

CLUB RULES

of the
CORAL SANDS CLUB, LTD.

for the
CORAL SANDS RESORT

(AN OCEANFRONT CONDOMINIUM IN THE CAYMAN ISLANDS)

As amended December 10, 2009

GENERAL

Vacation Year

- 1.1 Each Vacation Year shall commence on the first Saturday of each calendar year and shall expire on the day prior to the commencement of the next Vacation Year PROVIDED that the first Vacation Year shall commence on 1st January 1997 (Occupancy Date) and the last shall end on 31st December 2096.

Vacation Week

- 1.2 Each Vacation Week commences at 4:00 p.m. on Saturday and ends at 10:00 a.m. on the following Saturday. The first Vacation Week of each year commences on the first Saturday of each Vacation Year ending with 2096.

Maintenance Period

- 1.3 The Club may reserve as a Maintenance Period a maximum of two (2) Vacation Weeks per Vacation Year in respect of each Unit during which, to the extent reasonably possible, it will carry out its maintenance obligations so as to minimize inconvenience to Club Members. Different Maintenance Weeks may be reserved in respect of different Units.

Bonus Period

- 1.4 **The Club may reserve as Bonus Use Period a maximum of eight (8) Vacation Weeks** per Vacation Year in respect of each Unit during which, to the extent reasonably possible to carry out the obligations with respect to Bonus usage, and in each event, usage of Bonus time by members shall require the payment of the same fees as charged for maintenance fees for that particular year.

FLOATING USE PLAN

Reservation

2.1 The following procedure must be observed for the reservation of all Vacation Weeks by a Club Member in the Floating Use Plan:

2.1.1 Reservations shall only be made in respect of Vacation Weeks 1 through 50. If the Vacation Ownership License specifies that the Club Member's Vacation Week is only available during even Vacation Years, no reservations shall be accepted for a Vacation Week in odd Vacation Years and vice versa. Reservations must be made no less than 1 month in advance and no more than 12 months in advance (except that any reservation made for the purpose of an RCI exchange shall be more than 24 months in advance). Reservations may be made not more than 24 months in advance). Reservations may be made at one time in the case of multiple interval week ownership members, provided all applicable fees have been satisfied. All reservations requests must be made **in writing**: Mail, Fax, or Email only as follows:

<u>Mail requests to:</u> Defender Resorts PO BOX 3849 Myrtle Beach, SC 29578 Attn: Coral Sands	<u>Email requests to:</u> reservations@coralsands.ky	<u>Fax requests to:</u> 843-449-9469 Attn: Coral Sands
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Reservations requested in specific units 1,6,7, or 12 respectively will be subject to a maximum 45 day waiting period prior to confirmation. Reservation requests where the member has not occupied one of the herein stated units will be given priority over a member who has occupied a herein stated unit in the last 2 years.

- 2.1.2 No reservation may conflict with any prior reservation of a Vacation Week or a Maintenance Period.
- 2.1.3 No reservation may be made until all outstanding fees and charges due from the Club Member have been paid to the Manager or the Club.
- 2.1.4 No reservation is deemed to have been made until the Manager assigns a reservation number to the request and approved stay times and forwards confirmation to member.
- 2.1.5 No reservation, once confirmed, may be cancelled by the respective member within 90 days of confirmed arrival date if arrival dates are in the months of January, February, March or April respectively. No reservation, once confirmed, may be cancelled by the respective member within 30 days of confirmed arrival date if arrival dates are in the months of May, June, July, August, September, October, November or December.

Failure to make a reservation

- 2.2 If a Club Member does not reserve a Vacation Week in any Vacation Year, it is not carried over to subsequent years. Failure to reserve or use a Vacation Week does not relieve the Club Member of the obligation to pay all relevant Annual Maintenance Fees and Special Assessments.

Rental by the Developer

- 2.3 The Developer expressly reserves the right to rent any Vacation Weeks which have not been properly reserved.

