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DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
(The Residence Club at Nakoma)

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DECLARATION OF
COVENANTS, CONDITIONS AND RESTRICTIONS
(THE RESIDENCE CLUB AT NAKOMA)

THIS DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS (The Residence Club at Nakoma) (the "**Residence Club Declaration**") is made this 14TH day of AUGUST, 2014, by SGI-RESORT PROPERTIES, LLC, an Arizona limited liability company ("**Declarant**").

RECITALS

A. Declarant's predecessor-in-interest previously subjected certain real property located in Plumas County to that certain Declaration of Covenants, Conditions and Restrictions for Sierra Highlands, recorded on May 6, 2002, as Instrument No. 2002-4138 in the Office of the County Recorder of Plumas County, California (the "**Original Underlying Declaration**"). The Original Underlying Declaration was subsequently amended by that certain First Amendment to Declaration of Covenants, Conditions and Restrictions for Sierra Highlands recorded on May 29, 2002 as Instrument No. 2002-5046 in the Office of the County Recorder of Plumas County. The Original Underlying Declaration, as amended, and as it may be further amended in the future, is herein the "**Underlying Declaration.**" The Underlying Declaration currently encumbers Lots 303, 305, 306 and 307 as shown on the Map for Gold Mountain, Unit 12, "Nakoma" filed in Book 8 of Maps, at Pages 112 through 117, in the Office of the County Recorder of Plumas County (the "**Underlying Declaration Lots**").

B. The Underlying Declaration Lots are each improved with two (2) residences (each a "**Residence**"). These Residences are either Studio Residences, One-Bedroom Residences or Two-Bedroom Residences. Each of the Studio, One-Bedroom and Two-Bedroom Residences is hereinafter a "**Residence Type.**" Lot 303 has been improved with one (1) One-Bedroom Residence and one (1) Two-Bedroom Residence. Lots 305 and 306 have each been improved with one Studio Residence and one (1) One-Bedroom Residence. Lot 307 has been improved with two (2) Studio Residences. An exhibit to the Underlying Declaration assigned a number to and showed the relative location of each of these Residences on each of the Underlying Declaration Lots, which exhibit is attached hereto as Exhibit "B" (the "**Residence Plan.**")

C. Either Declarant or Declarant's predecessor-in-interest has conveyed undivided interests in the Underlying Declaration Lots. The undivided interests sold entitled the owners thereof to the use of one of the Residence Types during either (1) a fixed one-week interest and/or (2) a floating one-week interest each calendar year. Declarant is the owner of the undivided interests in the Underlying Lots which have not yet been conveyed by Declarant or its predecessor-in-interest. As of the date of this Residence Club Declaration, Declarant is the owner of the following undivided interests in the Underlying Declaration Lots:

Lot Number/Residence Number/Residence Type									
	303/B 2 Bedroom	303/A 1 Bedroom	305/B Studio	305/A 1 Bedroom	306/B Studio	306/A 1 Bedroom	307/B Studio	307/A Studio	Total
Total	31/104	41/104	36/104	38/104	29/104	14/104	12/104	25/104	**226**

D. Declarant has formed The Residence Club At Nakoma, a California nonprofit mutual benefit corporation (the "**Residence Club Association**"), and desires to sell memberships therein, rather than undivided interests. With respect to the first sales phase of the Residence Club, Declarant intends to sell 19 Memberships of the Studio Residence Type, 18 Memberships of the One-bedroom Type and 5 Memberships of the Two-bedroom Residence Type. In furtherance of this plan, Declarant desires to convey the undivided interests shown in the foregoing chart, without monetary encumbrance, to the Residence Club Association to hold for the benefit of its members, prior to the first sale of a Membership in the Residence Club, as the first sales phase of the Residence Club. In subsequent sales phases of the Residence Club, Declarant may convey other undivided interests that are subject to the Underlying Declaration to the Residence Club Association and annex such undivided interests to the plan of this Residence Club Declaration. Reservations for the use of any undivided interest which is subject to the Underlying Declaration are, and will continue to be, pursuant to the reservation procedures set forth in the Underlying Declaration.

E. Declarant may also elect to annex other lots under the plan of this Residence Club Declaration in the same subdivision of which the Underlying Declaration Lots are a part, but which were (1) never subject to the Underlying Declaration, or (2) were subject to the Underlying Declaration, but in which no undivided interest was conveyed, or (3) were but are not presently subject to the Underlying Declaration due to deannexation therefrom. In these cases, Declarant desires that the reservation procedures directly set forth in this Residence Club Declaration, rather than those in the Underlying Declaration, shall control. The lots and undivided interests, as generally described in Recitals D and E hereof, which are annexable hereunder are more particularly described in Exhibit "C" attached hereto and made a part hereof (the "**Annexable Property**"). The lots and undivided interests which are either initially subject to this Residence Club Declaration, or which are hereinafter annexed under the plan herein, are hereinafter referred to as the "**Residence Club.**"

F. The Residence Club is adjacent to the Dragon at Nakoma Golf Resort and Spa, which is owned by Nakoma Associates, L.P., an Arizona limited partnership (the "**Golf Club Property**"). Nakoma Associates, L.P. has conveyed an easement in, over and through the Golf Club Property which is senior to any mortgage debt upon the Golf Club Property for the benefit of the Residence Club Association and its Members. This easement was recorded on 9-11-14, as Instrument No. 2014-6530 in the Office of the County Recorder of Plumas County (the "**Golf Club Easement.**") The right of the members of the Residence Club Association to use the Golf Club Property is set forth in the Golf Club Easement, and in other documents referenced therein.

G By this Residence Club Declaration, Declarant intends to establish a common scheme and plan for the use, enjoyment, repair, maintenance, restoration and improvement of the Residence Club and for the payment of taxes, assessments, insurance premiums and other expenses pertaining thereto.

NOW, THEREFORE, in furtherance of such intent, Declarant hereby declares that the Residence Club shall be held, conveyed, hypothecated, mortgaged, encumbered, leased, rented, used, occupied and improved subject to the following easements, covenants, conditions and restrictions set forth in this Residence Club Declaration, as this Residence Club Declaration may

be amended from time to time, and subject to the Rules and Regulations, all of which easements, covenants, conditions and restrictions and the Rules and Regulations are declared to be in furtherance of a plan established for the purpose of enhancing and perfecting the value, desirability and enjoyment of the Residence Club and any interests therein. All such easements, covenants, conditions and restrictions and Rules and Regulations shall constitute covenants running with the land and equitable servitudes and liens, and shall be binding upon and for the benefit of Declarant and each such interest conveyed, to wit, each Membership, and shall be binding upon and for the benefit of all parties having or acquiring such interests, including, but not limited to, the heirs, executors, administrators and assigns of any such parties and all subsequent owners of such interests.

ARTICLE I.

DEFINITIONS

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

1.1 "Annexable Property" means that certain real property described on Exhibit "C", attached hereto and made a part hereof.

1.2 "Annexed Property" those portions of the Annexable Property that have been annexed hereunder pursuant to a Declaration of Annexation in accordance with the provisions of Article VIII ("Annexation and Deannexation") of this Residence Club Declaration.

1.3 "Annexation Date" means, with respect to each portion of the Annexable Property annexed hereunder pursuant to the provisions of Article VIII of this Residence Club Declaration, the date on which the Declaration of Annexation for such Annexable Property is recorded in the Office of the Plumas County Recorder.

1.4 "Annual Report" means a report to Owners comprising (a) a balance sheet relating to the Residence Club as of the last day of a Fiscal Year, (b) an operating statement for such Fiscal Year, (c) a statement of the net changes in financial position of the Residence Club Association for such Fiscal Year, and (d) a list of the names, mailing addresses and telephone numbers of the members of the Board.

1.5 "Articles" means the Articles of Incorporation of The Residence Club at Nakoma which are, or will be, filed in the Office of the Secretary of State of California, as said Articles may be amended from time to time.

1.6 "Assessments" means, collectively, the Basic Assessment, Special Assessment and Reconstruction Assessment.

1.7 "Assigned Residence" means any Residence of the Residence Type and Fraction Type designated in an Original Membership Assignment, together with the Exclusive Use Common Area appurtenant thereto, the occupancy of which has been assigned to a Member in accordance with the Rules and Regulations or assigned to an Exchange User pursuant to an Exchange Program.

1.8 "Basic Assessment" means, for each Membership, Residence Type, Fraction Type and for each Fiscal Year, an assessment levied by the Residence Club Association against such Membership in an amount determined by first allocating the Common Expenses to each Residence of the same Residence Type and Fraction Type and second by allocating such Residence's share of Common Expenses to each Membership of the Residence Type and Fraction Type of that Residence. In allocating the Common Expenses to each Residence, those Common Expenses which do not vary as to the particular characteristics of a Residence shall be allocated equally to the Residences, and those Common Expenses which vary according to the particular characteristics of a Residence shall be allocated to each applicable Residence on an appropriate basis.

For each Fiscal Year, the Basic Assessment assessed against each Membership of a particular Fraction Type and Residence Type, including Declarant with respect to each Declarant Membership of such Fraction Type and Residence Type, shall be:

> [1/(Reciprocal of the Fraction Type in question)] x [1/(the number of Residences of the Residence Type in question)] x [the Common Expenses allocable to a Residence of the Residence Type in question].

By way of example and not limitation, if there were eight (8) Residences of different Fraction Types in the first Phase, with four (4) being of the Studio Residence Type, then the Basic Assessment for each Membership Studio Residence Type would be calculated as the product of [(1/8) x (1/4) x (the Common Expenses allocable to a Residence of the One-Bedroom Residence Type)].

1.9 "Board" means the board of directors of the Residence Club Association.

1.10 "Budget" means a proforma operating statement setting forth the Common Expenses for a particular Fiscal Year.

1.11 "Bylaws" means the Bylaws of the Residence Club Association, as the same may be amended from time to time.

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

1.13 "Club Year" means the approximate one year period commencing on Check-In Time on April 1st of each calendar year and ending on March 31st of the next succeeding calendar year, or such other one year period as established from time to time by the Board upon a finding that such other one year period is in the best interest of the Membership. In addition, the Board shall have the power to define "Club Year" as a particular one year period (whether calendar year or otherwise) for all purposes hereunder other than for the purpose of the making of reservations for Use Periods pursuant to Section 2.1 below, and to specify other commencement and ending dates for each successive one year period for the purpose of the making of reservations for Use Periods.

1.14 "Common Area" means any real property owned from time to time by the Residence Club Association and shall include those areas over which the Residence Club

Association holds an exclusive or non-exclusive easement or are identified in a Declaration of Annexation as "Common Area." There is no Common Area in the first Phase of the Residence Club, because all of the Underlying Declaration Lots, including the Residences thereon, are subject to the Underlying Declaration, and is thus subject to operation and management by the Underlying Association. However, in subsequent Phases of the Residence Club, it is contemplated that the Residence Club Association will operate and manage the lots it owns, and thus such lots, and the Residences thereon, shall be Common Area.

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

(a) to operate and manage the Residence Club, including, without limitation, maintenance, improvements and repairs to the Residence Club;

(b) to provide for the collection of funds on an annual basis over the useful life of the Residence Club components in an amount sufficient to meet the Reserve Expenses;

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

(d) to provide for payment of assessments against those undivided interests which are subject to the Underlying Declaration and thus subject to assessment by the Underlying Association;

(e) to provide for the payment of amounts due and payable by the Residence Club Association under the Golf Course Easement;

(f) to provide for the payment of real property taxes levied against the real property of the Residence Club; and

(g) to provide for the payment of the fees of the Manager.

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

(i) All charges, costs, and expenses whatsoever incurred by the Residence Club Association for or in connection with the administration and operation of the Residence Club, including, without limitation, basic cleaning and housekeeping for the Residences;

(ii) All taxes, including, without limitation, real property taxes, assessed against Residence Club, and the Common Furnishings to the extent such taxes are not separately levied by the County or other governmental agency against each Owner of the Memberships;

(iii) Assessments and other similar governmental charges levied on or attributable to the Residence Club;

(iv) Insurance obtained pursuant to this Residence Club Declaration;

(v) Any liability whatsoever for loss or damage arising out of or in connection with the Residence Club or any fire, accident, or nuisance within the Residence Club;

(vi) The cost of repair, reinstatement, rebuilding and replacement of the Residence Club;

(vii) The costs of all basic utility services, including water, electricity, propane, garbage disposal, telephone and any other similar service attributable to the Residence Club;

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

(ix) Wages, accounting and legal fees, management fees and other necessary expenses of upkeep, maintenance, management and operation actually incurred with respect to the Residence Club;

(x) A proportionate share of the expenses of Gold Mountain Ranch, Inc., in maintaining the access road easement areas to the Residence Club (such easement areas being "Bear Run" and "Great Spirit", as shown in the Map of "Gold Mountain Unit 12 – Nakoma", recorded July 14, 1999, in Book 8 of Maps, Pages 112 through 117, in the Office of the County Recorder of Plumas County) as such expenses are more particularly described in that certain Third Amended and Restated Entry Road Easement and Maintenance Agreement recorded on May 23, 2000 in Book 807, Page 772, in the Office of the County Recorder of Plumas County. The proportionate share shall equal a fraction of all such expenses described in the Third Amended and Restated Entry Road Easement and Maintenance Agreement which are reasonably allocable to Unit 12, the numerator of which shall be the number of lots in Unit 12 which are improved with Residences and subject to this Residence Club Declaration (but not the Underlying Declaration), and the denominator of which shall be the total number of lots in Unit 12 which front or are serviced by the access roads.

(xi) Any cost or expense payable by the Residence Club Association or reasonably allocable to the Residence Club under the Underlying Declaration, as amended from time to time;

(xii) All rent and other expenses payable by the Residence Club Association under any lease for front desk services; and

(xiii) All fees and costs payable under the Golf Course Irrevocable License Agreement by the Residence Club Association.

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

1.16 "Common Furnishings" means all furniture, furnishings, appliances, automobiles, telephone system and other personal property from time to time owned, leased or held by the

Residence Club Association (i) for use in common by the Members in accordance with this Residence Club Declaration, or (ii) for use by the Residence Club Association in the operation, management, maintenance and repair of the Residence Club.

1.17 "Consent of a Majority of Non-Declarant Members" means the vote or written assent of Non-Declarant Members entitled to vote or so assent and who collectively own more than fifty percent (50%) of the total voting power vested in such Non-Declarant Members.

1.18 "Consent of a Majority of Members" means the vote or written assent of (a) while there is a Class B membership, (i) Class A Members entitled to vote and who collectively own more than fifty percent (50%) of the total voting power vested in such Class A Members and (ii) Declarant, and (b) after there is no longer a Class B membership, Members entitled to vote and who collectively own more than fifty percent (50%) of the voting power vested in the Members, including Members other than Declarant who are entitled to vote and who collectively own more than fifty percent (50%) of the total voting power vested in such Members.

1.19 "Consent of a Super-Majority of Members" means the vote or written assent of (a) prior to the Conversion Date, (i) Non-Declarant Members entitled to vote or so assent and who collectively own seventy-five percent (75%) of the total voting power vested in such Non-Declarant Members and (ii) Declarant, and (b) from and after the Conversion Date, (i) Members entitled to vote or so assent and who collectively own more than seventy-five percent (75%) of the total voting power vested in such Members and (ii) Non-Declarant Members entitled to vote or so assent and who collectively own seventy-five percent (75%) of the total voting power vested in such Non-Declarant Members.

1.20 "Conversion Date" means the earlier to occur of: (a) the date the total outstanding votes held by the Class B Member falls below twenty-five percent (25%) of the total voting power of the Residence Club; or (b) the fifth (5th) anniversary of the recordation of a Declaration of Annexation for the most recent Phase of the Residence Club; or (c) twenty-five (25) years after the date of the first Original Membership Assignment has been filed with the Secretary of the Residence Club.

1.21 "County Assessor" means the County Assessor of Plumas County, California.

1.22 "Deannexation Date" means the date of any deannexation pursuant to Article VIII hereof.

1.23 "Declarant" means SGI-Resort Properties, LLC, an Arizona limited liability company, or any successor-in-interest to Declarant either (a) by express assignment of the rights of Declarant hereunder by an instrument executed by Declarant, recorded in the Office of the Plumas County Recorder and filed with the Secretary of the Residence Club Association, or (b) through foreclosure or acceptance of a deed in lieu of foreclosure of the interest of a beneficiary or mortgagee under a Prior Mortgage encumbering Declarant's interest in the Residence Club, provided that such beneficiary or mortgagee also executes, records in the Office of the Plumas County Recorder and files with the Secretary of the Residence Club an express assumption of the rights of Declarant hereunder.

1.24 "Declarant Memberships" means the sum of the Memberships owned by Declarant, calculated, with respect to Memberships of a particular Fraction Type, by subtracting (a) the number of Memberships of such Fraction Type conveyed to third parties by Original Membership Assignment as of such date, from (b) the number obtained by multiplying the number of Residences of such Fraction Type as of any applicable date by the Reciprocal of the Fraction Type of each such Residence. For purposes of this Residence Club Declaration, a Membership that has been conveyed to a third party by Original Membership Assignment and subsequently reacquired by Declarant through foreclosure proceedings shall not be included in the calculation called for under clause (b).

No Membership conveyed by Declarant to the Residence Club shall be, as of the date of any such conveyance, a Declarant Membership for any purpose hereunder.

1.25 "Declarant's Report" means a statement containing the following information, where applicable:

(a) A status report covering each improvement, if any, included in the Residence Club which was scheduled for completion during the quarter according to the planned construction statement for the Residence Club and each still uncompleted improvement that was scheduled for completion during an earlier quarter;

(b) The number of Declarant Memberships as of the first and last day of the quarter;

(c) If no Subsidy Agreement is in effect during a quarter, the total Basic and Special Assessments which Declarant became obligated to pay during the quarter;

(d) If no Subsidy Agreement is in effect during a quarter, the total Basic and Special Assessments actually paid by Declarant to the Residence Club during the quarter.

(e) If no Subsidy Agreement is in effect during a quarter, the amount of any delinquency by Declarant in the payment of Basic and Special Assessments that has not been cured as of the date of such Declarant's Report; and

(f) An itemized report of funds, goods and services furnished by Declarant or caused to be furnished to the Residence Club (if any) under the Subsidy Agreement, if any, including, without limitation, payment of Reserve Expenses thereunder.

1.26 "Declaration of Annexation" means an instrument recorded in the Office of the Plumas County Recorder in the manner and containing the information required pursuant to Section 8.3, below.

1.27 "Declaration of Deannexation" means an instrument recorded in the Office of the Plumas County Recorder in the manner and containing the information required pursuant to Section 8.5, below.

1.28 "Delinquent", when used to describe a payment, means that such payment is due to the Residence Club hereunder and remains unpaid more than fifteen (15) days after the due date therefor.

1.29 "Designated User" means, when a Membership is held in the name of a partnership, corporation, trust or other multiple person ownership entity, the one individual or nuclear family designated by such multiple person ownership entity who will be recognized by the Residence Club as the person(s) having the exclusive right to exercise the rights of Membership. The identity of the Designated User shall be subject to the restrictions set forth in Section 2.6(b), below.

1.30 "Detained User" means (i) any Owner, Permitted User or Exchange User prevented from using or occupying his Assigned Residence or part thereof for all or any portion of his Use Period because of the unauthorized use or occupancy, or uninhabitability of such Assigned Residence or any portion of the Common Area caused by a Detaining User, and (ii) the Residence Club if prevented from renting a Residence pursuant to Section 2.10(c), below, because of the unauthorized use or occupancy or uninhabitability of such Residence caused by a Detaining User.

1.31 "Detaining User" means any Owner, Permitted User or Exchange User who makes unauthorized use or occupancy of a Residence, or through any act or course of conduct affecting the Residence Club, the Common Area, or any portion thereof, renders a Residence uninhabitable.

1.32 "Exchange Program" means a service provided by Declarant, an affiliate of Declarant or an independent organization whereby Owners may exchange Use Periods in a Residence for use periods in residence clubs in other locations or whereby Owners may obtain rights to make reservations in another residence club in exchange for the right of such Owner to make a reservation for use in a Residence, on an as available basis, pursuant to a voluntary program.

1.33 "Exchange User" means an owner of a time period in another time sharing program who, pursuant to an Exchange Program, occupies a Residence and uses the Common Area.

1.34 "Fair Rental Value" means, for each Residence, the cost of renting comparable accommodations located in the vicinity of the Residence Club.

1.35 "Fiscal Year" means the one (1) year period commencing on the first day of January of each calendar year, which shall be the fiscal year of the Residence Club; provided, however, that the first Fiscal Year shall be the partial year period commencing on the Starting Date and ending on December 31, 2014; provided, further, that the Fiscal Year shall be subject to change by amendment to the Bylaws.

1.36 "Fraction Type" means, with respect to Residences of a particular Residence Type, the ratio of the number of such Residences to Memberships having a right to use a Residence of such Residence Type, the numerator of which shall be one (1) and the denominator of which shall be declared by Declarant in either this Residence Club Declaration or in an

instrument recorded in the Office of the Plumas County Recorder prior to or concurrently with the first sale of a Membership allocable to such Residence. Unless the context of a provision herein otherwise provides, for purposes of brevity, a Membership not denominated with a Fraction Type hereunder shall be presumed to be of the 1/8th Fraction Type. Declarant hereby declares that all of the Memberships with respect to the first Phase of the Residence Club shall be of the 1/8th Fraction Type. By example but not limitation, if Declarant declared that four (4) Residences which are wholly owned by the Residence Club Association, there would be [(4 Residences) x (8 Memberships/Residence)] = 32 Memberships of the 1/8th Fraction Type, even though the provisions of this Declaration describe such Memberships without reference to the fact that they are of the 1/8th Fraction Type.

1.37 "General Account" means the separate federally insured account(s) with a bank and/or savings and loan association located within the State of California and selected by the Residence Club Association into which all cash and cash equivalent receipts of the Residence Club Association shall be deposited.

1.38 "Golf Club Property" means the Dragon at Nakoma Golf Resort and Spa located in the immediate vicinity of the Residence Club, as more particularly described in Exhibit "A" to the Golf Course Irrevocable License Agreement.

1.39 "Golf Course Irrevocable License Agreement" means that certain Golf Course Irrevocable Agreement by and between Nakoma Associates, L.P., an Arizona limited partnership, and the Residence Club, recorded on 9-11, 2014 as Instrument No. 2014-5530 in the Office of the County Recorder of Plumas County. The Golf Course Irrevocable License Agreement grants an easement to the Residence Club Association and its Members to use the Dragon at Nakoma Golf Resort and Spa, and is senior to monetary encumbrances other than any taxes and assessments.

1.40 "Golf Season" means that period commencing on the first Friday in May and ending on the last Friday in October of each calendar year.

1.41 "Governing Instruments" means this Residence Club Declaration, the Articles, Bylaws, Rules and Regulations and any policies and procedures adopted by the Residence Club, as the foregoing may be amended or supplemented from time to time, as well as the Underlying Declaration.

1.42 "Initial Residences" means those eight (8) Residences identified on Exhibits "A" and "B", attached hereto.

1.43 "Maintenance Periods" means with respect to each Residence, (a) the periods of time between Check-In and Check-Out, and (b) the period(s) of time, outside of those described in clause (a), during which any maintenance or repair thereof or of the Common Furnishings in such Residence which is requested of the Manager by a Residence occupant or is reasonably necessary to be performed on behalf of the Residence Club. In the event the Board determines that major annual or other periodic maintenance of a Residence is necessary, the period designated by the Board shall be a Maintenance Period, and thereafter shall not be a Use Period available to a Member; provided, however, that the Board shall use reasonable efforts to assure

that all such Maintenance Periods are during off-season times and are equally divided between all Memberships, and that reasonable advance notice of any such Maintenance Period is given to the affected Memberships.

1.44 "Manager" means the agent engaged by the Board pursuant to Section 4.4, below. The first Manager shall be appointed by Declarant and may be Declarant or an affiliate of Declarant.

1.45 "Management Agreement" means an agreement between the Residence Club Association and the Manager, which agreement shall initially be substantially in the form attached hereto as Exhibit "E".

1.46 "Member" means a member of the Residence Club Association. Each Membership shall be identified by a number designated in the manner set forth in Exhibit "D" attached hereto.

1.47 "Membership" means a membership in the Residence Club Association. Each Membership is of a particular Fraction Type and Residence Type. Each Membership shall be identified by a number designated in the manner set forth in Exhibit "D" attached hereto.

1.48 "Mortgage" means (a) a mortgage or deed of trust encumbering a lot of the Residence Club or (b) a personal property lien encumbering a Membership.

1.49 "Mortgagee" means the beneficiary pursuant to a Mortgage recorded in the Office of the Plumas County Recorder.

1.50 "Non-Declarant Member" means a Member other than Declarant.

1.51 "Non-Declarant Members" means all Members other than Declarant.

1.52 "Non-Declarant Membership" means a Membership owned by a Member other than Declarant.

1.53 "Non-Declarant Memberships" means the sum of all owned by Members other than Declarant.

1.54 "Original Membership Assignment" means each certificate evidencing an assignment from Declarant which first conveys a Membership to a purchaser in accordance with the terms of each individual Purchase Agreement.

1.55 "Owner" means (a) each assignee under an Original Membership Assignment and (b) Declarant with respect to each Declarant Membership.

1.56 "Permitted User" means any person (including, without limitation, members of an Owner's family, his guests, licensees or invitees), other than an Exchange User, who occupies a Residence with the permission of the Owner assigned to such Residence.

1.57 "Phase" means a part of all of the Residences and Common Area which are the subject of a separate final public report issued by the California Bureau of Real Estate.

1.58 "Permitted Transfer" means those types of conveyances or transfers set forth in Section 9.4(c)(i) through Section (c)(v), inclusive, below.

1.59 "Personal Charges" means (a) any expense resulting from the act or omission of any Member or his Permitted User, including, without limitation, (i) the cost of long distance telephone charges or telephone message unit charges and other special services or supplies attributable to the occupancy of such Member's Assigned Residence during such Member's Use Period or the occupancy of a Residence by Permitted User and the expense of additional housekeeping services requested by such Member during such Member's Use Period; (ii) the cost to repair any damage to any portion of the Residence Club or to repair or replace any Common Furnishings on account of loss or damage caused by such Member or his Permitted User; or (iii) the cost to satisfy any expense to any other Member(s) or to the Residence Club due to any intentional or negligent act or omission of such Member or his Permitted User, or resulting from the breach by such Member or his Permitted User of any provisions of the Governing Instruments, and (b) any transient occupancy tax levied pursuant to the laws of the State of California and payable by any Member which the Residence Club is or shall be required or entitled to collect on behalf of the levying authority.

In amplification of the foregoing, the act or negligence of a Permitted User shall be deemed to be the act or negligence of the Member who permits such Permitted User to use and occupy any portion of the Residence Club.

1.60 "Prior Mortgage" means, with respect to each Membership, any first Mortgage made in good faith and for value.

1.61 "Purchase Agreement" means a purchase and sale agreement by and among Declarant and the person or entity named therein as "Buyer" or "Purchaser" providing for the sale by Declarant and the purchase by the Buyer or Purchaser of a Membership.

1.62 "Purchaser's Waiting List" means a waiting list established by Declarant listing prospective Members who desire to purchase a Membership.

1.63 "Reciprocal of the Fraction Type" means the reciprocal of the fractional number which is included in the description of a particular Fraction Type. For example, the Reciprocal of the Fraction Type of the 1/8th Fraction Type is the number 8.

1.64 "Reconstruction Assessment" means an assessment levied by the Residence Club against each Membership for the purpose of raising funds to rebuild, restore or replace any portion of the Residences and the Common Furnishings suffering material damage.

1.65 "Rental User" means a person who rents a Residence under a rental program established pursuant to Sections 2.10(c) or (e), below.

1.66 "Reservation Priority Chart" means the chart attached hereto as Exhibit "F", as such Reservation Priority Chart may be supplemented by the Residence Club as provided in Paragraph 4.2(v), below.

1.67 "Reserve Account" means (a) one or more federally insured interest bearing accounts with one or more banks and/or savings and loan associations selected by the Residence Club Association, or (b) one or more Treasury Bills and/or Certificates of Deposit, which account(s), Treasury Bills and/or Certificates of Deposit shall contain funds collected as and for Reserve Expenses.

1.68 "Reserve Expenses" means the specific capital expenditures required to be made at any time and from time to time to provide for the repair, replacement or restoration of any portion of the Residences, the Common Furnishings, the Common Furnishings and for such other purposes as prudent business practice requires.

1.69 "Residence" means each residential dwelling unit within the Residence Club. Most lots of the Residence Club have or will have at least two (2) Residences thereon.

1.70 "Residence Club Association" means The Residence Club at Nakoma, a California non-profit mutual benefit corporation.

1.71 "Residence Club" means those 226 undivided interests (as more particularly defined in Exhibit "A" attached hereto and made a part hereof, in Lots 303, 305, 306 and 307, as shown on the Map for Gold Mountain, Unit 12, "Nakoma" filed in Book 8 of Maps, at Pages 112 through 117, in the Office of the County Recorder of Plumas County, and any Annexed Property annexed under the plan of this Residence Club Declaration from time to time, the Common Furnishings, other real and personal property owned by the Residence Club, and any and all easements appurtenant to the foregoing or otherwise owned or held in connection therewith.

1.72 "Residence Club Declaration" means this Declaration of Covenants, Conditions and Restrictions (The Residence Club at Nakoma), as the same may be amended or supplemented from time to time in the manner herein provided.

1.73 "Residence Plan" means the (a) unit plan attached hereto as Exhibit "B" and made a part hereof, which shows the location of each Residence relative to the other Residence within each of the lots of the Residence Club and which identifies each such Residence by number, and (b) each unit plan attached to an instrument recorded by Declarant after the date of this Residence Club Declaration in the Office of the County Recorder of Plumas County, which similarly shows the location of each Residence which has then been constructed.

1.74 "Residence Type" means of one of three (3) types, being either a studio ("Studio Residence Type"), or having either one-bedroom ("One-Bedroom Residence Type"), or two bedrooms ("Two-Bedroom Residence Type"). Each Declaration of Annexation shall specify any different Residence Types in the Residences annexed under the plan of this Residence Club Declaration pursuant to such Declaration of Annexation.

1.75 "Roster" means a compilation of the names and addresses of each Member.

1.76 "Rules and Regulations" means the Rules and Regulations relating to the possession, use and enjoyment of the Residence Club.

1.77 "Seller's Waiting List" means a waiting list established by Declarant setting forth the names of those Members who desire to sell their Memberships, respectively, which are subject to the option described in Section 9.4, below.

1.78 "Security Interest Laws" means the provisions of Article IX of the Uniform Commercial Code in effect in the state of residence or domicile of a Member residing in the United States of America, or such other laws as may be applicable to any Member and which govern the enforcement of liens such as that set forth in Section 6.2, below, and as provided in the Purchase Agreement executed by each Member.

1.79 "Special Assessment" means an assessment levied against each Membership to provide funds to the Residence Club in the event the Basic Assessment proves inadequate, in an aggregate amount sufficient to provide for such inadequacy.

1.80 "Sponsoring Member" means the Member in whose name or under whose authority a reservation of an Assigned Residence is made or sought to be made.

1.81 "Starting Date" means

(a) For the purposes of Article V of this Residence Club Declaration, (1) with respect to the Initial Residences, the date on which the first Original Membership Assignment specifying a Residence in any of the Initial Residences is filed with the Secretary of the Residence Club Association; and (2) with respect to Annexed Property, the date on which the first Original Membership Assignment specifying a Residence in the Annexed Property is filed with the Secretary of the Residence Club.

(b) Except as used in Article V of this Residence Club Declaration, "Starting Date" means the date on which the first Original Membership Assignment is filed with the Secretary of the Residence Club.

1.82 "Statement of Status" means a written statement setting forth the amount of any delinquent Assessments, Personal Charges or any other amounts unpaid with respect to a Membership.

1.83 "Subsidy Agreement" means an agreement between the Residence Club and Declarant substantially in the form attached hereto as Exhibit "G".

1.84 "Transfer Notice" means a written notice by a Member to Declarant stating that a Member desires to sell, convey or otherwise transfer his or her Membership.

1.85 "Use Period" means the time period(s) during which a Member has reserved the use and occupancy of a Residence in accordance with the provisions of this Residence Club Declaration and the Rules and Regulations or during which an Exchange User has reserved the use and occupancy of a Residence in accordance with an Exchange Program.

ARTICLE II.

