

**BYLAWS**  
**FOR**  
**ROYAL RESORT VACATION OWNERS ASSOCIATION, INC.**

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## BYLAWS

### ROYAL RESORT VACATION OWNERS ASSOCIATION, INC.

The administration of ROYAL RESORT VACATION OWNERS ASSOCIATION, INC., a Nevada nonprofit corporation ("Association") shall be governed by the Nevada Time Share Act (NRS 119A), the Declaration, the Articles of Incorporation and these Bylaws. Terms which are capitalized in these Bylaws and which are not otherwise defined herein shall have the meaning set forth in Section 2 of the Declaration of Covenants, Conditions, Easements, Restrictions, Tenancy In Common Agreement and Vacation Ownership Instrument for Royal Vacation Suites II, as the same may be amended from time to time, recorded in the Official Records of Clark County, Nevada ("Declaration").

1. Application of Bylaws to Club Members and Club Membership Program. As described in the Declaration, prior to the execution of these Bylaws, a third party established a right-to-use, Club Membership Program at the Project pursuant to certain Articles of Incorporation and Third Amended and Restated Bylaws of Royal Vacation Suites, Inc., which Articles of Incorporation and Club Bylaws have been amended and restated and solely govern the Membership Program. The Membership Program is separate and distinct from the Vacation Ownership Program established pursuant to the Declaration. The Club Bylaws shall exclusively govern the Club Members and the Membership Program, and the Club Members shall not be members of the Royal Resort Vacation Owners Association, Inc. Moreover, these Bylaws shall not subject the Club Members or the Membership Program to the Vacation Ownership Program, but shall only apply to Owners and the Vacation Ownership Program established pursuant to the Declaration and as described herein.

2. Application of Bylaws. All present and future Owners, Mortgagees, lessees and Occupants of the Suites and their employees, and any other persons who may utilize the Project in any manner are subject to the terms, conditions and restrictions set forth in the Declaration, these Bylaws and all rules and regulations made pursuant hereto and any amendments hereof. The acceptance of a deed of conveyance of a Project Ownership Interest or the occupancy of any Suite or Non-Vacation Area shall constitute on behalf of said grantee or occupant an agreement, acceptance, ratification and compliance of or with the provisions of the Declaration and these Bylaws and any rules and regulations made pursuant hereto, as they may be amended from time to time.

3. Board.

3.1 Members. The management and operation of the Project and the administration of the affairs of the Association shall be conducted by a Board consisting of not less than five (5) nor more than seven (7) persons. The first Board shall consist of five (5) persons appointed by Declarant, and it shall serve until the first meeting of the members of the Association, at which time an election of all the members of the Board shall be conducted. The number of directors shall be fixed each year by the Association at its annual meeting, provided that the number of directors may be decreased or increased subject to the foregoing limitations and, if increased, the additional directors

may be elected by the members of the Association at any special meeting called for such purpose. Each director shall be an Owner (as that capitalized term is defined in the Declaration) and a member of the Association, or a designated officer of a member, or affiliate of such member, of an Owner if such Owner is a limited liability company, or designated officer or employee if such Owner is a corporation, or a designated general partner of an Owner if such Owner is a general partnership or a limited partnership.

3.2 Declarant Control. Notwithstanding the other provisions of this Section 3, the Declaration establishes a period of Declarant control of the Association, during which period Declarant or persons designated by it have authority to appoint and remove the officers and members of the Board. The period of Declarant control under the Declaration shall terminate upon the earlier to occur of:

- (1) One hundred and twenty (120) days after conveyance of eighty percent (80%) of the Vacation Ownership Interests that may be created by the Declaration to Owners other than the Declarant;
- (2) Five (5) years after Declarant, or its successors or assigns, has ceased to offer Vacation Ownership Interests for sale in its ordinary course of business; or
- (3) When Declarant, in its sole and exclusive discretion, so determines.

3.3 Composition. Notwithstanding the foregoing and subject to the other requirements in this Section 3, at the first general election of the Board, and at all times thereafter, at least one of the incumbent members of the Board shall be elected solely by the votes of Owners other than Declarant. Not later than the termination of the period of Declarant's control, the Owners shall elect a Board of at least five (5) members, a majority of whom must be Owners. The members and officers of the Board shall take office upon election. Thereafter, at every annual Association meeting, the Association shall elect the members of the Board to fill those positions becoming vacant at such meeting.

3.4 Owner's Power to Elect. Not later than sixty (60) days after conveyance of twenty-five percent (25%) of the Vacation Ownership Interests that may be created pursuant to the Declaration to Owners other than the Declarant, at least one (1) member and not less than twenty-five percent (25%) of the members of the Board must be elected by Owners other than the Declarant. Not later than sixty (60) days after conveyance of fifty percent (50%) of the Vacation Ownership Interests that may be created pursuant to the Declaration to Owners other than the Declarant, not less than thirty-three and one-third percent ( $33\frac{1}{3}\%$ ) of the members of the Board must be elected by Owners other than the Declarant.

3.5 Nominating Committee; Nominations. At least thirty (30) days prior to the annual meeting of the Association, the Board shall elect from the Owners a nominating committee of not less than three (3) members. The nominating committee

shall recommend to the Association at least one (1) nominee for each position on the Board to be filled at that particular annual meeting. Nominations for positions on the Board may also be made by petition filed with the Secretary of the Association at least ninety (90) days prior to the annual meeting of the Association, which petition shall be signed by ten (10) or more Owners and signed by the nominee named therein indicating his or her willingness to serve as a member of the Board, if elected.

