

# [VACATION CONDOS] VACATION VILLAS

## RULES AND REGULATIONS

The following Rules and Regulations have been established for the benefit of all Users of Vacation Points which grant use rights in the [Vacation Condos] Vacation Villas located in [location], Mexico (the "Resort"). These Rules and Regulations are subject to the Unilateral Declaration for [Vacation Condos] Vacation Villas (the "Declaration") which has been filed in the Public Registry of the Municipality of [municipality] in the State of [state], Mexico.

### 1. DEFINED TERMS

These Rules and Regulations include certain defined and capitalized terms. Some of these terms are defined in the body of the Rules and Regulations for ease of reference. All other terms are defined in Schedule 1 attached hereto.

### 2. USE RIGHTS AND THE POINTS SYSTEM

#### 2.1 *Use Rights*

Subject to all the terms and conditions of these Rules and Regulations, the Resort shall be and operate as a "vacation use project" in which each User shall have the right during the term of the Vacation Point Program (as specified in Section 2.2 below), to use and occupy, pursuant to a first requested, first confirmed priority system:

- (i) a Dedicated Unit of a particular Unit Type,
- (ii) all Common Furnishings contained in such Dedicated Unit, and
- (iii) the non-exclusive right to use and enjoy the Common Areas of the Resort,

for one or more Use Periods during the User's Use Year.

#### 2.2 *Allocation of Vacation Points*

- (a) The use and occupancy rights of each User in the Resort is determined by an annual allotment of "Vacation Points," owned by each User and the allocation of these Points among all of the Users. The Vacation Points owned by each User include those initially purchased and any Vacation Points a User may purchase at a later date. Subject to these Rules and Regulations, each User may use his or her annual allotment of Vacation Points as he or she desires to make reservations and utilize the Resort and its facilities.
- (b) The number of Vacation Points a User must use for each night of lodging will depend on: (i) the size or "Unit Type" of the Resort accommodations used; (ii) the time of the year or "Season" in which the reservation is made; and (iii) the specific day(s) of the week or "Use Period" reserved by the User. For example, a reservation for a 3-bedroom Unit, on a weekend during a high demand time period, will require the use of more Vacation Points than a reservation for a 1-bedroom Unit on a weekday, during a lower demand time period.

The number of Vacation Points required to make a reservation for a specific Use Period during a particular Season and for a specific Unit Type are set forth in a schedule known as the "Vacation Points Schedule". The Point "values" set forth in the Vacation Point Schedule may be adjusted from time to time by the Program Manager for the Vacation Point Program, as described in sub-clause (f) below.

- (c) At the commencement of each User's Use Year, each User will be allocated and credited with the number of Vacation Points he or she owns. Such allocation and crediting of Vacation Points will be based on the purchase price per Point set forth in the Purchase Agreement and the number of Points contracted for and paid for by the User. The Vacation Points credited may be applied by

each User to reserve one or more Use Periods in a residential unit in the Resort which has been dedicated to the Vacation Point Program (a "Dedicated Unit"), subject to the requirements and procedures regarding reservations and the use of Vacation Points.

- (d) Unit Types and Associated Vacation Point Values. The Dedicated Units within the Resort are divided into the following [number of types] Unit Types:

[list unit types and sizes]

A detailed description of the Units is attached hereto as Schedule 2. Each of these Unit Types has an associated Vacation Point value for each day of the calendar year depending on the day of the week and the Season of the particular Use Period. The total number of Vacation Points in the Vacation Point Program is the sum of all of the daily Vacation Point values represented by each Dedicated Unit, provided that such total may vary slightly from year to year due to the variances in weekday and weekend distribution in each year.

- (e) The banking, borrowing, transferring and renting features of the Vacation Point Program, which are explained in more detail in Article 4 below, are intended to give Users maximum flexibility in their use and occupancy of the Resort. By using these features the actual number of Vacation Points used by a User in a given Use Year may vary from a User's annual allotted Vacation Points for that year.
- (f) The Program Manager shall have the right, in the best interest of the Users, to reallocate Vacation Points across Seasons, Unit Types, and days of the week based upon the supply and demand of the Dedicated Units as determined over at least a two-year period. Such annual reallocation shall not exceed \_\_\_\_\_ percent (\_\_\_\_%) of the total of all Vacation Points in the various categories (Seasons, Unit Types, and days of the week) being redistributed. If, as a result of any such reallocation of Points, the number of Points required for a particular season, Unit Type, and/or day of the week is increased, there will be a proportional reduction of the number of Points required for other season(s), Unit Type(s), and/or day(s) of the week.

### **2.3 Use of Vacation Points**

- (a) The number of Vacation Points allocated to a User each Use Year equals the number of Points owned by a User.
- (b) Subject to the banking, borrowing, transferring and renting features of the Vacation Point Program, a User's annual allocation of Vacation Points may only be used during that User's Use Year, which commences on the first day of the Use Year (the "Use Year Commencement Date") and ends on the last day of the Use Year (the "Use Year End Date"). The Use Year Commencement Date and Use Year End Date of each User remains the same throughout the term of the Vacation Point Program. Each User's Use Year is specified in the Purchase Agreement by which such User acquired Vacation Points.
- (c) The Vacation Points allocated to a User's Use Year will expire at the end of the Use Year unless they have been: (i) used by the User; (ii) banked by the User pursuant to Section 4.2 hereof; (iii) previously borrowed to the prior Use Year pursuant to Section 4.3 hereof, or (iv) transferred to another User pursuant to Section 4.4 hereof.
- (d) The Program Manager will maintain a Vacation Points Account for each User to track and account for the Vacation Points owned or held by all Users including Vacation Points used, borrowed, banked, or transferred.