USE RIGHTS AND RESTRICTIONS

2.1 Use Rights.

Subject to all the terms and conditions contained elsewhere in this Residence Club Declaration and the other Governing Instruments, each Membership shall entitle the Owner thereof to the following:

(a) Planned Vacation Use Periods. For each Membership owned by such Owner, the exclusive right to use and occupy an Assigned Residence of his Residence Type and Fraction Type reserved, for up to twenty-one (21) days during Use Periods not to exceed seven (7) consecutive nights each Club Year, together with the non-exclusive right to use and enjoy the Common Areas as set forth in this Residence Club Declaration during the above-described Use Periods, on a first-reserved, first-served basis, all in accordance with the provisions of such Member's Purchase Agreement, this Residence Club Declaration and the Rules and Regulations. If a Member so requests when making a timely Planned Vacation reservation prior to the commencement of a Club Year, a Member shall receive three (3) Planned Vacation Reservations during the Golf Season, unless the Golf Season is truncated by weather other act of force majeure beyond the capacity of the Residence Club Association to control. The Declaration of Annexation for Residences of Fraction Types other than the 1/8th Fraction Type shall specify the maximum number of nights each Club Year which may be used and occupied by an Owner of a Membership of such Fraction Type. Reservation requests for Planned Vacations shall be prioritized in accordance with the Reservation Priority Chart, and shall be subject to prior reservations made by other Members and the Residence Club Association. The Rules and Regulations shall provide that Members shall have the opportunity to make reservations for Planned Vacation Use Periods prior to the commencement of the Club Year, and prior to the commencement of the earliest date a reservation for a Space-Available Use Period or a reservation for a Short-Notice Use Period may be made; provided, however, that the Rules and Regulations may provide that the latest date for making Planned Vacation Reservations may be later than the earliest dates for making reservations for either Space-Available Use Periods or Short-Notice Use Periods.

(b) Space Available Vacation Use Periods. For each Membership owned, and subject to the availability of Residences not otherwise reserved for Planned Vacation Use Periods or Maintenance Periods, the exclusive right of a Member to use and occupy an Assigned Residence of his Residence Type and Fraction Type for Use Periods of up to seven (7) consecutive nights, together with the non-exclusive right to use and enjoy the Common Areas as set forth in this Residence Club Declaration, all in accordance with the provisions of such Member's Purchase Agreement, this Residence Club Declaration and the Rules and Regulations. There shall be no limit on the number of Space Available Vacation Use Periods a Member may reserve, provided, however, that a Member shall not have, for each Membership owned, more than one (1) confirmed Space Available Vacation Use Period reservation outstanding at any time. The Rules and Regulations shall specify the earliest date by which a reservation for a Space Available Vacation Use Period may be made, which date shall be after the date specified in the Rules and Regulations ending the exclusive period for making Planned Vacation Use

Period reservation requests. Reservation requests for Space Available Vacation Use Periods shall be prioritized in accordance with the Reservation Priority Chart.

(c) Short Notice Vacation Use Periods. For each Membership owned and subject to the availability of Residences not otherwise reserved for Planned Vacation Use Periods, Space Available Vacation Use Periods or Maintenance Periods, the exclusive right to use and occupy an Assigned Residence and the non-exclusive right to use and enjoy the Common Area, for periods of up to seven (7) consecutive nights, all in accordance with the such Member's Purchase Agreement, this Residence Club Declaration and the Rules and Regulations. There shall be no limit on the number of Short Notice Vacation Use Periods a Member may reserve, provided, however, that a Member shall not have, for each Membership owned, more than one (1) confirmed Short Notice Vacation Use Period reservation outstanding at any time. The Rules and Regulations shall specify the earliest date by which a reservation for a Short Notice Vacation Use Period may be made, which date shall be not earlier than seven (7) days prior to the commencement of the subject Use Period.

(d) Reservation Periods. The Rules and Regulations shall establish the earliest and latest dates for the making of reservations for Residences.

Notwithstanding any contrary provision in the Governing Instruments, no use or occupancy by any Member will be permitted if such Member is delinquent in the payment of any amounts owed to the Residence Club Association by such Member.

2.2 Occupancy.

(a) No Member shall occupy any Residence or exercise any other rights of ownership with respect to any Residence or the Common Area other than the rights provided to him in this Article II.

(b) Each Member shall keep his Assigned Residence and the Common Furnishings therein in good condition and repair during his Use Periods, vacate his Assigned Residence at the expiration of his Use Periods, remove all persons and property therefrom, excluding only the Common Furnishings, leave his Assigned Residence and the Common Furnishings therein in good and sanitary condition and repair and otherwise comply with such check-out and other procedures and regulations as may from time to time be contained in the Rules and Regulations.

(c) Each Member, when using his Assigned Residence, shall pay, at Check-Out Time, any Personal Charges as described in Section 5.8(b)(i), below.

(d) Any Member who permits his Assigned Residence to be occupied by other persons (but only in accordance with the Rules and Regulations) during his Use Periods shall be responsible for any loss, damage, destruction or violation of this Residence Club Declaration or the Rules and Regulations (except on the part of an Exchange User) which occurs during such occupancy as if such Member were the sole occupant of the Assigned Residence. The Board shall have the power and duty to adopt rules and regulations pertaining to the use of Residences by guests, whether accompanied by a Member, or unaccompanied by a Member, including all or any restrictions on such use, including the prohibition of such use, as determined by the Board.

2.3 Failure to Vacate.

(a) A Detaining User shall (i) be subject to immediate removal, eviction or ejection from the Residence or portion of the Common Area wrongfully used or occupied; (ii) be deemed to have waived any notice required by law with respect to any legal proceedings regarding removal, eviction or ejection (to the extent that such notices may be waived under California law); (iii) reimburse the Residence Club Association and the Detained User for all costs and expenses incurred by such party 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 Residence or Common Area, and costs (including reasonable attorneys' fees) incurred in collecting such reimbursement(s); and (iv) pay to the Detained User entitled to use and occupy such Residence during such wrongful occupancy, as liquidated damages (in addition to the costs and expenses set forth in subsection 2.4(a)(iii), above), a sum equal to 200% of the Fair Rental Value per day of the Residence for each day or portion thereof, including the day of surrender, during which the Detaining User prevents use and occupancy of such Residence.

(b) The Residence Club Association shall be responsible for determining the Fair Rental Value of a Residence.

(c) The Residence Club Association shall use reasonable efforts to attempt to remove such Detaining User from the Residence and/or to assist the Detained User in finding alternate accommodations during such holdover period and to secure, at the expense of the Residence Club Association, alternate accommodations for any Detained User which alternate accommodations shall be as near in value to the Detained User's Assigned Residence as possible and the cost thereof shall be assessed to the Detaining User as a Personal Charge.

(d) In the event that the Residence Club Association, in its sole discretion, deems it necessary to contract for a period greater than the actual period for which the use is prevented in order to secure alternate accommodations as set forth above, the cost of the entire period shall be assessed to the Detaining User as a Personal Charge.

(e) By accepting an Original Membership Assignment, each Member agrees that, in the event of a wrongful occupancy or use by him or his Permitted User, damages would be impracticable or extremely difficult to ascertain and that the measure of liquidated damages provided for herein constitutes fair compensation to those who are deprived of occupancy.

(f) For the purposes of this Section 2.3, the act or negligence of a Permitted User shall be deemed to be the act of the Member; provided, however, that if the Detaining User is an Exchange User, the Member whose Use Period was used by the Exchange User shall have no liability pursuant to the provisions of this Section 2.3.

2.4 Use Restrictions.

(a) The maximum number of occupants of any Residence shall be as provided in the Rules and Regulations.

(b) No Member shall make or authorize any alterations, additions or improvements to the Residence Club, or any portion thereof, including, but not limited to, the Common Area, the improvements, landscaping, or any personal property thereon, or the Common Furnishings; or paint, repaint, tile, paper or otherwise refinish or redecorate the inner surfaces of the walls, ceilings, floors, windows or doors bounding any Residence or remove, alter or replace any portion of the Common Furnishings without the prior written consent of the Residence Club Association. The right to perform all of the foregoing acts, with respect to the Residence Club and the Common Furnishings, has been delegated to the Residence Club Association by this Residence Club Declaration. The foregoing prohibitions, however, shall not modify or affect the obligation of each Member for the prudent care and ordinary maintenance and upkeep of all property subject to his or his Permitted User's use.

(c) Declarant and each Member, by accepting an Original Membership Assignment, hereby covenants and agrees to abide by the Governing Instruments, including, without limitation, the Rules and Regulations. Use and occupancy of the Residences is limited to private, residential use, and non-residential and/or commercial use of the Residences by any Member is prohibited except as expressly provided otherwise in this Article II.

2.5 Transfer of Interest; Ownership of Membership by Multiple Persons.

(a) No Member shall sell, assign, transfer, hypothecate or encumber less than all of his interest in his Membership.

(b) Only the Designated User will have a right to exercise the rights of Membership. The Designated User must be the controlling shareholder or owner of the entity, or a beneficiary or settlor if the membership is held in the name of a trust, and shall be obligated, on behalf of the entity, to pay all Assessments and Personal Charges. The Designated User may not be changed, notwithstanding any transfer of assets of the entity or ownership interest in the entity, except in the discretion of the Residence Club Association. If the Designated User is no longer the controlling shareholder or owner of the entity or a beneficiary or settlor if the Membership is held in the name of a trust, the Membership shall be deemed to be subject to an option by Declarant to purchase the Membership in accordance with Section 9.4(b), below. The Designated User will enjoy the same benefits, and be subject to the same conditions, as an individual Member holding a Membership of the same Residence Type and Fraction Type. No person other than the Designated User and his or her immediate family will be entitled to simultaneously use the Membership.

(c) Any sale, assignment, transfer, hypothecation or encumbrance by any Member of less than all of his interest in his Membership, shall be null, void and of no effect. The transfer and assignment of any Membership shall operate to transfer to the new owner of the Membership the interest of the prior Member in funds in the hands of the Residence Club Association even though not expressly mentioned or described in the instrument of transfer and without further instrument or transfer.

2.6 Separate Mortgages.

Each Member shall have the right to mortgage or otherwise to encumber all, but not less than all, of his interest in his Membership. Subject to the provisions of Article V of this Residence Club Declaration, any Mortgage shall be subordinate to all of the provisions of the Governing Instruments and in the event of foreclosure, the provisions of the Governing Instruments shall be binding upon any Member whose title is derived through foreclosure by private power of sale, judicial foreclosure or otherwise. Notwithstanding any other provision of the Governing Instruments, no breach of the provisions herein contained, nor the enforcement of any lien created pursuant to the provisions hereof shall impair, defeat or render invalid the priority of the lien of any Prior Mortgage on any is given in good faith and for value.

2.7 Partition and Subordination of Tenancy-in-Common Attributes.

(a) It is intended that this Residence Club Declaration shall govern all rights with respect to the use, possession, enjoyment, management and disposition of the Residence Club and the interests therein. Accordingly, in the event, if ever, that a Member's rights, with respect to the use, possession, enjoyment, management or disposition of the Residence Club is declared to be that of a tenant-in-common (including, but not limited to, any common law or statutory right jointly to use, possess or manage commonly owned property), each Member hereby unconditionally and irrevocably subordinates any such right to the provision of this Residence Club Declaration for so long as this Residence Club Declaration shall remain in effect; provided, however, that in the event that an election to terminate this Residence Club Declaration is made pursuant to Section 9.2, a Member shall have the rights specified in Section 9.2.

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

2.8 Protection of Interest.

Except as provided in Section 2.7, no Member shall permit his Membership to be subject to any lien (other than the liens of current real property taxes), claim or charge, the enforcement of which may result in a sale or threatened sale of the Residence Club or the Membership of any other Member or any part thereof or in any interference in the use or enjoyment thereof by any other Member. In the event of a threatened sale of the Residence Club or any part thereof or of Membership of any Member, or should the use and enjoyment of any portion thereof by any Member be threatened by reason of any lien, claim or charge against the Membership of any other Member (the "Member in Violation"), or should proceedings be instituted to effect any such sale or interference, any Member (the "Curing Member") acting on his own behalf or through the Residence Club Association or the Residence Club Association acting on behalf of any one or more Members (if promptly indemnified to his or its satisfaction) may, but shall not be required to, pay or compromise the lien, claim or charge without inquiry into the proper amount or validity thereof and, in such event, the Member In Violation shall

forthwith pay the amount so paid or expended to the Curing Member or the Residence Club Association, whosoever shall have paid or compromised the lien, claim or charge, together with such reasonable attorneys' fees and related costs as he or it may have incurred. No Member shall permit his interest in any funds from time to time in possession of the Residence Club Association to be subjected to any attachment, lien, claim or charge or other legal process, and each Member shall promptly restore any funds held by the Residence Club Association with respect to his Membership to the extent depleted by the reason of the assertion of any such attachment, lien, claim, charge or other legal process and shall reimburse the Residence Club for all reasonable attorneys' fees or other costs incurred in respect thereof.

2.9 Easements.

(a) Easement for Management, Operation, Maintenance, Use and Repair. The Residence Club Association, for itself, its successors and assigns, and its and their agents, employees, contractors, subcontractors, and other authorized personnel, shall have the right and is hereby granted, for so long as the Residence Club Association or its successors and assigns shall be required hereunder to manage and maintain the Residence Club, an easement in gross in, over and through the Residence Club for the management, operation, repair and maintenance of the Residence Club and the Common Furnishings and the administration and operation of the Residence Club; provided, however, that use of such easement shall not (1) unreasonably interfere with or diminish the rights of Members, Permitted Users, Exchange Users or Declarant to occupy the Residence Club and the Common Area and to use the Common Furnishings, or (2) interfere with the occupancy of Residences and of the Common Area by Declarant. In amplification and not in limitation thereof, the Residence Club and its successors and assigns shall have the right during Maintenance Periods and upon giving reasonable notice if a Residence is occupied, to enter such Residence for the purpose of cleaning, housekeeping service, painting, maintenance and repair, and at any reasonably necessary time, whether or not in the presence of the Owner thereof, to enter upon any Residence for the purpose of (1) making emergency repairs therein, (2) abating any nuisance or any dangerous, unauthorized, prohibited or unlawful activity being conducted or maintained in such Residence, (3) protecting property rights and welfare of any Member, Permitted User or Exchange User, or (4) for any other purpose reasonably related to the performance by the Residence Club Association of its duties and obligations under the terms of this Residence Club Declaration. Such right of entry shall be exercised in such a manner as to avoid any unreasonable or unnecessary interference with the possession, use and enjoyment of the rightful occupant of such Residence and shall be preceded by reasonable notice to such occupant, and prior to the Conversion Date, to Declarant, whenever the circumstances permit.

(b) Easement for Operation of Exchange Program. The Residence Club Association, for itself, its successors and assigns, and its and their agents, employees, contractors, subcontractors and other authorized personnel shall have the right and is hereby granted, for so long as the Residence Club Association or its successors and assigns shall be required hereunder to manage and maintain the Residence Club, a non-exclusive easement in, over and through the Residences and the Common Area for the purpose of providing accommodations to owners of memberships in other similar residence clubs with whom the Board may contract, which contract will permit such members of other residence clubs to occupy a Residence which has been reserved by a Member, as more particularly provided in the

governing documents of each applicable Exchange Program. In amplification and not in limitation thereof, the use of such easement (i) shall not interfere with the ability of Members to make reservations for Use Periods during that period reserved therefor to Members, and (ii) shall not interfere with the Residence Club Association's use of the Residence Club or Common Area as necessary to perform its duties and obligations hereunder and pursuant to the Rules and Regulations.

(c) Easement for Rental of Residences by Residence Club Association. With respect to Memberships which the Residence Club Association owns pursuant to its powers to foreclose upon a Membership in accordance with Article VI, below, the Residence Club Association, for itself, its successors and assigns, and its and their agents, employees, contractors, subcontractors and other authorized personnel, shall have the right and is hereby granted, a non-exclusive easement in gross in, over and through the Residences and the Common Area for the purpose of renting the Residences to Members for Use Periods outside such Member's entitlement under Section 2.1, above, and, if authorized by the Board and not prohibited by Plumas County zoning ordinances, to the general public. No such rental for the account of the Residence Club Association shall be made more than fourteen (14) in advance of the period so rented, and during such 14 day window both the Residence Club Association and its Members may reserve the use of a Residence on a first-come, first-served basis. No rental activity conducted by the Residence Club Association hereunder shall involve participation in any rental pool wherein the revenues and expenses of the rental operation would be shared among the participants, and such rental pool arrangements shall be absolutely prohibited hereby. A Non-Declarant Member's reservation request shall be honored unless every Residence has been already reserved by another Non-Declarant Member or rented to a member of the general public prior to receipt of such Member's untimely reservation request. In order to provide reservation flexibility for the Members, the easement reserved in this Section shall not entitle the Residence Club Association to rent conveyed but unreserved time; such easement shall serve only as the basis for the occupancy of a Residence by the Residence Club Association's renter when the Residence Club Association rents time in a Residence to another as the Owner of a Membership foreclosed upon in accordance with Article VI, below. Further, in order to provide reservation flexibility for the Members, nothing in this Section or elsewhere in this Residence Club Declaration shall be construed to mean that a Member shall have any right to rent a Residence to another; any such rental is prohibited.

(d) Easement for Improvements. Declarant, for itself and its successors, assigns, agents, employees, contractors, subcontractors and other authorized personnel, reserves, for a period commencing on the Starting Date and terminating on the later to occur of (A) fifteen (15) years following the Starting Date or (B) three (3) years following the date of the last final public report by the California Department of Real Estate for the Residence Club, but in no event terminating later than twenty (20) years following the Starting Date, the right in, over and through the Residence Club to construct Residences and improvements to the Common Areas, and to perform such maintenance and repair work thereon as may be reasonably required, in Declarant's discretion, under any warranties provided by Declarant as "Seller" under the terms of the Purchase Agreements.

(e) Rental of Residences by Declarant. Declarant shall have the exclusive right to occupy those Residences during all Use Periods corresponding to Memberships which have not

been conveyed by Original Membership Assignment and to rent such Residences to the general public provided that such rentals are permitted by Plumas County zoning ordinances. Any rentals received by Declarant shall inure to the benefit of Declarant. Declarant, for itself and its successors, assigns, agents, employees, contractors, subcontractors and other authorized personnel, reserves an easement in gross in, over and through the Residence Club for the purpose of conducting rental activities under this Section, including, without limitation, the right (i) to utilize the Common Area for the administration of rental activities, (ii) to use the Common Area for access purposes to such Residences, and (iii) to furnish, repair and maintain such Residences; provided, however, that Declarant shall be obligated to renovate a Residence to "new" condition prior to the close of escrow for the first Membership having an inventory control number specifying such Residence. The use of such easement shall not unreasonably interfere with the Residence Club Association's use of the Residence Club as necessary to perform its duties and obligations pursuant to this Residence Club Declaration and the Rules and Regulations, or the rights of Non-Declarant Members to use and occupy their Assigned Residences and the Common Area.

(f) Easement for Sales, Resales, Customer Service and Related Purposes. Declarant, for itself and its successors, assigns, agents, employees, contractors, subcontractors and other authorized personnel, reserves, for a period commencing on the Starting Date and terminating on the later to occur of (A) five (5) years following the Starting Date or (B) three (3) years following the date of the issuance of the most recent final public report for the Residence Club by the California Bureau of Real Estate, an easement in gross in, over and through the Residence Club, for the purposes of (i) marketing and selling the Memberships; (ii) maintaining customer relations and providing post-sales service to Members; (iii) displaying signs and erecting, maintaining and operating, for sales and administrative purposes, model units and a customer relations, customer service and sales office complex in the Residence Club; and (iv) showing the Residences; provided, however, that use of such easement shall not (1) interfere with or diminish the rights of Owners to use and occupy their Assigned Residences and the Common Area, or (2) interfere with the use and occupancy of the Residence Club and the Common Area by the Residence Club as reasonably required for the Residence Club to administer the Residence Club Association or perform its other obligations hereunder, all as provided in this Residence Club Declaration and the Rules and Regulations.

(g) Reciprocal Easements. In order to permit the use and occupancy of all Residences in accordance with the provisions of this Residence Club Declaration and the Rules and Regulations, each Member shall have and is hereby granted a non-exclusive easement over the Residence Club for use and occupancy of all Residences of his Residence Type and Fraction Type, subject to all of the provisions of the Governing Instruments.

(h) Golf Club Property Easements; Certain Disclosures, Waivers and Agreements.

(i) Errant Golf Balls. The Residence Club is located adjacent to the Golf Club Property. Declarant hereby reserves a non-exclusive easement appurtenant to the Golf Club Property for the benefit of the owner of the Golf Club Property, and all individuals using the Golf Club Property and their employees, agents and licensees (collectively, the "Golf Club Property Users") over and across those portions of the Residence Club adjacent to or in the vicinity of the Golf Club Property and the air space above the Residence Club for the purposes of

accommodating the flight of golf balls through such air space and the entry of golf balls onto the Residence Club and any building or improvement within the Residence Club (the "Golf Ball Easement"). The Golf Ball Easement shall not be construed as (A) permitting the entry onto the Residence Club by any individual for the purpose of retrieval of golf balls or for any other purpose or (B) limiting the construction of improvements on the Residence Club. Under no circumstances shall any of the following persons be held liable for any property damage or bodily injury or death resulting from errant golf balls: Declarant, Residence Club Association or its members (in their capacity as such), the owner, designer, lender, construction contractor or manager of the Golf Club Property, the Golf Club Property Users and their respective agents, representatives, successors or assigns; any successor Declarant; any officer, director, shareholder, member, partner or employee of any of the foregoing, or any officer, director, shareholder, member, partner or employee of any partner or member; provided, however, that this provision shall not be deemed to relieve any Golf Club Property User from any claim which is determined by a judicial referee, arbitrator or a court of competent jurisdiction to have been caused by the intentional or willful misconduct or negligence of such Golf Club Property User.

(ii) Maintenance of Golf Club Property. There is hereby reserved to Declarant, and Declarant hereby grants to the owner of the Golf Club Property, its manager, employees, contractors, lenders, agents, successors and assigns, a perpetual, non-exclusive easement appurtenant to the Golf Club Property burdening the Residence Club for access and use over those portions of the Residence Club reasonably necessary, with or without the use of maintenance vehicles and equipment, for the reasonable operation, maintenance, repair, replacement and enjoyment of the Golf Club Property.

(iii) Water Overspray. There is hereby reserved to Declarant, and Declarant hereby grants to the owner of the Golf Club Property, a perpetual, non-exclusive easement appurtenant to the Golf Club Property burdening those parts of the Residence Club immediately adjacent to the Golf Club Property for reasonable overspray of water from any irrigation system serving the Golf Club Property.

(iv) Ball Retrieval by Owner of Golf Club Property. There is hereby reserved to Declarant, and Declarant hereby grants to the owner of the Golf Club Property, its manager, employees, agents, successors and assigns, a perpetual, non-exclusive easement appurtenant to the Golf Club Property and burdening the Common Area, for access over the Residence Club for the purpose of retrieving golf balls from bodies of water within the Common Areas lying reasonably within the range of golf balls hit from the Golf Club Property.

(v) Maintenance of Irrigation Systems. There is hereby reserved to Declarant, and Declarant hereby grants to the owner of the Golf Club Property, its agents, successors and assigns, as well as its manager, employees, members, invitees, guests and contractors, a perpetual non-exclusive easement appurtenant to the Golf Club Property, to the extent reasonably necessary, over the Residence Club, for the installation, operation, maintenance, repair, replacement, monitoring and controlling of irrigation systems and equipment, including, without limitation, wells, pumps and pipelines, serving all or any portions of the Golf Club Property.

(vi) Maintenance of Utility Lines and Lighting. There is hereby reserved to Declarant, and Declarant hereby grants to the owner of the Golf Club Property, its agents, successors and assigns, as well as its manager, employees, members, invitees, guests and contractors, a perpetual non-exclusive easement appurtenant to the Golf Club Property, to the extent reasonably necessary, over the Residence Club for the installation, maintenance, repair, replacement and monitoring of utility lines, wires, lighting poles, lighting fixtures and improvements, drainage pipelines and pipelines serving all or any portions of the Golf Club Property.

(vii) No Representation or Warranty. Each Owner acknowledges that no representations or warranties have been or are made by the Declarant or the owner of the Golf Club Property or any other person with regard to the continuing ownership or operation of the Golf Club Property, and no purported representation or warranty in such regard, either written or oral, shall ever be effective without an amendment hereto executed or joined into by the Declarant and the owner of the Golf Club Property. Further, the ownership or operation duties of and as to the Golf Club Property may change at any time and from time to time by virtue of, but without limitation, (a) the hiring or change of the manager of the Golf Club Property by its owner, (b) the conversion of the Golf Club Property membership structure to an "equity" club or similar arrangement whereby the members of the Golf Club Property or an entity owned or controlled thereby become the owner(s) and/or operator(s) of the Golf Club Property, or (c) the conveyance, pursuant to contract, option or otherwise, of the Golf Club Property. As to any of the foregoing or any other alternative, no consent of the Residence Club Association or any Member shall be required to effect such change of management or ownership. Under no circumstances shall any Owner have any right or interest in the Golf Club Property by virtue of ownership of any Membership.

(viii) Right to Use. Except as provided in the Golf Course Irrevocable License Agreement, Ownership of a Membership shall confer no right to use the Golf Club Property. Rights to use the Golf Club Property will be granted only to such persons, and on such terms and conditions, as may be determined from time to time buy the owner of the Golf Club Property, as set forth in the Golf Course Irrevocable Agreement. The owner of the Golf Club Property shall have the right in its sole and absolute discretion and without notice, to amend or waive the terms and conditions of use of the Golf Club Property, including, without limitation, eligibility for and duration of use rights, categories of use and extent of use privileges, and number of users and shall also have the right to reserve, qualify, limit and/or terminate usage rights altogether, subject to the provisions of any outstanding Golf Club Property membership documents.

(ix) View Impairment. Neither the Declarant, the Residence Club Association nor the owner or operator of the Golf Club Property guarantees or represents that any view over and across the Golf Club Property from the Residence Club or any part thereof will be preserved without impairment. No provision of this Residence Club Declaration shall be deemed to create an obligation of the owner of the Golf Club Property, if any, to prune or thin trees or other landscaping. The owner of the Golf Club Property may have the right, in its sole and absolute discretion, to add trees and other landscaping to the Golf Club Property from time to time. In addition, the owner of the Golf Club Property may, in its sole and absolute discretion, change the location, configuration, size and elevation of the tees, bunkers, fairways, water

features and greens on the Golf Club Property from time to time. Any such additions or changes to the Golf Club Property may diminish or obstruct any view from the Residence Club, and any express or implied views of specific or general portions of the Golf Club Property, or any easements for view purposes or for the passage of light and air are hereby expressly disclaimed. Any such addition or change to the Golf Club Property shall not adversely affect drainage flows across the Residence Club.

(x) Odors. Each Member acknowledges that periodically the Golf Club Property will be fertilized and that odors will result. Each Member assumes the risk of all consequences of such odors, including personal injury and any economic damage arising from such fertilization activity upon the Golf Club Property, and hereby covenants not to bring any legal action, including, without limitation, any private nuisance action, against the owner of the Golf Club Property or its employees or contractors, nor to lodge any complaint with any governmental entity based upon such odors.

(xi) Assumption of the Risk. Each Member acknowledges and agrees that owning an interest in and occupying property adjacent to Golf Club Property has benefits as well as detriments and that the detriments include, but are not limited to (A) the risk of damage to property or injury to, or the death of, persons and animals from golf balls that are hit onto the Residence Club, (B) overspray from the washing of the roughs, fairways and greens on the Golf Club Property, (C) noise from the Golf Club Property maintenance and operation equipment (including, without limitation, compressors, blowers, mulchers, tractors, utility vehicles and pumps, all of which may be operated at all times of the day and night and/or continuously), (D) odors arising from irrigation and fertilization of the turf or other ground situated on the Golf Club Property, (E) disturbance and loss of privacy resulting from golf cart traffic and golfers and (F) disturbance, loss of privacy and disruption of views from lighting fixtures and improvements, lighting of the Golf Club Property for nighttime play and nighttime play and related activities of golfers. Additionally, each Owner acknowledges that environmentally sensitive pesticides, chemicals and other maintenance materials may be applied to the Golf Club Property throughout the year and that reclaimed water, treated waste water or other sources of non-potable water may be used for irrigation of the Golf Club Property. Each Owner expressly assumes such detriments and risks and agrees that neither Declarant, the owner or manager of the Golf Club Property nor any of their lenders, agents, servants, employees, guests, invitees, directors, officers, affiliates, representatives, contractors, members, managers, partners, shareholders, successors and assigns shall be liable to the owner or anyone for, or relating to, any claims.

(xii) Waiver, Release and Indemnification. Each Owner waives, and releases Declarant, the owner and manager of the Golf Club Property, and any and all of their agents, servants, employees, guests, invitees, directors, officers, affiliates, representatives, contractors, members, managers, partners, shareholders, successors and assigns from and against, any and all claims, damages (including indirect, punitive, special or consequential), losses, demands, liabilities, expenses (including attorney and expert fees and costs), obligations, actions or causes of action whatsoever, including, but not limited to, actions based on (A) trespass; (B) nuisance; (C) negligence; (D) invasion of any Owner's use or enjoyment of the Residence Club; (E) improper design of the Golf Club Property; (F) the level of skill of any golfer, regardless of whether such golfer has permission to use the Golf Club Property; and (G) any other claim, action, damage, loss, demand, liability, obligation or cause of action whatsoever that may result

in property damage or destruction to the Residence Club or other property or personal injury to or the death of Owner or Owner's invitee, guest or animal or any other person relating to or arising from the operation of the Golf Club Property, golf balls hit upon the Residence Club, the use or non-use of golf carts, Golf Club Property maintenance equipment or any other equipment relating to the Golf Club Property or the exercise of any rights under any easements granted hereunder by any golfer or the owner or manager of the Golf Club Property or any person acting for or on behalf of the owner or manager of the Golf Club Property (collectively, "Claims"). Each Owner hereby agrees to indemnify and hold harmless Declarant, the owner and manager of the Golf Club Property, and their successors and assigns, from and against any and all losses, damages, liabilities, costs (including attorney and expert fees and costs) and expenses from, or relating to, Claims by Owner or Owner's invitees or guests.

(xiii) Limitations on Amendments. In recognition of the fact that the provisions of this Section are intended for the benefit of Declarant and the owner of the Golf Club Property, no amendment to this Article and no amendment in derogation of any rights reserved or granted to the owner of the Golf Club Property by other provisions of this Residence Club Declaration may be made without the prior and express written approval of Declarant and the owner of the Golf Club Property.

(xiv) Jurisdiction and Cooperation. It is Declarant's intention that the Residence Club Association and the owner of the Golf Club Property shall reasonably cooperate in the operation of the Residence Club and the Golf Club Property. Each shall reasonably cooperate with the other in upholding the appearance of the Golf Club Property and the Residence Club to a first-class standard for golf course communities in the Plumas County area.

2.10 Animals.

Except as permitted in the Rules and Regulations, no animals, livestock, birds, fish or poultry of any kind shall be kept in or brought upon the Residence Club, including, without limitation, any Residence, except animals which are certified to provide aid to the disabled and which are accompanied by a disabled individual. Notwithstanding the foregoing prohibition, in the event that a Member violates the foregoing prohibition, such Member shall be liable to each and all remaining Members and the Permitted Users thereof, and to the Residence Club for any and all damage to person or property caused by such violation.

2.11 Offensive Activity.

No noxious or offensive activity or conduct shall be carried on within any portion of the Residence Club nor shall anything be done therein or thereon which may or would become an annoyance or nuisance to other Members or occupants. No Residence shall be used for any trade, business or other commercial activity or solicitation except as expressly permitted by this Residence Club Declaration. Except as expressly permitted by this Residence Club Declaration, no Member shall cause or permit the display of any sign or advertising matter within any Residence or any other portion of the Residence Club.

2.12 Compliance With Laws.

No Member or his Permitted User shall permit anything to be done or kept in his Assigned Residence or within any other portion of the Residence Club which violates any law, ordinance, statute, rule or regulation of any local, county, state or federal government or agency thereof.

2.13 No Increased Insurance.

Nothing shall be done or kept within any other portion of the Residence Club which will increase the rate of insurance on the Residence Club without the prior written consent of the Board. No Member shall permit anything to be done or kept in his Assigned Residence, or do or place anything elsewhere in the Residence Club, which would result in the cancellation of insurance for the Residence Club, or any portion thereof.

2.14 No Rental by Non-Declarant Members. Except as permitted in the Rules and Regulations, no Residence shall be rented to any person by a Non-Declarant Member. The Residence Club shall have the exclusive right to rent any Residence which is not used and occupied by a Member, a Permitted User or an Exchange User; provided, however, that in the event the Board resolves that the amount of rental revenues received or to be received becomes so material as to cause a significant reduction in the amount of the Basic Assessment, the Board shall have the duty and power to permit Non-Declarant Members to directly rent their rights to use and occupy a Residence during such periods of time in which the Board anticipates that rental revenues will be material. Any such decision by the Board shall be evidenced by an amendment to the Rules and Regulations providing for rules and regulations pertaining to rental of the Residences.

ARTICLE III.

THE RESIDENCE CLUB

3.1 Membership in Residence Club.

Each Owner, including Declarant but excluding persons or entities who hold an interest merely as security for the performance of an obligation, shall automatically, upon becoming an Owner, become a Member of the Residence Club and shall remain a Member thereof until he ceases to be an Owner.

3.2 Membership Rights and Duties.

Each Member shall have the rights, duties and obligations set forth in this Residence Club Declaration and the other Governing Instruments, as said documents may be amended from time to time.