Bonus use

- 2.4 Members who are entitled to Bonus privileges will receive one week per year, based upon availability, for the cost of the current year's maintenance fee. ODD year members will have this privilege in ODD years only. Even year members will have this privilege in EVEN years only.

Unavailability of Unit

- 2.5 In the event a Unit is not available for the Vacation Week which the Club Member has properly reserved in accordance with the Club Rules, and the Manager is responsible for the unavailability of the Vacation Week, the Club Member will be housed, at the Club's expense, in accommodations selected by the Manager in its sole discretion.

FIXED USE PLAN

3. Members who have a Vacation Ownership License in respect of Vacation Week 51 and/or Vacation Week 52 shall be in the Fixed Use Plan for the use period recognizing the particular unit shall be assigned, from time to time, by the Club in its sole discretion. No Unit and Vacation Week which has been specified in the Vacation Ownership License of a Member in the Fixed Use Plan shall be reserved during that Vacation Week by any other Member.

USE OF UNITS AND COMMON AREAS OF THE RESORT

- 4.1 The Club shall ensure that its Club Members use the Units and common areas of the Resort in accordance with the terms of their Vacation Ownership Licenses, these Club Rules and the terms of the Club License.
- 4.2 The Club Member shall be responsible for any damage caused by the Club Member or his/her sub-licensees, assigns, or guests, and the Club Member shall pay the cost of repair within thirty (30) days of notice from the Club, specifying the nature and amount of such damage. In the event the Club Member fails to pay the cost of repair of any damage within thirty (30) days after notice from the Club, the Club Member shall be deemed to be in default of these Club Rules.

- 4.3 Club Members are responsible for the conduct of their family members and guests and for any expense incurred by the Club as a result of any violation of these Club Rules.
- 4.4 Restrictions regarding the use of the swimming pool must be observed, including the requirement that no children under twelve (12) years of age use the pool unless accompanied by an adult.
- 4.5 No Unit shall be occupied overnight by more than six persons or such other occupancy limits as may be imposed by law.
- 4.6 Except in areas which may be designated for such purpose, the personal property of all Club Owners shall be stored within their Units. The Manager shall not be responsible for any belongings left by a Club Member, members of his family, or his guests, invitees, or licensees at the expiration of his Vacation Week(s).
- 4.7 No Club Member shall make or permit any disturbing noises by himself, members of his family, his guests, invitees, or licensees, nor do or permit anything by such persons that will interfere with the rights, comfort, or convenience of the other Club Members.
- 4.8 No pet or animal of any kind shall be permitted within a Unit or elsewhere within the Resort.

DEVELOPER'S GUESTS

5. The Club Members shall not interfere with the quiet use and enjoyment of the Developer's guests to the Resort.

PARKING

6. During his/her reserved Vacation Week each Club Member shall have the right to the parking space designated for the relevant Unit, with a maximum of one space per unit.

MAINTENANCE

- 7.1 The Club shall maintain the Resort, at its own expense, as a prestigious tourist resort. Subject to the Developer's warranty under the Club License, the Club shall carry out in a good and workmanlike manner all structural repairs for damage to the Resort. The Club shall arrange for the regular cleaning, maintenance, repair, replacement, and restoration of the Resort and the contents thereof, and any additions or alterations thereto.
- 7.2 Without limiting the generality of the foregoing, the Club shall:
 - 7.2.1 promptly repair in a good and workmanlike manner any structural damage to the Resort

- 7.2.2 properly maintain in good service and repair all air conditioning, electrical, plumbing, mechanical systems on the Resort and replace any systems or parts which are defective and cannot be properly repaired and kept in good working order with systems or parts which are of similar quality to those in the Resort when it first opened for business
- 7.2.3 paint the exterior walls of the Resort no less frequently than every five years or as determined to be necessary by the Manager
- 7.2.4 paint the interior walls of each Unit and the interior walls of any common areas of the Resort no less than every two years or as determined to be necessary by the Manager
- 7.2.5 keep all fixtures, fittings and chattels in the Resort (including without limitation the floor finishes, window treatments, electrical and plumbing fixtures and fittings, furniture, and appliances) in the Resort in good service and repair and promptly replace any fixtures fittings and chattels which are defective and cannot be properly repaired and kept in good working order with fixtures, fittings and chattels of similar quality to those which were in the Resort when it first opened for business
- 7.2.6 employ such persons or services as may be necessary to ensure that there is efficient maid service for the Resort and that the Resort is kept clean and hygienic
- 7.2.7 employ such persons or services as may be necessary to keep the pool hygienic and properly operating
- 7.2.8 employ such persons or services that may be necessary to keep the grounds and common areas of the Resort attractively landscaped
- 7.2.9 maintain and pay on behalf of Club Members all electricity, water, sewage (when available), garbage collection, telephone and television services for the Resort
- 7.2.10 ensure that all work in connection with its maintenance obligations is promptly carried out in such a manner as to minimize disturbance to the Club Members and guests
- 7.2.11 generally ensure that the character and reputation of the Resort as a prestigious tourist destination is preserved and maintained for the benefit of all Club Members and the Developer.

INSURANCE

- 8. The Club shall acquire and maintain the following insurance policies with a reputable insurance company or companies:
 - 8.1 Property insurance on all of the Common Furnishings against loss or damage by fire, lightning, theft, and other casualties.
 - 8.2 Public liability insurance to indemnify the Developer, the Club and its Members for any liability for personal injury or death occurring at the Resort.
 - 8.3 Directors' and Officers' liability insurance, when economically available.
 - 8.4 Workers' compensation, when economically available.
 - 8.5 Any other insurance which the Directors consider prudent for the protection of the Club and its Members.

BUDGET, FEES, ASSESSMENTS & CHARGES

Annual Budget

- 9.1 The Manager shall prepare an Annual Budget for each Vacation Year for approval by the Board of Directors prior to the start of each Vacation Year. The Annual Budget will state the Club's total Annual Maintenance Expenses and the total Special Assessments, if any. The Annual Maintenance Expenses and Special Assessments may be revised periodically, based upon the projected expenses of operating the Resort for the period in question. Copies of the Annual Budget are available for review at the Resort and will be sent to Club Members upon request.

Annual Maintenance Fees

- 9.2.1 Each Club Member shall be required to pay a proportionate share of the Annual Maintenance Expenses, based upon the number of Club Memberships each Club Member has in the Club. The Annual Maintenance Expenses include each Club Member's share of any stamp duties or taxes billed to the Club, the maintenance, repair, and replacement of anything in the Resort other than that for which the Developer is responsible under the Club License or which should be dealt with by way of a Special Assessment, utility charges, insurance coverage (including payment of premiums for property insurance over the Resort taken out by the Developer), reserves, and administrative costs and the fees and expenses of any agents of the Club, for example the Manager. Each Club Member's proportionate share of the Annual Maintenance Expenses is called the 'Annual Maintenance Fee.'
- 9.2.2 The Annual Maintenance Fees shall be due and payable to the Club prior to the commencement of the Vacation Year to which it relates, unless the Board elects (in its sole discretion) to change the time and manner of payment. In the case of any Club Member who is entitled to one Vacation Week each even or odd Vacation Year (rather than each Vacation Year), the Club shall not bill the Club Member annually for 1/1,224 of the Club's maintenance expenses, but shall instead bill the Club Member biennially for 1/612 of the Club's expenses for the Vacation Years in respect of which he/she is entitled to reserve a Vacation Week. This biennial billing arrangement shall not apply to Special Assessments, Service Charges and Personal Charges in respect of which all Club Members shall be treated alike.

Special Assessments

- 9.3 The Board also has the power to levy a Special Assessment upon its Club Members if the Annual Maintenance Fees, Service Charges and Personal Charges collected from Club Members are for any reason inadequate to pay all of the debts and liabilities of the Club as they become due in the ordinary course of business. Each Club Member's proportionate share of any Special Assessment will be based on the number of Club Memberships of such Club Member, as set forth in these Club Rules.

Service Charges

- 9.4 Each Club Member will be required to pay for all electricity and telephone (“Service Charges”) in respect of the Unit occupied by the Club Member or his guests during the Club Member’s Vacation Week. Service Charges must be paid at the time the Club Member or his/her guest checks out of the Resort.

Personal Charges

- 9.5 Each Club Member will be responsible for paying all Personal Charges which he incurs. Personal Charges include, but are not limited to, late fees, fines, costs of repair for damage to or loss of any property comprised in the Resort to the extent not covered by insurance (examples of such property are the buildings, the pool, appliances, furniture, fittings and fixtures, kitchenware, decorations).

Method of Payment

- 9.6 All payments hereunder shall be made by any of the following methods:
- 9.6.1 By check drawn on a Class “A” Cayman Islands bank
 - 9.6.2 By bank draft check issued by any Cayman Islands or United States Bank
 - 9.6.3 Subject to a 4% service charge, by Visa or MasterCard or other credit card acceptable to the Manager

Cleared funds

- 9.7 Payment shall not be deemed to have been made until cleared funds have been credited to the Club’s bank account.

Late payment

- 9.8 The Club Member will not be allowed to use a Unit or to enjoy any privileges of this License until payments are current. In addition, The Club shall impose late payment penalty of US \$50.00 and interest at 18% per annum, until paid. All members who fail to secure a reservation and *Fixed Use* period members shall forfeit any use privileges otherwise secured for any period where maintenance fees and all associated related charges are not paid when due, albeit the applicable fees shall remain fully due and payable.

Non-payment

- 9.9 The Club shall cancel the Club Membership of any Club Member who fails to make any payment due to the Club under these Club Rules within sixty (60) days after it is due, the Club Member will be in default of this License and the Manager then has the right to give the Club Member notice of default. Cancellation of any Club Membership automatically results in the cancellation of the Club Member’s Vacation Ownership License by the Developer. Following cancellation, the Club Member will remain personally liable for monies owing to the Club prior to such cancellation. No failure by the Club to enforce any of its covenants shall waive the Club's right to subsequently demand strict compliance from the Club Member. The Club Member will pay to the Club all costs and

expenses, including reasonable attorney's fees, incurred by the Developer or Manager in enforcing any provision of this License.

MANAGER

10. The Club has appointed Defender Resorts, Inc. to provide the management services; to maintain the Club's Register of Club Members and Reservations System and; to employ all service personnel necessary to fulfill the Club's obligations. The Manager's fee shall be 10% per annum of all income budgeted in the Annual Club Budget.

TRANSFER OF VACATION OWNERSHIP LICENSE

11. The Club Member may sell or otherwise transfer his/her Vacation Ownership License at any price and on any terms he/she chooses, so long as such terms are consistent with the Vacation Ownership License, the Club License, the Memorandum and Articles and these Club Rules. The transfer shall not be effective until an original transfer has been reviewed and accepted by the Club and the transferee has been registered as a Club Member in the place of the transferor in the Register of Members of the Club. Any transfer must be supported by character and financial references satisfactory to the Club. The Club has an absolute discretion to reject any transfer if: (a) the transferee has failed to supply the Club with any references or documents required by the Club to comply with any anti-money laundering laws; or (b) the transferee is not 18 years or older; (c) the transferor has not paid all outstanding monies due including applicable transfer fees to the Club; or (d) the transfer instrument appears defective or forged. If Bonus privileges applied to original member, this privilege does not transfer to the transferee.

AMENDMENT OF CLUB RULES

12. The Club may by ordinary resolution add to and amend these Club Rules in such manner as it shall consider reasonably necessary for the operation of the Resort and the quiet enjoyment of the same by the Club Member.

AUTHORITY OF DIRECTORS

13. Except where expressly provided to the contrary, the Directors of the Club shall have full power and authority to authorize the exercise of any right and the performance of any obligation of the Club mentioned in these Club Rules.