3.6 Voting for the Board. At any meeting of the Association, each Owner of a Project Ownership Interest, either in person or by proxy, shall be entitled to cast the number of votes assigned to and permitted to be cast by such Member in accordance with the provisions set forth in Section 8 of the Declaration. The Board shall be elected by plurality vote without cumulative voting, for all elections of the Association. Subject to the limitations in this Section 3, the members of the initial Board shall be the following persons and each shall hold the office indicated until their removal or resignation or until their earlier successors have been duly appointed or elected:

Allen Abolafia	President
Joseph D. Milanowski	Vice President
Robert Hilson	Secretary/Treasurer
Adam Abolafia	Member
Michael Scofield	Member

3.7 Term. Members of the Board shall serve for terms of three (3) years beginning immediately upon their election by the Association; provided, however, that the members of the Board elected at the first annual meeting following the termination of Declarant control shall serve for initial terms as follows: one member shall serve for an initial term of one (1) year; two members shall serve for initial terms of two (2) years; and two members shall serve for initial terms of three (3) years. Thereafter, all members of the Board elected shall serve for three (3) year terms. The members of the Board shall serve until their respective successors are elected, or until their death, resignation or removal. In no event shall a member hold office for more than six (6) consecutive years.

3.8 Resignation and Removal. Any member of the Board may resign at any time by giving written notice to the President of the Association or to the remaining Board members. The Owners representing at least two-thirds (2/3) or more of the Total Votes of the Association present and entitled to vote at any meeting of the Owners at which a quorum is present, may remove any member of the Board with or without cause, other than a member appointed by Declarant. The other members of the Board may (but are not required to) remove any director who is absent from three (3) or more consecutive regular meetings of the Board; provided, however, that if before any such director is removed, such director is present at any subsequent meeting, such director must be absent from at least three (3) more consecutive meetings before such director may be removed.

3.9 Vacancies. If vacancies shall occur in the Board by reason of the death or resignation of a Board member, the Board members then in office shall continue to act, and such vacancies shall be filled by a vote of the Board members then in office, though

less than a quorum. Directors may be removed with or without cause by the members at any annual meeting, or at any special meeting called for such purpose. Any director whose removal has been proposed shall be afforded the opportunity to be heard at such meeting. Such director will be removed if a majority of the members present vote to do so, except that: (1) no director may be removed without cause if at least twenty-five percent (25%) of all members vote against such director's removal; and (2) the director elected by members, excluding the Declarant, may be removed only by a majority of members present, excluding the Declarant. At any meeting in which a director is removed, the members shall elect a person to fill the position made vacant. The person so elected will hold office for the remainder of the term of the person removed.

3.10 No Compensation. The members of the Board shall receive no compensation for their services unless expressly approved by the vote or written assent of a majority of the Total Votes of the Association residing in Owners other than Declarant; provided, however, that members of the Board shall be reimbursed by the Association for transportation and lodging expenses actually incurred and a reasonable per diem payment for attendance at regular and special meetings of the Board. Any member of the Board may be employed by the Association in another capacity and receive compensation for such employment; provided further, that such employment shall be approved by vote or in writing by all members of the Board not including the member to be employed.

3.11 Powers. The Board, for the benefit of the Project and the Association, shall manage the business, property and affairs of the Project and the Association and enforce the provisions of the Declaration, these Bylaws and the rules and regulations governing the Project. The Board shall cause to be conducted at least once every five (5) years, a study of the reserves required to repair, replace and restore the major components of the Project pursuant to Section 11 below. The Board is authorized to adopt rules and regulations governing the use and operation of the Project, which shall become effective thirty (30) days after adoption by the Board. The initial reservation procedures as promulgated by the Board are attached hereto as Exhibit A, but are subject to amendment as the Board shall determine; provided, however, the Board may not enact any rules, regulations or reservation procedures that would prohibit an Owner who owns a Platinum Ownership Interest from utilizing his or her Platinum Ownership Interest during the fixed annual recurring Time Period assigned thereto. The Board shall have the powers, duties and responsibilities with respect to the Project as contained in Time Share Act, the Declaration, the Articles and these Bylaws.

3.12 Board Meetings. The regular meetings of the Board shall be held at least annually at such times and places within the Project, unless a meeting at another location would significantly reduce the cost to the Association and/or the inconvenience to Board members, as the Board shall determine. A bare majority of the Board shall constitute a quorum, and if a quorum is present, the decision of a majority of those present shall be the act of the Board. To the extent permitted by Nevada law, regular meetings of the Board may be held by telephone. The Board shall annually elect all of the officers of the Association. The election of officers shall be conducted at the first meeting of the Board held subsequent to the first annual meeting of the Association.

3.13 Notices. Notices of all regular Board meetings shall be given in writing (which shall include electronic mail) to each member of the Board not less than thirty (30) days prior to the meeting, provided that this requirement shall not apply to any member of the Board who has signed a waiver of notice or a written consent to the holding of a meeting. Attendance of a member at any meeting shall constitute a waiver of notice of such meeting, except where such member attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not properly called or convened. Written notice of the time and place of Board meetings shall also be posted at a prominent place or places within the Project.

3.14 Special Board Meetings. Special meetings of the Board may be called by written notice signed by any two (2) members of the Board. The notice shall specify the time and place of the meeting and the nature of any special business to be considered. Special meetings shall be held within the Project, unless a meeting at another location would significantly reduce the cost to the Association and/or inconvenience to the members of the Board, as the Board shall determine. To the extent permitted by Nevada law, special meetings of the Board may be held by telephone. Written notice of any special meeting shall be posted in a manner prescribed for notice of regular meetings of the Board and shall be sent to all members of the Board not less than fifteen (15) days prior to the scheduled time of the meeting, provided that this requirement shall not apply to any member of the Board who has signed a waiver of notice or a written consent to the holding of such meeting. Attendance of a member at any special meeting shall constitute a waiver of notice of such meeting, except where such member attends a meeting for the express purpose of objecting to the transaction of any business because the special meeting is not properly called or convened.

3.15 Delivery. If written notice of any regular or special meeting of the Board is mailed to a member of the Board, then such notice shall be deemed to be delivered when deposited in the U.S. mail, with first-class postage thereon prepaid. If an agenda is prepared for a meeting, the meeting need not be restricted to discussions of those items listed on the agenda.