3.3 Voting.

(a) Number of Votes. The Residence Club shall have three (3) classes of voting membership:

(i) Class A. Class A Members shall be all Members except Declarant (and upon conversion of the Declarant's membership from Class B membership to Class A membership, all Members, including Declarant). The number of Class A votes to which a Member shall be entitled shall depend on the Fraction Type of the Membership in question. The smallest Fraction Type for a Residence shall determine the number of votes the Memberships of all other Fraction Types shall hold. A Membership of the smallest Fraction Type shall be vested with (1) vote for each such Membership; a Membership of a larger Fraction Type shall hold the following number of votes:

> [(one (1) vote) x 1/(Reciprocal of Fraction Type of smallest Fraction Type/Reciprocal of Fraction Type of largest Fraction Type)] rounded up to the next whole number of votes.

For example, if each Membership of the 1/8th Fraction Type is vested with one (1) vote, then a Membership of a 1/4th Fraction Type would have the following number of votes:

[(one (1) vote) x 1/[(8)/(4)]] = 2 votes

When more than one (1) person is the Owner of a Membership, all such persons shall be Members; provided, however, than in no event shall more than the vote specified above be cast with respect to any Membership except as set forth in clause (ii), below.

(ii) Class B. The Class B Member shall be the Declarant who shall be entitled to one (1) vote for each Membership of a particular Fraction Type in the Residence Club owned by Declarant. For example, if 10 Residences have been declared by Declarant to be of the 1/4th Fraction Type, and if 35 Memberships of the 1/4th Fraction Type have been conveyed, and if 5 Residences have been declared to be of the 1/8th Fraction Type, and if 25 Memberships of the 1/8th Fraction Type have been conveyed, then the number of votes held by Declarant would be:

> [Total Votes of 10 Residences of the 1/4th Fraction Type = (10 Residences x 4 Memberships/Residence x 2 votes/ Membership) = 80 votes)] - [(35 votes)] = 45 Declarant Votes attributable to 10 Residences of the 1/4th Fraction Type, plus
>
> [Total Votes of 5 Residences of the 1/8th Fraction Type = (5 Residences x 8 Memberships/Residence x 1 vote/ Membership = 45 Votes)] - [(25 votes)] = 20 Declarant Votes attributable to 5 Residences of the 1/8th Fraction Type,

The Class B membership shall cease and Declarant's membership shall be converted to Class A membership upon the Conversion Date.

(iii) Class C. So long as Declarant owns any Membership, the Class C Member shall be Declarant. As the Class C Member, Declarant shall have the right to appoint a majority of the members of the Board until Declarant's Class B voting rights have been converted to Class A voting rights.

(b) Joint Owners Disputes. The vote for each Membership must be cast as a unit and fractional votes shall not be allowed. In the event that the joint Owners of a Membership are unable to agree among themselves as to how their vote shall be cast, they shall lose their right to vote on the matter in question. If any Non-Declarant Member casts a vote representing a Membership, it will thereafter be conclusively presumed for all purposes that he or they were acting with the authority and consent of all Owners of the same Membership. In the event more than the specified vote is cast for a particular Membership owned by a Non-Declarant Member, none of said votes shall be counted and said votes shall be deemed void.

(c) Board of Directors Voting for members of the Board shall be by secret written ballot. Every Member entitled to vote may cumulate his votes and give one (1) candidate a number of votes equal to the number of Directors to be elected multiplied by the number of votes to which his Membership is entitled, or may distribute his votes on the same principle among as many candidates as he desires; provided, that the procedural prerequisites to cumulative voting set forth in Section 7615(b) of the California Corporations Code are satisfied. The entire Board or any individual director may be removed from office with the Consent of a Majority of Members; provided, however, that unless the entire Board is removed, no individual director shall be removed prior to the expiration of his term of office if the number of votes cast against removal, or not consenting in writing to such removal, would be sufficient to elect the director if voted cumulatively at an election at which the same total number of votes were cast and the entire number of directors authorized at the time of the most recent election of the director were then being elected. If any or all of the directors are so removed, new directors may be elected at the same meeting. Each director must be a Member of the Residence Club Association or a representative of Declarant designed by Declarant. The Board shall initially consist of the persons appointed by Declarant. At the time of the first annual meeting of Members, the Members shall elect, in accordance with the Bylaws, a Board replacing the initial Board. To assure Non-Declarant Member representation on the Board, at least twenty percent (20%) of the directors on the Board shall be elected solely by the vote of the vote of Members other than Declarant for so long as a majority of the voting power of the Residence Club Association resides in Declarant. Notwithstanding anything to the contrary set forth herein, a director who has been elected to office solely by the vote of the Members other than Declarant may be removed from office prior to the expiration of his term of office only by the vote of at least a simple majority of the voting power residing in Members other than Declarant.

(d) Commencement of Voting Rights. Voting rights attributable to any Membership shall not vest until Assessments have been levied in accordance with the provisions of Section 5.5, below, or until Declarant's obligation and right to pay subsidies in lieu of Assessments pursuant to a Subsidy Agreement have commenced.

ARTICLE IV.

MANAGEMENT

4.1 Powers and Duties Generally.

The operation, administration, maintenance and repair of the Residence Club and Common Furnishings, and any alterations or additions thereto, shall be vested in the Residence Club Association. The Residence Club Association, acting alone (through the Board, its officers, or other duly authorized representatives) may, subject to the provisions of the Governing Instruments, exercise any and all rights and powers herein enumerated and, except as specifically limited herein, all the rights and powers of a nonprofit mutual benefit corporation under the laws of the State of California.

4.2 Specific Powers and Duties of the Residence Club Association.

The Residence Club Association shall have the power and the duty to maintain and repair the Residences and the Common Area, to administer the affairs of the Members and the operation of the Club as provided herein, to acquire (by lease or purchase), maintain, repair and replace the Common Furnishings, to levy, collect, and enforce the Assessments and Personal Charges enumerated in this Residence Club Declaration, and to pay, as agent, the expenses and costs enumerated in this Residence Club Declaration. The Residence Club Association shall have the exclusive possession of each Residence during the Maintenance Periods for the performance of maintenance and repairs on such Residence. The Residence Club shall have the power to do all things that are required to be done by it pursuant to this Residence Club Declaration. The following powers and duties are in amplification and not limitation of the foregoing powers and duties:

(a) Bank Accounts. The Residence Club shall have the power and duty to deposit all funds collected from Members by the Residence Club Association in connection with its rights and duties hereunder as follows:

(i) All funds shall be deposited in the General Account. Funds deposited in the General Account(s) may be used by the Residence Club only for the purposes for which such funds have been collected.

(ii) Within ten (20) days after deposit in the General Account, all amounts collected for Reserve Expenses shall be deposited in the Reserve Account. The Residence Club Association shall keep accurate books and records reflecting the amount in the Reserve Account attributable to each Member. Funds deposited in the Reserve Account shall be held in trust and, except in an emergency, may be used by the Residence Club only for the specific purposes for which such funds have been collected. Funds held in the Reserve Account and used in an emergency shall be replaced in the Reserve Account as soon as practicable after the date upon which emergency arose but in no event later than the end of the Fiscal Year immediately following the Fiscal Year in which such emergency occurred. Interest, if any, earned on funds deposited in the Reserve Account shall be accumulated therein and shall be used

only for payment of Reserve Expenses and any taxes incurred by the Residence Club as a result of the earning of such interest.

(b) Cleaning and Housekeeping Service. Basic cleaning and housekeeping services shall be included as a Common Expense of the Residence Club Association. The Residence Club Association shall have the power and duty to do the following for each Residence: (i) provide a full annual cleaning during the Maintenance Period(s), and (ii) clean and provide full housekeeping service during the Maintenance Period immediately prior to Check-In Time for any Use Period for each Residence, (iii) regardless of if requested by an occupant, provide such cleaning as may be necessary during any Use Period so that such Residence is maintained in good order and repair (in which case the Manager's housekeeping fees shall become a Personal Charge to the occupant). Additional housekeeping service during a Use Period, if requested by the occupant of such Residence, shall be the responsibility of the Manager (for service fees which shall be in addition to Manager's compensation under the Management Agreement, and which shall be payable by the occupant rather than by the Residence Club to the Manager). Notwithstanding any provision herein, the Board shall have the power to increase or decrease the level of housekeeping services provided by the Residence Club without the consent of the any Member or the Manager. Such service fees payable to the Manager by an occupant, when charged to a Member or his Permitted User, shall be deemed a Personal Charge of the Member charged.

(c) Collection of Damages and Housekeeping Fees from Exchange Users. The Residence Club Association shall have the power and duty to use reasonable efforts to collect from each Exchange User who requests housekeeping fees, or who causes loss, damage or destruction to the Residence Club or the Common Furnishings (other than by ordinary wear and tear) the housekeeping fees charged by the Manager, and/or the cost of the repair, restoration of replacement of the Residence or the Common Area (to the extent such loss, damage or destruction is not covered by insurance proceeds paid to the Residence Club Association), and to use reasonable efforts to collect from any Exchange User who is a Detaining User the amount for which such Exchange User would be liable under Section 2.4 if he were an Owner.

(d) Compensating Use. The Residence Club shall have the power and duty to compensate each Member who, through an error on the part of the Residence Club Association or Manager, is prevented from occupying his Assigned Residence during his Use Period, by either (i) paying to such Owner a sum equal to 100% of the Fair Rental Value of his Assigned Residence during his Use Period, or (ii) procuring alternate accommodations reasonably acceptable to such Owner for his Use Period. Whether such Owner is compensated through the method provided in subsection (i) or (ii) shall be at the Residence Club Association's discretion.

(e) Delegation. The Residence Club Association shall have the power to delegate the authority and responsibilities of the Residence Club Association hereunder to one or more agents, including, without limitation, the Manager as provided for in Section 4.3 below.

(f) Exchange Program. Except as otherwise limited by this Residence Club Declaration, the Residence Club shall have the power to enter into agreements with the Manager or other organizations to provide for participation by the Members in one or more Exchange Programs and to collect and disburse funds in connection therewith.

(g) Financial Statements. The Residence Club Association shall have the power and duty to cause to be regularly prepared financial statements for the Residence Club Association and copies thereof to be distributed to all Members as follows:

(i) A Budget shall be distributed to Members not less than forty-five (45) days nor more than sixty (60) days before the beginning of each Fiscal Year, except the first Fiscal Year with respect to which the Budget shall be distributed as soon as reasonably possible. The Budget shall contain at least the following information:

(A) Estimated revenue and expenses on an accrual basis;

(B) The amount of the total cash reserves of the Residence Club Association currently available for replacement or major repair of the Residences, Common Areas and Common Furnishings and for contingencies;

(C) An itemized estimate of the remaining life of the Residences, Common Areas and Common Furnishings and the methods of funding to defray Reserve Expenses; and

(D) A general statement setting forth the procedures used by the Board in the calculation and establishment of Reserve Expenses.

(ii) An Annual Report shall be distributed within 120 days after the end of each Fiscal Year. The Annual Report shall be prepared by a licensee of the California Society of Certified Public Accountants in any Fiscal Year in which the gross income to the Residence Club exceeds $75,000.00. If the Annual Report is not prepared by such a licensee, the Annual Report shall be prepared by the Manager or by an officer of the Residence Club Association and shall be accompanied by the certificate of the person preparing the Annual Report that the Annual Report was prepared without audit from the books and records of the Residence Club Association. In lieu of the distribution of the Budget and the Annual Report, the Board may elect to distribute a summary of the Budget and the Annual Report to each Member with a written notice, in 10-point bold print type on the front page of the summary, that the Budget and the Annual Report are available at the business office of the Residence Club and that copies will be provided upon an Member's request at the expense of the Residence Club. Any such summary requested shall be mailed to the requesting Member by First Class United States Mail at the expense of the Residence Club Association.

(h) Inspection of Books and Records.

(i) The Residence Club Association shall have the power and duty to open, at any reasonable time during usual business hours, the books and records of the Residence Club Association for inspection by any Member or Declarant's Mortgagee upon the written demand by such Member or Declarant's Mortgagee; provided, however, that the Residence Club Association shall be obligated to open its books and records for inspection by a Member only if the Member requests such inspection for a purpose reasonably related to the Member's interests as a Member. The inspection may be made in person or by an agent or attorney and shall include the right to copy and make extracts.

(ii) The Board shall have the power and duty to establish reasonable rules with respect to (A) notice to be given to the custodian of records by the person desiring to make the inspection; (B) hours and days of the week when such an inspection may be made; and (C) payment of the cost of reproducing copies of documents requested by a Member or Mortgagee.

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

(i) Insurance. The Residence Club Association shall have the power and duty to obtain and pay the cost of:

(i) On and after the Starting Date, insurance against loss or damage to the Residence Club and Common Furnishings, including, without limitation, machinery used in the service of the Residence Club, by fire and other risks and hazards customarily covered by an insurance policy written on an all risk basis, including, to the extent available at a reasonable cost, earthquakes and environmental risks. The stipulated amount of such insurance shall be based on the full replacement cost thereof at the time and place of loss, and the Residence Club shall either (A) annually update such stipulated full replacement cost amount to reflect the then-current estimated full replacement cost thereof, or (B) procure and maintain an endorsement which provides for full reimbursement for the actual cost of repair or replacement thereof, without deduction for depreciation.

(ii) On and after the Starting Date, insurance against hazards such as burglary and theft covering the Common Furnishings and to the extent available at a reasonable cost, the personal property on the Residence Club owned by any Member, Permitted User or Exchange User or in the possession of the Residence Club Association, its agents or employees.

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

(iv) Insurance against loss or liability due to injury to, or destruction of personal property belonging to Members, Owners, Permitted Users and Exchange Users while located in the Residence Club, including without limitation loss due to claims for bodily injury, death and property damage with a combined single limit liability with regard thereto of not less than $1,000,000.00 per occurrence. The Residence Club Association shall also procure and maintain one or more umbrella liability insurance policies against loss or damage due to claims

for personal injury, death and property damage with a limit with regard thereto of not less than $5,000,000.00 per occurrence.

(v) To the extent available at a reasonable cost, directors' and officers' liability insurance, Workers' Compensation Insurance and any other insurance deemed necessary or desirable by the Residence Club Association. Such other policies of insurance shall cover such risks, be written by such insurers, and be in such amounts as the Residence Club Association shall deem necessary and proper under the circumstances. The Residence Club Association shall cause to be covered by a fidelity bond or insurance providing for a blanket crime endorsement, any employee or agent of the Manager or the Residence Club Association who may have charge of funds of any Member, Permitted User, Exchange User or of the Residence Club Association. The loss coverage under any such bond or policy shall not be less than the maximum amount of funds of the Residence Club Association over which the principals under the bond or policy may reasonably be expected to have control or access at any time.

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

(j) Legal and Accounting. The Residence Club Association shall have the power to obtain and pay the cost of legal and accounting services necessary or proper in the operation, maintenance and repair of the Residence Club and Common Furnishings and the enforcement of the Governing Instruments.

(k) Levy and Collection of Assessments. The Residence Club Association shall have the power, and shall have the duty to take such action as the Board deems reasonable, (i) to establish the frequency of collection of Assessments by the Residence Club Association, (ii) to levy, collect and enforce Assessments against the Members in the manner provided in Articles VI and VII hereof in order to pay the expenses of operating, maintaining and repairing the Residence Club and Common Furnishings (including the fee of the Manager), and (iii) to do all things necessary to enforce each Member's obligations hereunder. The Residence Club Association shall also have the power to charge Members who elect to participate in an Exchange Program such fees as the Board deems necessary and proper to cover any actual costs or expenses attributable to the operation of an Exchange Program at the Residence Club in order to ensure that Members who do not participate in the Exchange Program are not burdened by any of the costs or expenses related thereto.

(l) Rules and Regulations. The Residence Club shall have the power and duty, to adopt, publish and enforce (to the extent deemed necessary and proper by the Board), from time to time, Rules and Regulations relating to the possession, use and enjoyment of the Residence Club which Rules and Regulations shall be consistent with the provisions of the Governing Instruments.

(m) Maintenance and Repair. The Residence Club Association shall have the power, and to the extent deemed necessary or proper by the Board for the management, maintenance and operation and repair of the Residences, Common Area and Common Furnishings, the duty, to do the following: (i) repair, maintain, repaint, furnish or refurnish the Residences and Common Areas; (ii) repair, maintain or replace the Common Furnishings; (iii) establish reserves for anticipated costs, including the costs of acquisition and replacement of the Residences, Common Areas and Common Furnishings; and (iv) acquire and pay for materials, supplies, furniture, furnishings, labor or services.

(n) Minutes, Agenda and Policies. The Residence Club Association shall have the power and duty to provide each Member with (1) a copy of the minutes of Board meetings within sixty (60) days following the date of such meeting, (2) a list of the orders of business to be considered at the annual meeting of Members not later than thirty (30) days prior to the date for such meeting, which list shall contain the name, address and a brief biographical sketch (if available) of each Member nominated to stand for election to the Board, and (3) within sixty (60) days prior to the beginning of each Fiscal Year, a statement of the Residence Club Association's policies and practices relative to the enforcement of its remedies against Members for defaults in the payment of any amounts due to the Residence Club Association, including, without limitation, the recording and foreclosing of liens against Memberships.

(o) Other Necessary Acts. The Residence Club Association shall have the power to do all other things or acts deemed by the Residence Club Association to be necessary, desirable or appropriate for the operation, administration, maintenance, repair and replacement of the Residence Club and the Common Furnishings.

(p) Representation in Condemnation Proceedings. The Residence Club Association shall have the power and duty to represent the Members in any and all proceedings related to or arising out of condemnation or eminent domain proceedings. Upon receipt of notice of intention or notice of proceedings whereby all or any part of the Residence Club is to be taken by any governmental body by exercise of the power of condemnation or eminent domain, all Owners and Mortgagees shall be immediately notified by the Residence Club Association thereof. The Residence Club Association shall represent the Owners in any condemnation or eminent domain proceedings or in negotiations, settlements and agreements with the condemning authority for acquisition of any part of the Residence Club, and every Member appoints the Residence Club Association his attorney-in-fact for this purpose. Subject to the provisions of the Trust Agreement, the entire award made as compensation for such taking, including but not limited to any amount awarded as severance damages, or the entire amount received and paid in anticipation and settlement for such taking, after deducting therefrom, in each case, reasonable and necessary costs and expenses, including but not limited to attorneys' fees, appraisers' fees and court costs (which net amount shall hereinafter be referred to as the "**Award**"), shall be paid to the Residence Club Association as trustee for the use and benefit of the Owners and their Mortgagees, as their interests may appear. The Residence Club Association has no obligation to distribute funds under this subsection other than those received by the Residence Club Association as part of the Award.

(q) Right of Entry. The Residence Club Association shall have the right, during Maintenance Periods and upon giving reasonable notice if a Residence is occupied, to enter such

Residence for the purpose of cleaning, painting, maintenance and repair. The Residence Club Association and its successors and assigns further shall have the right at any reasonably necessary time, whether or not in the presence of an Owner, to enter upon any Residence within the Residence Club for the purpose of (1) making emergency repairs therein, (2) abating any nuisance or any dangerous, unauthorized, prohibited or unlawful activity being conducted or maintained in such Residence, (3) protecting property rights and welfare of any Owner, Permitted User or Exchange User, or (4) for any other purpose reasonably related to the performance by the Residence Club Association of its duties and obligations under the terms of this Residence Club Declaration. Such right of entry shall be exercised in such a manner as to avoid any unreasonable or unnecessary interference with the possession, use and enjoyment of the rightful occupant of such Residence and shall be preceded by reasonable notice to such occupant whenever the circumstances permit. Any action taken by the Residence Club Association pursuant to the foregoing provisions of this subsection must be reasonably related to the performance by the Residence Club Association of its responsibilities under the terms of this Residence Club Declaration.

(r) Roster. The Residence Club Association shall have the power and duty to compile the Roster. Upon the written request of a Member stating the purpose for which the request is made, the Residence Club Association shall furnish such Member with a copy of the Roster and may charge such Member a reasonable fee therefor. Each Member who requests and receives a copy of the Roster hereby agrees not to make any use of the Roster prohibited by Section 8338 of the California Corporations Code (including, without limitation, use of the Roster to solicit money or property or for any other commercial purpose) or to distribute a copy of the Roster to any person who is not a Member or for any purpose unrelated to any Member's interest as a Member. Any Member who uses or distributes the Roster in a manner prohibited under this subsection shall, in addition to all other rights, powers and remedies available to the Residence Club under this Residence Club Declaration, be subject to all of the liabilities imposed under Section 8338 of the California Corporations Code, and agrees to indemnify and defend the Residence Club, the Board and the Manager against and to hold the Residence Club harmless from any and all claims arising from or related to such Member's use of the Roster.

(s) Statements of Status; Residence Club Documents.

(i) The Residence Club Association shall have the power and duty to issue a Statement of Status within ten (10) days of the mailing or delivery of a request therefor by any Member, Mortgagee, prospective Mortgagee, purchaser or other prospective transferee of a Membership. Such Statement of Status shall be binding upon the Residence Club Association in favor of any person who may rely thereon in good faith.

(ii) The Residence Club Association shall have the power and duty to provide a copy of the Residence Club Declaration, Articles and Bylaws within ten (10) days of the mailing or delivery of a request therefor by any Member.

(iii) The Residence Club Association shall have the power to charge a fee for providing the Statement of Status or the requested documents, which fee shall not exceed the reasonable cost of preparation and/or reproduction thereof.

(t) Taxes and Assessments. The Residence Club Association shall have the power and duty to pay all taxes and assessments and other costs affecting or relating to the Residence Club and the Common Furnishings not otherwise directly assessed against each Member and shall have the power to discharge, contest or protest liens or charges affecting the Residence Club.

(u) Utilities. The Residence Club Association shall have the power and duty to obtain and pay the costs of water, electrical, telephone, cable television, gas, refuse pick-up, garbage disposal and other utility services for the Residence Club.

(v) Reservation Priority Chart. The Residence Club Association shall have the power and duty to update and expand the Reservation Priority Chart upon the request of and subject to the approval of Declarant; provided, however, that the Reservation Priority Chart shall not be amended without the consent of Declarant.

(w) Cooperation with Underlying Association. The Board shall vote the voting power of the Residence Club Association as a block in all membership matters of the Underlying Association (including, without limitation, the election of the board of directors of the Underlying Association), shall maintain communications with the Underlying Association, shall pay assessments and charges duly levied against the Residence Club by the Underlying Association (subject to the duty of the Board to protest any such assessments and charges believed to be inappropriate), shall work within the reservation system maintained by the Underlying Association with respect to the part of the Residence Club which is subject to reservation system maintained by the Underlying Association, and shall cooperate as necessary with the Underlying Association to assure the due maintenance and operation of any part of the Residence Club which is subject to maintenance and operation by the Underlying Association.

(x) Cooperation with Declarant. The Residence Club Association shall have the power and duty to generally cooperate with Declarant, including, without limitation, to execute all and any documents as Declarant shall request from time to time, provided that such acts do not substantially, materially and adversely affect the interests of the Membership. Without limiting the generality of the foregoing, the Board shall execute such instruments as requested by Declarant on behalf of Declarant's lender.

4.3 Authority and Duty to Engage Manager.

The Residence Club Association shall have the authority to engage and the obligation to use its best efforts to engage and maintain a reputable firm as the Manager for the Residence Club pursuant to a Management Agreement. Each Management Agreement shall be substantially in the form attached hereto as Exhibit "E".

4.4 Limitation on Powers of the Manager.

The Manager shall not enter into a contract with a third person or entity whereby such person or entity will furnish goods or services for a term longer than one (1) year for the Residence Club or Common Furnishings without the Consent of a Majority of Members except as follows:

(a) A contract with a public utility company if the rates charged for the materials or services are regulated by the California Public Utilities Commission; provided, however, that the term of the contract shall not exceed the shortest term for which the supplier will contract at the regulated rate.

(b) Prepaid casualty and/or liability insurance policies not to exceed three (3) years duration provided that the policy permits short-rate cancellation by the insured.

(c) The following types of contracts provided that the lessor or provider is not an entity in which the Declarant or the Manager has a direct or indirect interest of ten percent (10%) or more:

(i) A lease of Common Furnishings;

(ii) Agreements for cable television services and equipment or satellite television services and equipment;

(iii) Agreements for burglar alarm services and equipment; and

(iv) Fidelity insurance for the Manager.

(d) Contracts providing for the implementation of an Exchange Program at the Residence Club.

4.5 Limited Liability.

Neither the Residence Club Association nor the Manager shall be responsible for the acts, omissions or conduct of any Member, Permitted User or Exchange User, or for the breach of any of the obligations of any Member, Permitted User or Exchange User.

4.6 Declarant's Obligations to the Residence Club.

For so long as (a) an improvement to be constructed by Declarant as a part of the Residence Club (for which a bond or other security posted by Declarant to assure completion of such improvement remains unexonerated) has not been completed, or (b) a Subsidy Agreement continues in effect, Declarant shall, within thirty (30) days after the end of each quarter of the Fiscal Year, furnish to each member of the Board at his or her residence address a Declarant's Report.

If the Declarant's Report is not received by the Board members within forty-five (45) days after the end of a quarter, or if the Declarant's Report received evidences a failure by Declarant to fulfill any obligation of Declarant to the Residence Club, the Board shall hold a special meeting to consider and to vote on the question of initiating action against the Declarant and/or the Declarant's surety to enforce Declarant's unfulfilled obligations.

If, within seventy-five (75) days following the end of the calendar quarter with respect to which the Declarant's Report was either not submitted or reflected a failure by Declarant to fulfill its obligations to the Residence Club, the Board fails to meet to consider and vote on the

question of enforcing Declarant's obligations or if, within said seventy-five (75) day period, the Board refuses to initiate action to enforce the Declarant's unfulfilled obligations, the director of the Residence Club elected solely by the votes of Non-Declarant Member shall be empowered to initiate action in the name of the Residence Club and at the Residence Club's expense, including, without limitation, arbitration proceedings as more particularly provided below. If such director initiates an action in the name of the Residence Club Association, the Board shall thereafter take such steps as are necessary and appropriate in furtherance of the purpose of the action.

Any disagreement or controversy between the Declarant and the Residence Club Association with respect to the question of the fulfillment of Declarant's obligations to complete and pay for improvements included in the Residence Club, to pay for Basic, Special and Reconstruction Assessments, or to pay the costs of operating and maintaining the Residence Club and Common Furnishings under a Subsidy Agreement shall, at the request of either party, be submitted to arbitration in accordance with the commercial Arbitration Rules of the American Arbitration Association.

The fee necessary to commence arbitration shall be paid by the party initiating the arbitration proceedings. The cost of arbitration shall ultimately be borne as determined by the arbitrator. If arbitration is requested by the director elected solely by the votes of Non-Declarant Members as provided above, the Residence Club Association shall promptly reimburse such director for that and any other costs reasonably incurred in initiating the arbitration proceedings.

ARTICLE V.

ASSESSMENTS AND PERSONAL CHARGES

5.1 Creation of Personal Obligations For Assessments. From and after the Starting Date, Declarant, for each Declarant Membership, hereby covenants, and each Owner accepting the conveyance of a Membership, whether or not it shall be so expressed in the Original Membership Assignment, shall be deemed to have covenanted and agreed, for each such Membership owned, to pay to the Residence Club Association all Assessments which shall be established, made and collected as hereinafter provided. Personal Charges shall not be deemed to be Assessments for any purposes hereunder. Declarant may, in lieu of payment of the Basic Assessment, enter into a Subsidy Agreement with the Residence Club substantially in the form attached hereto as Exhibit "G". The Assessments, together with interest thereon, costs and reasonable attorneys' fees shall be the personal obligation of each Member at the time each Assessment becomes due and payable and shall be a lien and charge upon the Membership against which such Assessment is made. Subject to the provisions of subsection 6.2(b), below, the personal obligation for delinquent Assessments shall not pass to successors-in-title unless expressly assumed. No Owner may waive or otherwise avoid liability for the Assessments by non-use of his Membership or any part thereof or any abandonment thereof.

5.2 Purpose of Assessments.

Assessments shall be used exclusively to promote the recreation, health, safety and welfare of the Members, to maintain, repair and improve the Residence Club and Common

Furnishings, to pay for the expenses incurred by the Residence Club and other expenditures incurred in the performance of the duties of the Residence Club Association as set forth in this Residence Club Declaration.

5.3 Limitation on Common Expenses.

Except as provided in Section 5.4, below, without the Consent of a Majority of Members, the Common Expenses for any applicable Fiscal Year subsequent to the 2014 Fiscal Year shall not exceed 120% of the Common Expenses for the preceding Fiscal Year (without regard to any increase or decrease as set forth in Section 5.4, below).

5.4 Increase and Reduction of Budget.

(a) In the event of annexation of all or a portion of the Annexable Property pursuant to Article VIII hereof, the Board shall, not later than sixty (60) days following the Annexation Date, cause to be prepared a supplemental Budget showing an increase in the Common Expenses for the applicable Fiscal Year attributable to the addition of Residences and Common Furnishings to the Residence Club caused by such annexation, prorated for the remainder of the Fiscal Year from such Annexation Date, and shall levy a Basic Assessment as of the Starting Date for such annexed Residences and Common Area.

(b) In the event of deannexation pursuant to Article VIII, the Board shall, not later than sixty (60) days following the Deannexation Date, cause to be prepared a supplemental Budget showing a decrease in the Common Expenses for the applicable Fiscal Year attributable to the deannexation of Residences, Common Area and Common Furnishings from the Residence Club caused by such deannexation prorated for the remainder of the Fiscal Year from such Deannexation Date.

(c) Each Owner hereby further agrees that in the event the Board shall determine at any time during the Fiscal Year that the Budget is, or will be, in excess of the amounts needed to meet the Common Expenses (other than Reserve Expenses), respectively, for such Fiscal Year, the Board shall have the authority, exercisable in its sole discretion, to cause to be prepared an estimate of the amount of such excess, which excess shall then be subtracted from the previously prepared Budget, respectively, for the Fiscal Year to which such excess is applicable. The Common Expenses reflected in the reduced total Budget shall then be allocated among the Members in the same ratio as provided in Section 1.8 of this Residence Club Declaration entitled "Basic Assessments." Except as may be determined by the Members on an annual basis, (i) no Owner shall, by reason of such reduction, be entitled to a refund of all or any portion of any Basic Assessment previously paid, and (ii) each Member hereby agrees that any amount assessed and collected in excess of the amount required to meet the Common Expenses (other than Reserve Expenses) shall be applied to reduce the amount assessed to meet the Common Expenses, respectively, for the next succeeding Fiscal Year. Any reduction in the Budget, as provided herein, shall not relieve any Member from his obligation to pay any past due Basic Assessment.

5.5 Basic Assessment.

The Basic Assessment shall commence as to each Membership on the Starting Date for such Membership. The initial Basic Assessment for each Non-Declarant Membership may be prorated between the Declarant and the grantee and/or assignee thereof as more particularly provided in the Purchase Agreement for such Membership.

5.6 Payment of Basic Assessment.

The Basic Assessment shall be paid as follows:

(a) Each Non-Declarant Member, for each Membership owned by such Member, shall pay to the Residence Club, for the Fiscal Year in which such Non-Declarant Member acquired such Membership, the Basic Assessment for each such Membership as provided in the Purchase Agreement between such Member and Declarant.

(i) For each Fiscal Year thereafter, such Non-Declarant Member shall pay the Basic Assessment with respect to each Membership within the Residence Club which he owns to the Residence Club either (A) in one lump sum due on or before the date determined by the Board, or (B) in installments payable no more frequently than monthly. Whether such Basic Assessment is paid through the method provided in (A) or (B) of the foregoing sentence shall be at the Residence Club's sole discretion.

(ii) For each Fiscal Year in which there is no Subsidy Agreement, Declarant, with respect to each Membership owned by Declarant, shall pay to the Residence Club the Basic Assessment in four (4) equal quarterly installments, commencing on January 1 of each Fiscal Year and continuing on the first day of each month thereafter until paid; provided, however, that (i) as of the date on which a Residence is annexed under this Residence Club Declaration (for purposes of this Section, the "**Annexed Residence**"), the Basic Assessment attributable to the Membership in such Annexed Residence shall commence as set forth in Article VIII of this Residence Club Declaration.

(iii) That portion of the Basic Assessment which is attributable to Reserve Expenses shall be deposited in the Reserve Account.

5.7 Special Assessments.

(a) If the Basic Assessments collected or to be collected for a particular Fiscal Year are, or will be, inadequate to meet all expenses incurred by the Residence Club hereunder (other than for items constituting Personal Charges) for any reason, the Residence Club shall immediately determine the approximate amount of such inadequacy (the "**Shortfall**"), prepare and distribute a supplemental budget and levy against each Membership a Special Assessment as set forth below in this Section 5.7. The Special Assessment for each Membership shall be determined in the same method as used to determine the Basic Assessment as set forth in Section 1.8 entitled "Basic Assessment" except that the term "Special Assessment" shall be substituted for the term "Basic Assessment" and the term "Shortfall" shall be substituted for the term "Common Expenses".

