valid as though taken at a meeting duly held after regular call and notice, if a quorum be present either in person or by written proxy, and if, either before or after the meeting, each of the Members not present in person or by written proxy, 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 or made a part of the Minutes of the Meeting.

Section 4.10 Minutes, Presumption of Notice

Minutes or a similar record of the proceedings of meetings of Members, when signed by the President or Secretary, shall be presumed to be conclusive proof of the matters set forth therein. A recital in the Minutes of any such meeting that notice of the Meeting was properly given shall be prima facie evidence that such notice was duly given.

Section 4.11 Action of the Club Requiring Certain Membership Approvals

Notwithstanding any other provision in these Bylaws, 90 percent of the votes of all Members shall be required to approve the dissolution of the Club or the merger of the Club with any other organization prior to dissolution. The following acts cannot be taken without the approval by a majority of the Developer Members:

1. Amendment of the Articles or Bylaws; and/or
2. Removal of a Director authorized to be elected by the Developer Class.

ARTICLE V. BOARD OF DIRECTORS

Section 5.01 Number and Qualification of Directors

(a) The affairs of the Club shall be governed and managed by a Board of Directors composed of eight persons, consisting of three Member Directors and five Developer Directors (as those terms are defined in Section 5.02 below). The authorized number of Directors may be changed by a duly adopted amendment to these Bylaws.

(b) A candidate for election as a Director must be a Member in “good standing.” Good standing as to a candidate for Director shall mean not delinquent in any Assessments, the candidate’s Membership must not be subject to any suspension of Membership rights arising out of any violations of the Governing Documents, and the candidate must not otherwise be in violation of the Governing Documents. A Director shall be a Member in “good standing.” “Good standing” as to a sitting Director shall mean that all Assessments must be no more than 90 days delinquent, the Director is not otherwise in violation of the Governing Documents, or that the Director is not currently an adverse party in any legal action or pending litigation against the Association. A finding of “not in good standing” for both a candidate for Director and a sitting Director may only be imposed after notice and opportunity for hearing as provided in the Governing Documents and Applicable Laws.

Section 5.02 Election and Term of Office

(a) Three Directors (the “Member Directors”) shall be elected by a majority of the Members present either in person or by written proxy at a duly-called meeting of the Members at which a quorum is present and voting by secret written ballot. Members owning Memberships that are paid in full or not paid in full may vote those Memberships for Member Directors notwithstanding that the general proxies for not-paid-in-full Memberships may otherwise be held by the Developer Members for quorum and other purposes. Developer Members may vote for Member Directors using any ballots or written proxies held by Developer Members on behalf of any Memberships that are unsold and any Memberships that are paid in full or not paid in full if the Developer Members are separately and expressly designated in writing on proxies for the election in question as the proxy holders entitled to vote those particular Memberships for the Member Directors.

Nothing herein shall preclude the inspector of elections from utilizing a ballot verification process. If the allocation of votes cast on a proxy or ballot is in any way unclear, the inspector of elections will use his or her discretion in determining the Member’s intent in voting for the election of a Member Director or otherwise. Voting shall not be cumulative and each Member shall only cast one vote for each Week owned by that Member for each Member Director candidate.

(b) Five Directors (the “Developer Directors”) shall be elected by a majority of members of the Developer Class present and voting in person, by written proxy or by ballot at a duly-called meeting at which a quorum of the Developer Class is present.

(c) In the event that an annual meeting of the Members is not held, or the Board is not elected thereat, Directors may be elected at any special meeting of the Members held for that

purpose. Directors may be elected by written ballot without a meeting pursuant to the provisions of Section 4.08. The election of the Directors shall be held on a staggered basis.