3.16 Actions and Open Meetings. The Board members shall act only as a Board, and individual Board members shall have no powers as such. Regular and special meetings of the Board shall be open to all members of the Association; provided, however, that the Association members who are not on the Board may not participate in any deliberation or discussion unless expressly so authorized by the Board. The Board may, with the approval of a majority of a quorum of its members, adjourn the meeting and reconvene in executive session to discuss and vote upon personnel matters, litigation in which the Association is or may become involved, and orders of business of a similar nature. The nature of any and all business to be considered in executive session shall first be announced in open session.

3.17 Action Without a Meeting. Any action that is required or permitted to be taken at a meeting of the Board may be taken without a meeting if a consent in writing, setting forth the action so taken, is signed by all of the Board members.

3.18 Indemnification. The Association shall indemnify, defend and hold each of its agents, including its officers and directors, harmless from and against and shall pay for any and all expenses, judgments, fines settlements and other amounts actually and reasonably incurred by each such agent in any proceeding to which such person was or is a party or is threatened to be made a party by reason of such person's capacity as an agent of the Association. The Time Share Act and Nonprofit Corporation law of Nevada shall govern the manner and the extent to which, and the conditions under which the Association shall indemnify under this Section, but it must indemnify to the fullest extent permitted by this Section.

3.19 Members and Officers. Any person who is an Owner of a Project Ownership Interest may serve as an officer or member of the Board. Such person(s) shall include an individual Owner, an officer, employee, agent or director of a corporate Owner, a member, or affiliate of such member, of a limited liability company Owner, a trustee or designated beneficiary of a trust Owner, a partner of a partnership Owner, and a fiduciary of an estate Owner. In all events where the person serving or offering to serve as an officer or member of the Board is not the record Owner, he or she shall file proof in the records of the Association that:

(a) He or she is associated with the Owner, who is either the corporation, the limited liability company, the trust, the partnership or the estate; and

(b) Identifies the Project Ownership Interest owned by the Owner who is either the corporation, the limited liability company, the trust, the partnership or the estate.

3.20 Managing Agent. The Board or the officers appointed thereby may delegate to the Managing Agent or such other persons as it so determines all of the duties and obligations of the Board set forth in the Declaration to the extent such duties and obligations are properly delegable.

3.21 Special Committees. The Board by resolution may designate one or more special committees, each committee to consist of three (3) or more Owners, which to the extent provided in said resolution shall have and may exercise the powers set forth in said resolution. Such special committee or committees shall have such name or names as may be determined from time to time by the Board. All special committees shall keep regular minutes of their proceedings and report the same to the Board when required. The Board or the President shall appoint the members of such special committee or committees designated. The Board or the President may appoint Owners to fill vacancies on each of said special committees occasioned by death, resignation, removal or inability to act for any extended period of time.

#### 4. Meetings of the Association.

4.1 Association Meetings. The first meeting of the Association shall be held within one (1) year after the closing of the escrow for the first sale of a



Vacation Ownership Interest. Thereafter, the Association shall hold annual meetings of the Members during the month of June of each calendar year, unless otherwise determined by the Board, on the day and at the time as the Board shall determine at a reasonable place in the Project or some other location that is readily accessible at reasonable cost to the largest possible number of members. Not less than thirty (30) nor more than ninety (90) days prior to the date set for such annual meeting, the Secretary shall send written notice of the annual meeting by (i) hand delivery; (ii) sent to the Owners by first-class United States mail at such Owner's address as shown in the records of the Association; or if the Association offers to send notice by electronic mail, sent by electronic mail at the request of the Owner to an electronic mail address designated in writing by the Owner. Such written notice shall specify the place, the day and the hour of the meeting and a brief statement of the matters on the agenda that the Board intends to present or believes others will present for action by the members. Regardless of when the notice is delivered or sent to the Owners, a list of the orders of business to be considered at the annual meeting of the Association shall be distributed not less than thirty (30) days prior to the meeting date. The list shall include the name, address and a brief biographical sketch (limited to a reasonable length as determined by the Board), if available, of each member of the Association who has announced his or her intention to stand for election to the Board.

4.2 Association Special Meetings. Special meetings of the Association may be called by the Declarant, the President, a majority of the Board, or receipt of a written request signed by Owners representing at least five percent (5%) of the Total Votes of the Association residing in Owners other than Declarant. Special meetings shall be held and written notice shall be sent to Owners in the same manner as regular meetings of the Association as further described in Section 4.1 above.

4.3 Quorum. The presence in person or by proxy of Owners other than Declarant holding fifteen percent (15%) or more of the Total Votes of the Association represented in person or by proxy at any meeting of the Association held in response to notice to all Owners of record properly given shall constitute a quorum. In the absence of a quorum at an Association meeting, no business shall be conducted and the presiding officer shall adjourn the meeting sine die. That is, the Association meeting will adjourn without appointing a day on which to appear or assemble again. If less than one-third (1/3) of the Total Votes of the Association is in attendance, in person or by proxy, at a regular or special meeting of the Association, only those matters of business, the general nature of which was given in the notice of the meeting, may be voted upon by the Owners. If a meeting is adjourned for lack of a quorum, new notice must be given in accordance with Section 4.1 before another meeting is held.

4.4 Action Without a Meeting. Any action that may be taken by the vote of the members at any meeting of the Association may be taken without a meeting if the following requirements are met:

- (a) A written ballot is distributed to every Owner entitled to vote setting forth the proposed action, providing an opportunity to signify approval or

disapproval of the proposal and providing a reasonable time for the Owner to return the ballot to the Association.

(b) The number of votes cast by ballot within the specified time under Section 4.4(a) above equals or exceeds the quorum required to be present at an Association meeting authorizing the action.

(c) The number of approvals of the action equals or exceeds the number of votes required to approve the action at an Association meeting at which the total number of votes cast was the same as the number of votes cast by written ballot.