(b) Notwithstanding the foregoing, without the Consent of a Majority of Members, the Special Assessments shall not, in the aggregate in any particular Fiscal Year, exceed five percent (5%) of the Common Expenses for such Fiscal Year. Notwithstanding the foregoing, Special Assessment increases shall not be limited in the case of any of the following "emergency situations":

(i) an extraordinary expense required by court order;

(ii) an extraordinary expense for repair or maintenance of the Residence Club or Common Furnishings where a threat to personal safety is discovered; or

(iii) an extraordinary expense for repair or maintenance of the Residence Club or Common Furnishings which expense could not have been reasonably foreseen in preparing the budget; provided, however, that prior to imposition of such an assessment, the Board shall make written findings as to the necessity of the expense and why such expense could not have been reasonably foreseen and such findings shall be distributed to the Members with the notice of assessment.

Any Special Assessment shall be payable in one lump sum or periodically, as determined by the Residence Club.

5.8 Personal Charges.

(a) Personal Charges are not Assessments and the remedies available to the Residence Club against any Member for nonpayment of such Member's Personal Charges are those remedies provided in Section 6.1 and subsection 6.2(a), below.

(b) Personal Charges shall be paid by each Owner as follows:

(i) If the Residence Club is able to determine the amount of Personal Charges at Check-Out Time (for example, Personal Charges constituting long distance telephone charges, optional housekeeping service, etc.), such Personal Charges shall be payable at the termination of the Member's Use Period.

(ii) Except as provided in Section 9.7, below, Personal Charges which are not ascertainable at the time of termination of an Member's Use Period shall be payable as determined by the Residence Club.

ARTICLE VI.

ENFORCEMENT OF RESTRICTIONS

6.1 In General.

In the event that any Member, Exchange User or Owner's Permitted User(s) should fail to comply with any of the provisions of the Governing Instruments, the Residence Club Association or any other Member(s) (if and only if the Board shall first fail to enforce

compliance with such provisions) or Declarant shall have full power and authority to enforce compliance with the Governing Instruments in any manner provided for therein, by law or in equity, including, without limitation, the right to enforce the Governing Instruments by bringing an action for damages, an action to enjoin the violation or specifically enforce the provisions of the Governing Instruments, to enforce the liens provided for herein and any statutory lien provided by law, including the foreclosure of any such lien and the appointment of a receiver for a Member and the right to take possession of the Membership of such Owner in any lawful manner. In the event the Residence Club Association or any Owner(s) shall employ an attorney to enforce the provisions of the Governing Instruments against any Owner, the party engaging the attorney shall be entitled to recover from such Member, Permitted User or Exchange User violating any such provisions reasonable attorneys' fees and costs in addition to any other amounts due as provided for herein. All sums payable hereunder by a Member which become Delinquent shall bear interest at the rate of twenty one percent (21%) per annum or the maximum rate permitted by law, whichever is less, from the due date, or if advanced or incurred by the Residence Club Association , or any other Owner pursuant to authorization contained in this Residence Club Declaration, commencing ten (10) days after repayment is requested. Each Member who becomes Delinquent in the payment of any amount due the Residence Club Association shall pay to the Residence Club Association a late charge of $25.00 for each payment which is delinquent. All enforcement powers of the Residence Club Association shall be cumulative. Declarant and each Member, by accepting the conveyance of a Membership, shall be deemed to have covenanted and agreed that the Residence Club Association shall have all of the rights, powers and remedies set forth in this Article VI and elsewhere in this Residence Club Declaration.

6.2 Certain Specific Enforcement Powers.

In amplification of, and not in limitation of, the general powers specified in Section 6.1 above, the Residence Club Association shall have the following rights and powers:

(a) Suspension of Privileges and Imposition of Monetary Penalties. If any Member or his Permitted User shall be in breach of the Governing Instruments, including but not limited to the failure of such Member to pay any Assessment or Personal Charges on or before the due date therefor, subject to the limitations hereinafter set forth in this subsection 6.2(a), the Residence Club Association may suspend the right of such Member to reserve or occupy an Assigned Residence and the right of such Member to participate in any vote or other determination provided for herein, and may assess monetary penalties therefor. No such suspension or imposition of monetary penalties, except a suspension of privileges or imposition of monetary penalties for the failure of such Member to pay any Assessments or Personal Charges, any portion thereof or any other amount(s) due hereunder on or before the due date therefor, shall be made except after a meeting of the Board at which a quorum of the Board is present, duly called and held for such purpose in the same manner as provided in the Bylaws for the noticing, calling and holding of a meeting of the Board. Written notice of such meeting, the purpose thereof, including the reasons for the suspension sought or the monetary penalties sought to be imposed, and whether the Member's defense shall be oral or written, shall be given to the Member whose privileges are being sought to be suspended or against whom monetary penalties are sought to be imposed at least fifteen (15) days prior to the holding of such meeting. Such notice shall be given as provided at Section 9.3, below. Such Member shall be entitled to appear

at such meeting and present his case, either orally or in writing as designated by the Board, as to why his privileges should not be suspended or such monetary penalties should not be imposed. The decision as to whether such privileges should be suspended or such monetary penalties imposed shall be made by a majority of the members of the Board present at such meeting. Written notice of suspension, the length thereof or monetary penalties imposed and the reasons therefor shall be given to the affected Member and the suspension or monetary penalties shall become effective five (5) days following the date such notice is given. If such suspension of privileges or imposition of monetary penalties is based on the failure of an Member to pay Assessments, Personal Charges or any other amount(s) due hereunder when due, the suspension shall become effective upon the date of the Board's decision to suspend such privileges and such suspended privileges of such Member shall be reinstated automatically at such time as the Member shall have paid to the Residence Club Association, in cash or by cashier's or certified check, all amounts past due as of the date of such reinstatement, together with accrued and unpaid interest and any late charges or other monetary penalties imposed. If such suspension of privileges is based on any act or omission other than the failure of a Member to pay Assessments, Personal Charges or any other amount(s) due hereunder when due, the suspended privileges shall be automatically reinstated upon the expiration of the period stated in the suspension notice. In case of any emergency situation which, in the reasonable judgment of the Manager requires an immediate suspension of the rights or privileges of an occupant of an Assigned Residence in order to protect persons or property at the Residence Club Association , the Residence Club Association delegates to the Manager the power to suspend the privileges of any Member, Exchange User or Permitted User during the period of time that such Owner, Exchange User or Permitted User is in violation of the Governing Instrument. Further, the Residence Club Association delegates to the Manager the power to suspend the privileges of any Member, Exchange User or Permitted User during the period of time that such Member, Exchange User or Permitted User is Delinquent in the payment of an Assessment or Personal Charge duly levied by the Residence Club Association , subject to the provisions of this subsection.

(b) Enforcement by Lien. Subject to the provisions of Section 6.3, there is hereby created a claim of lien, with power of sale in accordance with the Security Interest Laws, on each Membership, in the nature of a personal property security interest to secure the prompt and faithful performance of each Member's obligations for the payment to the Residence Club Association of any and all amounts due the Residence Club Association by such Member, including, but not limited to, Assessments levied against such Membership under this Residence Club Declaration, together with interest thereon at the rate of twelve (12%) per annum or the maximum rate permitted by law, whichever is less, from the date of delinquency, and all late charges and costs of collection which may be paid or incurred by the Residence Club Association in connection therewith, including reasonable attorneys' fees. Without limiting any other rights the Residence Club Association may have under the Security Interest Laws, the Residence Club Association may, in its sole discretion, enforce the lien created hereunder in each Membership by accepting the forfeiture of all of the defaulting Member's rights and privileges pertaining to the Membership in lieu of pursuing any deficiency against the defaulting Member, or the Residence Club Association may preserve its rights to the deficiency owed by such Member by offering the Membership of the defaulting Member for sale to the general public pursuant to Article IX of the Security Interest Laws. Such sale shall not occur earlier than 60 days after written notice to the defaulting Member of the time and place of the sale, and the

public sale shall be conducted in a commercially reasonable manner. A defaulting Member shall have the right to cure his or her default at any time prior to the public sale by paying all amounts then in default, including all late charges and costs of collection which may be paid or incurred by the Residence Club Association in connection therewith, including reasonable attorneys' fees, as more particularly described above. Without limitation, a commercially reasonable sale shall include (a) a public sale by persons duly licensed under applicable law to sell a Membership which is advertised at least five days before the sale in a nationally distributed periodical relating to the leisure industry; or (b) a private sale made on substantially the same terms and conditions as the original sale of the Membership or on substantially the same terms and conditions as a new Membership at the time of the resale. Any purchaser at a commercially reasonable sale must be acceptable to the Residence Club Association in accordance with guidelines set forth from time to time by the Board. The proceeds of any foreclosure or judgment sale provided for in this Residence Club Declaration shall first be paid to discharge court costs, court reporter charges, reasonable attorneys' fees, and costs of the sale, and all other expenses of the proceedings and sale, and the balance of the proceeds, after satisfaction of such charges, monetary penalties, unpaid Assessments hereunder, Personal Charges or any liens, and subject to the rights of any Mortgagee, shall be paid to the defaulting Member. The purchaser at any such sale shall obtain title to the Membership free from the sums or performance claimed (except as stated in this section) but otherwise subject to the provisions of this Residence Club Declaration; and no such sale or transfer shall relieve such Membership or the purchaser thereof from liability for any Assessments, other payments or performance thereafter becoming due or from the lien therefor as provided for in this subparagraph. All sums assessed hereunder but still unpaid shall remain the obligation of and shall be payable by the Member foreclosed upon; but if such sum should prove uncollectible, then it shall be deemed to be a Basic Expense, collectable from all of the other Members, including the purchaser thereof at foreclosure, and shall be shared among such Members in the same manner as other Basic Expenses are shared. Upon the timely curing of any default for which a lien was filed by the Residence Club Association, the officers of the Residence Club Association are hereby authorized and instructed to file an appropriate release of such lien in accordance with the provisions of the Security Interest Laws.

6.3 Subordination to Certain Mortgages.

The lien provided for herein shall be prior to all encumbrances made by a Member or imposed by legal process upon any Member except taxes, bonds, assessments and other levies which by law are prior thereto, whether the notice of lien is recorded prior or subsequent to any such encumbrances, except that the lien provided for herein shall be subordinate to the lien of any Prior Mortgage. The sale or transfer of any Membership shall not defeat or affect the lien provided for herein; provided, however, that the sale or transfer of any such interest which is subject to any Prior Mortgage pursuant to a foreclosure under such Prior Mortgage shall extinguish the lien provided for herein as to payments which became due prior to such sale or transfer. No such sale or transfer shall relieve such Membership or the purchaser thereof from liability for any Assessment(s) thereafter becoming due or from the lien thereof.

ARTICLE VII.

DAMAGE, DESTRUCTION, OR CONDEMNATION

7.1 Damage or Destruction.

In the event of any damage or destruction other than by ordinary wear and tear, whether resulting from an insured or uninsured casualty, to all or any portion of the Residence Club or any Common Furnishings, the Residence Club Association shall promptly cause such to be repaired, restored or replaced as near as may be possible to its condition immediately prior to such damage or destruction. The Board shall obtain firm bids from two (2) or more responsible contractors to rebuild such damaged or destroyed portion of the Residence Club as nearly as possible to its condition immediately prior to such damage or destruction and shall accept the bid it considers most favorable. If a bid is accepted, the Board shall levy a Reconstruction Assessment on all of the Owners in accordance with the method set forth below for the amount required to make up any deficiencies between the total insurance proceeds and the contract price for such repair and rebuilding (the "**Reconstruction Shortfall**"). The Reconstruction Assessment for each Membership shall be determined in the same method as used to determine the Basic Assessment for each such interest as set forth in Section 1.8 except that the term "Reconstruction Assessment" shall be substituted for the term "Basic Assessment" and the term "Reconstruction Shortfall" shall be substituted for the term "Common Expenses".

Notwithstanding the foregoing, (a) if the loss, damage or destruction was caused by the intentional or negligent act or failure to act of any Owner or his Permitted User(s), the cost of such repair shall be a Personal Charge of, and be paid by, such Owner as provided in Section 5.9, above, to the extent such loss, damage or destruction is not covered by insurance, and (b) if the loss, damage or destruction was caused by an intentional or negligent act or omission to act of any Exchange User, the Residence Club Association shall, and if caused by a guest of Declarant, the Declarant shall, use reasonable efforts to collect from such person the cost of such repair to the extent such loss, damage or destruction is not covered by insurance. The insurance proceeds available to the Residence Club Association on account of said damage or destruction shall be paid to the Board. All insurance monies recovered on account of such damage or destruction, less the cost, if any, of such recovery, shall be applied to the payment of the cost of repairing, replacing and rebuilding, and shall be paid out from time to time by the Board as such work progresses upon the written certification of the architect or engineer if applicable, or the contractor in charge of such work, stating that the sum requested is justly due to those persons rendering services or furnishing materials in connection with such work.

7.2 Extensive Damage or Destruction; Condemnation.

In the event that the Reconstruction Shortfall exceeds ten percent (10%) of the amount of Common Expenses for such Fiscal Year, the Reconstruction Assessment shall not be levied (a) prior to the Conversion Date unless the Board shall first pass a resolution approving such Reconstruction Assessment and containing written findings as to the necessity of the extraordinary expense involved and why the expense could not have been reasonably foreseen in the budgeting process and shall distribute such resolution to the Members with the notice of Reconstruction Assessment, and (b) on or after the Conversion Date without the Consent of a

Majority of Members. If such Reconstruction Assessment is not so approved or if no action is taken with respect to such Reconstruction Assessment within 180 days following the date of such damage or destruction or in the event the entire Residence Club shall be taken by eminent domain, this Residence Club Declaration shall terminate upon the consummation of the sale of the Residence Club, pursuant to Section 9.2, below, and the recordation in the Office of the Plumas County Recorder of an amendment stating that the Residence Club Declaration has been terminated in accordance with the provisions of this Section 7.2. The proceeds arising from such sale, together with any insurance proceeds or condemnation proceeds received as a result of such damage, destruction or condemnation (collectively, the "**Proceeds**"), shall be distributed by the Residence Club Association, as trustee, to each Owner, including Declarant (subject to the rights of Mortgagees as reserved in Prior Mortgages) as provided below; provided, however, there shall be deducted from the amount due any Owner, and retained by the Residence Club Association, the amount, if any, of all sums due to the Residence Club Association from such Owner. For each Membership, a distribution shall be made to the Owner of such Membership and to the Declarant, with respect to Declarant's use rights in the Resort Club upon expiration of the Membership, in an equitable manner.

ARTICLE VIII.

ANNEXATION AND DEANNEXATION

8.1 Annexation by Declarant. All or any of the Annexable Property may be annexed under the plan for the Residence Club project under this Residence Club Declaration by Declarant, and if Declarant is not the owner of the Annexable Property to be annexed, jointly by Declarant and the owner of the Annexable Property to be annexed, pursuant to a Declaration of Annexation at any time and from time to time without the consent of the Members. Upon such annexation and at all times thereafter, this Residence Club Declaration shall govern the ownership, use and transfer of all such additional Annexable Property, the Residences located therein and any Memberships described in such Declaration of Annexation. In the event Declarant elects to annex Residences with a Fraction Type other than that for the Initial Residences, Declarant shall declare the Fraction Type for such Residences in the Declaration of Annexation and may, if Declarant has not otherwise done so in a recorded document, declare the Residence Type of the Residences annexed as well. As of the date on which the first Original Membership Assignment in a Phase is filed with the Secretary of the Residence Club Association, Assessments on all of the Memberships and voting rights for such Memberships in such Phase shall commence. Notwithstanding anything to the contrary in this Residence Club Declaration, the Residence Club Association shall not be obligated to furnish maintenance or other services to the Residences within a particular Phase until Assessments on the Memberships within such Phase have commenced.

8.2 Annexation by Consent of Members. The owner of any property who desires to add it to the scheme of this Residence Club Declaration and/or as part of the Residence Club and to subject it to the jurisdiction of the Residence Club Association, may cause the same to be done as hereinafter provided in this Article VIII upon approval in writing of the Residence Club Association, pursuant to the affirmative vote or written consent of (a) while there is a Class B membership, (i) Class A Members entitled to vote and who collectively own more than 66 2/3%

of the total voting power vested in such Class A Members and (ii) Declarant, and (b) after there is no longer a Class B membership, Members entitled to vote and who collectively own more than 66 2/3% of the voting power vested in the Members, including Members other than Declarant who are entitled to vote and who collectively own more than 66 2/3% of the total voting power vested in such Members. As of the date on which the first Original Membership Assignment for a Phase is filed with the Secretary of the Residence Club Association, Assessments on all of the Memberships in such Phase shall commence.

8.3 Annexation Procedures. Any annexation authorized by Sections 8.1 or 8.2, above, shall be made by recording in the Office of the Plumas County Recorder a Declaration of Annexation with respect to the Annexable Property to be annexed thereby, which Residence Club Declaration shall extend the scheme of this Residence Club Declaration to such Annexable Property and the Residences and Common Areas s therein. The Declaration of Annexation shall contain at least the following:

(a) a description of the Lot and the Residences upon each to be annexed by reference to a Residence Plan attached thereto and identifying such Residences; identification of the Fraction Type and the Residence Type of such Residences; a description, in accordance with the number designation system set forth on Exhibit "D" to this Residence Club Declaration, of the Memberships to be annexed; the names and addresses of the record owner or owners of such Memberships; and the names and addresses of the beneficiaries and trustees of all mortgages and trust deeds, if any, which constitute liens against such Annexed Property or Memberships allocable thereto as of the date said Declaration of Annexation is so recorded; and

(b) a statement annexing such Annexable Property as part of the Residence Club under this Residence Club Declaration and referring to this Residence Club Declaration by title, date and instrument number of recording; and

(c) such other terms and conditions as Declarant deems advisable or necessary so that this Residence Club Declaration, as modified by such terms and conditions, provides more accurately for any different nature of such Residences; provided, however, that such terms and conditions shall not be inconsistent or in conflict with the terms and provisions of this Residence Club Declaration and shall not adversely or materially affect the interests of Members hereunder; and further provided that any reallocation of the Basic Assessment necessitated by such annexation shall be made using the formula set forth in Section 1.8, above.

Upon annexation of Residences of a Fraction Type different from the Fraction Type or the Residence Type of the Residences which are already part of the Residence Club pursuant to this Residence Club Declaration, the Board shall amend the Rules and Regulations as required to accommodate the new Fraction Type and Residence Type.

8.4 Deannexation. Declarant may deannex from this Residence Club Declaration, in accordance with the procedures set forth in Section 8.5, below:

(a) Prior to the conveyance of a Membership allocable to a Lot, any such Lot; and

(b) Subsequent to the conveyance of a Membership allocable to a Lot, any such Lot with the consent of each Member whose Original Membership Assignment specifies such Lot in its Membership Identification Number.

8.5 Deannexation Procedures. Any deannexation authorized by Section 8.4, above, shall be made by recording in the Office of the Plumas County Recorder a Declaration of Deannexation with respect to that portion of the Residence Club to be deannexed thereby. The Declaration of Deannexation shall contain at least the following:

(a) a description of the Lot being deannexed;

(b) a statement deannexing such property from this Residence Club Declaration, which shall be referred to by title and date and instrument number of recording; and

(c) such other terms and conditions as Declarant deems advisable or necessary; provided, however, that such terms and conditions shall not be inconsistent or in conflict with the terms and provisions of this Residence Club Declaration and shall not adversely or materially affect the interests of Members hereunder.

8.6 Effect of Deannexation. Upon any deannexation pursuant to this Article VIII, and at all times thereafter, this Residence Club Declaration shall no longer govern the use, enjoyment, repair, maintenance, restoration and improvement of the property so deannexed, and Declarant shall have no obligation to subsidize or pay the quarterly installments of the Basic Assessment with respect to such property.

ARTICLE IX.

MISCELLANEOUS PROVISIONS

9.1 Amendment.

This Residence Club Declaration may be amended as set forth below:

(a) This Residence Club Declaration may be amended by Declarant as follows:

(1) In its sole and absolute discretion and without the consent of any other party at any time prior to the Starting Date;

(2) From and after the Starting Date, this Residence Club Declaration may be amended by Declarant in its sole and absolute discretion and without the consent of any other party if such an amendment is necessary if the changes are made to correct any scrivener error, provided such amendment does not have a material adverse effect on any Member.

Any amendment authorized by this Section 9.1(a) shall be evidenced by an instrument in writing, signed and acknowledged by Declarant.

(b) This Residence Club Declaration may be amended from and after the Starting Date with the Consent of a Majority of Members. Any amendment authorized pursuant to this Section 9.1(b) shall be evidenced by an instrument in writing, signed and acknowledged by any two (2) officers of the Residence Club Association.

(c) Notwithstanding the provisions of Section 9.1(b), above,

(i) The specific percentages of the voting power necessary to amend a specific clause or provision shall not be less than the percentage of affirmative votes required for action to be taken under such clause or provision;

(ii) No amendment which would defeat the obligations of the Residence Club Association to maintain the Residences, Common Furnishings and Common Area in a first-class condition and good state of repair and administer and operate the Club, or which would defeat the assessment procedures which assure the collection of funds for such maintenance and administration shall be made unless such instrument is (i) signed (A) prior to the Conversion Date, by Declarant and two (2) officers of the Residence Club Association and provided that such amendment has been approved by the vote or written assent of seventy-five percent (75%) of the voting power of the Non-Declarant Members or (B) on or after the Conversion Date, by two (2) officers of the Residence Club Association and provided that such amendment has been approved by the vote or written assent of seventy-five percent (75%) of the Membership, including seventy-five percent (75%) of the voting power of the Non-Declarant Members; and (ii) approved by not less than seventy-five percent (75%) of the holders of security interests against the Memberships.

(d) Without the prior written consent of the Declarant,

(A) The provisions of Sections 2.10(e), 5.1, 8.1, 8.4 and 8.6 of this Residence Club Declaration shall not be amended;

(B) The provisions of Sections 2.10(d) and 2.10(f) of this Residence Club Declaration shall not be amended until Declarant (i) has completed construction of the Residence Club, (ii) has terminated construction activities, and (iii) has terminated its marketing activities for the sale of Memberships; and

(C) The provisions of Sections 2.10(i) and 4.7 of this Residence Club Declaration shall not be amended until the rights of Declarant under such Sections have expired in accordance with the provisions of such Sections.

(e) The Residence Club Association, or any Member may petition the superior court of Plumas County, California, for an order reducing the percentage of the affirmative votes necessary to amend this Residence Club Declaration. The petition shall describe the effort that has been made to solicit approval of the Members in the manner provided in this Residence Club Declaration. The petition shall also describe the number of affirmative and negative votes actually received, the percentage of affirmative votes required to effect the amendment in accordance with this Residence Club Declaration, and other matters the petitioner considers relevant to the court's determination. The petition shall also contain as exhibits thereto, copies of all of the following: (1) the Governing Instruments, (2) a complete text of the amendment, (3)

copies of solicitation and notice materials utilized in the solicitation of owner approvals, (4) a short explanation of the reason for the amendment, and (5) any other documentation relevant to the court's determination.

(f) Notwithstanding the foregoing provisions of this Section 9.1, if, by law, any different consent or agreement is required for any action, then any instrument changing, modifying or rescinding any provision of this Residence Club Declaration with respect to such action shall be effective only if taken and made as required by law.

(g) No provision in this Residence Club Declaration may be changed, modified or rescinded so as to conflict with the provisions of any law. No amendment or termination of this Residence Club Declaration which does not apply to all of the Residence Club then covered by this Residence Club Declaration shall be made or recorded as to any portion of the Residence Club without the written consent of all of the record Members of such affected portion.

(h) Any amendment must be recorded prior to becoming effective. Any amendment shall be binding upon every Member and Membership within the Residence Club whether the burdens thereon are increased or decreased. No amendment shall require the consent or approval of any Mortgagee. Any amendment authorized hereby shall be evidenced by an instrument in writing, signed and acknowledged, and in the event of an amendment requiring the signature of Residence Club Association, shall be executed by any two officers of the Residence Club Association.

(i) Notwithstanding any other provision in this Residence Club Declaration, neither an amendment to Exhibit "B" (Residence Plan), Exhibit "D" (Schedule of Membership Numbers), Exhibit "E" (Management Agreement), Exhibit "F" (Reservation Priority Chart) or Exhibit "G" (Subsidy Agreement), nor the provisions of any Declaration of Annexation or Declaration of Deannexation shall be deemed to be an amendment of the Residence Club Declaration for purposes of this Section 9.1 requiring a vote of the Membership. Declarant shall have the sole right and power to record a Declaration of Annexation or a Declaration of Deannexation and such exhibits hereto as are required for Declarant's phased planned of development. The Board and the Managing Agent shall have the power and right to amend any Management Agreement without a vote of the Membership, provided, however, that no provision of the Management Agreement which is required by California Business and Professions Code Section 11267 may be amended. The Board and Declarant shall have the power and right to amend any Subsidy Agreement and/or Reservation Priority Chart without a vote of the Membership.

9.2 Termination.

(a) Subject to the provisions of Article VII of this Residence Club Declaration and subsection 9.2(b), below, this Residence Club Declaration shall remain in effect indefinitely.

(b) This Residence Club Declaration may not be terminated before (i) the expiration of fifty (50) years from the date of recordation of the Residence Club Declaration unless earlier termination is approved with the Consent of a Super-Majority of Members or (ii) if under the provisions of Article VII of this Residence Club Declaration, the provisions of this

Section 9.2 are applicable. In such event, Declarant for each Declarant Membership and each Non-Declarant Member, by accepting the conveyance of a Membership hereby confers upon the Residence Club Association, as trustee, the power and authority to sell, convey or otherwise transfer the interests of the Members in the Residence Club Association. This Residence Club Declaration shall terminate upon the consummation of such sale and the recordation in the Office of the Plumas County Recorder of an instrument stating that this Residence Club Declaration is terminated pursuant to this subsection 9.2(b). Notwithstanding subsection 9.2(b)(i), above, but subject to subsection 9.2(b)(ii), above, this Residence Club Declaration may not be terminated earlier than twenty-five (25) years after the recordation of the Residence Club Declaration. Upon the expiration of fifty (50) years after the date the Residence Club Declaration is recorded, unless thereafter affirmatively terminated, the term of this Residence Club Declaration shall automatically be renewed for successive ten (10) year terms unless terminated with the Consent of a Super-Majority of Members. Notwithstanding the termination of this Residence Club Declaration as hereinabove provided in this subsection 9.2(b) and the termination thereby of all of the covenants, conditions, restrictions, easements, rules and regulations, liens and equitable servitudes created by this Residence Club Declaration, the existence of the Residence Club Association shall continue for so long as reasonably required to provide for the collection and disbursement of the proceeds from the sale, conveyance or transfer of the interests of the Members in the Residence Club Association.

(c) In the event that no conveyance, sale or transfer of the interests of the Members in the Residence Club Association shall have been effected by the Residence Club Association within nine (9) months after (i) the event described in clause (i) or (ii) of subsection 9.2(b) occurred, any Member, including Declarant, shall have the right to petition a court of competent jurisdiction for the sale of the interests of the Members in the Residence Club Association in lieu of partition. Such court shall recognize and give effect to any agreement, document or instrument made or entered into by the Residence Club Association within said nine (9) month period, and pursuant to which the interests of the Members in the Residence Club Association shall be conveyed, sold or transferred.

(d) The proceeds from a sale of the interests of the Members in the Residence Club Association (i) by the Residence Club Association pursuant to the power of sale conferred upon the Residence Club Association, as set forth in subsection 9.2(b), or (ii) by a referee appointed to do so pursuant to a decree of partition obtained pursuant to subsection 9.2(c), above, shall be distributed by the Residence Club Association, as Declarant, to each Member, including Declarant, (subject to the rights of each Mortgagee) in accordance with the method for determining the Basic Assessment; provided, however, that there shall be deducted from the amount due any Owner, the amount, if any, of all sums due to the Residence Club Association from such Member.

9.3 Notices.

Notices provided for in this Residence Club Declaration shall be in writing and shall be deemed sufficiently given either when delivered personally at the appropriate address set forth below (in which event, such notice shall be deemed effective only upon such delivery) or 48 hours after deposit of same in any United States post office box in the state to which the notice is addressed, 72 hours after deposit of same in any such post office box other than in the state to

which the notice is addressed, postage prepaid, addressed as set forth below. Any notice to a Member required under this Residence Club Declaration shall be addressed to the Member at the last address for such Member appearing in the records of the Residence Club Association or, if there be none, at the address of the Residence Club Association. Notices to the Residence Club Association shall be addressed to:

The Residence Club at Nakoma
348 Bear Run
Clio, California 96106
Attn: President

Notices to the Manager shall be addressed to the address designated by the Manager by written notice to all Owners.

Notices to Declarant shall be addressed to

SGI-Resort Properties, LLC
6418 E Tanque Verde Road,
Tucson, AZ 85715
Attn: Ryan Schoff

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

9.4 Transfers of Memberships; Option to Purchase; Right of First Refusal.

(a) Transfers of Memberships. Memberships are not transferable, except as provided in this Residence Club Declaration. In the event a Member desires to sell, convey or otherwise transfer a Membership, such sale, conveyance or transfer must be processed through the Residence Club Association and is further subject to certain rights and options in favor of Declarant, as more fully set forth in this Section 9.4.

(b) Option. If a Member desires to sell, convey, or otherwise transfer such Member's Membership, then Declarant shall have the following options:

(i) Memberships. Declarant shall have an option to purchase the Non-Declarant Membership subject to terms and conditions equivalent to those offered to or by a purchaser with whom Declarant has entered into an agreement to resell the Membership, with the exception of the purchase price payable by Declarant. The purchase price shall be the fair market value of the Membership. As used in this Section 9.4(b)(i), the fair market value of a Membership shall be determined by the average Membership price of a Membership of such Residence Type and Fraction Type in the previous ten (10) closed sales of Memberships, provided, however, that if fewer than ten (10) such sales have closed, the fair market value shall be the average Membership price of the Memberships of such Fraction Type and Residence Type

for the lesser number of sales which have closed, or if no such sales have closed, the appraised value of a Membership under consideration.

(ii) Procedures; Waiting Lists. In the event a Member desires to sell, convey or otherwise transfer his or her Membership, the applicable Member shall deliver a Transfer Notice to Declarant and to the Residence Club Association. For so long as there are Non-Declarant Memberships issued and outstanding, Declarant shall have a right, but not the obligation, to maintain a resale program for Memberships, and the Residence Club Association shall reasonably cooperate with Declarant in so doing. For so long as a resale program is maintained, Declarant shall (A) establish and maintain a Seller's Waiting List; (B) establish and maintain a Purchaser's Waiting List; (C) use reasonable efforts to resell one (1) Membership owned by a Non-Declarant Member from the Seller's Waiting List for every four (4) Memberships owned by Declarant and sold in the ordinary course of Declarant's business of selling Memberships. Prospective purchasers of Memberships shall be selected by Declarant from the applicable Purchaser's Waiting List in the chronological order in which such purchasers' names were placed on the applicable Purchaser's Waiting List. Declarant shall select Non-Declarant Memberships for re-issuance from the applicable Seller's Waiting List in the chronological order in which such Non-Declarant Memberships were placed on the applicable Seller's Waiting List. In the event Declarant desires to exercise its option as described in this Section 9.4(b), Declarant shall deliver written notice of exercise to the applicable Member. Such exercise notice from Declarant shall be deemed to create a binding contract between the Member and Declarant for Declarant to purchase the Membership which is the subject of the notice. Declarant's duties and obligations as set forth in this Section 9.4(b)(iii) shall automatically terminate and no longer be of any force or effect upon Declarant's written notice to the Residence Club Association.

(iii) Rights and Obligations during Option Period. Following the date a Member delivers a Transfer Notice pursuant to Section 9.4(b)(iii) above, until the first to occur of the following events: (1) Declarant exercises its option to acquire the applicable Membership and thereafter acquires the applicable Membership pursuant to this Section 9.4; or (2) the Member elects to sell, convey or otherwise transfer such Member's Membership pursuant to Section 9.4(d) hereof, the Member shall continue to have all of the rights and obligations of a Member hereunder, including, without limitation, the right to reserve an Assigned Residence, the right to vote and the duty to pay Assessments and Personal Charges, all subject to and in accordance with this Residence Club Declaration.

(c) Permitted Transfers. Notwithstanding Declarant's option to purchase described in Section 9.4(b), above, and Declarant's right of first refusal set forth in Section 9.4(d), below, a Member shall have the right to convey and to transfer his or her Membership without regard to such option or right of first refusal, as applicable, if the conveyance and transfer is bona fide and:

(i) results from the death of the Member;

(ii) is to the spouse of the Member;

(iii) results from a decree of dissolution of marriage or legal separation or from a property settlement agreement incidental to such decree;

(iv) is to a revocable intervivos trust in which the Member is the sole life beneficiary; or

(v) arises by personal property security instrument or deed of trust to secure the performance of a monetary obligation, or is a conveyance and transfer (excluding any conveyance and transfer by assignment or deed in lieu of foreclosure) upon the foreclosure of such security interest, if the security interest will be released and reconveyed upon the completion of the performance;

provided, however, upon the occurrence of a Permitted Transfer, the transferring Member shall be deemed to have delivered a Transfer Notice to Declarant, and Declarant shall have the right to exercise the options to purchase which are specified under Section 9.4(b), above, and to purchase any such Membership conveyed and transferred to and owned by the transferees in conjunction with a Permitted Transfer. Without limiting the generality of the foregoing proviso, any transferee in conjunction with a Permitted Transfer shall hold and use the Membership transferred subject to the provisions of this Residence Club Declaration, including this Section 9.4, and the other Governing Instruments.

(d) Right of Member to Directly Transfer a Membership: Declarant's Right of First Refusal. Notwithstanding Section 9.4(b), above, if Declarant has not exercised its option to purchase the Membership within six (6) months after the delivery by the Member to Declarant of the Transfer Notice pursuant to Section 9.4(b)(iii), above, such Member shall have the right to directly sell his or her Membership subject to the provisions of this Residence Club Declaration and the other Governing Instruments (a "Direct Transfer"); provided, however, that if a Member finds a purchaser or transferee, the Member shall notify Declarant in writing and shall deliver to Declarant a copy of such Member's original purchase agreement and all exhibits thereto and any amendments thereto. Upon the written request of a Member, Declarant shall promptly execute a duly executed release after expiration of its option under Section 9.4(b), above. Declarant is hereby granted a right of first refusal to purchase and acquire the applicable Membership upon the terms and conditions set forth in the applicable purchase agreement. If Declarant elects to exercise its right of first refusal under this Section 9.4(d) to purchase the Membership as provided herein, such election shall be made by written notice sent to the Member within thirty (30) days following receipt by Declarant of the Member's notice. Such exercise notice from Declarant shall be deemed to create a binding contract between the Member and Declarant for Declarant to purchase the Membership. During the right of first refusal periods set forth in this Section 9.4(d), until the date Declarant exercises its right of first refusal, and thereafter acquires the applicable Membership, the Member shall continue to have all of the rights and obligations of a Member hereunder, including, without limitation, the right to reserve an Assigned Residence, the right to vote and the duty to pay Assessments and Personal Charges, subject to and in accordance with this Residence Club Declaration. Upon the written request of a Member, Declarant shall promptly execute a duly executed release after expiration of its right of first refusal under this Section 9.4(d).

(e) Foreclosure of Membership by Residence Club Association; Declarant's Right of First Refusal. The Board shall promptly notify Declarant of all foreclosures of Memberships by the Residence Club Association pursuant to Article VI hereof. Declarant is hereby granted a right of first refusal to purchase and acquire the any Membership acquired by the Residence Club Association for a price to be negotiated between Declarant and the Board, provided that the amount so negotiated shall not exceed the amount of delinquent Assessments, plus interest, late charges and other costs permitted by Article VI hereof which was payable by the delinquent Member up to the date of foreclosure. If Declarant elects to exercise its right of first refusal under this Section 9.4(e) to purchase a Membership as provided herein, such election shall be made by written notice sent to the Board within thirty (30) days following receipt by Declarant of the Board's notice to Declarant. Such exercise notice from Declarant shall be deemed to create a binding contract between the Residence Club Association and Declarant for Declarant to purchase the Membership for the negotiated price and any other terms agreed to by the Declarant and the Board, as set forth in Declarant's notice. During the right of first refusal periods set forth in this Section 9.4(e), until the date Declarant exercises its right of first refusal, and thereafter receives title to the subject Membership, Declarant shall have no rights or obligation with respect to the Membership acquired. Upon the written request of the Board, Declarant shall promptly execute a duly executed release after expiration of its right of first refusal under this Section 9.4(e).

(f) Attorney in Fact. Each Member hereby appoints Declarant as such Member's attorney-in-fact to execute all instruments reasonably necessary to further establish the right and power granted to Declarant hereunder, which power of attorney is hereby declared to be coupled with an interest and irrevocable.

(g) Mortgagee Protection. Notwithstanding anything to the contrary set forth above, this Section 9.4 shall not apply to transfers by foreclosure of a Membership under a Prior Mortgage encumbering that Membership, nor to the sale, conveyance or other transfer of a Membership by a Member who previously was the Mortgagee under a Prior Mortgage encumbering that Membership, the grantee in a deed in lieu of foreclosure of such Prior Mortgage or other purchaser in foreclosure of such Prior Mortgage, and who acquired title thereto by foreclosure or deed in lieu of foreclosure.

(h) Unauthorized Transfers. Any sale, conveyance or transfer of a Membership not in compliance with this Section shall be void, of no effect and shall not be recognized by the Residence Club Association for any purpose.

(i) Covenant Running with the Land. The provisions of this Section 9.4 shall be deemed to be a covenant running with the land as regards each Membership and the failure by any Member to notify Declarant shall not affect Declarant's rights hereunder to purchase the Membership on the stated terms.

(j) No Amendments. This Section 9.4 shall not be amended without the written consent of Declarant.

9.5 Re-Issuance of a Membership. Pursuant to Section 9.4(a) hereof, in the event a Member desires to sell, convey or otherwise transfer a Membership, such sale, conveyance or

transfer must be processed through the Residence Club Association and is further subject to certain rights and options in favor of Declarant, as more fully set forth in Section 9.4 hereof. In conjunction with any proposed sale, conveyance or transfer of a Membership authorized pursuant to Section 9.4 hereof, the transferring Member shall deliver to the Residence Club Association all certificates and other instruments evidencing such transferring Member's Membership and shall also execute all documents, agreements and instruments reasonably required by Declarant and/or the Residence Club Association to evidence the surrender and termination of such Membership. The Residence Club Association shall thereafter cause a new Membership to be issued to the proposed transferee, subject to the satisfaction of the following conditions precedent, and in accordance with the following procedures:

(a) in the event Declarant exercises its option to purchase the Membership pursuant to Section 9.4(b), above, or in the event Declarant exercises its right of first refusal to purchase the Membership pursuant to Section 9.4(d), above, then the Residence Club Association shall thereafter cause a new Membership (as specified by Declarant), of the Residence Type and Fraction Type surrendered, to be issued to the proposed transferee;

(b) if the sale, conveyance or transfer is a Direct Transfer, as defined in Section 9.4(d), above (assuming that Declarant does not elect to exercise its right of first refusal to acquire the Membership pursuant to Section 9.4(d), above), or is a Permitted Transfer pursuant to Section 9.4(c), above, then the Residence Club Association shall thereafter cause a new Membership of the same Residence Type and Fraction Type as the Membership surrendered to be issued to the proposed transferee;

(c) if the event Declarant exercises its option to purchase the Membership pursuant to Section 9.4(b), above, Declarant shall have received the applicable Membership price for the new Membership from the proposed transferee;

(d) the proposed transferee shall have executed and delivered to the Residence Club Association and Declarant all documents, agreements and instruments reasonably requested by the Residence Club Association and/or Declarant including, without limitation:

(i) a statement, executed by the transferee, that the transferee has received, and acknowledges receipt of a copy of the Governing Instruments and a Statement of Status;

(ii) a statement, executed by the transferee, that the transferee has received a copy of the then effective Residence Club Association budget;

(iii) a statement, executed by the transferee, that the transferee agrees to be bound by all of the provisions of the Governing Instruments; and

(iv) the name and address of any Mortgagee of such transferor and transferee.

(e) the transferor shall have paid, or cause to be paid, to the Residence Club Association all outstanding Assessments and Personal Charges owing to the Residence Club Association.

Following the satisfaction of all of the foregoing conditions precedent, the Residence Club Association will accept the surrender of the transferring Member's Membership and shall cause a new Membership to be issued to the proposed transferee, subject to the provisions of this Section 9.5. Unless and until all of the foregoing conditions precedent are satisfied, neither the Residence Club Association nor the Declarant shall be required to recognize the transferee for any purpose and the transferor Member shall continue to be deemed the holder of the Membership.

9.6 Severability.

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

9.7 Successors.

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

9.8 Violation or Nuisance.

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

9.9 Interpretation.

The captions of the Articles, Sections and subsections hereof are for convenience only and shall not be considered to expand, modify or aid in the interpretation, construction or meaning of this Residence Club Declaration. As used herein the singular shall include the plural and the masculine shall include the feminine and neuter.

9.10 No Waiver.

The failure to enforce any provision of this Residence Club Declaration shall not constitute a waiver thereof or of the right to enforce such provision thereafter.

9.11 Judicial Reference.

(a) Notwithstanding any other provision of this Residence Club Declaration, in the event of a controversy, breach, injury or dispute between an Member, the Residence Club

Association and the Declarant arising out of or relating to the condition of the Residence Club (including, without limitation, any dispute between Declarant and any Member relating to the development of the Residence Club, or the design, specifications, surveying, planning, supervision, testing or observation of construction or construction of an improvement to, or survey of, the Residence Club), the parties to the dispute shall endeavor to resolve such dispute in a prompt and expeditious manner. Each Member is deemed to covenant and agree to the provisions of this Section. This covenants runs with the land and is for the mutual benefit of the Declarant, each Member and the Residence Club Association and shall be binding upon the successors and assigns of all Members and Declarant. Accordingly, any controversy, breach, injury or dispute arising out of or relating to the condition of the Residence Club, or relating to the interpretation of any term or provision of this Residence Club Declaration, shall be heard by a referee pursuant to the provisions of the California Code of Civil Procedure, §§638 - 645.1, inclusive.

(b) The parties to the dispute shall promptly and diligently cooperate with one another and the referee, and shall perform such acts as may be necessary to obtain a prompt and expeditious resolution of the dispute or controversy in accordance with the terms of this Section.

(c) The referee shall have the power to decide all issues of fact and law and report his/her statement of decision thereon, and to issue all legal and equitable relief appropriate under the circumstances of the controversy before him/her.

(d) The parties to the dispute shall agree upon a single referee who shall then try all issues, whether of fact or law, and report a finding and judgment thereon. If the parties to the dispute are unable to agree upon a referee within ten (10) days of a written request to do so by any party to the dispute, then any party to the dispute may seek to have a referee appointed pursuant to the California Code of Civil Procedure §§ 638 and 640.

(e) The cost of such proceeding shall be borne equally by the parties to the dispute.

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

"DECLARANT"

SGI-Resort Properties, LLC,
an Arizona limited liability company

By: The Schomac Group, Inc.,
an Arizona corporation,
its Managing Member

By: _____
Name: Ryan M. Schoff
Title: President

STATE OF ~~CALIFORNIA~~ ARIZONA)
) ss:
COUNTY OF ~~PLUMAS~~ PIMA)

On August 14, _____, 2014 before me, Cynthia A. Moos (here insert name of the officer), Notary Public, personally appeared Ryan M. Schoff, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of ~~California~~ Arizona that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

OFFICIAL SEAL
CYNTHIA A. MOOS
Notary Public - Arizona
PIMA COUNTY
My Commission Expires
JUNE 24, 2018

_____
Signature of Notary Public

[Seal]

EXHIBIT A
TO
DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
(The Residence Club at Nakoma)

Legal Description

[See Exhibits A-1, A-2, A-3 and A-4 attached hereto]

Exhibit "A"

(72 FLOATING USE FRACTIONAL INTERESTS)

Legal Description

Seventy-Two (72) Timeshare Estates, as defined in California Business and Professions Code Section 11212(x)(1), comprised of Parcels A through C, inclusive, below, and commonly identified, by reference to Exhibit F of the Underlying Declaration (as defined below), as Fractional Interest No(s):

Unit 303A (41 Fractional Interests)

Pink Season:	303A-03, 303A-06, 303A-07, 303A-13, 303A-14, 303A-24, 303A-26, 303A-27, 303A-28, 303A-31, 303A-32, 303A-34, 303A-47, 303A-51, 303A-52
Blue Season:	303A-01, 303A-04, 303A-12, 303A-16, 303A-17, 303A-18, 303A-19, 303A-36, 303A-38, 303A-39, 303A-40, 303A-42, 303A-43, 303A-44, 303A-45
Orange Season:	303A-04, 303A-05, 303A-08, 303A-09, 303A-10, 303A-11, 303A-12, 303A-46, 303A-48, 303A-49, 303A-50

Unit 303B (31 Fractional Interests)

Pink Season:	303B-14, 303B-20, 303B-21, 303B-22, 303B-23, 303B-24, 303B-25, 303B-26, 303B-27, 303B-28, 303B-29, 303B-31, 303B-32, 303B-33, 303B-34, 303B-35, 303B-41, 303B-47
Blue Season:	303B-16, 303B-17, 303B-18, 303B-19, 303B-37, 303B-38, 303B-39, 303B-40, 303B-42, 303B-43, 303B-44, 303B-45
Orange Season:	303B-46

PARCEL A:

An undivided 72/104th interest in the following described Parcels:

Parcel 1:

Gold Mountain Subdivision Resulting Revised Lot 303, as shown on the Map for Gold Mountain, Unit 12, "Nakoma" filed in Book 8 of Maps, at Pages 112 through 117, in the Office of the County Recorder of Plumas County, situate in Section 16, T.22N., R. 13 E., M.D.M., Plumas County, California, as the metes and bounds description of such Revised Lot 303 is more particularly described on Page 9 of that certain "Lot Line Adjustment" recorded on May 14, 2001, as Instrument No. 2001-03625 in the Office of the County Recorder of Plumas County.

Parcel 2:

Non-exclusive easements for ingress, egress, use and enjoyment, subject to the provisions of that certain Declaration of Covenants, Conditions and Restrictions for Sierra Highlands, recorded on May 6, 2002 as Instrument No. 2002-4138, and the First Amendment thereto recorded on May 29, 2002, as Instrument No. 2002-5046, both in the Office of the County Recorder of Plumas County, California, as amended (the "Underlying Declaration"), over the Common Areas, all as more particularly set forth in Sections 2.5 and 2.6 of the Underlying Declaration. Capitalized terms used herein shall have the meanings ascribed thereto in the Declaration unless otherwise defined herein.

Parcel 3:

A non-exclusive easement for ingress and egress in, over and through those certain road easements designated as "Bear Run" and "Great Spirit," as shown in the Map of "Gold Mountain Unit 12 – Nakoma", recorded July 14, 1999, in Book 8 of Maps, Pages 112 through 117, in the Office of the Plumas County Recorder, subject to the provisions of that certain Third Amended and Restated Entry Road Easement and Maintenance Agreement recorded on May 23, 2000 in Book 807, Page 772, in the Office of the Plumas County Recorder, and a non-exclusive easement for road and public utility purposes over those roads shown as Bear Run, Red Sky, and Great Spirit on the Map of Gold Mountain, Unit 12, "Nakoma" filed in the Office of the Plumas County Recorder on July 14, 1999, in book 8 of Maps, at Pages 112 through 117, as described in the deed recorded June 26, 2002 as Document No. 2002-6054.

EXCEPTING FROM SAID PARCEL A, the exclusive right to use and occupy said Parcel A during all Use Weeks and Service Periods.

ALSO EXCEPTING FROM SAID PARCEL A, all the water and water rights in, under or flowing over Parcel A or appurtenant to Parcel A.

RESERVING FROM SAID PARCEL A, all those certain easements referred to in the Underlying Declaration, including, without limitation, those in Section 2.5, 2.6, 9.6, and 10.8, together with the right to grant said easements to others.

PARCEL B (Fractional Unit 303A):

(i) As an Owner of:

(A) 15 of the 26 Fractional Interests in the Pink Season, during each Use Year, the exclusive right and easement to reserve the use and occupy Fractional Ownership Unit 303A, as shown in Exhibit "B" (entitled "Villa Unit Plan") to the Underlying Declaration, excluding therefrom such right and easement during Fixed Use Weeks 20, 21, 22, 23, 25, 29, 30, 33, 35 and 41.

(B) 15 of the 15 Fractional Interests in the Blue Season, during each Use Year, the exclusive right and easement to reserve the use and occupy Fractional Ownership Unit 303A, as shown in Exhibit "B" (entitled "Villa Unit Plan") to the Underlying Declaration, excluding therefrom such right and easement during Fixed Use Week 37.

(C) 11 of the 12 Fractional Interests in the Orange Season, during each Use Year, the exclusive right and easement to reserve the use and occupy of Fractional Ownership Unit 303A, as shown in Exhibit "B" (entitled "Villa Unit Plan") to the Underlying Declaration.

(ii) the non-exclusive right and easement to use and occupy the Common Areas and the exclusive right and easement to use the Common Furnishings in such Fractional Ownership Unit during said Use Weeks;

all, with respect to Parcels B(i) and (ii), above, in accordance with the Underlying Declaration and the Rules and Regulations for Sierra Highlands (as the foregoing quoted terms are defined in the Underlying Declaration).

PARCEL C (Fractional Unit 303B):

(i) As an Owner of:

(A) 18 of the 26 Fractional Interests in the Pink Season, during each Use Year, the exclusive right and easement to reserve the use and occupy Fractional Ownership Unit 303B, as shown in Exhibit "B" (entitled "Villa Unit Plan") to the Underlying Declaration, excluding therefrom such right and easement during Fixed Use Week 30.

(B) 12 of the 15 Fractional Interests in the Blue Season, during each Use Year, the exclusive right and easement to reserve the use and occupy Fractional Ownership Unit 303B, as shown in Exhibit "B" (entitled "Villa Unit Plan") to the Underlying Declaration, excluding therefrom such right and easement during Fixed Use Week 36.

(C) 1 of the 12 Fractional Interests in the Orange Season, during each Use Year, the exclusive right and easement to reserve the use and occupy of Fractional Ownership Unit 303B, as shown in Exhibit "B" (entitled "Villa Unit Plan") to the Underlying Declaration.

(ii) the non-exclusive right and easement to use and occupy the Common Areas and the exclusive right and easement to use the Common Furnishings in such Fractional Ownership Unit during said Use Weeks;

all, with respect to Parcels C(i) and (ii), above, in accordance with the Underlying Declaration and the Rules and Regulations for Sierra Highlands (as the foregoing quoted terms are defined in the Underlying Declaration).

SUBJECT TO non-delinquent real property taxes and assessments for the current Fiscal Year and all later years and to all covenants, conditions, restrictions, reservations, exceptions, limitations, conditions, uses, rights, rights-of-way, easements and other matters of record on the date hereof, including the Underlying Declaration, as amended, and that certain Declaration of Covenants, Conditions and Restrictions for The Residence Club at Nakoma recorded on even date herewith, all of which are hereby incorporated by reference into the body of this instrument as if the same were fully set forth herein.

Exhibit "A"

(75 FLOATING USE FRACTIONAL INTERESTS)

Legal Description

Seventy-Five (75) Timeshare Estates, as defined in California Business and Professions Code Section 11212(x)(1), comprised of Parcels A through C, inclusive, below, and commonly identified, by reference to Exhibit F of the Underlying Declaration (as defined below), as Fractional Interest No(s):

Unit 305A (38 Fractional Interests)

Pink Season:	305A-07, 305A-13, 305A-14, 305A-20, 305A-21, 305A-22, 305A-23, 305A-24, 305A-25, 305A-26, 305A-27, 305A-28, 305A-29, 305A-31, 305A-32, 305A-33, 305A-34, 305A-35, 305A-41, 305A-47
Blue Season:	305A-01, 305A-04, 305A-16, 305A-17, 305A-18, 305A-19, 305A-37, 305A-38, 305A-39, 305A-40, 305A-42, 305A-43, 305A-44, 305A-45
Orange Season:	305A-15, 305A-46, 305A-48, 305A-49

Unit 305B (37 Fractional Interests)

Pink Season:	305B-03, 305B-06, 305B-07, 305B-13, 305B-14, 305B-20, 305B-21, 305B-22, 305B-23, 305B-24, 305B-25, 305B-26, 305B-29, 305B-30, 305B-31, 305B-33, 305B-34, 305B-35, 305B-41, 305B-47, 305B-51, 305B-52
Blue Season:	305B-16, 305B-17, 305B-18, 305B-19, 305B-36, 305B-37, 305B-38, 305B-39, 305B-40, 305B-42, 305B-43, 305B-44, 305B-45
Orange Season:	305B-15, 305B-46

PARCEL A:

An undivided 75/104th interest in the following described Parcels:

Parcel 1:

Gold Mountain Subdivision Resulting Revised Lot 305, as shown on the Map for Gold Mountain, Unit 12, "Nakoma" filed in Book 8 of Maps, at Pages 112 through 117, in the Office of the County Recorder of Plumas County, situate in Section 16, T.22N., R. 13 E., M.D.M., Plumas County, California, as the metes and bounds description of such Revised Lot 305 is more particularly described on Page 9 of that certain "Lot Line Adjustment" recorded on May 14, 2001, as Instrument No. 2001-03625 in the Office of the County Recorder of Plumas County.

Parcel 2:

Non-exclusive easements for ingress, egress, use and enjoyment, subject to the provisions of that certain Declaration of Covenants, Conditions and Restrictions for Sierra Highlands, recorded on May 6, 2002 as Instrument No. 2002-4138, and the First Amendment thereto recorded on May 29, 2002, as Instrument No. 2002-5046, both in the Office of the County Recorder of Plumas County, California, as amended (the "Underlying Declaration"), over the Common Areas, all as more particularly set forth in Sections 2.5 and 2.6 of the Underlying Declaration. Capitalized terms used herein shall have the meanings ascribed thereto in the Declaration unless otherwise defined herein.

Parcel 3:

A non-exclusive easement for ingress and egress in, over and through those certain road easements designated as "Bear Run" and "Great Spirit," as shown in the Map of "Gold Mountain Unit 12 – Nakoma", recorded July 14, 1999, in Book 8 of Maps, Pages 112 through 117, in the Office of the Plumas County Recorder, subject to the provisions of that certain Third Amended and Restated Entry Road Easement and Maintenance Agreement recorded on May 23, 2000 in Book 807, Page 772, in the Office of the Plumas County Recorder, and a non-exclusive easement for road and public utility purposes over those roads shown as Bear Run, Red Sky, and Great Spirit on the Map of Gold Mountain, Unit 12, "Nakoma" filed in the Office of the Plumas County Recorder on July 14, 1999, in book 8 of Maps, at Pages 112 through 117, as described in the deed recorded June 26, 2002 as Document No. 2002-6054.

EXCEPTING FROM SAID PARCEL A, the exclusive right to use and occupy said Parcel A during all Use Weeks and Service Periods.

ALSO EXCEPTING FROM SAID PARCEL A, all the water and water rights in, under or flowing over Parcel A or appurtenant to Parcel A.

RESERVING FROM SAID PARCEL A, all those certain easements referred to in the Underlying Declaration, including, without limitation, those in Section 2.5, 2.6, 9.6, and 10.8, together with the right to grant said easements to others.

PARCEL B (Fractional Unit 305A):

(i) As an Owner of:

(A) 20 of the 26 Fractional Interests in the Pink Season, during each Use Year, the exclusive right and easement to reserve the use and occupy Fractional Ownership Unit 305A, as shown in Exhibit "B" (entitled "Villa Unit Plan") to the Underlying Declaration, excluding therefrom such right and easement during Fixed Use Week 30.

(B) 14 of the 15 Fractional Interests in the Blue Season, during each Use Year, the exclusive right and easement to reserve the use and occupy Fractional Ownership Unit 305A, as shown in Exhibit "B" (entitled "Villa Unit Plan") to the Underlying Declaration, excluding therefrom such right and easement during Fixed Use Week 36.

(C) 4 of the 12 Fractional Interests in the Orange Season, during each Use Year, the exclusive right and easement to reserve the use and occupy of Fractional Ownership Unit 305A, as shown in Exhibit "B" (entitled "Villa Unit Plan") to the Underlying Declaration.

(ii) the non-exclusive right and easement to use and occupy the Common Areas and the exclusive right and easement to use the Common Furnishings in such Fractional Ownership Unit during said Use Weeks;

all, with respect to Parcels B(i) and (ii), above, in accordance with the Underlying Declaration and the Rules and Regulations for Sierra Highlands (as the foregoing quoted terms are defined in the Underlying Declaration).

PARCEL C (Fractional Unit 305B):

(i) As an Owner of:

(A) 22 of the 26 Fractional Interests in the Pink Season, during each Use Year, the exclusive right and easement to reserve the use and occupy Fractional Ownership Unit 305B, as shown in Exhibit "B" (entitled "Villa Unit Plan") to the Underlying Declaration, excluding therefrom excluding therefrom such right and easement during Fixed Use Weeks 27, 28 and 32.

(B) 13 of the 15 Fractional Interests in the Blue Season, during each Use Year, the exclusive right and easement to reserve the use and occupy Fractional Ownership Unit 305B, as shown in Exhibit "B" (entitled "Villa Unit Plan") to the Underlying Declaration.

(C) 2 of the 12 Fractional Interests in the Orange Season, during each Use Year, the exclusive right and easement to reserve the use and occupy of Fractional

Ownership Unit 305B, as shown in Exhibit "B" (entitled "Villa Unit Plan") to the Underlying Declaration.

(ii) the non-exclusive right and easement to use and occupy the Common Areas and the exclusive right and easement to use the Common Furnishings in such Fractional Ownership Unit during said Use Weeks;

all, with respect to Parcels C(i) and (ii), above, in accordance with the Underlying Declaration and the Rules and Regulations for Sierra Highlands (as the foregoing quoted terms are defined in the Underlying Declaration).

SUBJECT TO non-delinquent real property taxes and assessments for the current Fiscal Year and all later years and to all covenants, conditions, restrictions, reservations, exceptions, limitations, conditions, uses, rights, rights-of-way, easements and other matters of record on the date hereof, including the Underlying Declaration, as amended, and that certain Declaration of Covenants, Conditions and Restrictions for The Residence Club at Nakoma recorded on even date herewith, all of which are hereby incorporated by reference into the body of this instrument as if the same were fully set forth herein.

Exhibit "A"

(43 FLOATING USE **FRACTIONAL INTERESTS**)

Legal Description

Forty-Three (43) Timeshare Estates, as defined in California Business and Professions Code Section 11212(x)(1), comprised of Parcels A through C, inclusive, below, and commonly identified, by reference to Exhibit F of the Underlying Declaration (as defined below), as Fractional Interest No(s):

Unit 306A (14 Fractional Interests)

Pink Season:	306A-03, 306A-06, 306A-22, 306A-26, 306A-28, 306A-34, 306A-35, 306A-41
Blue Season:	306A-17, 306A-19, 306A-39, 306A-40, 306A-43
Orange Season:	306A-46

Unit 306B (29 Fractional Interests)

Pink Season:	306B-06, 306B-07, 306B-13, 306B-14, 306B-20, 306B-22, 306B-23, 306B-27, 306B-31, 306B-33, 306B-35, 306B-41, 306B-47, 306B-51, 306B-52
Blue Season:	306B-16, 306B-17, 306B-18, 306B-19, 306B-38, 306B-39, 306B-40, 306B-42, 306B-43, 306B-44, 306B-45
Orange Season:	306B-15, 306B-46, 306B-49

PARCEL A:

An undivided 43/104th interest in the following described Parcels:

Parcel 1:

Gold Mountain Subdivision Resulting Revised Lot 306, as shown on the Map for Gold Mountain, Unit 12, "Nakoma" filed in Book 8 of Maps, at Pages 112 through 117, in the Office of the County Recorder of Plumas County, situate in Section 16, T.22N., R. 13 E., M.D.M., Plumas County, California, as the metes and bounds description of such Revised Lot 306 is more particularly described on Page 9 of that certain "Lot Line Adjustment" recorded on May 14, 2001, as Instrument No. 2001-03625 in the Office of the County Recorder of Plumas County.

Parcel 2:

Non-exclusive easements for ingress, egress, use and enjoyment, subject to the provisions of that certain Declaration of Covenants, Conditions and Restrictions

for Sierra Highlands, recorded on May 6, 2002 as Instrument No. 2002-4138, and the First Amendment thereto recorded on May 29, 2002, as Instrument No. 2002-5046, both in the Office of the County Recorder of Plumas County, California, as amended (the "Underlying Declaration"), over the Common Areas, all as more particularly set forth in Sections 2.5 and 2.6 of the Underlying Declaration. Capitalized terms used herein shall have the meanings ascribed thereto in the Declaration unless otherwise defined herein.

Parcel 3:

A non-exclusive easement for ingress and egress in, over and through those certain road easements designated as "Bear Run" and "Great Spirit," as shown in the Map of "Gold Mountain Unit 12 – Nakoma", recorded July 14, 1999, in Book 8 of Maps, Pages 112 through 117, in the Office of the Plumas County Recorder, subject to the provisions of that certain Third Amended and Restated Entry Road Easement and Maintenance Agreement recorded on May 23, 2000 in Book 807, Page 772, in the Office of the Plumas County Recorder, and a non-exclusive easement for road and public utility purposes over those roads shown as Bear Run, Red Sky, and Great Spirit on the Map of Gold Mountain, Unit 12, "Nakoma" filed in the Office of the Plumas County Recorder on July 14, 1999, in book 8 of Maps, at Pages 112 through 117, as described in the deed recorded June 26, 2002 as Document No. 2002-6054.

Parcel 4:

A reciprocal easement for parking and public utility purposes over Revised Lot 307, the metes and bounds description of which is shown on that certain Declaration of Establishment of Easement recorded on July 25, 2002 as Instrument No. 2002-7107, as Revised Lot 307 is shown on the Map for Gold Mountain, Unit 12, "Nakoma" filed in Book 8 of Maps, at Pages 112 through 117, in the Office of the County Recorder of Plumas County, situate in Section 16, T.22N., R. 13 E., M.D.M., Plumas County, California, as the metes and bounds description of such Revised Lot 307 is more particularly described on Page 10 of that certain "Lot Line Adjustment" recorded on May 14, 2001, as Instrument No. 2001-03625 in the Office of the County Recorder of Plumas County.

Parcel 5:

A reciprocal easement for parking and public utility purposes burdening that portion of Revised Lot 308, the metes and bounds description of which is shown on that certain Declaration of Establishment of Easement recorded on June 26, 2002 as Instrument No. 2002-6054, as Revised Lot 308 is shown on the Map for Gold Mountain, Unit 12, "Nakoma" filed in Book 8 of Maps, at Pages 112 through 117, in the Office of the County Recorder of Plumas County, situate in Section 16, T.22N., R. 13 E., M.D.M., Plumas County, California, as the metes and bounds description of such Revised Lot 308 is more particularly described on Page 11 of that certain "Lot Line Adjustment" recorded on May 14, 2001, as

Instrument No. 2001-03625 in the Office of the County Recorder of Plumas County.

Parcel 6:

A reciprocal easement for service pathway and public utility purposes burdening that portion of Revised Lot 308, the metes and bounds description of which is shown on that certain Declaration of Establishment of Easement recorded on June 26, 2002 as Instrument No. 2002-6054, as Revised Lot 308 is shown on the Map for Gold Mountain, Unit 12, "Nakoma" filed in Book 8 of Maps, at Pages 112 through 117, in the Office of the County Recorder of Plumas County, situate in Section 16, T.22N., R. 13 E., M.D.M., Plumas County, California, as the metes and bounds description of such Revised Lot 308 is more particularly described on Page 11 of that certain "Lot Line Adjustment" recorded on May 14, 2001, as Instrument No. 2001-03625 in the Office of the County Recorder of Plumas County.

EXCEPTING FROM SAID PARCEL A, the exclusive right to use and occupy said Parcel A during all Use Weeks and Service Periods.

ALSO EXCEPTING FROM SAID PARCEL A, all the water and water rights in, under or flowing over Parcel A or appurtenant to Parcel A.

RESERVING FROM SAID PARCEL A, all those certain easements referred to in the Underlying Declaration, including, without limitation, those in Section 2.5, 2.6, 9.6, and 10.8, together with the right to grant said easements to others.

ALSO RESERVING FROM SAID PARCEL A, a reciprocal easement for parking and public utility purposes burdening that portion of Revised Lot 306, the metes and bounds description of which is shown on that certain Declaration of Easement recorded on July 25, 2002 as Instrument No. 2002- 7107, together with a right to convey said easement as an appurtenance to any grantee of Gold Mountain Subdivision Resulting Revised Lots 307 and 308, as shown on the Map for Gold Mountain, Unit 12, "Nakoma" filed in Book 8 of Maps, at Pages 112 through 117, in the Office of the County Recorder of Plumas County, situate in Section 16, T.22N., R. 13 E., M.D.M., Plumas County, California, as the metes and bounds description of such Revised Lot 306 is more particularly described on Page 9 of that certain "Lot Line Adjustment" recorded on May 14, 2001, as Instrument No. 2001-03625 in the Office of the County Recorder of Plumas County.

PARCEL B (Fractional Unit 306A):

(i) As an Owner of:

(A) 8 of the 26 Fractional Interests in the Pink Season, during each Use Year, the exclusive right and easement to reserve the use and occupy Fractional Ownership Unit 306A, as shown in Exhibit "B" (entitled "Villa Unit Plan") to the Underlying Declaration, excluding therefrom such right and easement during Fixed Use Weeks 20, 21, 23, 24, 25, 27, 29, 30, 31, 32, 33 and 51.

(B) 5 of the 15 Fractional Interests in the Blue Season, during each Use Year, the exclusive right and easement to reserve the use and occupy Fractional Ownership Unit 306A, as shown in Exhibit "B" (entitled "Villa Unit Plan") to the Underlying Declaration, excluding therefrom such right and easement during Fixed Use Weeks 18, 36, 37, 38 and 42.