(d) Each Director shall be elected for a term of three years. Each Director shall hold office until his or her successor has been elected or until that Director's death, resignation, removal or judicial adjudication of mental incompetence. The term of office of each Director elected to fill a vacancy created by the resignation, death or removal of his or her predecessor shall be the balance of the un-served term of that Director's predecessor. Any person serving as a Director may be re-elected. A Member Director shall not serve more than two consecutive terms without the approval of a majority of the remaining Directors. There shall be no limitation on the number of terms during which a Developer Director may serve.

Section 5.03 Powers and Duties

The Board of Directors has the power and duties necessary to administer the affairs of the Club and the authority to perform any act necessary to fulfill those powers and duties, provided such act is not inconsistent with the law or the Governing Documents. The Board of Directors also has the general power to perform any acts which the law or these Bylaws does not require to be performed by the Members.

Section 5.04 Special Powers and Duties

The Board of Directors is hereby vested with the specific powers and duties described herein below:

(a) The power and duty to select, appoint, and remove all officers, agents and employees of the Club, and to prescribe such powers and duties for them as may be consistent with the Governing Documents and Applicable Laws; to fix their compensation and to require from them security for faithful service when deemed advisable by the Board.

(b) With the approval of the Members representing at least a majority of the voting power of the Club present in person or by proxy at a duly-called meeting of the Members at which a quorum is present, the power but not the duty to borrow money and to incur indebtedness for the purposes and benefit of the Club, and to cause to be executed and delivered therefore, in the Club's name, promissory notes, bonds, debentures, deeds of trust, mortgages, pledges, hypothecations or other evidences of debt and securities therefore.

(c) With the approval of Members representing at least a majority of the voting power of the Club present in person or by proxy at a duly-called meeting of the Members at which a quorum is present, the power to authorize an additional class of voting Members.

(d) The power and duty to fix and levy upon Members from time to time the Assessments as provided in the applicable Rules and Regulations; to determine and fix the due date for the payment of such Assessments and the date upon which the same shall become delinquent; provided, however, that such Assessments shall be fixed and levied for the following reasons: (a) to provide for the payment of the Management Fees payable by the Club to any Off-Site Manager, the On-Site Manager and/or Administrator; or (b) expenses incurred in performing or causing to be performed any of the purposes of the Club for the general benefit and welfare of its

Members. The Board of Directors is hereby authorized to incur any and all such expenditures for any of the foregoing purposes. The amount of the Assessments for each Project shall be determined by the Board of Directors. Should any Member fail to pay such Assessments when due, the Board of Directors in its discretion is authorized to enforce the payment of such delinquent amounts.

(e) The power and duty to enforce the provisions of the Governing Documents and other agreements of the Club entered into pursuant to the Governing Documents.

(f) The power and duty to employ personnel necessary for the operation and management of the Club Membership program, including without limitation legal and accounting services.

(g) The power, but not the duty, to employ personnel necessary for the operation, management and maintenance of the Club, including, without limitation, the On-Site Managers, the Off-Site Manager and/or the Administrator.

(h) The power, but not the duty, to delegate its power according to law, and subject to the approval of the Members when required under the Governing Documents or Applicable Laws, to adopt these Bylaws.

(i) The power and duty to adopt and from time to time amend the Rules and Regulations applicable to the Club and/or all Projects as the Board may deem necessary for the management of all of the Projects, which Rules and Regulations shall become effective and binding after they are adopted by a majority of the Board at a meeting called for that purpose or by the written consent of the Board. Amendments to the Rules and Regulations shall become effective after having first been published on the Club's website for at least 15 days. Said Rules and Regulations are incorporated by reference herein. Such Rules and Regulations shall be enforceable only to the extent that they are consistent with the Governing Documents. The Rules and Regulations may not be used to amend the Articles or Bylaws.

(j) The power to admit, include, accept, modify, remove, reject and/or terminate Projects and programs relative to the Club. The Club may not delegate any of its powers or authority under this Section 5.04(j) to any Off-Site Manager, On-Site Managers, Administrator, and/or any other person or entity.