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

4.5 Voting and Proxies. At each meeting of the Owners, each Owner entitled to vote shall be entitled to vote in person or by proxy. The Board may distribute to each Owner a form of proxy affording him or her the opportunity to vote in absentia at a regular or special meeting of the Association, provided that such proxy form meets the requirements for a written ballot set forth in Section 4.4 above and includes the name or names of Owners who expect to be in attendance in person at the meeting to whom the proxy is to be given for the purpose of casting the vote to reflect the absent Owner's vote as specified in the form of proxy. The right to vote by proxy shall exist only where the instrument authorizing such proxy to act shall have been executed by the Owner or by their attorney-in-fact thereunto duly authorized in writing. The instrument authorizing the proxy shall be delivered, at the beginning of the meeting, to the Secretary of the Association, or such other officer or person who may be acting as the Secretary at the meeting. The Secretary of the meeting shall enter a record of all such proxies in the minutes of the meeting. An Owner may revoke a proxy given pursuant to this Section only by actual notice of revocation to the Association. A proxy is void if it is not dated or purports to be revocable without notice. All decisions of the Association shall be determined by simple majority vote unless otherwise set forth in the Declaration or these Bylaws.

4.6 Exercise of Voting. In the event that a Project Ownership Interest is owned by more than one Owner, then by the majority written agreement of all Owners after the initial conveyance of such Project Ownership Interest, one Owner shall be appointed as the designated representative for the Project Ownership Interest for the purposes of making reservation requests with the Managing Agent, for exchange requests with the outside exchange company, voting on Association matters and for billing purposes. This designated Owner-representative may be changed at any time by delivering to the Managing Agent written notification of such change signed by all the Owners of the Project Ownership Interest. If more than one of the Owners of a Project Ownership Interest is present at a meeting of the Association, the vote allocated to that Project Ownership Interest may be cast only by the Owner-representative. The voting

rights of any Member may, in accordance with the provisions of the Declaration, be suspended by action of the Board during the period when the Member shall be in default in the payment of any assessments levied by the Association or the Managing Agent, or the observance of any provision of the Declaration.

4.7 Roberts Rules. Robert's Rules of order (latest edition) shall govern the conduct of the Association's meeting when not in conflict with the Declaration or these Bylaws.

5. Officers.

5.1 Requirements. All officers and employees of the Association shall serve at the will of the Board. The officers shall be a President, Vice President, Secretary and Treasurer. The offices of Secretary and Treasurer may be combined in the discretion of the Board. The Board may appoint such other assistant officers as the Board may deem necessary. Each officer shall be a member of the Association or a duly designated representative of a legal entity that is a member of the Association and, except for the Treasurer, a member of the Board. No officer shall receive compensation for serving as such. Officers shall be annually elected by the Board and may be removed and replaced by the Board. The Board shall require that officers (and other employees of the Association) be subject to fidelity bond coverage.

5.2 President. The President shall be the chief executive of the Board and shall preside at all meetings of the Association and of the Board and may exercise the power ordinarily allowable to the presiding officer of an Association, including the appointment of committees. The President shall exercise general supervision over the Project and its affairs. The President shall sign, and the Secretary shall witness, on behalf of the Association, all conveyances, mortgages and contracts of material importance to its business. The President shall do and perform all acts that the Board may require.

5.3 Vice President. The Vice President shall perform the functions of the President in his or her absence or inability to serve.

5.4 Secretary. The Secretary shall keep minutes of all proceedings of the Board and of the meetings of the Association and shall keep such books and records as may be necessary and appropriate for the records of the Owners and the Board.

5.5 Treasurer. The Treasurer shall be responsible for the fiscal affairs of the Association, but may delegate the daily handling of funds and the keeping of records to the Managing Agent.

5.6 Execution of Amendments. Any officer may prepare, execute, certify and record amendments to the Declaration on behalf of the Association, following approval of such amendments pursuant to the terms of the Declaration and these Bylaws.

6. Expenses; Assessments.

6.1 Assessments. All Assessments shall be made in accordance with Section 12 of the Declaration, the provisions of which are hereby incorporated herein.

6.2 Project Expenses, Program Expenses and Reserve Expenses. The Board shall approve or disapprove the estimated Project Expenses, Program Expenses, Reserve Expenses and capital contributions for the coming fiscal year. Assessments shall be assessed on a monthly, quarterly or annual basis, at the election of the Board, to Owners of Project Ownership Interests, as applicable, based upon their Project Expense Share, respectively. The funds received by the Board from Assessments shall be kept in the Assessment Account and shall be expended by the Board only in accordance with the provisions of the Time Share Act, the Declaration and these Bylaws. As set forth in the Declaration, for Project and Program Expenses, two (2) separate and distinct funds shall be created and maintained hereunder, one for Operating Expenses and one for Reserve Expenses.

6.3 No Waiver. The failure by the Board before the expiration of any fiscal year to estimate the Project, Program and Reserve Expenses as required herein shall not be deemed a waiver or modification in any respect of the provisions of the Declaration or these Bylaws or a release of the Owners from the obligation to pay any past or future Assessments, and the estimated Project, Program and Reserve Expenses fixed for the previous and current year shall continue until a new estimate is made.

6.4 No Exemption. No Owner may exempt themselves from liability for Project, Program and Reserve Expenses by waiver of the use or enjoyment of the Project or by abandonment of their Project Ownership Interest.

6.5 Records. The Treasurer shall keep detailed records of all receipts and expenditures, including expenditures affecting the Project, specifying and itemizing the maintenance, repair and replacement expenses of the Project and any other expenses incurred. Such records shall be available for examination by the Owners during regular business hours. In accordance with the actions of the Board in assessing Project, Program and Reserve Expenses against the Project Ownership Interests and Owners, the Treasurer shall keep an accurate record of such Assessments and of the payments thereof by each Owner. The books and accounts of the Association shall be kept in accordance with generally accepted accounting procedures under the direction of the Treasurer.

