

December 7, 2016

Dear Marriott's Desert Springs Villas Owner:

I am pleased to provide the President's Letter for Desert Springs Villas Timeshare Association. The attached minutes are being distributed to Owners as outlined in the Desert Springs Villas Timeshare Association Declaration Article IV Management, Section 4.2 (o).

For questions, please contact me by phone at 760-779-1201 or by e-mail at Bill.Gunderson@vacationclub.com.

Sincerely,

Bill Gunderson

General Manager

Marriott's Desert Springs Villas

December 7, 2016

Dear Marriott's Desert Springs Villas Owner:

We have recently concluded our semi-annual Board of Directors meetings and I would like to share with you some of the highlights from the meetings.

Walking Path - The trail has been completed in Desert Springs Villas II and will be finished in Phase I within the next couple of months. It is a nice addition to our property.

Electrical Vehicle Charging Stations - Our application with Southern California Edison has been approved and we will be continuing on with the project. The utility company is proving substantial incentives for the project.

Palmeras Pool - The children's section of the pool has been completed and provides a ramp for easier entry as well as more shade around the facility.

Villa Refurbishment - The final design for the villas was approved and the work will commence in April 2017.

Wage Legislation - Next year will be the first year of the State of California mandated increase in minimum wage. Additionally, the Federal Government has changed the salary threshold that would exempt Managers from being paid overtime. This is part of the Federal Labor Standards Act (FLSA). The compensation now required to attain exempt status has increased from \$23,660 to \$47,476. We have had to budget increases in salary levels to meet the new law.

Budget and Maintenance Fee - The Board approved the 2017 Maintenance Fee which includes a 4.3% increase, compared to 2016. The increase in minimum wage and FLSA mentioned above have been major factors in the budget change.

Unpaid Maintenance Fees - Our collections remain very strong.

Guest Satisfaction Scores - Our scores are very good. We are always looking for our owner input as to what we can add or improve.

On behalf of the entire Board of Directors, I would like to thank you for your continued support. We hope that you will visit the property and enjoy a great vacation.

Sincerely,

Robert Gallagher

President

Desert Springs Villas Timeshare Association

Desert Springs Villas Master Association

Board of Directors Meeting

October 20, 2016

A regular meeting of Desert Springs Villas Master Association Board of Directors was held on October 20, 2016, at Marriott's Desert Springs Villas, Hummingbird Meeting Room, 1091 Pinehurst Lane, Palm Desert, California 92260.

Present from the Board of Directors were: Thomas Cook, President; Sharon August Jones, Vice President; Shelley J. Chamberlain, Secretary/Treasurer; Paul Backowski, Director; Thomas Corridan, Director; Robert Gallagher, Director; Ronald M. Horwitz, Director; Joseph Lawrence, Director; Benjamin Steinberg, Director and Sverre Thomassen, Jr., Director

Present from Marriott Vacation Club® International, representing the Management Company, were: Jane Berg, Regional Vice President-West; Brian Burak, Senior Assistant Controller; Suzette Ellebracht, Project Manager; Matt Gardell, Director of Finance; Bill Gunderson, General Manager; Courtney Harrison, Assistant Controller Trainee-West; Linda Knaust, Director of Guest Relations; Glenn Knorr, Director of Engineering; Anjanae Miller, Front Office Manager; Tanner Newton, Director of Operations; Angel Paz, Director of Services; Ray Wood, Director of Global Safety and Security; Scott Wilkerson, Regional Director of Finance-West and Mary Ann Chavez, Executive Assistant, acting as Recording Secretary

CALL TO ORDER

Thomas Cook, President, called the meeting to order at 8:02 a.m., Pacific time.

ESTABLISHMENT OF QUORUM

With all Board Members present, quorum was met.

APPOINTMENT OF RECORDING SECRETARY

Mr. Cook appointed Mary Ann Chavez to serve as Recording Secretary.

PROOF OF NOTICE OF BOARD OF DIRECTORS MEETING

Notice of Board Meeting was emailed to all Board Members on October 10, 2016 as required by the Association Bylaws.

REVIEW OF DAVIS-STIRLING ACT, SECTION 4900 (OPEN MEETING ACT)

Mr. Cook reviewed the Davis-Stirling Act, Section 4900, (Open Meeting Act).

APPROVAL OF AGENDA

A motion was made by Sharon August Jones to approve the Agenda as presented. The motion was seconded by Joseph Lawrence and unanimously carried.

APPROVAL OF BOARD OF DIRECTORS MEETING MINUTES

A motion was made by Shelley Chamberlain to approve the May 19, 2016 Board Meeting Minutes as presented. The motion was seconded by Thomas Corridan and unanimously carried.