(k) The power to determine and establish the amount, assessment, use, investment, expenditure and all other matters associated with or related to the Club's savings and reserves. The Club may delegate its powers or authority under this Section 5.04(k) to any Off-Site Manager, On-Site Managers, Administrator, and/or any other person or entity, but subject to the ultimate direction and control of the Club.

(l) The power to take any actions and make all decisions associated with the Club and the Members except to the extent expressly prohibited or otherwise allocated under the Governing Documents. The Club may delegate its powers under this Section 5.04(l) only to the extent that any such delegation is not beyond the scope of activities the Board is permitted to delegate, any delegation would be contrary to, or could potentially affect, the rights and obligations of the Members and the Club, or is not otherwise in violation of Applicable Laws, and that any decision is subject to the ultimate control and direction of the Club.

Section 5.05 **Vacancies**

Vacancies in the Board of Directors for Member Directors and caused by any reason other than the removal of a Director by a vote of the Members shall be filled by vote of the majority of the Members at a special meeting of the Members duly called for such purpose at which a quorum is present. Vacancies in the Board of Directors for Developer Directors can only be filled by vote of the majority of the Developer Members.

Section 5.06 **Removal of Directors**

A Director elected or selected by the Members or Directors may only be removed by a vote of the Members or Directors that elected or selected the Director in question. At any duly-called regular or special meeting of the Members (or Directors in the case of the President) at which a quorum is present, a majority vote of the Members or Directors that elected such Director or Directors may then and there remove such Director or Directors and appoint a successor or successors to fill the vacancy(ies) thus created. Any Director whose removal has been proposed by the Members shall be given an opportunity to be heard at the meeting. Where the entire Board of Directors is not removed at one time, no Director shall be removed prior to the expiration of that Director's term of office if the votes cast against removal or written ballots cast against such removal would be sufficient to elect such Director if a vote was taken at an election at which the same total number of votes were cast (or, if such action is taken by written ballot, all votes entitled to be voted were cast) and the entire number of Directors authorized at the time of the Director's most recent election were then being elected. If any or all of the Directors are so removed at a meeting, new Directors may be elected at the same meeting.

Section 5.07 **Organizational Meeting of the Board**

The first regular (organizational) meeting of a newly elected Board of Directors for the purpose of organization, election of officers and the transaction of other business shall be held following the election of the Board, at such place as shall be fixed and announced by the Directors at the meeting at which such Directors were elected. No notice shall be necessary to the newly elected Directors in order for the meeting to be legally held provided that (i) a majority of the whole Board shall be present when the time and place are announced at the Membership meeting and (ii) the meeting is held on the same day and the same place as the meeting of the Members at which the newly constituted Board was elected.

Section 5.08 **Regular Meetings of the Board**

Regular meetings of the Board of Directors shall be open to all Members, other than executive session meetings, provided that Members who are not Directors may not participate in any deliberation or discussion at such regular meetings unless expressly so authorized by a vote of a majority of a quorum of the Board of Directors in attendance at that meeting. Regular meetings may be held at such time and place reasonably convenient to the Directors as shall be determined, from time to time, by resolution adopted by a majority of a quorum of the Directors; provided, however, that such meetings shall be held no less frequently than annually. Notice of the time and place of regular meetings of the Board of Directors shall be given in writing to each

Director, personally, by mail, or by other written or electronic communication, at least 30 days prior to the date named for such meeting.

Section 5.09 Special Meetings of Board

Special meetings of the Board of Directors shall be open to all Members, other than executive session meetings of the Board of Directors, provided that Members who are not Directors may not participate in any deliberation or discussion at such special meetings, unless expressly so authorized by a vote of a majority of a quorum of the Board of Directors. Special Meetings of the Board of Directors meetings may be called by the chair of the Board or President or any Vice President or the Secretary or any two Directors. Special Meetings of the Board shall be held upon at least 4 days' written notice by first class mail or upon 48 hours' notice if delivered personally or by telephone, including a voice messaging system or other system or technology designed to record and communicate messages, facsimile, electronic mail, or other electronic means. Such notice or waiver of notice need not specify the purpose of any special meeting or the Board of Directors. Whenever any Director has been absent from any special meeting of the Board, an entry in the Minutes to the effect that notice has been duly given shall be conclusive and incontrovertible evidence that due notice of such meeting was given to such Director, as required by law and as provided herein.