6.6 Personal Obligations. All Assessments shall be a separate, distinct and personal liability of the Owners at the time each Assessment is made. The Board shall have the rights and remedies contained in the Time Share Act and in the Declaration to enforce the collection of Assessments and Owner Charges, if any.

6.7 Statements for Purchasers. Any person who shall have entered into a written agreement to purchase a Project Ownership Interest, by written request directed to the Board, shall be entitled to obtain a written statement from the Treasurer setting forth the amount of the monthly, quarterly, annual or other periodic Assessment and the

amount of unpaid Assessments charged against the Project Ownership Interest and its Owners. If such statement does not reveal the full amount of the unpaid Assessments as of the date it is rendered, the purchaser shall not be liable for the payment of an amount in excess of the unpaid Assessments shown thereon, provided that the former Owner shall remain so liable. Any such excess which cannot be promptly collected from the former Owner-grantor shall be reassessed by the Board as a Project, Program and/or Reserve Expense to be collected from all Owners, including without limitation the purchaser of the Project Ownership Interest, his or her successors and assigns. The new Owner shall, and the former Owner shall not, be liable for any Assessments made after the date of transfer of title of a Project Ownership Interest, even though the expenses incurred or the advances made by the Board for which the Assessment is made relate in whole or in part to any period prior to that date. The Board is authorized to require a reasonable fee for furnishing such statements.

6.8 Statements for Owners and Mortgagees. In addition to the statements issued to purchasers of a Project Ownership Interest, the Board shall, upon ten (10) days' prior written request therefore, provide to the Owner, to any person who shall have entered into a binding agreement to purchase the Project Ownership Interest and to any Mortgagee on request at reasonable intervals a current statement of unpaid Assessments for Project Expenses, Program Expenses, Reserve Expenses, capital contributions, and for any expenses of and advances by the Board with respect to the Project Ownership Interest. The Board is authorized to require a reasonable fee for furnishing such statements.

7. Litigation Expenses. If any action is brought by the Board on behalf of the Association, the expenses of suit, including reasonable attorneys' fees, shall be a Project Expense and/or a Program Expense. Except as otherwise provided by the Time Share Act or Declaration, if any action is brought against the Owners or against the Board or the officers, employees or agents thereof in their capacities as such, with the result that the ultimate liability asserted would, if proved, be borne by all the Owners, the expenses of suit, including attorneys' fees, shall be a Project Expense and/or a Program Expense. If any action is brought against one or more, but less than all Owners, with the result that the ultimate liability would, if proved, be borne solely by such Owners, the expenses of suit, including attorneys' fees, shall not be charged to or borne by the other Owners, as a Project Expense and/or a Program Expense or otherwise.

8. Abatement and Enjoinment of Violations by Owners.

8.1 Remedies for Violations. The violation of any rules or regulations adopted by the Board, the breach of any provision contained herein or the breach of any provision of the Declaration shall give the Board, or the Managing Agent on the Board's behalf, the right, in addition to any other rights set forth in these Bylaws:

(a) To enter the Suite in which or as to which such violation or breach exists and to summarily abate and remove, at the expense of the defaulting Owner, any structure, thing or condition that may exist therein contrary to the intent and meaning of the provisions hereof, and the Board shall not thereby be deemed guilty in any manner of trespass; and/or

(b) To enjoin, abate or remedy by appropriate legal proceedings, either at law or in equity, the continuance of any such breach.

8.2 Remedies Cumulative. These remedies are cumulative to other remedies provided in the Time Share Act or in any other applicable laws, the Declaration and these Bylaws.

9. Dissemination of Financial and Other Information to Owners. The Board, or the Managing Agent on the Board's behalf, shall disseminate at least the following information concerning the Project to Owners, and mailing of the information specified below may be combined where appropriate:

9.1 Budget. The Board shall adopt an annual budget for Project Expenses, Program Expenses, revenues, expenditures and reserves and collect Assessments for the Project Expenses and/or Program Expenses from the Owners. The annual budgets of the Association must be submitted to and approved by the Nevada Division of Real Estate until such time as the Association is controlled by Owners other than Declarant. The Board, or the Managing Agent on the Board's behalf, shall disseminate the adopted budget for each fiscal year consisting of at least the following information to all members of the Association not less than forty-five (45) days and not more than sixty (60) days prior to the beginning of the fiscal year to which the budget applies:

(a) Estimated revenue and expenses on an accrual basis.

(b) The amount of the total cash reserves of the Association currently available for replacement or major repair of the Furnishings and other common property of the Project and for contingencies.

(c) An itemized estimate of the remaining life of, and the methods of funding to defray the costs of repair, replacement or additions to major components of the Project for which the Association is responsible.

(d) A general statement setting forth the procedures used by the Board, or the Managing Agent on the Board's behalf, in the calculation and establishment of reserves to defray the costs of repair, replacement or additions to major components of the Project for which the Association is responsible.

9.2 Annual Report. An annual report consisting of the following shall be distributed within one hundred twenty (120) days after the close of the fiscal year:

(a) A balance sheet as of the end of the fiscal year.

(b) An operating (income) statement for the fiscal year.

(c) A statement of the net changes in financial position of the Association during the fiscal year.

(d) For any fiscal year in which the gross income to the Association exceeds \$75,000.00, a copy of the review of the annual report prepared in accordance with generally accepted accounting principles by a certified public accountant.

(e) A list of the names, mailing addresses and telephone numbers of the members of the Board.

(f) Any other disclosures required by applicable law.

9.3 Managing Agent's Preparation of Annual Report. If the annual report referred to in Section 9.2 above is not prepared by an independent accountant, it shall be prepared by the Managing Agent or by an officer of the Association and shall be accompanied by a certificate of the person preparing the report that the statement was prepared from the books and records of the Association without independent audit or review.

9.4 Budget and Report Summary. In lieu of the distribution of the budget as required by Section 9.1 above, and the annual report as required by Section 9.2 above, the Board may elect to distribute a summary of the budget and annual report to all Owners. Along with such summary, the Board shall include a written notice that the budget and/or report is/are available at the business office of the Association or at another suitable location within the Project, and that copies will be provided upon an Owner's request at the Association's expense. If an Owner requests that a copy of the budget and/or report be mailed to him or her, the Managing Agent on behalf of the Board or an officer of the Association if a Managing Agent is not in place shall provide and deliver the copy to the Owner by first-class United States mail at the Association's expense within five (5) days after receipt of such Owner's request. The written notice that is distributed to each of the Owners shall be in at least 10-point boldface type on the front page of the summary of the budget and/or report.

9.5 Distribution of Minutes. Approved minutes of the annual and special meetings of the Association shall be distributed to each member within sixty (60) days after the meeting.

9.6 Notice of Remedies. The Board, or the Managing Agent on the Board's behalf, shall annually distribute within sixty (60) days prior to the beginning of the fiscal year a statement of the Association's policies and practices in enforcing its remedies against Owners for defaults in the payment of regular and special Assessments including the recording and foreclosing of liens against an Owners' Project Ownership Interest. Before disciplinary action authorized under the Declaration and these Bylaws can be imposed by the Board, or the Managing Agent acting on the Board's behalf, the Owner against whom such action is proposed to be taken against shall be given notice and the opportunity to present a written or oral defense to the charges pursuant to the procedures described in such enforcement policies and practices. The Association may delegate to the Managing Agent, the power and authority to carry out disciplinary actions duly imposed by the Board.

10. Inspection and Copying of Association's Books, Records and Properties.

10.1 Membership Roster. The membership roster, including mailing addresses and telephone numbers, books of account, the Association's financial statement, the budget, the study of reserves and approved minutes of meetings of the Association, of the Board and of committees of the Board and all other records of the Project maintained by the Association, shall be made available for inspection and copying by any Owner or their duly appointed representative at any reasonable time for a purpose reasonably related to their interest as an Owner, at the office where the records are maintained. Upon receipt of an authenticated written request from an Owner along with the fee prescribed by the Board to defray the costs of reproduction, the Managing Agent or other custodian of records of the Association shall prepare and transmit to the Owner a copy of any and all records requested.

10.2 Inspection. The Association may, as a condition to permitting an Owner to inspect the membership roster or to its furnishing information therefrom, require that the Owner agree in writing not to use, or allow the use, of information from the membership roster for commercial or other purposes not reasonably related to the regular business of the Association and the Owner's interest in the Association. Such written agreement shall be as determined by the Board, but may require the Owner to disclose his or her purpose for obtaining the roster, and may impose severe fines and penalties for any Owner's misuse or misapplication of the register for commercial use. The Owner's inspection privileges do not apply to the personnel records of the employees of the Association and the records of the Association relating to another Owner.

10.3 Reasonable Inspection Rules. The Board shall establish reasonable rules with respect to:

- (a) Notice to be given to the custodian of the records by the Owner desiring to make the inspection or obtain copies;
- (b) Hours and days of the week when a personal inspection of the records may be made; and
- (c) Payment of the cost of reproducing copies of documents requested by an Owner.

10.4 Board Members Right to Inspection. Subject to the reasonable rules established by the Board pursuant to Section 10.3 above, every Board member shall have the absolute right at any time to inspect all books, records and documents of the Association and to inspect all real and personal properties owned or controlled by the Association. This right of inspection shall include the right to make extracts and copies of records, subject only to the right of the Association to require that the Board member agree in writing not to use, or allow the use of, the information from the membership roster for commercial or other purposes not reasonably related to the business of the Association and the member's interest in the Association.



11. Reserve Study.

11.1 Board Review. The Board shall:

- (a) Cause to be conducted at least once every five (5) years, a study of the reserves required to repair, replace and restore the major components of the Project and Suites;
- (b) Review the results of that study at least annually to determine if those reserves are sufficient; and
- (c) Make any adjustments it deems necessary to maintain the required reserves.

11.2 Requirements. The study required by Section 11.1 above must be conducted by a person qualified by training and experience to conduct such a study, including a member of the Board, an Owner or the Managing Agent who is so qualified. The study must include, at a minimum:

- (a) Identification of the major components of the Project that the Association is obligated to repair, replace, restore or maintain which, as of the date of the study, have a useful life of less than thirty (30) years;
- (b) A summary of an inspection of the major components of the Project the Association is obligated to repair, replace, restore or maintain;
- (c) An estimate of the probable remaining useful life of the components identified in Section 11.2.(a) above, as of the date of the study;
- (d) An estimate of the cost of repair, replacement, restoration or maintenance of each major component identified in Section 11.2.(a) above, during and at the end of its useful life; and
- (e) An estimate of the total Assessment that may be required after provision for a prudent investment rate of return necessary to defray the cost to repair, replace, restore or maintain each major component identified in Section 11.2.(a) above during and at the end of its useful life, after subtracting the reserves of the Association as of the date of the study.

12. Rental or Lease of Project Ownership Interests by Owners.

12.1 Rental Agreement. Any Owner who rents or leases his or her Project Ownership Interest shall file with the Board or the Managing Agent a copy of the rental or lease agreement affecting the applicable Project Ownership Interest if the Board adopts a rule or regulation requiring the filing of such rental or lease agreements. The provisions of these Bylaws shall apply with equal force to renters or lessees of Project Ownership Interests.

12.2 Owner Responsible. Any Owner who rents or leases or otherwise permits any other person to utilize his or her Project Ownership Interest shall be responsible for the conduct of his or her tenants or Occupants, and upon written notice from the Board or the Managing Agent, said Owner shall be responsible for correcting violations of the Declaration, these Bylaws or rules and regulations committed by such tenants or Occupants.

12.3 Tenant's Violations. If an Owner fails to correct violations by tenants upon notice, the Board or Managing Agent shall be deemed to be the agent of the Owner and empowered to take any enforcement action the Owner would be entitled to take, the reasonable costs of such action, including but not limited to fees and costs paid to third parties, to be assessed to the Owner and payable within thirty (30) days of assessment. Such costs shall be collected and enforced in the same manner as Assessments.