### **2.4 Acquisition of Vacation Points**

- (a) In connection with a User's initial acquisition of Vacation Points from the Developer, each User must purchase one of the Vacation Point Packages offered by the Developer.

- (b) A User may also acquire additional Vacation Points from the Developer (“Additional Points”) at the then current price per Vacation Point. Such purchase of Additional Points must be evidenced by a written agreement executed by the parties, which shall in all cases be subject to the following terms and conditions:
- (i) If the number of Additional Points purchased is less than the number of Points included in a Minimum Point Package, the Additional Points shall retain the same Use Year as the Points originally and first purchased by the User.
  - (ii) Subject to (i) above, a User who purchases Additional Points has the option of including such points in the current Use Year or postponing the use of such Points to the next Use Year (i.e., the Use Year following the closing of the purchase of the Additional Points).
  - (iii) If a User purchases Additional Points after the deadline for banking (as described in Subsection 4.2(b)) in the then current Use Year, and elects to begin using the Additional Points immediately, the Additional Points will not be eligible for banking into the subsequent Use Year.

## 2.5 *Transfer and Sale of Points*

- (a) No User may sell its Vacation Points until all amounts owed to Developer by User for the agreed upon purchase price for the Points under the Purchase Agreement have been paid in full.
- (b) Vacation Points may be sold or transferred to a person who is not then a User subject to the following terms and conditions:
  - (i) All sales and transfers must be processed and consummated through the Program Manager, failing which, such sale or transfer shall not be valid and shall not be recognized by the Developer or the Program Manager for any purpose including the making of reservations or the use and occupancy of the Resort.
  - (ii) A transfer fee of US\$[transfer fee] (or its equivalent in Mexican currency at the exchange rate published by the Bank of Mexico in the Diario Oficial de la Federacion applicable to the day and place of payment, i.e. the one published the day following the payment date) shall be paid to the Program Manager to facilitate and process the transfer of any Vacation Points. All other fees related to the transfer are the sole responsibility of the selling and buying Users.
  - (iii) A User may not sell less than the number of Vacation Points in a Minimum Point Package nor may a selling User retain, after a sale of Points, less than the number of Points in a Minimum Point Package.
  - (iv) Vacation Points may not be sold if the selling User is not current with respect to any payments owed to the Developer for the purchase of Vacation Points or with respect to any outstanding Assessments owed to the Program Manager.
- (c) Vacation Points may be sold by a User to another existing User, provided that after such sale, the selling User must have retained at least the number of Vacation Points included in a Minimum Point Package.
- (d) No later than \_\_\_\_\_ days prior to the sale or transfer of any Vacation Points, the transferring User shall notify the Program Manager in writing of such pending sale or transfer. Such notice shall set forth the name and address of the transferee and transferor, and the date on which such sale or transfer is to be consummated. Unless and until such notice is given, the Program Manager shall not be required to recognize the transferee for any purpose, and any action taken by the transferee as a User may not be recognized by the Program Manager nor the Developer.

## 2.6 Exchange Program

The Developer has entered into a resort affiliation agreement with [Affiliate] (“[Affiliate]”) which provides for the opportunity for Users to exchange properly reserved Use Periods. Said exchange program is governed by the following terms:

- (a) The Developer has paid to [Affiliate] all application fees for affiliation of the Resort with [Affiliate] for the exchange services provided by such company to the buyers of Vacation Points, who, by the payment of the applicable fees, can join such exchange program at their option.
- (b) The Resort has been inspected and accepted by [Affiliate] pursuant to an agreement with the Developer.
- (c) Participation in the [Affiliate] program is optional. User is not obligated to participate in the [Affiliate] program nor is User obligated to use the services of [Affiliate] or to continue a membership in [Affiliate]. User may elect to join [Affiliate] by delivering to [Affiliate] the applicable membership fees.
- (d) The Developer is not responsible for User’s enrollment as a member of [Affiliate], provided that the Developer may, in its sole discretion, pay all or any part of the [Affiliate] membership fees on behalf of User. If User does not elect to join [Affiliate] at the closing of the sale provided for in this Agreement and subsequently determines to join [Affiliate], User may be charged an initiation fee by [Affiliate] but no initiation fee will be charged if User elects to join [Affiliate] upon the execution of the Purchase Agreement.
- (e) In the event User elects to join [Affiliate], User shall pay all annual and exchange dues directly to [Affiliate].
- (f) The Developer shall have the right to terminate the affiliation of the Resort with [Affiliate] (or any successor exchange company) and enter in new resort affiliation agreements with other exchange companies. The Developer shall notify all Users in writing of any such new resort affiliation agreement within \_\_\_\_\_ days of the execution of said agreement.

**THIS IS A 22-PAGE FORM.**