Section 5.10 Waiver of Notice

At or before any meeting of the Board of Directors, any Director may, in writing, waive personal notice of such meeting and such waiver shall be deemed equivalent to the giving of such notice to such Director. Attendance by a Director at any meeting of the Board shall be a waiver by that Director of personal notice of the time and place thereof. If all the Directors are present at any meeting of the Board, no notice to Directors shall be required and any business may be transacted at such meeting. The transactions taken at any meeting of the Board, however called and notice of wherever held, shall be as valid as though taken at a meeting duly held after regular call and notice, if (i) a quorum be present and (ii) either before or after the meeting, each of the Directors not present signs a written waiver of notice, a consent to the holding of such meeting, or an approval of the Minutes thereof. All such waivers, consents and approvals shall be filed with the records of the Club or made part of the Minutes of the meeting.

Section 5.11 Action Without Meeting

Any action required or permitted to be taken by the Board may be taken without a meeting, if all Directors 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. Such action by written consent shall have the same force and effect as a unanimous vote of such Directors.

Section 5.12 Quorum and Decisions

Except as otherwise provided herein, at all meetings of the Board of Directors, a majority of the Directors shall constitute a quorum for the transaction of business, and acts of the majority of the Directors present at a meeting at which a quorum is present shall be the acts of the Board of Directors.

Section 5.13 **Fidelity Bonds**

The Board of Directors may require that all officers, employees and agents of the Club handling or responsible for Club funds shall furnish adequate fidelity bonds. The premiums on such bonds shall be paid by the Club.

Section 5.14 **Committees**

The Board of Directors may by resolution from time to time designate such committees as it shall deem necessary or desirable and may establish the purposes and powers of each such committee created. The resolution designating and establishing the committee shall provide for the appointment of its members and a chairman, shall state the purposes of the committee, and shall provide for reports, termination, and other administrative matters as deemed appropriate by the Board.

Section 5.15 **Minutes**

Minutes of the meetings of the Board of Directors shall be made available to Members and/or posted within the Projects in a prominent place within 60 days after the holding of such meeting.

Section 5.16 **Club Records**

(a) The Board of Directors shall maintain or cause to be maintained a full set of books and records showing the financial condition of the Club in a manner consistent with generally accepted accounting principles and Applicable Laws. The Board shall prepare and distribute to each Member within 120 days of the last day of the Club's Calendar Year, an annual report of the financial condition of the Club as of the end of that Calendar Year.

(b) The accounting books and records and Minutes of proceedings of the Members and the Board, and Committees of the Board (the "Club Records"), shall be open to inspection by each Member following the Club's receipt of a written demand by such Member to review the Club Records. The Club Records shall include the minutes of meetings of the Board of Directors and Members (excluding executive sessions), the Membership list (without contact information except to the extent required by Applicable Laws), and books and records showing the financial condition of the Club. This latter category includes only balance sheets and profit and loss statements in their final form, and excludes all financial records used in the preparation of financial statements. Except for the Club Records, no Member or any other person shall have the right to review or inspect any other information respecting the Club without the prior written consent of the Board which may be given or withheld in the Board's sole discretion. Each Member and its agents shall keep the Club Records confidential and only disclose the information contained within the Club Records to the extent reasonably necessary to protect or defend such Member's Membership. A Member shall not use any Club Records for any commercial or business purpose. The Board shall establish reasonable rules with respect to (i) the notice and inspection of the Club Records; (ii) the hours and days of the week when such an inspection may be made; and (iii) payment of the cost to produce copies of documents in response to a lawful request by a Member.