(C) 1 of the 12 Fractional Interests in the Orange Season, during each Use Year, the exclusive right and easement to reserve the use and occupy of Fractional Ownership Unit 306A, as shown in Exhibit "B" (entitled "Villa Unit Plan") to the Underlying Declaration.

(ii) the non-exclusive right and easement to use and occupy the Common Areas and the exclusive right and easement to use the Common Furnishings in such Fractional Ownership Unit during said Use Weeks;

all, with respect to Parcels B(i) and (ii), above, in accordance with the Underlying Declaration and the Rules and Regulations for Sierra Highlands (as the foregoing quoted terms are defined in the Underlying Declaration).

PARCEL C (Fractional Unit 306B):

(i) As an Owner of:

(A) 15 of the 26 Fractional Interests in the Pink Season, during each Use Year, the exclusive right and easement to reserve the use and occupy Fractional Ownership Unit 306B, as shown in Exhibit "B" (entitled "Villa Unit Plan") to the Underlying Declaration, excluding therefrom excluding therefrom such right and easement during Fixed Use Weeks 21, 24, 25, 26, 28, 29, 30, 32 and 34.

(B) 11 of the 15 Fractional Interests in the Blue Season, during each Use Year, the exclusive right and easement to reserve the use and occupy Fractional Ownership Unit 306B, as shown in Exhibit "B" (entitled "Villa Unit Plan") to the Underlying Declaration, excluding therefrom excluding therefrom such right and easement during Fixed Use Weeks 36 and 37.

(C) 3 of the 12 Fractional Interests in the Orange Season, during each Use Year, the exclusive right and easement to reserve the use and occupy of Fractional Ownership Unit 306B, as shown in Exhibit "B" (entitled "Villa Unit Plan") to the Underlying Declaration.

(ii) the non-exclusive right and easement to use and occupy the Common Areas and the exclusive right and easement to use the Common Furnishings in such Fractional Ownership Unit during said Use Weeks;

all, with respect to Parcels C(i) and (ii), above, in accordance with the Underlying Declaration and the Rules and Regulations for Sierra Highlands (as the foregoing quoted terms are defined in the Underlying Declaration).

SUBJECT TO non-delinquent real property taxes and assessments for the current Fiscal Year and all later years and to all covenants, conditions, restrictions, reservations, exceptions, limitations, conditions, uses, rights, rights-of-way, easements and other matters of record on the date hereof, including the Underlying Declaration, as amended, and that certain Declaration of Covenants, Conditions and Restrictions for The Residence Club at Nakoma recorded on even date herewith, all of which are hereby incorporated by reference into the body of this instrument as if the same were fully set forth herein.

Exhibit "A"

(37 FLOATING USE FRACTIONAL INTERESTS)

Legal Description

Thirty-Seven (37) Timeshare Estates, as defined in California Business and Professions Code Section 11212(x)(1), comprised of Parcels A through C, inclusive, below, and commonly identified, by reference to Exhibit F of the Underlying Declaration (as defined below), as Fractional Interest No(s):

Unit 307A (25 Fractional Interests)

Pink Season:	307A-03, 307A-06, 307A-07, 307A-13, 307A-14, 307A-20, 307A-27, 307A-32, 307A-33, 307A-41, 307A-47, 307A-51, 307A-52
Blue Season:	307A-17, 307A-18, 307A-37, 307A-38, 307A-39, 307A-40, 307A-42, 307A-43, 307A-44, 307A-45
Orange Season:	307A-46, 307A-48

Unit 307B (12 Fractional Interests)

Pink Season:	307B-26, 307B-27, 307B-35, 307B-41, 307B-47
Blue Season:	307B-17, 307B-18, 307B-19, 307B-42, 307B-44, 307B-45
Orange Season:	307B-46

PARCEL A:

An undivided 37/104th interest in the following described Parcels:

Parcel 1:

Gold Mountain Subdivision Resulting Revised Lot 307, as shown on the Map for Gold Mountain, Unit 12, "Nakoma" filed in Book 8 of Maps, at Pages 112 through 117, in the Office of the County Recorder of Plumas County, situate in Section 16, T.22N., R. 13 E., M.D.M., Plumas County, California, as the metes and bounds description of such Revised Lot 307 is more particularly described on Page 10 of that certain "Lot Line Adjustment" recorded on May 14, 2001, as Instrument No. 2001-03625 in the Office of the County Recorder of Plumas County.

Parcel 2:

Non-exclusive easements for ingress, egress, use and enjoyment, subject to the provisions of that certain Declaration of Covenants, Conditions and Restrictions for Sierra Highlands, recorded on May 6, 2002 as Instrument No. 2002-4138, and the First Amendment thereto recorded on May 29, 2002, as Instrument No. 2002-

5046, both in the Office of the County Recorder of Plumas County, California, as amended (the "Underlying Declaration"), over the Common Areas, all as more particularly set forth in Sections 2.5 and 2.6 of the Underlying Declaration. Capitalized terms used herein shall have the meanings ascribed thereto in the Declaration unless otherwise defined herein.

Parcel 3:

A non-exclusive easement for ingress and egress in, over and through those certain road easements designated as "Bear Run" and "Great Spirit," as shown in the Map of "Gold Mountain Unit 12 – Nakoma", recorded July 14, 1999, in Book 8 of Maps, Pages 112 through 117, in the Office of the Plumas County Recorder, subject to the provisions of that certain Third Amended and Restated Entry Road Easement and Maintenance Agreement recorded on May 23, 2000 in Book 807, Page 772, in the Office of the Plumas County Recorder, and a non-exclusive easement for road and public utility purposes over those roads shown as Bear Run, Red Sky, and Great Spirit on the Map of Gold Mountain, Unit 12, "Nakoma" filed in the Office of the Plumas County Recorder on July 14, 1999, in book 8 of Maps, at Pages 112 through 117, as described in the deed recorded June 26, 2002 as Document No. 2002-6054.

Parcel 4:

A reciprocal easement for parking and public utility purposes burdening that portion of Revised Lot 306, the metes and bounds description of which is shown Declaration of Establishment of Easement recorded on July 25, 2002 as Instrument No. 2002-7107, as Revised Lot 306 is shown on the Map for Gold Mountain, Unit 12, "Nakoma" filed in Book 8 of Maps, at Pages 112 through 117, in the Office of the County Recorder of Plumas County, situate in Section 16, T.22N., R. 13 E., M.D.M., Plumas County, California, as the metes and bounds description of such Revised Lot 306 is more particularly described on Page 9 of that certain "Lot Line Adjustment" recorded on May 14, 2001, as Instrument No. 2001-03625 in the Office of the County Recorder of Plumas County.

Parcel 5:

A reciprocal easement for parking and public utility purposes burdening that portion of Revised Lot 308, the metes and bounds description of which is shown on that certain Declaration of Establishment of Easement recorded on June 26, 2002 as Instrument No. 2002-6054, as Revised Lot 308 is shown on the Map for Gold Mountain, Unit 12, "Nakoma" filed in Book 8 of Maps, at Pages 112 through 117, in the Office of the County Recorder of Plumas County, situate in Section 16, T.22N., R. 13 E., M.D.M., Plumas County, California, as the metes and bounds description of such Revised Lot 308 is more particularly described on Page 11 of that certain "Lot Line Adjustment" recorded on May 14, 2001, as Instrument No. 2001-03625 in the Office of the County Recorder of Plumas County.

Parcel 6:

A reciprocal easement for service pathway and public utility purposes burdening that portion of Revised Lot 308, the metes and bounds description of which is shown on that certain Declaration of Establishment of Easement recorded on June 26, 2002 as Instrument No. 2002-6054, as Revised Lot 308 is shown on the Map for Gold Mountain, Unit 12, "Nakoma" filed in Book 8 of Maps, at Pages 112 through 117, in the Office of the County Recorder of Plumas County, situate in Section 16, T.22N., R. 13 E., M.D.M., Plumas County, California, as the metes and bounds description of such Revised Lot 308 is more particularly described on Page 11 of that certain "Lot Line Adjustment" recorded on May 14, 2001, as Instrument No. 2001-03625 in the Office of the County Recorder of Plumas County.

EXCEPTING FROM SAID PARCEL A, the exclusive right to use and occupy said Parcel A during all Use Weeks and Service Periods.

ALSO EXCEPTING FROM SAID PARCEL A, all the water and water rights in, under or flowing over Parcel A or appurtenant to Parcel A.

RESERVING FROM SAID PARCEL A, all those certain easements referred to in the Underlying Declaration, including, without limitation, those in Section 2.5, 2.6, 9.6, and 10.8, together with the right to grant said easements to others.

ALSO RESERVING FROM SAID PARCEL A, a reciprocal easement for parking and public utility purposes burdening that portion of Revised Lot 307, the metes and bounds description of which is shown on that certain Declaration of Easement recorded on July 25, 2002 as Instrument No. 2002- 7107, together with a right to convey said easement as an appurtenance to any grantee of Gold Mountain Subdivision Resulting Revised Lot 306 and 308, as shown on the Map for Gold Mountain, Unit 12, "Nakoma" filed in Book 8 of Maps, at Pages 112 through 117, in the Office of the County Recorder of Plumas County, situate in Section 16, T.22N., R. 13 E., M.D.M., Plumas County, California, as the metes and bounds description of such Revised Lot 307 is more particularly described on Page 10 of that certain "Lot Line Adjustment" recorded on May 14, 2001, as Instrument No. 2001-03625 in the Office of the County Recorder of Plumas County.

PARCEL B (Fractional Unit 307A):

(i) As an Owner of:

(A) 13 of the 26 Fractional Interests in the Pink Season, during each Use Year, the exclusive right and easement to reserve the use and occupy Fractional Ownership Unit 305A, as shown in Exhibit "B" (entitled "Villa Unit Plan") to the Underlying Declaration, excluding therefrom such right and easement during Fixed Use Weeks 21, 22, 23, 24, 25, 26, 28, 29, 30, 31, 34 and 35.

(B) 10 of the 15 Fractional Interests in the Blue Season, during each Use Year, the exclusive right and easement to reserve the use and occupy Fractional Ownership Unit 305A, as shown in Exhibit "B" (entitled "Villa Unit Plan") to the Underlying Declaration, excluding therefrom such right and easement during Fixed Use Weeks 19 and 36.

(C) 2 of the 12 Fractional Interests in the Orange Season, during each Use Year, the exclusive right and easement to reserve the use and occupy of Fractional Ownership Unit 305A, as shown in Exhibit "B" (entitled "Villa Unit Plan") to the Underlying Declaration.

(ii) the non-exclusive right and easement to use and occupy the Common Areas and the exclusive right and easement to use the Common Furnishings in such Fractional Ownership Unit during said Use Weeks;

all, with respect to Parcels B(i) and (ii), above, in accordance with the Underlying Declaration and the Rules and Regulations for Sierra Highlands (as the foregoing quoted terms are defined in the Underlying Declaration).

PARCEL C (Fractional Unit 307B):

(i) As an Owner of:

(A) 5 of the 26 Fractional Interests in the Pink Season, during each Use Year, the exclusive right and easement to reserve the use and occupy Fractional Ownership Unit 305B, as shown in Exhibit "B" (entitled "Villa Unit Plan") to the Underlying Declaration, excluding therefrom excluding therefrom such right and easement during Fixed Use Weeks 20, 21, 22, 23, 24, 25, 28, 29, 30, 31, 32, 33 and 34.

(B) 6 of the 15 Fractional Interests in the Blue Season, during each Use Year, the exclusive right and easement to reserve the use and occupy Fractional Ownership Unit 305B, as shown in Exhibit "B" (entitled "Villa Unit Plan") to the Underlying Declaration, excluding therefrom excluding therefrom such right and easement during Fixed Use Weeks 36, 37, 38, 39, 40 and 43.

(C) 1 of the 12 Fractional Interests in the Orange Season, during each Use Year, the exclusive right and easement to reserve the use and occupy of Fractional

Ownership Unit 305B, as shown in Exhibit "B" (entitled "Villa Unit Plan") to the Underlying Declaration.

(ii) the non-exclusive right and easement to use and occupy the Common Areas and the exclusive right and easement to use the Common Furnishings in such Fractional Ownership Unit during said Use Weeks;

all, with respect to Parcels C(i) and (ii), above, in accordance with the Underlying Declaration and the Rules and Regulations for Sierra Highlands (as the foregoing quoted terms are defined in the Underlying Declaration).

SUBJECT TO non-delinquent real property taxes and assessments for the current Fiscal Year and all later years and to all covenants, conditions, restrictions, reservations, exceptions, limitations, conditions, uses, rights, rights-of-way, easements and other matters of record on the date hereof, including the Underlying Declaration, as amended, and that certain Declaration of Covenants, Conditions and Restrictions for The Residence Club at Nakoma recorded on even date herewith, all of which are hereby incorporated by reference into the body of this instrument as if the same were fully set forth herein.

EXHIBIT B
TO
DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
(The Residence Club at Nakoma)

Residence Plan

[Insert Doc. No. 100206926 to show relative location of units on Lots 303, 305, 306 and 307]

FROM : NMDWJ WINNEN DESIGNS FAX NO. : 415 945-9869 Jun. 07 2004 01:54PM P2

LOT 303

PROJECT DIRECTORY

OWNER:
Gold Mountain Ranch, Inc.
PO Box 880
Graeagle, CA 96103
Contact: Dariel Garner
(530) 832-0880
(530) 832-0884 FAX

DATE SUBMITTED
2/17/03

DESIGNER/PREPARER

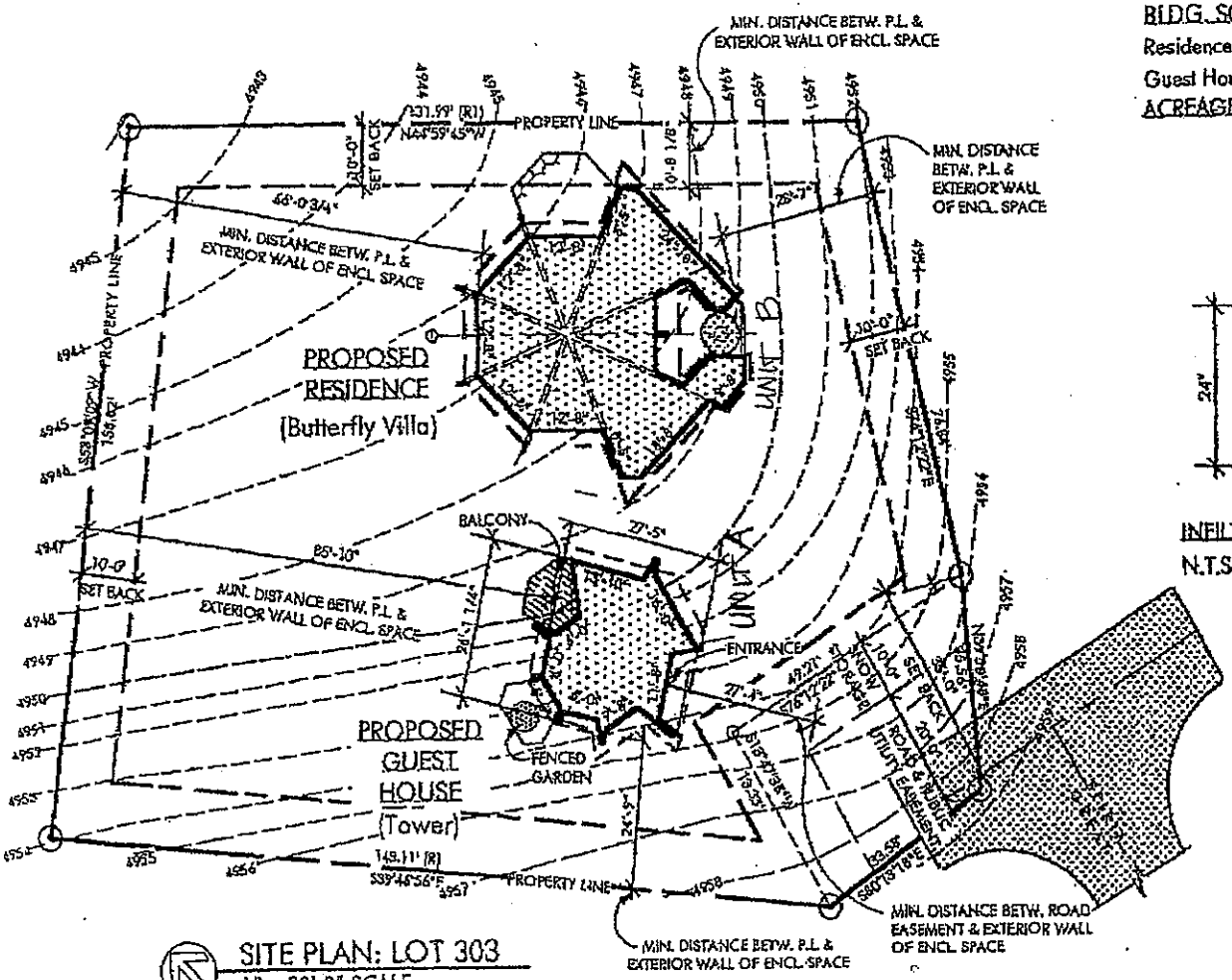
Newland & Winnen Design Studio
1441 Casa Buena Dr., #306
Corte Madera, CA 94925
Contact: Marty Newland
(415) 924-4951

LEGEND

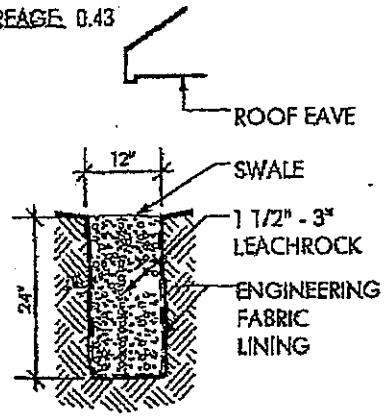
- SURVEY MARKER: SET 5/8" REBAR W/ALUMINUM CAP LS 2843
- 10' CONTOUR LINES
- 2' CONTOUR LINES
- REGRADE CONTOUR LINES
- BUILDING (ENCLOSED SPACE)
- WOODEN DECK
- ACCESS ROAD

PROJECT DATA

DESCRIPTION: Contruction of a new residence with a detached guest house on empty lot, adjacent to golf course.
ZONE: S-1
BUILDING TYPE: Type V, Non-Rated
OCCUPANCY: R-3
NO. OF STORIES: 2
ACCESSOR'S PARCEL NO.: #131-270-003
(Gold Mountain Ranch, Inc. LOT #303)
ADDRESS: 1432 Great Spirit, Clio, CA 96103
BLDG. SQUARE FOOTAGE (GROSS):
Residence: 1200 s.f.
Guest House: 964 s.f.
ACREAGE: 0.43



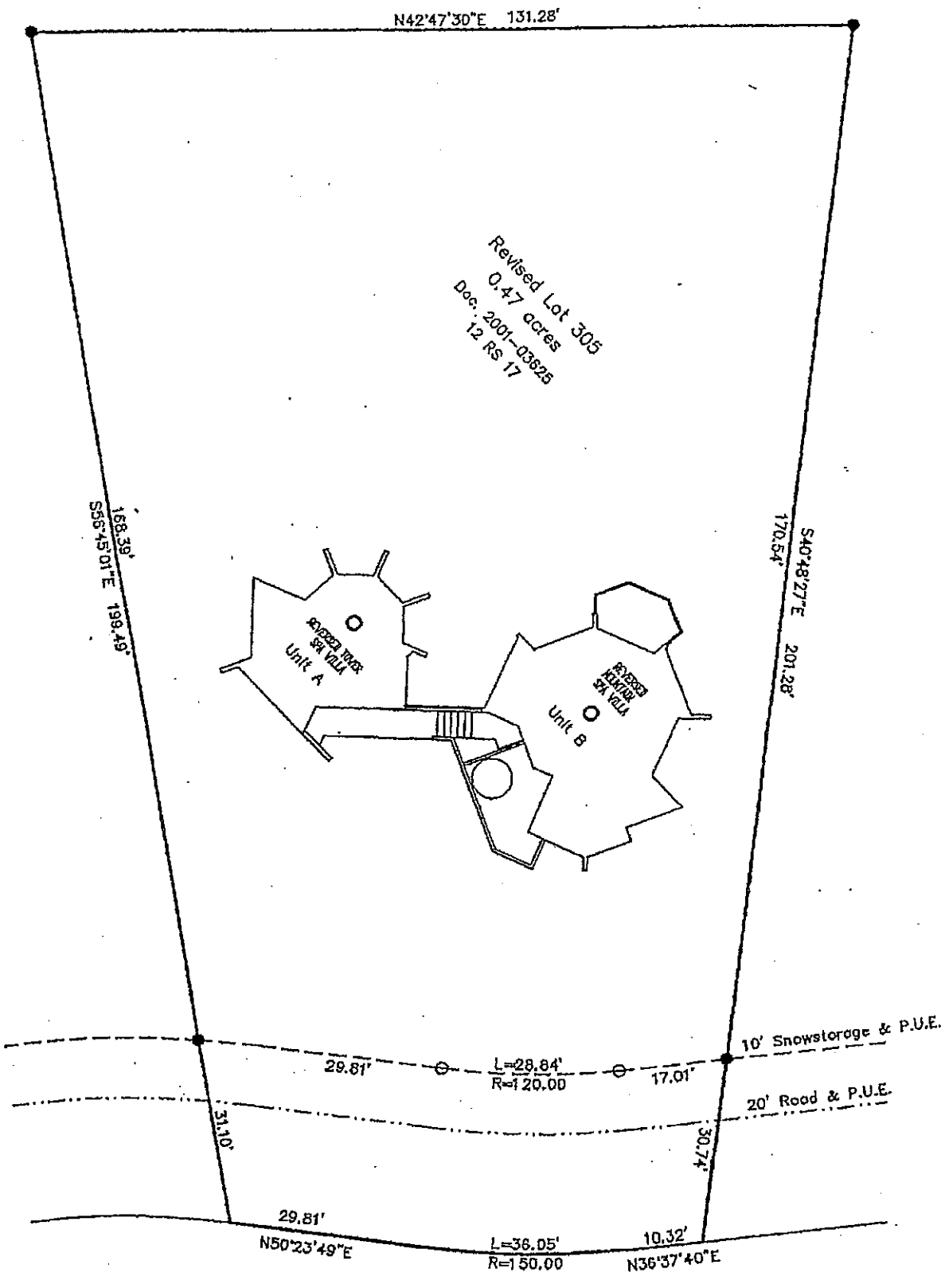
SITE PLAN: LOT 303
1" = 30'-0" SCALE
DATE: 2/18/03

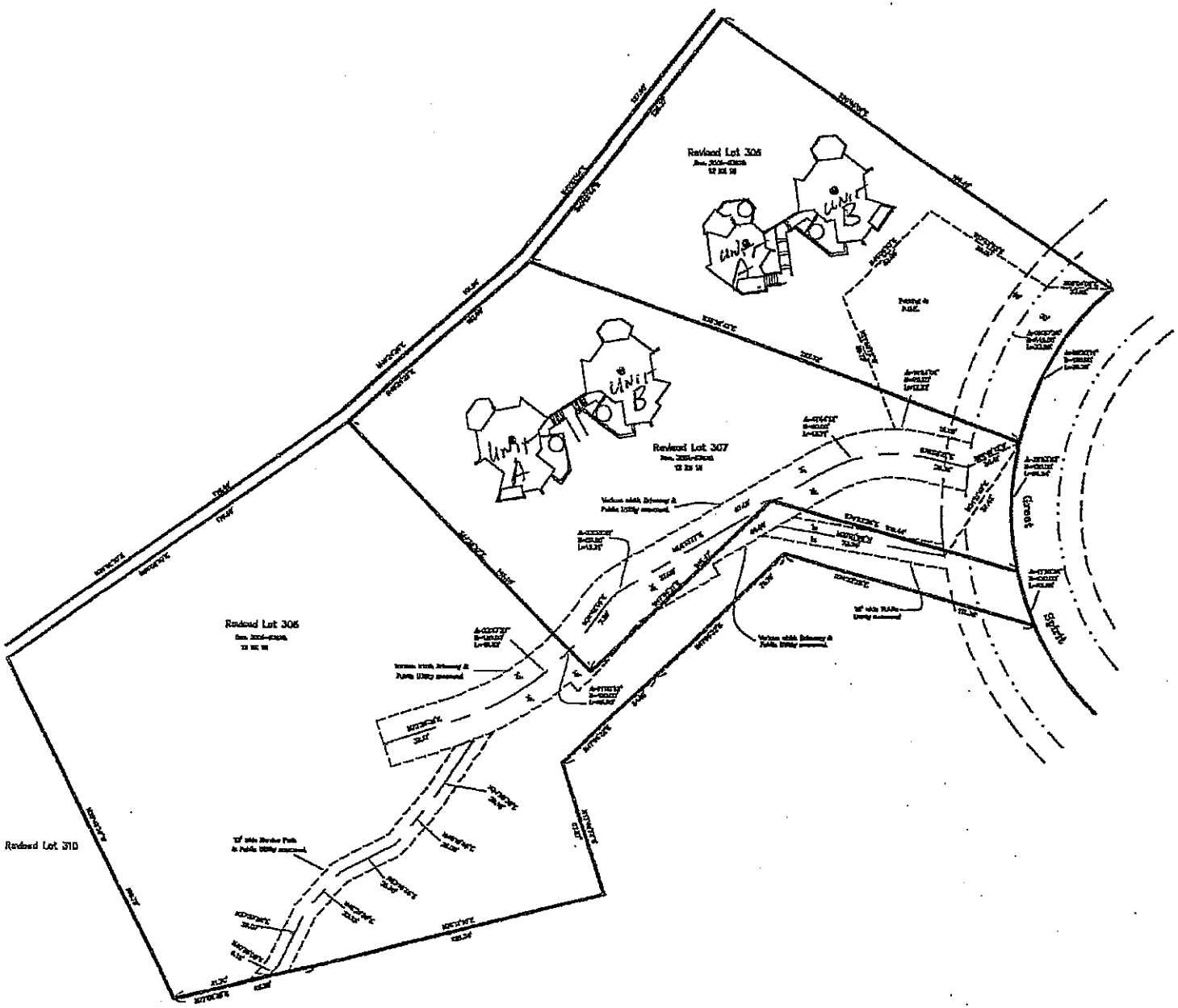


INFILTRATION DITCH DETAIL
N.T.S.

NOTE: PROPOSED RESIDENCE IS TO HAVE INFILTRATION DRAINAGE DITCHES UNDER EAVE DRIP LINES WHERE POSSIBLE.

EXHIBIT B


N42°47'30"E 131.28'
Revised Lot 305
0.47 acres
Doc. 2001-03625
12 RS 17
S55°45'01"E 190.49'
168.39'
S40°48'27"E 201.28'
170.54'
Unit A
Unit B
10' Snowstorage & P.U.E.
29.81'
L=28.84'
R=120.00
17.01'
20' Road & P.U.E.
31.10'
30.74'
29.81'
N50°23'49"E
L=36.05'
R=150.00
10.32'
N36°37'40"E
Great Spirit
Lot 305



Lots 306
307

Exhibit B

Plat Plan of Revised Lots 306 & 307
and easements over Revised Lot 308
Unit 12 "NAKOMA", 12 RS 18
Gold Mountain Subdivision

Hanby Surveying Inc.
P.O. Box 1328
Parker, CO 80134
(303) 805-0377

EXHIBIT C
TO
DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
(The Residence Club at Nakoma)

Description of Annexable Property

All Lots shown on the Map for Gold Mountain, Unit 12, "Nakoma" filed in Book 8 of Maps, at Pages 112 through 117, in the Office of the County Recorder of Plumas County, as the metes and bounds descriptions of certain of such Lots are more particularly described in that certain instrument entitled "Lot Line Adjustment" recorded on May 14, 2001, as Instrument No. 2001-03625 in the Office of the County Recorder of Plumas County, excepting therefrom Lots 303, 305, 306 and 307.

All timeshare estate interests in Lots 303, 305, 306 and 307 under the Underlying Declaration which are not described in Exhibit "A" to this Residence Club Declaration.

EXHIBIT D
TO
DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
(The Residence Club at Nakoma)

SCHEDULE OF 42 PHASE I MEMBERSHIP NUMBERS

Lot Number/Residence Number/Residence Type									
	303/B 2 Bedroom	303/A 1 Bedroom	305/B Studio	305/A 1 Bedroom	306/B Studio	306/A 1 Bedroom	307/B Studio	307/A Studio	Total
Total	31	41	36	38	29	14	12	25	**226**

	Residence Type of Membership		
	19 Studio	18 One-Bedroom	5 Two-Bedroom
Membership Numbers	1-S	1-1B	1-2B
	2-S	2-1B	2-2B
	3-S	3-1B	3-2B
	4-S	4-1B	4-2B
	5-S	5-1B	5-2B
	6-S	6-1B	
	7-S	7-1B	
	8-S	8-1B	
	9-S	9-1B	
	10-S	10-1B	
	11-S	11-1B	
	12-S	12-1B	
	13-S	13-1B	
	14-S	14-1B	
	15-S	15-1B	
	16-S	16-1B	
	17-S	17-1B	
	18-S	18-1B	
	19-S		
Total	19 Membership Nos.	18 Membership Nos.	5 Membership Nos.

A Member's participation in the Exchange Program is dependent upon the continued affiliation of Elite Alliance with such Member's Home Residence Club. Exchange privileges are conditioned upon the Home Residence Club's adherence to high standards of service, appearance, management, operation and compliance with the obligations set forth in the Participation Agreement with Elite Alliance. In the event that the Participation Agreement is terminated, the Members in the unaffiliated residence club will no longer be able to participate in the Exchange Program. However, all existing Accepted Vacations will be honored.

In order to make an exchange, a Member must first secure a Vacation at his or her Home Residence Club and submit a Deposited Vacation Form to Elite Alliance. The Vacation must be deposited at least ninety (90) days prior to the arrival date of the Vacation. Once a Vacation is deposited into the Exchange Program, the Member relinquishes all rights to use, cancel or change the Vacation and assigns all rights to use the Vacation to the Exchange Program, unless the Deposited Vacation is still available, the Member has not accepted a Vacation and the Deposited Vacation is withdrawn more than twenty-one (21) days prior to the Deposited Vacation arrival date.

Once a Member has deposited a Vacation into the Exchange Program, a Member is awarded Elite Credits in the exchange program. Elite Credits vary from Residence Club to Residence Club, are determined based on seasonality, destination and bedroom category and are allocated by Elite Alliance. A Member may accept a Vacation by submitting an Accepted Vacation Form to the Elite Alliance along with the Exchange Fee, so long as the Member has the proper amount of Elite Credits within their Member Account. An Accepted Vacation shall be confirmed upon the Elite Alliance's approval of the Accepted Vacation Form, in writing, and receipt of the Exchange Fee. A Member's Elite Credits expires twenty-four (24) months from the date the Member deposits a Vacation, regardless if the Member's Vacation is selected for exchange by another Member in the exchange. The Elite Credits allocated to a Member for a Deposited Vacation may be used in part or in whole. If a Member does not submit an Accepted Vacation Form within such twenty-four (24) month period, the Member will no longer be able to redeem their Elite Credits. When accepting a Vacation, should a Member have insufficient Elite Credits in their account, the Member may purchase additional Elite Credits for $750.00 per Elite Credit. Should a Deposited Vacation go unused in the exchange, it is offered to Members as an Elite Escape. Elite Escapes may be purchased by Members for $995.00, no more than forty-five (45) days before the Deposited Vacation's arrival date, without the use of a Deposited Vacation by the Member purchasing the Elite Escape. A Member may cancel an Accepted Vacation by providing written notice to Elite Alliance. If a Member cancels an Accepted Vacation sixty (60) days or more prior to the arrival date of that Vacation, the Member may accept a new Vacation. However, the Exchange Fee will be forfeited and an additional Exchange Fee will be due for any new Accepted Vacation. In the event a Member cancels an Accepted Vacation less than sixty (60) days prior to the arrival date of that Vacation, the right to accept another Vacation and the Exchange Fee will be forfeited.

Vacations are available on a first-come, first-served, space available basis and Elite Alliance does not guarantee the fulfillment of any specific request.

Membership Fees

As of December 31, 2013, there are no fees for qualified Owners to become eligible to participate in Elite Alliance, however Elite Alliance reserves the right to impose an annual membership fee in the future. The Exchange Fee is due upon submittal of an Accepted Vacation Form. The Exchange Fee is nonrefundable and is currently $395.00 (U.S. Dollars) per Accepted Vacation. The Exchange Fee includes all applicable local, state and federal taxes. Exchange Fees must be paid before an Accepted Vacation will be confirmed. Exchange Fees may be increased from time to time by the Elite Alliance, in its sole discretion, upon notice to the Members.

Residence Clubs

The names and addresses of all currently participating Residence Clubs are set forth on Exhibit A attached to this Disclosure Statement. Additions to or deletions from the participating Residence Clubs list are at the sole discretion of Elite Alliance.

Exchange Statistics

There are currently 1,264 Members enrolled in the Exchange Program and the number of members enrolled at each participating Residence Club is set forth on Exhibit A attached to this Disclosure Statement. The number of participating Residence Clubs as of the date of this Disclosure Statement is 33. The number of properly applied for exchanges confirmed during 2013 was 320. The total percentage of properly applied for exchanges fulfilled in 2013 was 100%. The number of exchanges for which Elite Alliance has an obligation as to the Exchange Program as of yearend to provide in a subsequent period to a Member provided such Member properly applies for an exchange is 419. At December 31, 2013, Members had accumulated 1,894 Elite Credits for which they have the right to a reservation opportunity in 2014 or 2015. This represents a total of approximately 419 deposited Vacations based on an average number of Elite Credits per deposit of 4.5. **The exchange percentage is a summary of the exchange requests entered with Elite Alliance during the year of 2013. Such percentage does not indicate the probabilities of a Member being confirmed to any specific choice, as availability at individual locations may vary.**

The exchange statistics were calculated using properly submitted Accepted Vacation Forms (as defined in the Membership Agreement) in accordance with the Membership Agreement and other instructions given to Members by Elite Alliance. Currently enrolled members of Elite Alliance consist of all purchasers who have submitted a Membership Agreement to Elite Alliance. In order to properly apply for an exchange, Members must complete all forms and pay all applicable fees as provided in the Membership Agreement.



ELITE ALLIANCE®

EXHIBIT A

PARTICIPATING RESIDENCE CLUBS

Clubs with 1-5 Residences

Club Quinta Real **1-100 enrolled members**
Paseo Benito Juárez L-2
Bahias De Huatulco, Oaxaca

The Cliffs Residence Club at Keowee Springs **1-100 enrolled members**
341 Keowee Baptist Church Road
Six Mile, SC 29682

Seasons at Sandpoint * **1-100 enrolled members**
424 Sandpoint Avenue
Sandpoint, ID 83864

The Residence Club at Geneva National * **1-100 enrolled members**
662 Eagleton Dr.
Lake Geneva, WI 53147

The Reserve at Lake Travis
19926 Thurman Bend Road – **1-100 enrolled members**
Spicewood, Texas 78669

The Palms Private Residence Club – **1-100 enrolled members**
Plaza Itskatzu
Local 109 in Escazu
San Jose, Costa Rica

Montecito Beach Village – **1-100 enrolled members**
Peninsula Sur, Bahia de Conejos
Huatulco, Mexico

Clubs with 6-10 Residences

The Residence Club at Teton Pines **1-100 enrolled members**
P.O. Box 14090
Jackson, Wyoming, 83002

The Asheville Club at 151 **1-100 enrolled members**
151 Haywood Street
Asheville, NC 28801

The Residence Club at Costa Baja **1-100 enrolled members**
Km 7.5 Carretera a Pichilingue
La Paz, Baja California Sur, Mexico, 23010

The Private Residence Club at Rosemary Beach **1-100 enrolled members**
136 Georgetown Avenue
Rosemary Beach, Florida 32461

Tallus Private Residence Club **1-100 enrolled members**
2610 Meridian Boulevard
Mammoth Lakes, CA 93546

Resort Equities **1-100 enrolled members**
4001 Northstar Drive
Truckee, California 96161

The Cottages at National Golf Club – **1-100 members enrolled**
One Royal Troon Drive
Village of Pinehurst, North Carolina 28374

Clubs with 11-20 Residences

The Reefs Club **1-100 enrolled members**
56 Southshore Road
Southhampton SN 02
Bermuda

Auberge Residences at Element 52 **1-100 enrolled members**
398 South Davis Street
Telluride, CO 81435

Northstar Club **1-100 enrolled members**
2100 N Village Dr
Truckee, CA 96161

The Residence Club at the Chateaux **101-249 enrolled members**
7815 Royal Street
Deer Valley, Utah 84060

The Residence Club at Teton Springs **1-100 enrolled members**
One Teton Springs Parkway
Victor, Idaho 83455

Tucker's Point Club – Golf Villas **101-249 enrolled members**
Tucker's Town, Bermuda
PO Box HS 85
Harrington Sand
HS BX Bermuda

Tucker's Point Club – Harbor Court **1-100 enrolled members**
Tucker's Town, Bermuda
PO Box HS 85
Harrington Sand
HS BX Bermuda

Quinta Real Acapulco **1-100 enrolled members**
Paseo de la Quinta no. 6 Fraccionamiento Real Diamante
Acapulco, Guerrero
Mexico

The Los Altos Club **1-100 enrolled members**
Manuel Antonio Park, Costa Rica

The Hacienda Club **1-100 enrolled members**
Hacienda Pinilla
Guanacaste, Costa Rica

Clubs with 21-50 Residences

Christie Club **1-100 enrolled members**
2355 Ski Time Square Dr.
Steamboat Springs, CO 80477

Club Borgo di Vagli **1-100 enrolled members**
Loc. Vagli
52040 Mercatale di Cortona Arezzo
Italy

Mammoth 80150 Private Residence Club **1-100 enrolled members**
50 Canyon Blvd.
Mammoth Lakes, California 93546

Seven Canyons Private Residence Club **101-249 enrolled members**
755 Golf Club Way
Sedona, Arizona 86336

The Residence Club at PGA West **101-249 enrolled members**
54-500 West Residence Club Drive
La Quinta, California 92253

Calistoga Ranch **1-100 enrolled members**
580 Lommel Road
Calistoga, CA 94515

Grand Isle Resort & Spa * **1-100 enrolled members**
PO Box EX-29253
George Town Exuma, Bahamas

Capella Pedregal **1-100 enrolled members**
Camino Del Mar - 1
Cabo San Lucas BCS
C.P. 23455 Mexico

Auberge Private Residences at Esperanza **1-100 enrolled members**
Carretera Transpeninsular KM 6.5
Cabo San Lucas BCS
C.P. 23410 Mexico

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REPORT OF KEY OPERATING EXCHANGE STATISTICS

Year ended December 31, 2013

ELITE ALLIANCE®

The Elite Alliance, LLC

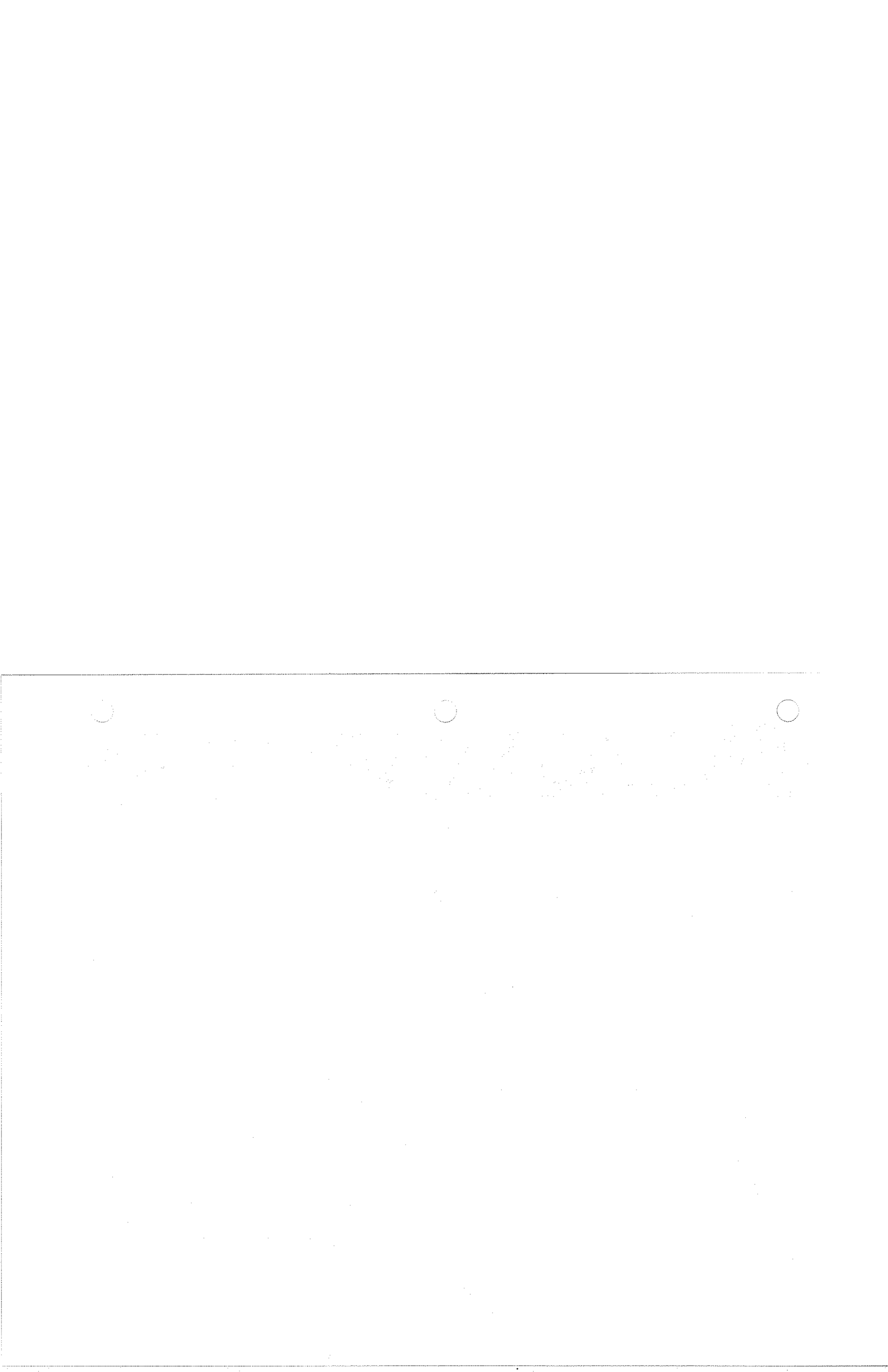
Report of Key Operating Exchange Statistics

Year Ended December 31, 2013

CFR

CROSS, FERNANDEZ & RILEY, LLP

Accountants & Consultants



The Elite Alliance, LLC

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CFR

CROSS, FERNANDEZ & RILEY, LLP

Accountants & Consultants

Report of Independent Certified Public Accountants

To the Management of
The Elite Alliance, LLC

We have examined the accompanying Report of Key Operating Exchange Statistics of The Elite Alliance, LLC as of and for the year ended December 31, 2013. This report is the responsibility of management of The Elite Alliance, LLC. Our responsibility is to express an opinion on this report based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining on a test basis, evidence supporting the report and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the Report of Key Operating Exchange Statistics presents, in all material respects, the information set forth therein as of and for the year ended December 31, 2013, in accordance with Sections 721.18 (1) (q) and (r) of the Florida Vacation Plan and Timesharing Act.

Cross, Fernandez & Riley, LLP

Certified Public Accountants

March 3, 2014

The Elite Alliance, LLC

Report of Key Operating Exchange Statistics

Year ended December 31,	2013
Item	
Number of resorts with current affiliation agreements that are eligible to participate in the Program at December 31, 2013	**33**
Number of Members currently enrolled in the exchange program (Note 3)	**1,264**
Number of deposits for which the Program has an outstanding obligation to provide an exchange to an owner who relinquished an approved vacation in exchange for an accommodation in a future year	**419**
Number of exchanges confirmed by the exchange program during the year	**320**
Percentage of confirmed exchanges for the year ended December 31, 2013, which is the number of exchanges confirmed by the Program divided by the number of properly applied-for exchanges (See note below)	**100%**

See accompanying notes.

Note:

The stated above is a summary of the properly-applied for exchange requests entered with the exchange program in the period reported. The percentage does not indicate a purchaser's probability of being confirmed to any specific choice or range of choices, since availability at individual locations may vary.

The Elite Alliance, LLC

Notes to Report of Key Operating Exchange Statistics

1. Summary of Significant Accounting Policies

The accompanying Report of Key Operating Exchange Statistics of The Elite Alliance exchange program (the "Program") includes the exchange statistics of The Elite Alliance, LLC, a Texas limited liability company, (the "Company") as of and for the year ended December 31, 2013.

The statistics reflected in the Report of Key Operating Exchange Statistics have been computed and are disclosed in accordance with Sections 721.18(1)(q) and (r) of the Florida Vacation Plan and Timesharing Act.

2. Description of Company

The Program was established to facilitate the exchange of accommodations between Members of prestigious residence clubs and luxury professionally managed homes (the "Residence Clubs") that meet the standards of and are affiliated with the Program. At December 31, 2013, the Program had 33 resorts available for exchange throughout the world. The Company's headquarters are located in Dallas, Texas.

3. Membership

Purchasers of an ownership or membership interest in a participating Residence Club are given the voluntary opportunity to participate in the Program which currently involves no enrollment or subscription fee, but includes a transaction fee for each exchange. The Company reserves the right to impose an annual enrollment or subscription fee in the future. A Member's participation in the Program is dependent upon the continued affiliation of the Program with such Member's home Residence Club.

4. Exchange Requests

All exchanges are based on availability. Accordingly, the Program does not guarantee that Members will receive a specific exchange choice. In order to make an exchange, Members must:

a. Secure a Vacation at his or her home Residence Club and deposit the secured Vacation in accordance with the terms and conditions of the Program. Once a Vacation has been deposited into the Program, Elite Credits are awarded. Elite

Credits may vary from Residence Club to Residence Club and are determined based on seasonality, destination and bedroom category.

b. Accept an alternate Vacation in accordance with the terms and conditions of the Program and submit the Exchange Fee, so long as the Member has the proper amount of Elite Credits within their Member account.

A Member's Elite Credits expire twenty-four (24) months from the date the Member deposits a Vacation. If a Member does not submit an Accepted Vacation Form within such twenty-four (24) month period, the Member will no longer be able to redeem their Elite Credits. When accepting a Vacation, should a Member have insufficient Elite Credits in their account, the Member may purchase additional Elite Credits. A Member may cancel an Accepted Vacation by providing written notice to Elite Alliance. If a Member cancels an Accepted Vacation sixty (60) days or more prior to the arrival date of that Vacation, the Member may accept a new Vacation. However, the Exchange Fee will be forfeited and an additional Exchange Fee will be due for any new Accepted Vacation. In the event a Member cancels an Accepted Vacation less than sixty (60) days prior to the arrival date of that Vacation, the right to accept another Vacation and the Exchange Fee will be forfeited.

The Program receives improperly submitted exchange requests in the normal course of business or no request at all. These are excluded from our statistics because the Members failed to follow the procedures required.

5. Outstanding Obligation

The Program allows Members to request a vacation reservation during the following 24 months after contributing an approved Vacation into the Program. At December 31, 2013, Members have deposited 419 Vacations for which they have the right to a reservation opportunity in 2014 or 2015.

At December 31, 2013, Members had accumulated 1,894 Elite Credits for which they have the right to a reservation opportunity in 2014 or 2015. This represents a total of approximately 419 deposited Vacations based on an average number of Elite Credits per deposit of 4.5.

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EXHIBIT E
TO
DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
(The Residence Club at Nakoma)

Form of Management Agreement

MANAGEMENT AGREEMENT

This Management Agreement (the "Agreement") is made and entered into this __th day of _____, 2014 by and between The Residence Club at Nakoma, a California nonprofit mutual benefit corporation (the "Residence Club Association") and SGI-RESORT PROPERTIES, LLC, an Arizona limited liability company (the "Manager").

RECITALS:

A. Pursuant to the provisions of that certain Declaration of Covenants, Conditions and Restrictions (The Residence Club at Nakoma) (the "Residence Club Declaration") recorded on or about the same date hereof, in the Official Records of Plumas County, California, the Residence Club Association is responsible for the maintenance, control, operation, and management of The Residence Club at Nakoma located in Plumas County, California, to the extent such responsibilities are not performed by the Underlying Association, as more particularly described in the Residence Club Declaration (the "Residence Club").

B. The Residence Club Association is authorized to engage an agent or manager for the Residence Club and to delegate such of its powers to the agent or manager as may be required for the proper functioning of the Residence Club.

C. The Residence Club Association desires to retain Manager to perform and provide various services for the Residence Club and Manager is willing to provide such services, all on the terms and conditions hereinafter set forth.

THEREFORE, in consideration of the mutual promises, covenants and agreements herein contained, the parties hereto agree as follows:

ARTICLE I.
DEFINITIONS

1.1 Certain Definitions. The defined terms as used in this Agreement shall have the following meanings:

(a) "Agreement" means this Management Agreement.

(b) "Board" means the board of directors of the Residence Club Association.

(c) "Residence Club Declaration" means that certain Declaration of Covenants, Conditions and Restrictions (The Residence Club at Nakoma) recorded on or about the same date herein, in the Official Records of Plumas County, California.

(d) "Notice" means any notice, demand, instruction or other communication required or permitted under the terms of this Agreement.

(e) "Operating Year" means a Fiscal Year of the Residence Club Association during the term of this Agreement. The first Operating Year shall be the period from the Starting Date through the last day of the then current Fiscal Year of the Residence Club Association, and the last Operating Year hereunder shall end upon the date of the expiration, or earlier termination, of this Agreement.

(f) "Residence Club Association" means The Residence Club at Nakoma, a California non-profit mutual benefit corporation.

(g) "Residence Club" means the Residences, Common Furnishings and Common Area which are subject to the Residence Club Declaration.

(h) "Starting Date" means the date on which the Original Membership Assignment conveying the first Membership in the Residence Club Association is filed with the Secretary of the Residence Club Association.

1.2 Other Defined Terms. Unless otherwise expressly indicated herein, the balance of the terms defined in this Agreement shall have the same meaning as described thereto in the Residence Club Declaration.

ARTICLE II.
ENGAGEMENT OF MANAGER

2.1 Basic Agreement. The Residence Club Association hereby engages and hires Manager as the exclusive managing and servicing agent of the Residence Club contemplated by the Residence Club Declaration and Manager hereby accepts and assumes the obligation to manage and operate the Residence Club during the term hereof, upon the terms, conditions and provisions hereinafter set forth and subject to the provisions contained in the Residence Club Declaration. Manager shall manage and operate the Residence Club in accordance with good practices and standards prevailing in residential club projects of comparable size and character, consistent with the best interests of the Residence Club Association.

2.2 Term. The term of this Agreement shall be for a period of five (5) years, commencing on the Starting Date.

2.3 Early Termination. This Agreement may be terminated at any time as follows:

(a) Termination by the Board. This Agreement may be terminated by the Board either:

(i) for cause, in the event Manager fails to substantially perform any of its obligations hereunder, upon the vote or written assent of a majority of the Board; provided, that if the cause constitutes a breach of or a failure to perform any term, covenant or condition contained in the Agreement which is capable of being cured, such breach or failure to perform shall not have been cured, or commencement and diligent pursuance of all reasonable efforts to effect such cure shall not have been undertaken, within thirty (30) days following Notice of such default or breach from the Residence Club Association. In the event Manager shall dispute a termination of this Agreement pursuant to this subsection, the dispute shall be submitted to

arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Residence Club Association, provided that Manager so demands; or

(ii) without cause, upon ninety (90) days prior Notice to Manager authorized by vote or written consent of a Majority of Members.

(b) Termination by Manager. Except as expressly provided in this subparagraph, Manager may terminate this Agreement, at any time, upon ninety (90) days prior Notice to the Residence Club Association. In the event (i) the Residence Club Association shall fail to keep, observe or perform any material covenant, agreement, term or provision of this Agreement to be kept, observed, or performed by the Residence Club Association and such default shall continue for a period of thirty (30) days after Notice hereof by Manager; or (ii) the Residence Club or any portion thereof shall be damaged or destroyed by fire or other casualty and the Residence Club Association shall fail to undertake to repair, restore, rebuild or replace any such damage or destruction within ninety (90) days after receipt of insurance proceeds therefor, if such loss was insured, or within ninety (90) days after such fire or casualty, if such loss was not insured, then and in either event this Agreement, subject to the provisions of the following subparagraph (c) shall terminate at Manager's option, upon five (5) days' Notice to the Residence Club Association.

(c) Condemnation. If the whole of the Residence Club shall be taken or condemned in any eminent domain, condemnation, compulsory acquisition or like proceeding by any competent authority for any public or quasi-public use or purpose, or if such a portion thereof shall be taken or condemned as to make it imprudent or unreasonable, in the reasonable opinion of the Board, to use the remaining portion as a vacation resort project of the type and class immediately preceding such taking or condemnation, then in either of such events, the term of this Agreement shall cease and terminate as of the date of such condemnation. To the extent (and only to the extent) any award for such taking or condemnation includes compensation to Manager for any loss of its income resulting from such taking or condemnation, such award shall be fairly and equitably apportioned between the Residence Club Association and Manager as to compensate Manager for any such loss of income. Manager shall continue to supervise and direct the management and operation of the Residence Club until such time as Manager shall be required to surrender possession of the Residence Club as a consequence of such taking or condemnation.

2.4 Extended Term. Manager may extend the term of this Agreement, upon mutual consent, for additional and successive three-year terms upon the same terms and conditions as those set forth for the initial term of this Agreement. This initial term and any extension thereof shall be automatically extended unless Manager delivers, to the Board, written Notice of its election not to extend not less than sixty (60) days prior to the expiration of the initial or extended term, as applicable. If no such Notice of nonrenewal is delivered, this Agreement shall be automatically extended for an additional one-year period unless (i) Manager is in default under any of the terms of this Agreement, or (ii) not less than thirty (30) days prior to the expiration of the then current term, the Residence Club Association, with the prior approval by a majority of Non-Declarant Members, determines not to extend the term and gives Notice of that determination to Manager.

ARTICLE III.
SERVICES OF MANAGER

3.1 In General. Unless provided by the Underlying Association, Manager shall provide or cause to be provided all services and personnel required to administer the affairs of the Residence Club Association and to manage and operate the Residence Club contemplated by the Residence Club Declaration, at all times in the manner consistent with the provisions of the Residence Club Declaration and the Bylaws of the Residence Club Association and subject to the terms and conditions set forth herein. Manager shall have all the powers which the Residence Club Association has, pursuant to the Residence Club Declaration, to the extent necessary to perform its duties and obligations hereunder. Subject to the provisions of Paragraph 3.9 below, Manager may contract with affiliates of Manager and delegate its authority and responsibilities to one or more sub-agents for such periods and upon such terms as Manager deems proper. Services of Manager shall include services described in Paragraphs 3.2, 3.3, 3.4, 3.5 and 3.7 (collectively "Management Services") for a Management Fee as set forth in the provisions of Paragraph 4.1 subject to the provisions of the annual budget.

3.2 Operating Services. During the term of this Agreement, Manager shall operate and manage the Residence Club in accordance with the terms and conditions of this Agreement. Manager shall provide the following operating services to the Residence Club Association with respect to the Residence Club:

(a) Licenses and Permits. Manager shall apply for, obtain and maintain, either in its own name on behalf of the Residence Club Association or in the Residence Club Association's name, as may be required by the applicable authorities, all licenses and permits required for the Residence Club Association, in connection with the management and operation of the Residence Club. The Board agrees to execute and deliver any and all applications and other documents and otherwise to cooperate to the fullest extent with Manager in applying for, obtaining and maintaining such licenses and permits. The cost of any licenses or permits shall be an operating expense of the Residence Club Association.

(b) Utility Services. Manager shall, on behalf of and at the expense of the Residence Club Association, make arrangements with the appropriate utility companies for the provision of all utility services used or consumed in the Residence Club, including, without limitation, water, gas, electricity, telephone, refuse collection, sewage disposal and satellite television and internet services.

(c) Compliance with Laws. Manager agrees to operate the Residence Club for the Residence Club Association in compliance with all applicable governmental laws, regulations, ordinances, orders and requirements. Manager agrees to do everything reasonable within its powers to operate the Residence Club in accordance with the terms and conditions of the Residence Club Declaration and in accordance with the requirements of any insurance carrier insuring the Residence Club or any part thereof. The Residence Club Association or Manager, with the majority consent of the Board, shall have the right to contest any such governmental law, regulation, ordinance, order or requirement unless failure to comply promptly with any such order or requirement would or might expose either party to criminal liability or to substantial civil penalty unless the party affected thereby consents to such action.

(d) Operating Supplies. Manager shall, on behalf of and at the expense of the Residence Club Association, purchase and maintain sufficient inventories of all consumable items utilized in the operation of the Residence Club, including, without limitation, soap, cleaning materials, stationery, stamps and other similar items.

(e) Investigation of Accidents. Manager shall, on behalf of the Residence Club Association, promptly investigate all accidents, any damage or destruction to the Residence Club (and the estimated cost of repair thereof) which are made known to Manager and make a full written report to the Board as to all material claims for damages relating to the Membership, operation and maintenance of the Residence Club as such claims shall become known to Manager. Manager shall prepare for approval by the Board any and all reports required to be filed by any insurance company in connection therewith. All such reports shall be filed with the Board within twenty (20) days after the occurrence of, or Manager's knowledge of, any such accident, claim, damage or destruction. Manager is not authorized to settle for the Residence Club Association any claim for personal injury or property damage in excess of Twenty-five Thousand Dollars ($25,000) for any claim, without the prior written approval of the Board.

3.3 Supervisory Services. Manager shall develop, implement and supervise the application of sound administrative practices, operational policies, and personnel and purchasing programs consistent with the terms and provisions of this Agreement. Manager agrees to establish, implement and supervise for the Residence Club Association the accounting, inventory and cost control systems necessary for the efficient operation and maintenance of the Residence Club, subject to and consistent with the budget for the Operating Year.

3.4 Administrative Services. Not in limitation of the provisions of Paragraph 3.1, Manager shall provide the following services of an administrative nature:

(a) Residence Club Association Meetings. Manager shall organize the meetings of the Board and of the Residence Club Association, including the preparation and delivery of notices of meetings, in accordance with the provisions of the Bylaws. Manager shall prepare the agenda for all meetings and assist in the conduct of the meetings and oversee the election of directors. Manager shall circulate minutes of any such meeting as prepared by the secretary of the Residence Club Association.

(b) Residence Club Association Records. Manager shall keep all records of the affairs of the Residence Club Association, including, but not limited to, minutes of meetings, correspondence, modifications of the Bylaws and the Rules and Regulations.

(c) Rules and Regulations. Manager shall, from time to time, as necessary or desirable, recommend to the Board that it amend, modify or supplement the Rules and Regulations.

(d) Roster of Members. Manager shall annually compile a complete and accurate Roster of Members setting forth the name of each Member and the mailing address of such Member. Manager shall furnish a copy of the Roster to the Members only at the expressed direction of the Board.

(e) Exchange Services. The Manager shall have no authority or responsibility with respect to the administration of any exchange programs operated by independent corporations, other than to communicate with representatives of such exchange programs.

(f) Coordination with Underlying Association. The Manager shall make recommendations to the Board and shall coordinate with the manager of the Underlying Association with respect to the reservation of the Residences that are subject to the Underlying Declaration, and for the performance of the Residence Club Association's rights and duties as a member of the Underlying Association, including, without limitation, voting in Underlying Association membership meetings and the payment of assessments and other charges levied by the Underlying Association against those timeshare interests that are owned by the Residence Club Association, but which are managed by the Underlying Association in accordance with the Underlying Declaration.

(g) Nakoma Golf Resort Memberships. The Manager shall serve as the Residence Club Association's liaison with Nakoma Associates, L.P., the owner of the Dragon at Nakoma Golf Resort and Spa, and shall keep informed regarding any changes in the provisions of the rules and regulations of the Dragon at Nakoma Golf Resort and Spa, and shall make recommendations to the Board regarding the golf rights and privileges of the Members resulting from any such changes, and shall, as the agent of the Residence Club Association, make such payments as are due and payable to Nakoma Associates, L.P. with respect to membership dues levied against the the Residence Club Association pursuant to that Irrevocable License by and between Nakoma Associates, L.P. and the Residence Club Association dated _____, 2014, as amended from time to time.

3.5 Personnel Services. Manager shall select, appoint and supervise a Manager and such other personnel required for the operation, maintenance and security of the Residence Club, and shall supervise, through the Manager, the selection, hiring and work of such personnel. All personnel assigned by Manager to the Residence Club Association, in every instance, shall be employees of Manager, or an affiliate of Manager, and not of the Residence Club Association, which shall have no right to supervise or direct such employees. The decision in regard to any discharge of any personnel shall be at the discretion of Manager. The salaries and all additional costs of employment of such personnel shall be reimbursed to Manager and shall be an operating expense of the Residence Club Association, provided, however, that in the event Manager shall determine that the obligations of Manager hereunder can be carried out by personnel serving other associations or entities, Manager may employ such personnel to additionally serve the Residence Club Association. In any such event, Manager shall allocate the salaries and additional costs of employment of such personnel equitably among the entities receiving the services of the personnel. Manager and all employees of Manager who handle or are responsible for handling of the Residence Club Association's monies hereunder shall be covered as employees or agents under a blanket fidelity bond in favor of the Residence Club Association and Manager in an amount acceptable to the California Bureau of Real Estate. The premiums for such bond shall be paid by the Residence Club Association.

3.6 Financial Services. Not in limitation of the provisions of Paragraph 3.1 above and subject to the supervision of the Board, Manager shall provide the following services of a

financial nature subject to the provisions of the Budget, at the expense of the Residence Club Association:

(a) Budgets. Manager shall, not less than seventy-five (75) days prior to the end of the first Fiscal Year and each succeeding Fiscal Year thereafter, prepare and submit to the Board for approval, a budget meeting the requirements of the Residence Club Declaration. Each budget approved by the Board is called the "Budget." Manager shall distribute or cause to be distributed a copy of the Budget to all Members not more than sixty (60) nor less than forty-five (45) days before the beginning of each Fiscal Year, which Budget must include the following:

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

(ii) The identification of the total current cash reserves;

(iii) The identification of the estimated remaining life and the method of funding each reserve component; and

(iv) A general statement addressing the procedures used for calculating and establishing the reserves.

(b) Special Assessments. Manager shall determine whether or not a Special Assessment may be required from time to time and, promptly upon making a determination that a Special Assessment is required, shall submit a recommendation to the Board that a Special Assessment be levied.

(c) Collection of Assessments. Manager shall collect the Assessments on behalf of the Residence Club Association and enforce payment of Assessments by causing to be prepared and mailed to any delinquent Member a notice of delinquency and by using its best efforts lawfully to collect delinquent Assessments as provided in the Residence Club Declaration.

(d) Bank Accounts. Manager shall establish and maintain the bank accounts provided for in the Residence Club Declaration and shall deposit or invest funds collected from Members and all other amounts collected by Manager in connection with the performance of its duties hereunder in the accounts designated for such purpose as set forth in the Residence Club Declaration.

(e) Disbursements. Manager shall disburse from the bank accounts of the Residence Club Association any and all amounts required for the payment of all Residence Club Association expenses incurred consistent with the applicable Budget and as otherwise permitted by the Residence Club Declaration. All Reserve Account disbursements shall be signed by two members of the Board, or by an officer of the Residence Club Association and a member of the Board.

(f) Financial Statements. Manager shall, within 120 days after the end of each Fiscal Year, prepare and distribute Annual Reports to each Member in accordance with the Residence Club Declaration.

(g) Books and Records. Manager shall keep and maintain or cause to be kept and maintained full and adequate books and records reflecting the results of operation of the Residence Club in accordance with the accounting principles utilized by the Residence Club Association. The books of accounts and other records relating to the operation of the Residence Club shall be available to the Residence Club Association and the Members at all reasonable times for examination, inspection and transcription. The Manager shall charge a reasonable fee for any transcription or reproduction of the records of the Residence Club Association.

(h) Statements of Status. Manager shall prepare the Statements of Status and shall distribute copies of such Residence Club documents as may be required to be delivered to a Member as provided for in the Residence Club Declaration.

3.7 Physical Services. Unless provided by the Underlying Association, and not in limitation of the provisions of Paragraph 3.1 above, Manager shall provide the following services of a physical nature:

(a) Initial Inspection of Residences. Manager shall, upon Declarant's written request, make an initial inspection of each Residence for the purpose of comparing the Common Furnishings located therein to the Common Furnishings Inventory attached hereto as Exhibit 1 and made a part hereof. Upon determining that all Common Furnishings specified in the Common Furnishings Inventory are in place, Manager shall execute a certification in the form of the Certification of Furnished Unit attached hereto as Exhibit 2 and made a part hereof, and deliver the same to Declarant for delivery to the Secretary of the Residence Club Association.

(b) Inspections. Manager shall make regular inspections of the Residence Club and render reports and make recommendations concerning the Residence Club to the Board. A general check shall be made of the physical condition of the Residence and any damage thereto (other than normal wear and tear) shall be noted. In the event any item is missing or damage to the Residence has occurred, Manager shall, at the expense of the Residence Club Association, replace the missing item(s) and/or cause the damage to be repaired and shall bill the Member for the missing item(s) and/or the damage if, in the judgment of Manager, it is reasonable to do so. Manager shall also have the right to enter into the Residence s as set forth in the Residence Club Declaration.

(c) Residence Club Association Insurance. Manager shall at the sole cost and expense of the Residence Club Association, procure and keep in force all insurance and/or bonds required by the provisions of the Residence Club Declaration. Manager shall administer all such insurance and claims under such insurance policies. Such insurance shall include, but shall not be limited to:

(i) A policy of insurance showing the Residence Club Association as the named insured, and Manager as an additional insured, evidencing that the Residence Club Association is insured under the Worker's Compensation Law of the State of California in accordance with the provisions of the applicable statutes; and

(ii) A policy or policies of insurance showing the Residence Club Association as the named insured, and covering Manager and its employees as employees or

agents of the Residence Club Association, evidencing that the Residence Club Association is insured against loss against embezzlement, misappropriation and misapplication of funds by the employees retained by Manager.

All such policies shall provide that the same shall not be canceled except upon thirty (30) days prior written notice to both the Residence Club Association and Manager.

(d) Repair and Maintenance of Residence Club and Common Furnishings. Manager shall cause the Residence Club to be repaired, maintained, repainted, furnished and refurnished in accordance with the provisions of the Residence Club Declaration and in the manner consistent with the reserves established for such purpose.

(e) Maid Service. Manager shall cause maid service to be provided to the Residences in the manner provided for in the Residence Club Declaration and in the Rules and Regulations. Inasmuch as the Residence Club Declaration provides that maid service is not to be provided to Members by the Residence Club Association as part of the Residence Club Association's services for which Members pay Assessments, Manager's compensation for such services shall be in addition to the compensation set forth in Section 4.1 below, as the quantity of maid service required by each Member will vary. Manager shall, in consultation with the Board, develop a schedule of typical housekeeping fees, which fees shall be in addition to the Management Fee, and which shall include a reasonable profit for Manager.

(f) Major Clean-up. Manager shall cause each Residence to be thoroughly cleaned during all Service Periods.

(g) Telephone Service; Cable TV Service. Manager shall cause telephone and cable television service to be provided to the Residences. Such services shall not be a Common Expense of the Residence Club Association, and Manager shall bill each Member directly for such services, which compensation shall be in addition to the compensation set forth in Section 4.1 below.

3.8 All Other Acts. Manager shall, at the Residence Club Association's expense, perform all such other and further acts and things to be done in and about the Residence Club as may be appropriate or necessary to the efficient operation thereof, except for the obligations of the Residence Club Association set forth in Article IV and subject to the limitations upon the powers of Manager as set forth in Section 3.9.

3.9 Limitations on Powers of Manager. Notwithstanding the powers of Manager as set forth in Paragraph 3.1 through 3.8, the Manager shall not enter into a contract with a third person or entity whereby such person or entity will furnish goods or services to the Residence Club for a term longer than one year unless authorized by a majority of Non-Declarant Members, except for:

(a) A contract with a public utility company at the rates charged for the materials or services regulated by the Public Utilities Commission, State of California; provided, however, that the term of the contract shall not exceed the shortest term for which the supplier will contract at the regulated rate;

(b) Prepaid casualty and/or liability insurance policies not to exceed three (3) year's duration; provided, however, that the policy permits short rate cancellation by the insured; and

(c) A lease of Common Furnishings.

3.10 Limited Liability. Manager shall not be responsible for the acts, omissions to act or conduct of any of the Members, Permitted Users or Exchange Users, or for the breach of any of the obligations of any of the Members, Permitted Users or Exchange Users.

ARTICLE IV.
OBLIGATIONS AND COVENANTS OF THE RESIDENCE CLUB ASSOCIATION

4.1 Management Fee. As compensation for the services to be rendered by Manager hereunder, and in addition to the reimbursement to Manager or payment by the Residence Club Association for expenses as herein provided (including, without limitation, all Common Expenses of the Residence Club Association, excepting the management fee described in this Section), the Residence Club Association shall pay Manager for each Operating Year, at its principal office (or at such other place, if any, as Manager may from time to time designate by written Notice to the Board), a monthly management fee equal to one-twelfth (1/12) of ten percent (10%) of Common Expenses, as set forth in the Budget, exclusive of Manager's compensation. The management fee shall be payable in monthly installments on or before the tenth (10th) day of each month for the preceding month. Manager is hereby authorized to pay itself its management fee out of the general/operating account of the Residence Club Association. All unpaid portions of the management fee shall bear interest at the maximum rate permitted by law from the date such management fee becomes due until fully paid.

4.2 Cooperation with Manager. The Board shall furnish Manager with copies of all documents and Notices which may assist or be necessary to Manager in carrying out its duties hereunder, and shall furnish Manager with sufficient instructions and funds to enable Manager to perform all of the acts required of Manager under the provisions of this Agreement.

4.3 Roster of Members. The Residence Club Association shall provide to Manager, a true, complete and current list of the Members (the "Roster") for Manager's use. The Roster shall identify each Member. The Residence Club Association shall at its discretion, notify the Manager in writing of the name(s) of any Member(s) not in good standing. The Residence Club Association will provide, or cause to be provided, to each Member an appropriate identification number specifying that the registered holder of the identification number is the Member of one or more Memberships.

4.4 Insurance. The Residence Club Association agrees to obtain and maintain, or at the request of the Board with respect to any and all of such policies, Manager will obtain and maintain on behalf and at the expense of the Residence Club Association, the insurance policies with liability limits as specified in the Residence Club Declaration. During the term of this Agreement, the Residence Club Association shall maintain business interruption insurance and Manager shall be named as an additional insured on such business interruption insurance policy or policies to the extent of Manager's interest in fees to be paid by the Residence Club

Association to Manager pursuant to this Agreement. The Residence Club Association and Manager shall be party-insureds as their interests may appear and as may be permissible under applicable law, under all policies provided hereunder. Declarant shall be an additional insured under all policies provided hereunder.

4.5 Indemnification. Manager shall not be liable to the Residence Club Association or to the Members or any other person for any loss or damage not caused by the Manager's own gross negligence or willful misconduct, and the Residence Club Association and the Members will and do hereby indemnify and save harmless Manager and Declarant, from any such liability for damages, costs and expenses arising from injury to any person or property in, about and in connection with the Residence Club from any cause whatsoever, or from the theft or disappearance of the personal property of the Residence Club Association or the Members or any other person, or from any other injury or loss claimed by any person in connection with the operation of the Residence Club, unless such injury or loss shall be caused by Manager's own gross negligence or willful misconduct. Neither the Residence Club Association nor the Members, moreover, shall have any claim of any nature against Manager relating to any labor relations matters. Notwithstanding any other provisions of this Agreement, neither the Residence Club Association nor the Members shall make any claim against Manager, or any affiliate of Manager, on account of any alleged errors in judgment where such judgment is exercised in good faith in connection with the operation of the Residence Club by Manager or the performance of any services provided by or arranged through Manager. The provisions of this Section 4.5 shall survive the expiration or earlier termination of this Agreement.

4.6 Employees. The salary and other related expenses (including, without limitation, payroll taxes and the cost of employee benefits) or other compensations for any Residence Club Association employee shall be an expense of the Residence Club Association though paid by Manager, and Manager shall be entitled to reimburse itself from funds of the Residence Club Association on a monthly basis for such expenditure, which reimbursement shall be in addition to and separate from the compensation paid to Manager pursuant to Paragraph 4.1, above.

4.7 Advances and Reimbursements. Manager shall not be required to perform any act or duty hereunder involving an expenditure of money unless there shall be sufficient funds therefor in the bank accounts of the Residence Club Association; if at any time the funds in the bank accounts of the Residence Club Association are not sufficient to pay the charges incident to this Agreement, Manager, although not obligated to do so, may advance such sums as it deems necessary, and in such event, Manager shall be entitled to reimburse itself from Residence Club Association funds for the amount of such advances, together with interest at the rate of ten percent (10%) per annum commencing from and after twenty (20) days from the date of the advance by Manager. In the event no Residence Club Association funds are available from which to reimburse Manager, the Residence Club Association shall immediately levy a special assessment against it members or borrow the funds, and promptly reimburse Manager for any amounts advanced, plus interest as herein provided.

4.8 Discounts. All discounts, rebates or commissions or like items which pertain to purchases of goods or services by Manager on behalf of the Residence Club Association shall inure to the benefit of the Residence Club Association.

4.9 Single Contracts. Manager may enter into single contracts for operation and maintenance services covering the Residence Club and other projects managed by the Manager, provided that (a) the amount payable by the Residence Club Association pursuant thereto shall not exceed by more than one hundred five percent (105%) the amount for such items set forth in the Budget for such Fiscal Year, and (b) such contracts provide that the persons or entities with whom such contracts are made shall have no claim against the Residence Club Association for any amount whatsoever in excess of the amount for such service as is set forth in the contract.

ARTICLE V.
GENERAL PROVISIONS

5.1 Assignment. Manager shall not assign this Agreement without the prior written consent of the Board. It is understood and agreed that any consent granted by the Board to any such assignment shall not be deemed a waiver of the covenant herein contained against assignment in any subsequent case.

5.2 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original and all of which when taken together shall constitute a single document.

5.3 Entire Agreement. This Agreement contains all of the covenants and agreements of the parties hereto with respect to the matters contained herein. No prior agreement or understanding pertaining to any such matter shall be effective for any purpose.

5.4 Governing Law. This Agreement is made and shall be construed and interpreted in accordance with the laws of the State of California. Venue shall be Plumas County, California.

5.5 Headings. The article and section headings contained herein are for convenience and reference only and are not intended to define, limit or describe the scope or intent of any provision of this Agreement. This Agreement shall be given a fair and reasonable construction in accordance with the intentions of the parties and without regard to, or aid of, Section 1654 of the California Civil Code.

5.6 Notices. Any Notice shall, unless otherwise specified, be in writing, sent by telegram or telex or by certified first-class mail, postage prepaid, return receipt requested to the following addresses:

If to the Residence Club Association:

The Residence Club at Nakoma
348 Bear Run
Clio, California 96106

If to the Manager:

SGI-Resort Properties, LLC
6418 E Tanque Verde Road,
Tucson, AZ 85715

Notice shall be deemed sufficiently given either when delivered personally at the appropriate addresses set forth above (in which event, the Notice shall be deemed effective only upon such delivery) or forty-eight (48) hours after deposit of same in any United States or Canadian Post Office box other than in the state to which the Notice is addressed, or 72 hours after deposit of same in any such post office box other than in the state to which the Notice is addressed, postage prepaid, addressed as set forth above. Either party to this Agreement may change its address by giving the other party Notice of its new address as herein provided.

5.7 Partnership or Joint Venture. Nothing contained in this Agreement shall constitute or be construed to be or create a partnership or joint venture between the Residence Club Association and Manager.

5.8 Severability. The provisions of this Agreement shall be deemed independent and severable, and the invalidity, partial invalidity or unenforceability of any provision shall not invalidate any other provisions.

5.9 Successors and Assigns. Subject to Paragraph 5.1, above, this Agreement shall be binding upon, inure to the benefit of and be enforceable by the parties hereto and their respective heirs, personal representatives, successors and permitted assigns.

5.10 Waiver. No waiver of any breach of any of the provisions of this Agreement shall constitute a waiver of any succeeding or preceding breach of the same, or of any other, provision contained herein.

5.11 Merger. All understandings and agreements heretofore had between the parties respecting the employment contemplated by this Agreement are merged by this Agreement which fully and completely expresses the agreement of the parties. There are no agreements except as specifically set forth in this Agreement or to be set forth in the instruments of other documents delivered or to be delivered hereunder.

5.12 Amendments. No change in or addition to, or waiver or termination of this Agreement or any part thereof shall be valid unless in writing and signed by or on behalf of each of the parties hereto.

5.13 Warranties. The Residence Club Association represents and warrants that it is a validly organized corporation with full power and authority to enter into this Agreement and to carry out the transactions herein contemplated, and that the undersigned officers of the Residence Club Association have all necessary authority to execute this Agreement. Manager represents and warrants that it is a validly organized corporation with full power and authority to enter into this Agreement and to carry out the transactions contemplated herein. Manager further represents and warrants that it is duly qualified to do business and in good standing in the State of California. The undersigned officers of Manager have all necessary authority to execute this Agreement on behalf of Manager.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement by their duly authorized officers as of the date first written above.

"RESIDENCE CLUB ASSOCIATION"

THE RESIDENCE CLUB AT NAKOMA,
a California nonprofit mutual benefit corporation

By: _____
Its: President

"MANAGER"

SGI-Resort Properties, LLC,
an Arizona limited liability company

By: The Schomac Group, Inc.,
Its Managing Member

By: _____
Name: _____
Title: _____

Exhibit 1
Common Furnishings Inventory
(The Residence Club at Nakoma)

(attached)

Exhibit 2
Certification of Furnished Unit
(The Residence Club at Nakoma)

The undersigned, as the Managing Agent employed by The Residence Club at Nakoma, pursuant to that certain Management Agreement dated _____, 201__ and that certain Declaration of Covenants, Conditions and Restrictions (The Residence Club at Nakoma) recorded on _____, 2014 as Instrument No. _____, in the Office of the County Recorder of Plumas County, hereby certifies as follows:

1. All Common Furnishings set forth in that Common Furnishings Inventory attached as Exhibit 1 to the Management Agreement described above, as filed with the California Bureau of Real Estate, are in place within Residence No. _____.

2. The Common Furnishings in place within the above-described Residence have remaining useful lives equivalent to that of new furnishings and are of a quality substantially equivalent to those Common Furnishings located within any model Residence shown to prospective purchasers of Memberships.

Executed this ____ day of _____, 201__, by Managing Agent.

"Managing Agent"

SGI-Resort Properties, LLC,
an Arizona limited liability company

By: The Schomac Group, Inc.,
Its Managing Member

By: _____
Name: _____
Title: _____

EXHIBIT F
TO

DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
(The Residence Club at Nakoma)

Reservation Priority Chart

The Residence Club at Nakoma
Reservation Priority Chart
Studio Residence Type

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046
Membership Number	PRIORITY NUMBER															
1-S	1	40	34	28	22	16	15	9	3	37	31	30	24	18	12	6
2-S	2	36	35	29	23	17	11	10	4	38	32	26	25	19	13	7
3-S	3	37	31	30	24	18	12	6	5	39	33	27	21	20	14	8
4-S	4	38	32	26	25	19	13	7	1	40	34	28	22	16	15	9
5-S	5	39	33	27	21	20	14	8	2	36	35	29	23	17	11	10
6-S	6	5	39	33	27	21	20	14	8	2	36	35	29	23	17	11
7-S	7	1	40	34	28	22	16	15	9	3	37	31	30	24	18	12
8-S	8	2	36	35	29	23	17	11	10	4	38	32	26	25	19	13
9-S	9	3	37	31	30	24	18	12	6	5	39	33	27	21	20	14
10-S	10	4	38	32	26	25	19	13	7	1	40	34	28	22	16	15
11-S	11	10	4	38	32	26	25	19	13	7	1	40	34	28	22	16
12-S	12	6	5	39	33	27	21	20	14	8	2	36	35	29	23	17
13-S	13	7	1	40	34	28	22	16	15	9	3	37	31	30	24	18
14-S	14	8	2	36	35	29	23	17	11	10	4	38	32	26	25	19
15-S	15	9	3	37	31	30	24	18	12	6	5	39	33	27	21	20
16-S	16	15	9	3	37	31	30	24	18	12	6	5	39	33	27	21
17-S	17	11	10	4	38	32	26	25	19	13	7	1	40	34	28	22
18-S	18	12	6	5	39	33	27	21	20	14	8	2	36	35	29	23
19-S	19	13	7	1	40	34	28	22	16	15	9	3	37	31	30	24
20-S	20	14	8	2	36	35	29	23	17	11	10	4	38	32	26	25

The Residence Club at Nakoma
Reservation Priority Chart
Studio Residence Type

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046
Membership Number	PRIORITY NUMBER															
21-S	21	20	14	8	2	36	35	29	23	17	11	10	4	38	32	26
22-S	22	16	15	9	3	37	31	30	24	18	12	6	5	39	33	27
23-S	23	17	11	10	4	38	32	26	25	19	13	7	1	40	34	28
24-S	24	18	12	6	5	39	33	27	21	20	14	8	2	36	35	29
25-S	25	19	13	7	1	40	34	28	22	16	15	9	3	37	31	30
26-S	26	25	19	13	7	1	40	34	28	22	16	15	9	3	37	31
27-S	27	21	20	14	8	2	36	35	29	23	17	11	10	4	38	32
28-S	28	22	16	15	9	3	37	31	30	24	18	12	6	5	39	33
29-S	29	23	17	11	10	4	38	32	26	25	19	13	7	1	40	34
30-S	30	24	18	12	6	5	39	33	27	21	20	14	8	2	36	35
31-S	31	30	24	18	12	6	5	39	33	27	21	20	14	8	2	36
32-S	32	26	25	19	13	7	1	40	34	28	22	16	15	9	3	37
33-S	33	27	21	20	14	8	2	36	35	29	23	17	11	10	4	38
34-S	34	28	22	16	15	9	3	37	31	30	24	18	12	6	5	39
35-S	35	29	23	17	11	10	4	38	32	26	25	19	13	7	1	40
36-S	36	35	29	23	17	11	10	4	38	32	26	25	19	13	7	1
37-S	37	31	30	24	18	12	6	5	39	33	27	21	20	14	8	2
38-S	38	32	26	25	19	13	7	1	40	34	28	22	16	15	9	3
39-S	39	33	27	21	20	14	8	2	36	35	29	23	17	11	10	4
40-S	40	34	28	22	16	15	9	3	37	31	30	24	18	12	6	5

The Residence Club at Nakoma
Reservation Priority Chart
One-Bedroom Residence Type

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046
Membership Number	PRIORITY NUMBER															
1-1B	1	24	20	16	15	11	7	6	2	22	21	17	13	12	8	4
2-1B	2	22	21	17	13	12	8	4	3	23	19	18	14	10	9	5
3-1B	3	23	19	18	14	10	9	5	1	24	20	16	15	11	7	6
4-1B	4	3	23	19	18	14	10	9	5	1	24	20	16	15	11	7
5-1B	5	1	24	20	16	15	11	7	6	2	22	21	17	13	12	8
6-1B	6	2	22	21	17	13	12	8	4	3	23	19	18	14	10	9
7-1B	7	6	2	22	21	17	13	12	8	4	3	23	19	18	14	10
8-1B	8	4	3	23	19	18	14	10	9	5	1	24	20	16	15	11
9-1B	9	5	1	24	20	16	15	11	7	6	2	22	21	17	13	12
10-1B	10	9	5	1	24	20	16	15	11	7	6	2	22	21	17	13
11-1B	11	7	6	2	22	21	17	13	12	8	4	3	23	19	18	14
12-1B	12	8	4	3	23	19	18	14	10	9	5	1	24	20	16	15
13-1B	13	12	8	4	3	23	19	18	14	10	9	5	1	24	20	16
14-1B	14	10	9	5	1	24	20	16	15	11	7	6	2	22	21	17
15-1B	15	11	7	6	2	22	21	17	13	12	8	4	3	23	19	18
16-1B	16	15	11	7	6	2	22	21	17	13	12	8	4	3	23	19
17-1B	17	13	12	8	4	3	23	19	18	14	10	9	5	1	24	20
18-1B	18	14	10	9	5	1	24	20	16	15	11	7	6	2	22	21
19-1B	19	18	14	10	9	5	1	24	20	16	15	11	7	6	2	22
20-1B	20	16	15	11	7	6	2	22	21	17	13	12	8	4	3	23

The Residence Club at Nakoma
Reservation Priority Chart
Studio Residence Type

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046
Membership Number	PRIORITY NUMBER															
21-1B	21	17	13	12	8	4	3	23	19	18	14	10	9	5	1	24
22-1B	22	21	17	13	12	8	4	3	23	19	18	14	10	9	5	1
23-1B	23	19	18	14	10	9	5	1	24	20	16	15	11	7	6	2
24-1B	24	20	16	15	11	7	6	2	22	21	17	13	12	8	4	3

The Residence Club at Nakoma
Reservation Priority Chart
Two-Bedroom Residence Type

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046
Membership Number	PRIORITY NUMBER															
1-2B	1	24	20	16	15	11	7	6	2	22	21	17	13	12	8	4
2-2B	2	22	21	17	13	12	8	4	3	23	19	18	14	10	9	5
3-2B	3	23	19	18	14	10	9	5	1	24	20	16	15	11	7	6
4-2B	4	3	23	19	18	14	10	9	5	1	24	20	16	15	11	7
5-2B	5	1	24	20	16	15	11	7	6	2	22	21	17	13	12	8
6-2B	6	2	22	21	17	13	12	8	4	3	23	19	18	14	10	9
7-2B	7	6	2	22	21	17	13	12	8	4	3	23	19	18	14	10
8-2B	8	4	3	23	19	18	14	10	9	5	1	24	20	16	15	11
9-2B	9	5	1	24	20	16	15	11	7	6	2	22	21	17	13	12
10-2B	10	9	5	1	24	20	16	15	11	7	6	2	22	21	17	13
11-2B	11	7	6	2	22	21	17	13	12	8	4	3	23	19	18	14
12-2B	12	8	4	3	23	19	18	14	10	9	5	1	24	20	16	15
13-2B	13	12	8	4	3	23	19	18	14	10	9	5	1	24	20	16
14-2B	14	10	9	5	1	24	20	16	15	11	7	6	2	22	21	17
15-2B	15	11	7	6	2	22	21	17	13	12	8	4	3	23	19	18
16-2B	16	15	11	7	6	2	22	21	17	13	12	8	4	3	23	19
17-2B	17	13	12	8	4	3	23	19	18	14	10	9	5	1	24	20
18-2B	18	14	10	9	5	1	24	20	16	15	11	7	6	2	22	21
19-2B	19	18	14	10	9	5	1	24	20	16	15	11	7	6	2	22
20-2B	20	16	15	11	7	6	2	22	21	17	13	12	8	4	3	23

The Residence Club at Nakoma
Reservation Priority Chart
Two-Bedroom Residence Type

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046
Membership Number	PRIORITY NUMBER															
21-2B	21	17	13	12	8	4	3	23	19	18	14	10	9	5	1	24
22-2B	22	21	17	13	12	8	4	3	23	19	18	14	10	9	5	1
23-2B	23	19	18	14	10	9	5	1	24	20	16	15	11	7	6	2
24-2B	24	20	16	15	11	7	6	2	22	21	17	13	12	8	4	3

EXHIBIT G
TO
DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
(The Residence Club at Nakoma)

Form of Subsidy Agreement

SUBSIDY AGREEMENT
(The Residence Club at Nakoma)

THIS SUBSIDY AGREEMENT (the "**Agreement**") is made as of the __ day of _____, 20__, by and between The Residence Club at Nakoma, a California non-profit mutual benefit corporation (the "**Association**"), and SGI-Resort Properties, LLC, an Arizona limited liability company (the "**Developer**"), with reference to the following facts and circumstances:

RECITALS

A. Developer has recorded and is the "Declarant" under that certain Declaration Of Covenants, Conditions And Restrictions for The Residence Club at Nakoma in the Office of the County Recorder of Plumas County, California (the "**Declaration**"). The Declaration provides for the operation and maintenance by the Association of The Residence Club at Nakoma, including, without limitation, each of the Residences therein. Except as otherwise defined herein, each defined term used herein shall have the meaning set forth therefore in the Declaration.

B. In accordance with Section 5.1 of the Declaration, Developer and the Association intend to establish by this Agreement a program whereby Developer will provide for the payment of Developer's appropriate share, as the Owner of Declarant Memberships, of the costs and expenses of the Association, and by so doing, will be excused, for so long as Developer is current in its obligations to the Association under this Agreement, from the obligation to pay Assessments to the Association with respect to the Developer Memberships.

C. It is the intention of Developer and the Association that Developer shall, pursuant to the terms and conditions set forth below, pay all of the "Deficiencies" (defined below) of the Association and by its payments hereunder eliminate any need for a Special Assessment during the term hereof (other than special assessments approved by the Board and, if necessary, by Members, for capital expenditures, insurance policy deductibles, underinsured losses or uninsured losses, during the term hereof).

TERMS AND CONDITIONS

1. Definitions. For purposes of this Agreement, the following terms shall have the following meanings:

1.1."Deficiencies" means, for each Fiscal Year of the Association, the amount by which (a) the cumulative total amount of the actual expenses attributable to the Residence Club which are incurred by the Association (including, without limitation, all Reserve Expenses), for such Fiscal Year, exceeds (b) the sum of (A) the cumulative total amount of Basic Assessments for such Fiscal Year paid to the Association by Members other than Developer for the same period, (B) the cumulative total amount of Assessments, other than the Basic Assessment, paid to the Association for such Fiscal Year by Members other than Developer for the same period, and (C) all other amounts paid to the Association by persons other than Developer for the same period.

No provision of this definition, when used hereinafter, shall entitle Developer to pay less than a full pro-rata share of the Reserve Expenses of the Association for each Developer Membership.

1.2."Reserve Expenses" means those amounts set forth in the Budget of the Association for any Fiscal Year of the Association under consideration for reserves for replacement, repair or refurbishment of the items for which the Association has or anticipates having a duty to maintain and replace. Notwithstanding the foregoing, Reserve Expenses shall not include any expense set forth in the Budget which is not actually incurred by the Association. For example, if the Residence Club, at the beginning of a Fiscal Year of the Association, includes ten (10) Residences, but only six (6) of such Residences are actually constructed (in accordance with a two-phase construction program), and furnished with Common Furnishings on the Starting Date, Reserve Expenses would include reserves for replacement of only the six (6) Residences and the Common Furnishings therein which accrue between the Starting Date and the end of such Fiscal Year, and not within the remaining uncompleted and unfurnished four (4) Residences, notwithstanding the provision in the Budget for reserves for all ten (10) Residences and the Common Furnishings therein. In the foregoing example, Reserve Expenses would include reserves for the entire Fiscal Year for all other depreciable assets which are subject to maintenance and replacement by the Association.

1.3."Starting Date" means the date on which the first Original Membership Assignment is filed with the Secretary of the Association after the date hereof.

2. Payment of Deficiencies. From and after the first day of the second calendar month following the Starting Date, Developer agrees to pay, on or before the 10th day of each month during the term hereof, the Deficiencies other than the Reserve Expenses not previously paid by Developer; provided, however, that the first payment to be made by Developer hereunder shall include payment for Deficiencies arising between the Starting Date and the last day of the first calendar month following the Starting Date. Developer shall pay one-fourth ($1/4^{th}$) of that part of the Deficiencies which are Reserve Expenses on or before the last business day of each quarter of the Fiscal Year of the Association. No provision of this Paragraph 2 nor any provision of this Agreement shall entitle Developer to pay less than a full pro-rata share of the Reserve Expenses of the Association for each Membership owned by Developer. Within sixty (60) days after the end of the Fiscal Year of the Association in which the term of this Agreement terminates, the Association shall reimburse the Developer for the amount, if any, by which the total of all sums paid by the Developer during such Fiscal Year to the Association as and for the Deficiencies exceeds the cumulative total amount of Assessments which would otherwise have been payable by Developer for such Fiscal Year in the absence of this Agreement with respect to the Memberships owned by Developer.

3. Assignment. Provided that any such delinquency shall have been paid by Developer hereunder, the Association, upon request by Developer, shall assign to Developer each and every right of the Association to pursue any of its remedies against a Member who has not paid an Assessment to the Association, and shall execute such further documentation as Developer shall reasonably request from time to time to perfect such assignment.

4. Term. The term of this Agreement shall commence on the Starting Date and shall terminate on the earlier to occur of (a) the date upon which Developer shall convey the last of the

Memberships it owns or (b) the date which is the last day of the Fiscal Year of the Association following the date upon which Developer elects, by written notice to the Association, to terminate this Agreement, provided that Developer shall not terminate this Agreement until Developer has obtained any bond required pursuant to Section 11241 of the California Business and Professions Code. This means that the Developer may elect in any Fiscal Year of the Association, including the first year, to terminate this Agreement by giving prior written notice to the Association.

5. Surety Bonds. If required by California Business and Professions Code Section 11241 on the Starting Date, Developer agrees to furnish a surety bond or other financial assurance of a type specified by Section 11241(b) (a "Bond") in favor of the Association in an amount sufficient to provide for Developer's payment of its monetary obligations pursuant to this Agreement. The Bond required in this Section 5 shall be in a form and in an amount satisfactory to the California Bureau of Real Estate. Developer and the Association agree that the Bond shall be delivered to First American Title Insurance Company or any alternative entity acceptable to the California Bureau of Real Estate ("Escrow Holder"), pursuant to the terms and provisions contained in instructions to Escrow Holder approved by the California Bureau of Real Estate (the "**Instructions**").

6. Effect of Subsidy Agreement Upon Developer's Assessment Obligations. Provided Developer shall not be in default in the performance of any of its obligations hereunder, Developer shall not be required to pay to the Association the Assessments attributable to Memberships owned by Developer pursuant to the terms and provisions of the Declaration. In the event Developer shall default in the performance of any of its obligations hereunder and such default shall not have been cured within 30 days after notice of default is given to Developer by the Association, (a) Developer's obligations to pay to the Association the Basic Assessments attributable to the Memberships owned by Developer shall resume, (b) Developer's default hereunder shall be deemed a default in the payment of Assessments under the Declaration, which default shall be deemed to have occurred on the date of expiration of the grace period set forth herein and (c) the Association shall have the right to exercise each and all of the rights and remedies set forth herein and in the Declaration with respect to the non-payment of the Basic Assessments by Developer as owner of Memberships, and as provided under the Bonds; provided, however, that notwithstanding Developer's failure to cure any default hereunder within the time period specified, Developer shall have the right thereafter to cure such default, and upon so doing, Developer may notify the Association of Developer's intention thereafter to comply with the terms of this Agreement and, if necessary, to reinstate the Bond, in which case all of the rights, duties and obligations of Developer and the Association hereunder shall continue unabated and any Basic Assessments paid by Developer shall be treated as having been paid with respect to Developer's obligations under this Agreement.

7. Quarterly Report. Developer shall, within thirty (30) days after the end of each quarter of the Fiscal Year, furnish to each member of the Board at his or her residence address an itemized report of the funds furnished by Developer to the Association under this Agreement, including, without limitation, payment of Reserve Expenses hereunder.

8. Miscellaneous.

8.1. Notices. Any notice, request, demand, instruction or other document to be given hereunder to any party shall be in writing and shall either be personally delivered to the person, or made by overnight or same-day commercial delivery service or by United States mail, certified or registered, postage prepaid. All such notices shall be deemed delivered, given and received: (a) the day of delivery in the event of personal delivery, (b) the day of sending via same-day commercial delivery service; (c) the following business day after sending via overnight commercial delivery service, or (d) three (3) calendar days after deposit in the United States mail. All such notices shall be addressed as follows:

If to the Association:

The Residence Club at Nakoma
348 Bear Run
Clio, California 96105
Attn: President

If to Developer:

SGI-Resort Properties, LLC
6418 E Tanque Verde Road,
Tucson, AZ 85715
Attn: Ryan Schoff

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

8.2. Waiver. The waiver or failure to enforce any provision of this Agreement shall not operate as a waiver of any future breach of such provision or of any other provisions hereof.

8.3. Merger. All understandings and agreements heretofore had between the parties respecting the subsidization contemplated by this Agreement are merged by this Agreement and the exhibits attached hereto, all of which fully and completely express the agreement of the parties. There are no agreements except as specifically set forth in this Agreement or to be set forth in the instruments or other documents delivered or to be delivered hereunder.

8.4. Amendments. Except as provided in subparagraph 8.1, above, no change in or addition to, or waiver or termination of this Agreement or any part thereof shall be valid unless in writing and signed by or on behalf of each of the parties hereto.

8.5. Paragraph Headings. The paragraph headings herein contained are for the purposes of identification only and shall not be considered in construing this Agreement.

8.6. Successors and Assigns. All of the terms and provisions of this Agreement shall be binding upon, inure to the benefit of and be enforceable by the parties and each of their respective successors and assigns.

8.7. Attorneys' Fees. In the event any controversy, claim or dispute between the parties hereto, arising out of or relating to this Agreement or the breach thereof, results in arbitration or litigation, the prevailing party in such proceedings shall be entitled to recover from the losing party its reasonable expenses, including attorneys' fees, and costs. In addition to the foregoing, the prevailing party shall be entitled to its reasonable fees, costs and expenses incurred in any post-judgment proceedings to collect or enforce the judgment.

8.8. Severability. Every provision of this Agreement is intended to be several. Any provision of this Agreement which shall prove to be invalid, void or illegal shall in no way affect, impair, or invalidate any other provision hereof and such other provisions shall remain in full force and effect.

8.9. Delivery of Subsidy Agreement and Instructions. Developer shall furnish the Association with an executed copy of this Agreement and the Instructions along with a copy of the Bond no later than ten (10) days after the Starting Date.

8.10. Governing Law. This Agreement shall be construed and governed by the laws of the State of California. Any action to interpret or enforce this Agreement shall be commenced in Napa County, State of California.

8.11. Counterparts. This Agreement may be executed in counterparts, and all counterparts together shall be construed as one document.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

"ASSOCIATION"

THE RESIDENCE Club at Nakoma,
a California nonprofit mutual benefit corporation

By:_____
Name:_____
Its:_____

"Developer"

SGI-Resort Properties, LLC,
an Arizona limited liability company

By: The Schomac Group, Inc.,
Its Managing Member

By: _____
Name: _____
Title: _____

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