12.4 Remedies for Violations. The power of the Board or Managing Agent hereunder shall include but not be limited to any and all legal remedies available under the laws of the State of Nevada. Any Owner by the act of renting or leasing or otherwise permitting any other person to utilize his or her Project Ownership Interest shall be deemed to have consented to these procedures and shall indemnify and save harmless the Board and the Managing Agent from and against any and all liability therefor. It is expressly understood that the remedies available to the Board or Managing Agent shall include but not be limited to the right to seek eviction of the tenant without any liability to the Owner.

13. Amendment of Bylaws. Except as otherwise provided in the Time Share Act, the Declaration or these Bylaws, these Bylaws may be amended by the vote or written assent of a majority of the Total Votes of the Association of which there must be at least fifty-one percent (51%) of the Total Votes of the Association residing in Owners other than Declarant, present in person or by proxy at a meeting duly called for such purpose. Provided, however, the percentage of the voting power necessary to amend a specific clause or provision shall not be less than the percentage of affirmative votes prescribed for action to be taken under that clause. Upon such an affirmative vote, the Board shall acknowledge the amended Bylaws, setting forth the fact of the required affirmative vote of the Owners and the amendment shall be effective immediately.

14. Severability. The provisions hereof shall be deemed independent and severable, and the invalid or partial invalidity or unenforceability of any one provision or portion hereof shall not affect the validity or enforceability of any other provision hereof.

15. Captions. The captions herein are inserted only as a matter of convenience and for reference and in no way to define, limit or describe the scope of these Bylaws nor the intent of any provision hereof.

16. Effective Date. These Bylaws shall take effect upon adoption by the Board.

17. Arbitration. Except with respect to Assessment liens and foreclosure thereof which shall be accomplished pursuant to the Declaration and applicable Nevada law, any unresolved dispute, disagreement or controversy between Declarant and the Association shall at the request of either party be submitted to an arbitration board of at least three (3) members with one chosen by the Association, the other by the Declarant and a third by the other two arbitrators so chosen. The arbitrators shall act in accordance with the commercial Arbitration Rules then in effect of the American Arbitration Board. At any time during the arbitration of a claim relating to the interpretation, application or enforcement of any covenants, conditions or restrictions applicable to the Project or these Bylaws or rules or regulations adopted by the Association, the arbitrators may issue an order prohibiting the action upon which the claim is based. An award must be made within thirty (30) days after the conclusion of arbitration, unless a shorter period is agreed upon by the Declarant and the Association. The decision of the majority of such arbitrators shall be binding on the Association and the Declarant. Such decisions shall include the awarding of costs, including reasonable attorneys fees, as the arbitrators shall determine. The decision of the arbitrators shall be judicially enforceable as a judgment.

*(Secretary's Certification Follows)*

CERTIFICATION

I, the undersigned, do hereby certify:

That I am the duly elected and acting Secretary of Royal Resort Vacation Owners Association, Inc., a Nevada nonprofit corporation;

That the foregoing Bylaws constitute the original Bylaws of said Association, as duly adopted at a meeting of the Board thereof held on the \_\_\_\_ day of \_\_\_\_\_, 2004.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of said Association (if any) this \_\_\_\_ day of \_\_\_\_\_, 2004.

\_\_\_\_\_  
\_\_\_\_\_, Secretary

Certified to be the Bylaws adopted by the Board of ROYAL RESORT VACATION OWNERS ASSOCIATION, INC. dated \_\_\_\_\_, 2004.

\_\_\_\_\_  
\_\_\_\_\_, Secretary

**EXHIBIT A**  
**RESERVATIONS POLICIES AND PROCEDURES**

**FOR**

**Royal Vacation Suites II**

**Introduction**

These Reservations Policies and Procedures for Royal Vacation Suites II have been designed to ensure that all Vacation Owners have equal access to and usage of the Suites. This includes equal opportunity for the guaranteed minimum use of one week per year for each Vacation Ownership Interest owned. The usage options for Vacation Owners are described below.

These Reservations Policies and Procedures have been formulated in an attempt to be fair and equitable to all Vacation Owners. The Board reserves the right to alter these Reservations Policies and Procedures from time to time as conditions warrant. Except for Vacation Owners who own Platinum Ownership Interests who have certain additional rights than those Vacation Owners owning Gold Ownership Interests, changes which intentionally discriminate between Vacation Owners are not permitted. In the event there is a conflict between the Declaration of Covenants, Conditions, Easements, Restrictions, Tenancy In Common Agreement and Vacation Ownership Instrument for Royal Vacation Suites II, as amended (the "Declaration"), the Articles of Incorporation and the Bylaws (the foregoing referred to herein as the "Governing Documents"), and these Reservations Policies and Procedures, the Governing Documents will control.

**DEFINITIONS AND POLICIES**

Certain terms and phrases have been defined below to clarify their intended meaning and usage in these Reservations Policies and Procedures. These defined terms and phrases can be identified because they begin with capital letters.

**"Fiscal Year"**

*Definition.* The Fiscal Year for the Association runs from January 1<sup>st</sup> through December 31<sup>st</sup> each year.

**"Accompanied Guest"**

*Definition.* Any Guest who lodges with an Owner in the Owner's reserved Suite is an Accompanied Guest.

*Policy.* No additional lodging fees are charged for Accompanied Guests.

**"Unaccompanied Guest"**

*Definition.* Any Guest who lodges at the Project without a Vacation Owner during a Vacation Owner's reserved Suite is an Unaccompanied Guest.

*Policy.* A Vacation Owner requesting lodging for an Unaccompanied Guest must specify the Guest's name, address and telephone number in writing at least fourteen (14) days prior to arrival so that the Association or the Managing Agent can send a confirmation notice to that Unaccompanied Guest. Unaccompanied Guests are required to pay all gratuities, and incidental charges upon departure unless payment has been arranged in advance by the sponsoring Vacation Owner. The sponsoring Vacation Owner is responsible for any unpaid charges incurred by their Unaccompanied Guests and is responsible for any damages to the Project caused by his or her Unaccompanied Guests.

**“Sleeping Capacity”**

*Definition.* Sleeping Capacity means the maximum number of persons permitted to use a Suite for overnight accommodation purposes.

*Policy.* The Sleeping Capacity of a particular Suite is calculated by the number of Occupants that the Suite was designed to accommodate. The Association has the right to modify the Sleeping Capacity of Suites. The initial authorized Sleeping Capacity for Suites designated by the Association is as follows:

<u>Suite Type</u>	<u>Sleeping Capacity</u>
Studio (one room/one bath)	4
Ambassador (two room/two bath)	6

## **RESERVATIONS PROCEDURES**

### **Platinum Ownership Interests**

By January 1<sup>st</sup> of each Fiscal Year, each Vacation Owner who owns a Platinum Ownership Interest is mailed a Platinum Ownership Interest confirmation form ("Confirmation") which requests such Vacation Owner to confirm his or her fixed Occupancy Period for the following Fiscal Year.

It is the Vacation Owner's responsibility to complete and return the Confirmation ninety (90) days in advance of his or her intended occupancy to preserve priority rights for the upcoming Fiscal Year. Confirmations received less than ninety (90) days prior to the Vacation Owner's occupancy of his or her fixed Occupancy Period will be considered on a first-come, first-served basis available for any Vacation Owner to reserve and occupy. In the event such Vacation Owner does not confirm his or her intended occupancy of his or her fixed Occupancy Period prior to the 90-day deadline, then such Vacation Owner may reserve any alternative available Occupancy Period with all other Vacation Owners on a first-come, first-served basis.

### **Gold Ownership Interests**

By January 1<sup>st</sup> of each Fiscal Year, Vacation Owners who own Gold Ownership Interests are mailed a space available vacation reservation form ("Reservation") which requests Vacation Owners to select their planned Occupancy Period(s) for the following Fiscal Year. If by December 31<sup>st</sup> a Vacation Owner has not received the Reservation, then the Vacation Owner should immediately notify the Association.

Each Vacation Owner who owns a Gold Ownership Interest is allowed to select (a) one (1) Full Week Occupancy Period per year, which shall consist of seven (7) consecutive nights with arrival and departure planned on Friday; OR (b) one Weekend Occupancy Period per year, which shall consist of three (3) consecutive nights with arrival on Friday and departure on the following Monday morning, and one Weekday Occupancy Period per year, which shall consist of four (4) consecutive nights with arrival on Monday and departure on the following Friday. No Vacation Owner may occupy a Suite for more than seven (7) days each year for each Gold Ownership Interest owned.

It is the Vacation Owner's responsibility to complete and return the Reservation 365 days prior to the first day of such Vacation Owner's desired Occupancy Period to preserve priority rights for the upcoming vacation season. Reservations received after the 365-day deadline will be considered on a first-come, first-served basis after the Reservations which were received in a timely manner have been processed.

Within thirty (30) days of the Association's receipt of the Vacation Owner's Reservation, the Association confirms the Occupancy Periods in the following manner. Vacation Owners are confirmed for a maximum of seven (7) nights each year based on their requests. Prior to such 90-day period, written confirmation of the Occupancy Periods is sent to each Vacation Owner. Additionally, a reservations calendar will be sent indicating which dates have been reserved by which Vacation Owners. Vacation Owners who have not reserved their Occupancy Period in a

timely manner, may make any space available reservations for unreserved Occupancy Periods in the Fiscal Year.

Each Vacation Owner of a Gold Ownership Interest has access to and usage of a Suite on a space-available basis. When a Vacation Owner cancels his or her reservation, such Vacation Owner may book an additional available Occupancy Period. All space available vacation reservation requests will be processed by the Association on a first-come, first-served basis.

If a Vacation Owner fails to check-in at the Project for an Occupancy Period without notice to the Association at least 48 hours prior to scheduled check-in, the Vacation Owner will lose his or her right to occupy a full Occupancy Period for that Fiscal Year for each day of the reserved Occupancy Period which is unused.

### **Rotating Priority Reservations System**

When the number of reservation requests for a certain Occupancy Period exceeds the number of Suites available during that Occupancy Period, the Board may establish a rotating priority reservations system by which reservation priorities for popular Occupancy Periods rotate among Vacation Owners. The Board may implement such system to ensure that use of the Suites by Vacation Owners is equitable.

In the event the Board implements a rotating system, it will assign a reservation priority number ("Priority Number") to a Vacation Owner based initially on the date of the Vacation Owner's purchase agreement with "1" being the highest Priority Number in the first year. Purchase agreements that do not go to closing will be removed from the roster, and all Priority Numbers will move up accordingly. The Priority Number for each Vacation Ownership Interest will be noted on the Reservation by the Association.

The Board may assign the Priority Number annually at the commencement of each Fiscal Year to each Vacation Ownership Interest. The Priority Number changes annually by each Vacation Owner moving up a number of positions on the roster as the Board shall determine. The Vacation Owners with the lowest Priority Number will be confirmed in the event the Board implements such rotating system.

### **Additional Reservation and Use Opportunities**

Exchanging Reserved Occupancy Periods — Vacation Owners may internally exchange their confirmed Occupancy Periods with other Vacation Owners. Internal exchanges should be arranged directly between Vacation Owners. Written notice of an exchange must be provided to the Association at least fourteen (14) days prior to the arrival date of the Vacation Owner using the earliest reserved Occupancy Period involved in the exchange. The Association encourages and will make all reasonable efforts to facilitate such exchanges between Vacation Owners.

Service Periods — The Project or portions thereof must be serviced to keep the Project in good working and marketable condition. The Board will endeavor to schedule such maintenance periods during times of low demand.