(c) Every Director shall have the absolute right at any reasonable time during that Director's term of office on the Board to inspect all books, records and documents of the Club and the property then controlled by the Club. The right of inspection by a Director shall include the right to make extracts and copies of documents at such Director's expense.

(d) Any inspection of the Club Records shall take place at the general office of the Club between the hours of 10:00 a.m. and 4:00 p.m. in the time zone of the Club's general office, Monday through Friday, holidays excepted, unless determined otherwise in the discretion of the Board.

(e) A request to inspect Club Records shall be in writing, signed by a Member in good standing, addressed to the Club's President or Secretary, and delivered to the Club's general office. Records will be made available in accordance with the requirements in the Applicable Laws, or at such later time as may be appropriate under extraordinary circumstances. The requesting Member shall be notified when the inspection may take place. Every request must be accompanied by a written statement which sets forth the purpose of the Member's request, and why that purpose is reasonably related to such person's interest as a Member. The request shall be reviewed by the Board and/or legal counsel to ensure the request is for a proper purpose. No records obtained by a Member may be used for any purpose other than the purpose stated in the Member's written request and may not be sold or used for any other purpose or commercial purpose whatsoever.

(f) A Member shall pay, in advance, \$1.00 US per page for estimated copying costs, in addition to any other costs as may be charged by the Club from time to time, including postage, delivery, and administrative or personnel expenses incurred by the Club in connection with evaluating, researching, locating, assembling, compiling, organizing, making available, delivering and otherwise complying with a Member's request to inspect the Club Records. In addition, the Club may charge reasonable fees (including attorneys' fees) for time spent in evaluating, redacting, assembling or otherwise preparing the Club Records in response to a Member's request. A Member shall pay all such amounts to the Club, or good faith estimates of the same, prior to the Club performing any activities associated with the Club Records and the balance upon the Club's request for the same.

Section 5.17 Mandatory Mediation.

Should any dispute arise among any Directors (in their capacities as Directors) that relate in any way to each other and/or to the Club, prior to the institution of any legal proceeding, the parties in dispute shall mediate that dispute in San Diego, California (unless a different location is otherwise agreed to by the Directors) before an agreed upon mediator. If the parties in dispute cannot agree upon a mediator within 15 days following the time that a notice of mediation is served by one Director upon another or the Club, the mediator shall be selected from Judicial Arbitration and Mediation Services ("JAMS") utilizing JAMS Rules of Mediation applicable to commercial mediations. The decision of the mediator shall not be binding upon the parties in dispute. All applicable statutes of limitations and statutes of repose shall be tolled among the parties in dispute from the time that a notice of mediation is served by one party in dispute to another, until the mediation is concluded either by way of a settlement or if no settlement, by

way of written notification served by one party or the mediator on another party that the mediation has concluded.

ARTICLE VI. OFFICERS

Section 6.01 Designation

The principal officers of the Club shall be a President, a Vice President, a Secretary and a Treasurer. The Board of Directors may appoint an Assistant Treasurer, an Assistant Secretary and such other officers as in the Board's judgment may be necessary. Officers need not be Directors. One person may hold more than one office.

Section 6.02 Election of Officers

(a) The President of the Club shall be elected annually by a majority of three Member Directors and three Developer Directors at the organizational meeting of each new Board of Directors. The Developer Directors shall decide among themselves which three Developer Directors shall vote on matters relating to the election, removal, or vacancy of the office of President.

(b) The other officers of the Club shall be elected annually by the Board of Directors at the organizational meeting of each new Board of Directors.

(c) Each officer shall hold office at the pleasure of the Board of Directors until that officer shall resign, be removed or be otherwise disqualified to serve or that officer's successor shall be elected and qualified to serve; provided, however, that the President may only be removed by a majority vote of three Member Directors and three Developer Directors.