A motion was made by Robert Gallagher to approve the May 20, 2016 Organizational Meeting Minutes as presented. The motion was seconded Sverre Thomassen, Jr., and unanimously carried.

ACTION ITEM REVIEW

Action Items were reviewed and noted as being completed or ongoing. Highlights included:

- Sverre Thomassen, Jr., provided an update on American Resort Development Association (ARDA)
- Glenn Knorr presented the past two years cost of gas for the fire features at the Clubhouse Lobby and Building 100
- Suzette Ellebracht stated the status of the barbeque cleaning station will be updated in May 2017

FINANCIAL REPORT

Investment Committee Report

Mr. Horwitz presented the Investment Committee Report. The Investment Committee decided to continue the current Association investment policy with the March Group of Wells Fargo during 2017.

Acceptance of October 12, 2016 Investment Committee Meeting Minutes

A motion was made by Robert Gallagher to accept the October 12, 2016 Investment Committee Meeting Minutes. The motion was seconded by Shelley Chamberlain and unanimously carried.

Investment Report

Brian Burak presented the Investment Report. Highlights included:

- Current investment yield for Operating Fund is 0.01%
- Current investment yield for the Reserve Fund is 0.01%

Current Financials

Mr. Burak presented the Current Financials. Highlights included:

- The 2016 Year-End Forecasted Operating Fund balance is projecting a deficit of (\$6,538); variances included Repairs and Maintenance (\$3,000), Natural Gas (\$7,000), Water and Sewer \$8,000 and Transportation (\$3,000).

Lease Amendment Updates

Mr. Burak informed the Board of Directors of the proposed amendments to the lease agreements proposed by the Management Company.

A motion was made by Ronald Horwitz to approve the form of First Amendment to Lease and Grant of Easement (The Grill and La-Canteen-a) between the Association and Marriott Resorts Hospitality Corporation, relating to the lease of space within the Palmeras Pool area, as presented and attached to the minutes, to reflect a change in the frequency of rent payments, and authorize the President of the Association to execute the First Amendment, with any such changes as that officer deems necessary. The motion was seconded by Thomas Corridan and unanimously carried.

A motion was made by Robert Gallagher to approve the form of First Amendment to Lease and Grant of Easement (PBX) between the Association and Marriott Resorts Hospitality Corporation, relating to a lease of space within the Central Facilities Building, as presented and attached to the minutes, to reflect a change in the frequency of rent payments, and further to authorize the President of the Association to execute the First Amendment, with any such changes as that officer deems necessary. The motion was seconded by Joseph Lawrence and unanimously carried.

A motion was made by Robert Gallagher to approve the form of Second Amendment to Lease and Grant of Easement (Sales Office and Marketing Desk) between the Association and Marriott Ownership Resorts, Inc., relating to the lease of space within the Central Facilities Building, as presented and attached to the minutes, to reflect a change in the frequency of rent payments, and authorize the President of the Association to execute the Second Amendment, with any such changes as that officer deems necessary. The motion was seconded by Shelley Chamberlain and unanimously carried.

A motion was made by Robert Gallagher to approve the form of Consent and First Amendment to Lease and Grant of Easement (The MarketPlace) between the Association and Marriott Resorts Hospitality Corporation, relating to the lease of space within the Central Facilities Building, as presented and attached to the minutes, and authorize the President of the Association to execute the Consent and First Amendment, with any such changes as that officer deems necessary. The motion was seconded by Shelley Chamberlain and unanimously carried.

A motion was made by Ronald Horwitz to allow the three Board Presidents and Benjamin Steinberg to research all matters related to the current lease agreement including amending the current lease and any back rent owed. The motion was seconded by Shelley Chamberlain and was unanimously carried.

RESERVES

2016 Reserves

Ms. Ellebracht presented the 2016 Reserves Update. Highlights included:

- Upgrade to Audio Visual equipment in the Hummingbird Room
- Replacement of outdoor Housekeeping lockers
- Upgrade to Parking Garage structure
- Upgrades to Fitness Center
 - Replacement and repair of floor
 - Purchase of new cardio equipment
 - Purchase of new strength training equipment
- Circuit training and walking path progress was reviewed
- Remodeled Palmeras wading pool with a zero clearance
- Upgrade to Palmeras Pool shower area

Ms. Ellebracht presented the following 2016 new projects:

- Purchase of utility transportation cart
- Purchase of digital security radios
- Recoating of the Palmeras Pool deck
- Purchase and installation on new signage at Palmeras and Clubhouse Pools
- Garage upgrades including new lights and paint
- