

EAGLE 9™ UCC Insurance Vacation Interest Policy

ISSUED BY

First American Title Insurance Company

COVERAGE

SUBJECT TO THE EXCLUSIONS FROM COVERAGE, THE EXCEPTIONS TO COVERAGE CONTAINED IN SCHEDULE B, AND THE CONDITIONS AND STIPULATIONS, FIRST AMERICAN TITLE INSURANCE COMPANY, a California corporation (the "Company"), insures, as of Date of Policy, against actual loss or damage, not exceeding the Maximum Amount of Insurance, sustained or incurred by the Insured or by the Insured Lender by reason of:

1. The failure of the Developer or the Association, as the case may be, to have available for transfer to the Insured the Vacation Ownership Interests;
2. The Insured not having ownership of the Vacation Ownership Interests;
3. The existence of any Security Interest of any Secured Party Perfected against the Developer or the Association in any portion of the Vacation Ownership Interests;
4. The existence of any Security Interest of any Secured Party Perfected against an owner of the Vacation Ownership Interests other than the Developer or the Association in any portion of the Vacation Ownership Interests;
5. The existence of any Lien of any Lien Creditor in any portion of the Vacation Ownership Interests suffered by the Developer or the Association;
6. The existence of any Lien of any Lien Creditor in any portion of the Vacation Ownership Interests suffered by an owner of the Vacation Ownership Interests other than the Developer or the Association; and
7. The existence of any perfected federal or state tax lien in any portion of the Vacation Ownership Interests.

The Company will also pay the costs, legal fees and expenses incurred in defense of the Insured or the Insured Lender, but only to the extent provided in the Conditions and Stipulations.

IN WITNESS WHEREOF, First American Title Insurance Company has caused this policy to be signed and sealed by its duly authorized officers as of Date of Policy shown in Schedule A.

First American Title Insurance Company

By: *Gary L. Keruett*
President

By: *Mark A. Anderson*
Secretary



EXCLUSIONS FROM COVERAGE

The following matters are excluded from the coverage of this policy, and the Company will not pay loss or damage, costs, legal fees or expenses that arise by reason of:

1. Perfection by a Secured Party of a Security Interest in any portion of the Vacation Ownership Interests by any method other than by the Filing of a Financing Statement.
2. Any claim arising: (a) as a result of the operation of bankruptcy, receivership, assignment for the benefit of creditors, insolvency or similar creditors' rights Laws or proceedings, and any Laws that operate only in the event of such proceedings, including any claim that is based upon fraudulent transfer or fraudulent conveyance, the application of the doctrine of equitable subordination, or preferential transfer; or (b) out of any case filed by or against the Developer or the Association under the Bankruptcy Code.
3. An Adverse Interest:

- (a) created, suffered, assumed, or agreed to by an Insured Claimant;
- (b) not Known to the Company, but Known to an Insured Claimant or of which an Insured Claimant has Notice;
- (c) resulting in no loss or damage to an Insured Claimant; or
- (d) attaching or created subsequent to Date of Policy.

A. CONDITIONS AND STIPULATIONS

Definition of Terms

1. Any capitalized term or phrase used in this policy, not defined in this policy, and defined or used in the Uniform Commercial Code, shall have the meaning given to it in the Uniform Commercial Code by definition or applicable usage. If a term is defined or used in Article 9 of the Uniform Commercial Code and is defined or used in a different manner in another article of the Uniform Commercial Code, the definition or usage in Article 9 shall control.

2. The following terms when used in this policy mean:

- (a) "Adverse Interest": (1) the Vacation Ownership Interests not being available to the Developer or the Association, as the case may be, for transfer to the Insured or the Insured not having ownership of the Vacation Ownership Interests, in each case as insured under Insuring Clauses 1 and 2 above, or (2) a Security Interest, Lien of a Lien Creditor, or a state or federal tax lien that impairs the Unencumbered Lien Status of the Vacation Ownership Interests and is not listed on Schedule B.
- (b) "Amount of Insurance": as defined in Section F, paragraph 2 of these Conditions and Stipulations.

- (c) "Article 9": Article 9 of the uniform version of the Uniform Commercial Code, without regard to the adoption of the Uniform Commercial Code in the Jurisdiction.
- (d) "Association": the entity specified in paragraph 4 of Schedule A, and its successors or assigns.
- (e) "Bankruptcy Code": Title 11 of the United States Code, as amended.
- (f) "Date of Policy": the policy date specified in Schedule A.
- (g) "Developer": the transferor of the Vacation Ownership Interests identified in paragraph 3 of Schedule A, and its successors or assigns.
- (h) "File", "Filing", or "Filed": file, record, and/or register in the Public Records of the Filing Office.
- (i) "Filing Office": the governmental or quasi-governmental agency or agencies and their locations shown in Schedule B.
- (j) "Governing Documents": the Declaration of Restrictions ("C, C, & R's"), Articles of Incorporation (or Association), Bylaws, Management Agreement, Rules and Regulations, or any other agreements or documents governing the Vacation Ownership Interests, the Vacation Ownership Plan, or the Vacation Reservation System, as each exists as of Date of Policy or as each may be amended or supplemented from time to time.
- (k) "Insured": the party or parties named in paragraph 1 of Schedule A.
- (l) "Insured Claimant": either (1) the Insured, or (2) the Insured Lender, as the case may be, making the claim at issue under this policy.
- (m) "Insured Lender": the financial institution named in paragraph 2 of Schedule A, and its successors and assigns.
- (n) "Jurisdiction": the State whose law applies, as applicable, to the Unencumbered Lien Status of the Vacation Ownership Interests, the Attachment of any Security Interest in the Vacation Ownership Interests, the Perfection of any Security Interest in the Vacation Ownership Interests, or the Priority of any Security Interest in the Vacation Ownership Interests.
- (o) "Law" or "Laws": law(s), by-law(s), ordinance(s), order(s), code(s), rule(s), or governmental regulation(s) of executive or legislative branches of government.
- (p) "Maximum Amount of Insurance": the Maximum Amount of Insurance specified in Schedule A.
- (q) "Project": the resort accommodations dedicated for the creation of vacation ownership interests, of which the Vacation Ownership Interests of the Insured are a portion, specified in paragraph 5 of Schedule A.
- (r) "Public Records": those records maintained by the Filing Office.
- (s) "Schedule A": Schedule A attached hereto.
- (t) "Unencumbered Lien Status of the Vacation

Ownership Interests”: the status of the Vacation Ownership Interests as being free and clear of any Security Interest, Lien of a Lien Creditor, or a state or federal tax lien that impairs the Vacation Ownership Interests, as insured, and is not listed on Schedule B.

(u) “Uniform Commercial Code”: the Uniform Commercial Code as in effect in the Jurisdiction.

(v) “Vacation Ownership Interests”: the symbolic units of measurement of the rights of the Insured to enjoy certain use rights to the Project, accompanying the Insured’s Vacation Ownership Plan within the Vacation Reservation System, specified in paragraph 5 of Schedule A.

(w) “Vacation Ownership Plan”: the vacation ownership program specified in paragraph 5 of Schedule A, which is coupled with a membership interest in the Association, which Vacation Ownership Plan entitles the Insured to use or other rights in the Project.

(x) “Vacation Reservation System”: the vacation reservation system of the Developer specified in paragraph 5 of Schedule A.

(y) “Value of the Vacation Ownership Interests”: the fair market value of the Vacation Ownership Interests as of the date of the notice of a claim provided by an Insured Claimant to the Company in accordance with Section B of these Conditions and Stipulations.

B. Notice of Claim to be Given by Insured Claimant.

An Insured Claimant shall promptly notify the company in writing in the event of each of the following:

1. Any litigation or other proceeding as set forth in Section C, paragraph 1 below; and
2. An Insured Claimant shall acquire Knowledge of any Adverse Interest which might cause loss or damage for which the Company may be liable by virtue of this policy.

C. Defense and Prosecution of Actions; Duty of Insured Claimant to Cooperate.

1. Upon written request by the Insured or the Insured Lender, as the case may be, and subject to the options contained in Section E of these Conditions and Stipulations, the Company, at its own cost and without unreasonable delay, shall provide for the defense of the Insured or the Insured Lender, as the case may be, in litigation or other proceeding in which any third party asserts an Adverse Interest. The Company shall have the right to select lawyer(s) of its choice to represent the Insured or the Insured Lender, as the case may be, as to the litigation or other proceeding and shall not be liable for and will not pay the fees of any other lawyer(s).
2. The Company will not pay any fees, costs or expenses

(a) incurred in the defense of those allegations or causes of action which allege matters not insured against by this policy, or (b) incurred by the Insured or the Insured Lender which were not authorized by the Company in writing.

3. The Company shall have the right, at its own cost, to institute and prosecute any action or proceeding or to do any other act which, in its opinion, may be necessary or desirable to establish the Unencumbered Lien Status of the Vacation Ownership Interests, to maintain the Unencumbered Lien Status of the Vacation Ownership Interests, to remove an Adverse Interest, or otherwise to prevent or reduce loss or damage to the Insured or the Insured Lender. The Company may take any appropriate action under the terms of this policy, whether or not the Company shall be liable under this policy. The taking of action by the Company shall not concede any liability by the Company or waive any provision of this policy. If the Company shall exercise its rights under this paragraph, it shall do so diligently.

4. Whenever the Company shall have brought an action or interposed a defense as required or permitted by the provisions of this policy, the Company may pursue any litigation or proceeding to final determination by a court of competent jurisdiction. The Company reserves the right, in its sole discretion and at its expense, to appeal from any adverse ruling, judgment, decree, order or similar determination.

5. In all cases where this policy permits or requires the Company to prosecute or provide for the defense of any action or proceeding, the Insured or the Insured Lender, as the case may be, shall secure to the Company the right to prosecute, or provide defense in, the action or proceeding, and all appeals related to the action or proceeding. The Insured or the Insured Lender, as the case may be, shall permit the Company to use, at its option, the name of the Insured or the Insured Lender, as the case may be, for this purpose. Whenever requested by the Company, the Insured, or the Insured Lender, as the case may be, at the Company’s expense, shall give the Company all reasonable assistance:

- (a) in any action or proceeding, securing evidence, obtaining witnesses, prosecuting or defending the action or proceeding, or effecting settlement; and
- (b) in any other lawful act which, in the opinion of the Company, may be necessary or desirable to establish or maintain either (a) the Unencumbered Lien Status of the Vacation Ownership Interests or (b) any matter covered by insuring clauses 1 and 2 above.

D. Proof of Loss or Damage.

1. In addition to and after the notices required under Section B of these Conditions and Stipulations have been provided the Company, a proof of loss or damage signed and sworn to by an Insured Claimant shall be furnished to the Company within 90 days after an Insured Claimant

shall ascertain the facts giving rise to the loss or damage.
2. The proof of loss or damage shall describe the Adverse Interest or other matter insured against by this policy which constitutes the basis of loss or damage and shall state the basis of calculating the amount of the loss or damage.

3. An Insured Claimant shall, in the discretion of the Company, be required to submit to examination under oath by any authorized representative of the Company.

4. An Insured Claimant shall produce for examination, inspection and copying, at such times and places as may be designated by any authorized representative of the Company, all documents, instruments, writings, policies of insurance, records, books, ledgers, checks, correspondence, electronic files, e-mails, disks, tapes, memoranda, and other evidence, whether bearing a date before or after Date of Policy, which, in the opinion of the Company, may pertain to the loss or damage.

5. If requested by any authorized representative of the Company, an Insured Claimant shall grant its permission, in writing, for any authorized representative of the Company to examine, inspect and copy all documents, instruments, writings, policies of insurance, records, books, ledgers, checks, correspondence, electronic files, e-mails, disks, tapes, memoranda, and other evidence in the custody or control of a third party, whether bearing a date before or after Date of Policy and which, in the opinion of the Company, may pertain to the loss or damage, except for any of the foregoing which the Insured Claimant is prohibited from disclosing under applicable Law, including but not limited to, consumer protection Laws.

6. All information designated as confidential by an Insured Claimant provided to the Company pursuant to this Section shall not be disclosed to others unless, in the opinion of the Company, it is appropriate in the administration of the claim.

E. Options to Pay or Otherwise Settle Claims; Termination of Liability.

In case of a claim under this policy, the Company shall have the following additional options:

1. To Pay or Tender Payment of the Amount of Insurance. To pay or tender payment of the Amount of Insurance, together with any costs, legal fees and expenses incurred by an Insured Claimant, which were authorized by the Company up to the time of payment or tender of payment which the Company is obligated to pay. Upon the exercise by the Company of its option provided for in this paragraph, all liability and obligations to the Insured under this policy, other than to make the payment required in those paragraphs, shall terminate, including any liability or obligation to defend, prosecute

or continue any litigation or proceeding, and this policy shall be surrendered to the Company for cancellation.

2. To Pay or Otherwise Settle with Parties Other Than an Insured Claimant or With an Insured Claimant.

(a) To pay or otherwise settle with other parties for or in the name of an Insured Claimant any claim insured against under this policy, together with any costs, legal fees and expenses incurred by an Insured Claimant which were authorized by the Company up to the time of payment and which the Company is obligated to pay; or

(b) To pay or otherwise settle with an Insured Claimant the loss or damage provided for under this policy, together with any costs, legal fees and expenses incurred by an Insured Claimant which were authorized by the Company up to the time of payment and which the Company is obligated to pay.

Upon the exercise by the Company of either of the options provided for in paragraphs 2(a) or (b), the Company's obligations to the Insured or the Insured Lender, as the case may be, under this policy for the claimed loss or damage, other than to make the payment required in those paragraphs, shall terminate, including any liability or obligation to defend, prosecute or continue any litigation or proceeding.

F. Determination and Extent of Liability; Amount of Liability

1. This policy is a contract of indemnity against actual monetary loss or damage sustained or incurred by an Insured Claimant who has suffered loss or damage by reason of matters insured against by this policy and only to the extent described in this policy.

2. "Amount of Insurance" means, and the liability of the Company under this policy shall not exceed:

(a) In the event that the Insured does not have ownership of the Vacation Ownership Interests, the lesser of:

(i) the Maximum Amount of Insurance specified in Schedule A; or

(ii) as to the Insured Lender, either (A) any outstanding indebtedness owed by the Insured to the Insured Lender and incurred to finance the Insured's acquisition of the Vacation Ownership Interests, or (B) in the event of the collateral assignment by the Developer or the Association, as the case may be, of any Payment Intangibles or other evidence of the outstanding indebtedness owed by the Insured to the Developer or the Association, as the case may be, incurred to finance the Insured's acquisition of the Vacation Ownership Interests, as collateral security for the payment or performance of indebtedness owed by the Developer or the Association, as the case may be, to the Insured Lender, the amount of such outstanding indebtedness owed by the Insured to the Developer or the Association, as the case

may be.

(b) For all other claims under this policy, the least of:

- (i) the Maximum Amount of Insurance specified in Schedule A;
- (ii) the amount by which the Value of the Vacation Ownership Interests is reduced by the Adverse Interest; and
- (iii) as to the Insured Lender, either (A) any outstanding indebtedness owed by the Insured to the Insured Lender and incurred to finance the Insured's acquisition of the Vacation Ownership Interests, or (B) in the event of the collateral assignment by the Developer or the Association, as the case may be, of any Payment Intangibles or other evidence of the outstanding indebtedness owed by the Insured to the Developer or the Association, as the case may be, incurred to finance the Insured's acquisition of the Vacation Ownership Interests, as collateral security for the payment or performance of indebtedness owed by the Developer or the Association, as the case may be, to the Insured Lender, the amount of such outstanding indebtedness owed by the Insured to the Developer or the Association, as the case may be.

3. The Company will pay only those costs, legal fees and expenses incurred in accordance with Section C of these Conditions and Stipulations.

4. The liability of the Company under this policy shall be reduced as provided in Section H of these Conditions and Stipulations.

5. The Company will not pay a claim resulting in no loss or damage to an Insured Claimant.

6. If the Company is prejudiced by the failure of the Insured or the Insured Lender, as the case may be, to perform any of its agreements or obligations under this policy, the Company's liabilities or obligations to the Insured or the Insured Lender, as the case may be, under this policy shall be reduced or terminated to the extent the failure prejudices the Company.

G. Limitation of Liability.

1. The Company shall have fully performed its obligations with respect to a matter and shall not be liable for any loss or damage caused by the matter if the Company:

- (a) removes the Adverse Interest, or
- (b) otherwise establishes the Vacation Ownership Interests, as insured, in a reasonably diligent manner by any method, including litigation or other proceeding and the completion of any appeals related to the litigation.

2. The Company shall not be liable for loss or damage to the Insured or the Insured Lender, as the case may be, for liability voluntarily assumed by the Insured in settling any claim or suit without the prior written consent of the Company.

H. Reduction of Insurance; Reduction or Termination of Liability.

All payments under this policy, except payments made for costs, legal fees, and expenses, which were authorized by the Company in writing, shall reduce the Amount of Insurance pro tanto.

I. Liability Noncumulative.

The Company shall have the right in its discretion to pay any amount due under this policy first to the Insured Lender and the balance, if any, to the Insured and the amount so paid shall reduce the Maximum Amount of Insurance and be deemed a payment under this policy.

It is expressly understood that the Maximum Amount of Insurance shall be reduced by any amount the Company may pay under any EAGLE 9™ UCC Insurance Policy insuring the Attachment, Perfection or Priority of a Security Interest listed on Schedule B or an Adverse Interest as to which the Insured or the Insured Lender, as the case may be, has agreed, assumed, or taken subject, or an Adverse Interest which is hereafter granted in the Vacation Ownership Interests by the Insured or the Insured Lender, as the case may be, and the amount so paid shall be deemed a payment under this policy.

J. Payment of Loss.

1. No payment shall be made without producing this policy for endorsement as to the payment made unless the policy has been lost or destroyed, in which case proof of loss or destruction shall be furnished to the satisfaction of the Company.

2. In the event of any litigation or proceeding, including litigation or proceedings instituted by the Company or with the Company's consent, the Company shall have no liability for loss or damage until there has been a final determination by a court of competent jurisdiction, and disposition of all appeals related to such litigation or other proceeding.

3. The loss or damage shall be payable within 30 days after the liability and the extent of loss or damage has been definitely fixed in accordance with these Conditions and Stipulations.

K. Subrogation Upon Payment or Settlement.

1. Whenever the Company shall have settled and paid a claim under this policy, all right of subrogation shall vest in the Company unaffected by any act of an Insured

Claimant.

2. The Company shall be subrogated and entitled to all rights and remedies which an Insured Claimant would have had against any person or property in respect to the claim had this policy not been issued. If requested by the Company, an Insured Claimant shall transfer to the Company, in a form satisfactory to the Company, all rights and remedies against any person or property necessary in order to perfect this right of subrogation. An Insured Claimant shall permit the Company to sue, compromise or settle in the name of an Insured Claimant and to use the name of an Insured Claimant in any transaction, litigation or other proceeding involving these rights or remedies.

3. If a payment on account of a claim does not fully cover the loss of an Insured Claimant, the Company shall be subrogated to all rights and remedies of an Insured Claimant after such Insured Claimant shall have recovered the amount by which the Value of the Vacation Ownership Interests is reduced by an Adverse Interest.

4. The Insured will not take any action that unreasonably impairs the Company's rights of subrogation.

L. Liability Limited to This Policy; Policy Entire Contract.

1. This policy together with all endorsements, if any, attached to this policy by the Company is the entire policy and contract between the Insured and the Insured Lender and the Company. Without limiting the foregoing, all prior or contemporaneous oral agreements, understandings, representations and statements are merged into this policy and shall be of no further force or effect. In interpreting any provision of this policy, this policy shall be construed as a whole.

2. Any modification, amendment or alteration of the terms of this policy shall be effective only if made by a written endorsement attached to this policy and signed by any President, Vice President, Secretary, Assistant Secretary, validating officer or other authorized signatory of the Company.

3. Each endorsement attached to this policy at any time is made a part of this policy and is subject to all of the terms and provisions of this policy. Unless otherwise expressly set forth in the endorsement, it shall not (i) modify any of the terms and provisions of this policy or other endorsements, (ii) extend Date of Policy or the date of any endorsements, or (iii) increase the Maximum Amount of Insurance.

4. Any claim of loss or damage, whether or not based on negligence or any other theory in tort, and which arises out of an Adverse Interest or by any action or proceeding asserting any such claim, shall be restricted to the provisions of this policy.

M. Continuation of Insurance; Assignability.

1. As to the Insured.

This policy and the coverage provided by this policy to the Insured are not assignable or otherwise transferable in any manner except as expressly set forth in this policy. The coverage of this policy shall continue in force as of Date of Policy in favor of the Insured as long as the Insured: (a) retains an interest in the Vacation Ownership Interests; (b) holds an indebtedness secured by a purchase money security interest given by a purchaser from the Insured; or (c) has liability by reason of covenants of warranty made by the Insured in any transfer or conveyance of the Vacation Ownership Interests. This policy shall not continue in force in favor of any purchaser from the Insured of either an interest in the Vacation Ownership Interests or an indebtedness secured by a purchase money security interest given to the Insured.

2. As to the Insured Lender.

This policy and the coverage provided by this policy to the Insured Lender shall automatically be transferred to: (a) any transferee to which the Insured Lender transfers any note or other evidence of indebtedness owed by the Insured to either the Developer or the Association, as the case may be, or to the Insured Lender, and incurred to finance the Insured's acquisition of the Vacation Ownership Interests; and (b) each successor in ownership of such indebtedness.

N. Severability.

In the event any provision of this policy is held invalid or unenforceable under applicable Law, this policy shall be deemed not to include that provision and all other provisions shall remain in full force and effect.

O. Notices, Where Sent.

All notices required to be given the Company and any statement in writing required to be furnished the Company shall include the number of this policy and shall be addressed to the Company, Attention: Claims Department, c/o UCC Insurance Division, 1 First American Way, Santa Ana, California 92707, Telephone 800-700-1191.

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