(d) Any vacancy in an officer position shall be filled in the same manner as electing an officer to that position under this Section 6.02.

Section 6.03 Removal of Officers

Any officer may be removed with or without cause and that officer's successor elected upon an affirmative vote of a majority of the Board of Directors taken at a regular meeting of the Board of Directors or at any special meeting of the Board of Directors called for such purpose; provided, however, that the President may only be removed by a majority vote of three Member Directors and three Developer Directors. Any officer may resign at any time by giving written notice of such resignation to the Board or to the President or Secretary of the Club. Any such resignation shall take effect as of the date of receipt of such notice or at any later time specified therein; and unless otherwise specified in said notice, acceptance of such resignation by the Board shall not be necessary to make it effective.

Section 6.04 Compensation

Directors and officers shall not receive any salary or other compensation for their services as Directors and officers provided, however, that (i) nothing herein contained shall be construed to preclude any Director or officer from serving the Club in some other capacity and receiving

compensation therefor, and (ii) any Director or officer may be reimbursed for his or her actual expenses incurred in the performance of his or her duties. Agents and employees may receive such salary or other reasonable compensation for their services as may be authorized by the Board of Directors. Directors shall also be entitled to reimbursement for transportation expenses incurred in connection with the performance of his or her duties as a Director and a reasonable per diem for attendance at Board meetings. Appointment of any officer, agent or employee shall not create contractual rights of compensation for services performed by such officer, agent or employee.

Section 6.05 President

The President shall be the chief executive officer of the Club. The President shall preside at all meetings of the Club and of the Board of Directors. The President shall have all of the general powers and duties which are usually vested in the office of the President of a corporation. The President shall, subject to the control of the Board of Directors, be responsible for supervision, direction and control of the business of the Club. The President shall be an ex-officio a member of all standing committees and he or she shall have such other powers and duties as may be prescribed by the Board of Directors or these Bylaws.

Section 6.06 Vice President

The Vice President shall take the place of and perform the duties of the President whenever the President shall be absent or disabled or whenever the President refuses or is unable to act. If neither the President nor the Vice President is able to act, the Board of Directors shall appoint some other member of the Board to do so on an interim basis. The Vice President shall also perform such other duties as shall from time to time be imposed upon the Vice President by the Board of Directors or these Bylaws.

Section 6.07 Secretary

The Secretary shall keep the Minutes of all meetings of the Board of Directors and the Minutes of all meetings of the Members of the Club at the principal office of the Club or such other place as the Board of Directors may order. The Secretary shall keep the seal of the Club in safe custody and shall have charge of such books and papers as the Board of Directors may direct, and the Secretary shall, in general, perform all of the duties incident to the office of the Secretary. The Secretary shall give, or cause to be given, any notices of meetings of the Members and of the Board of Directors required by these Bylaws or by law to be given. The Secretary shall maintain a record book of Members, listing the names and addresses of the Members, as furnished to the Club by such Members, and such books shall be changed only at such time as satisfactory evidence of a change in ownership of a Membership is presented to the Secretary. The Secretary shall perform such other duties as may be prescribed by the Board of Directors or these Bylaws.

Section 6.08 Treasurer

The Treasurer shall be the chief financial officer of the Club and shall have responsibility for Club funds and securities and shall be responsible for keeping or causing to be kept, full and accurate accounts, tax records and records of the business transactions of the Club, including

accounts of all assets, liabilities, receipts, and disbursements in books belonging to the Club. The Treasurer shall be responsible for the deposit of all monies and other valuable effects in the name and to the credit of the Club in such depositories as may from time to time be designated by the Board of Directors. In addition to such other powers and duties as may be prescribed by the Board of Directors or these Bylaws, the Treasurer shall disburse the funds of the Club as may be ordered by the Board of Directors, and shall render to the President and Directors, upon request, an account of all of his or her transactions as Treasurer and of the financial conditions of the Club.

ARTICLE VII. AMENDMENTS TO BYLAWS

Section 7.01 Amendment by Members

Subject to Section 4.11 above, and as otherwise required under Applicable Laws, all or any portion of these Bylaws may be amended by the vote or written consent of at least 75 percent of the Members present and voting, in person or by written proxy, at a duly-called meeting of the Members, at which a quorum is present, provided that the general nature of any proposed amendment is described in the notice of the meeting. To the extent that a particular provision of these Bylaws requires the approval of a specified percentage of all Members or of Members participating in a duly-called meeting, that provision may only be amended by a vote equal to or greater than that required for action under that provision.

Section 7.02 Amendment by the Board of Directors

Subject to Section 4.11 above, and except for any amendment which must be approved by the Members pursuant to the California Nonprofit Corporation Law and except for any amendment which will remove any material rights of the Members or Developer Members as provided under these Bylaws, the Board of Directors may amend any provision of these Bylaws at any regular or special meeting of the Board.

ARTICLE VIII. GOVERNING LAWS AND CONFLICTING PROVISIONS

These Bylaws shall be interpreted in accordance with the laws of the State of California, United States of America, without giving effect to those principles of conflict of laws that might otherwise require the application of the laws of another jurisdiction. In the event that any provision of these Bylaws conflicts with any provisions of the laws of the State of California, such conflicting Bylaws shall be null and void upon final court determination to such effect, but all other provisions of these Bylaws shall remain in full force and effect. In case of any conflict between the Articles of Incorporation and these Bylaws, the Articles of Incorporation shall control.

ARTICLE IX. INDEMNIFICATION OF DIRECTORS AND OFFICERS

The Club shall indemnify each Director and each officer of the Club to the extent provided by Section 7237 of the California Nonprofit Corporation Law and any amendments thereto.

ARTICLE X. MISCELLANEOUS

Section 10.01 Checks, Drafts and Documents

All checks, drafts, orders for payment of money, notes or other evidences of indebtedness, issued in the name of or payable to the Club, 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 of Directors.

Section 10.02 Execution of Documents

The Board of Directors may authorize any officer or officers, agent or agents, to enter into any contract or execute any instrument in the name and on behalf of the Club, and such authority may be general or confined to specific instances; and unless so authorized by the Board of Directors, no officer, agent, or employee shall have any power or authority to bind the Club by any contract or engagement or to pledge its credit or to render it liable for any purpose or in any amount.

Section 10.03 Inspection of Bylaws

The Club shall keep in its office for the transaction of business the original or a copy of these Bylaws as amended or otherwise altered to date, certified by the Secretary, which shall be open to inspection by the Members in accordance with Article V, Section 5.16 hereof.

Section 10.04 Calendar Year

The Calendar Year of the Club is from January 1st to December 31st and is subject to change from time to time.

Section 10.05 Membership Book

The Club shall keep and maintain in its office for the transaction of business a database containing the name and address of each Member. Any termination or Transfer of a Membership shall be recorded in the database, together with the date on which such Membership ceased or was Transferred.

ARTICLE XI. DISSOLUTION

Section 11.01 Dissolution

The Club shall continue so long as it owns any use rights or is in any way affiliated with any use rights to any of the Projects. The Board of Directors may, in its discretion, cause the Club to dissolve upon the final sale, expiration or disposition of the last of such use rights.

Section 11.02 Distribution of Assets on Dissolution

Upon the winding up and dissolution of the Club, after paying or adequately providing for the debts and obligations of the Club, the remaining assets shall be distributed to the Members of the

Club. All assets shall be distributed to the Members in the same proportion as the number of Memberships owned by each Member bears to the total number of all Membership Certificates issued as of the date of dissolution of the Club, provided that no distribution shall be made to any Member until such amounts as may be then due under the Membership Certificate covering such Member's Membership have been paid in full, and until all Assessments have been paid in full.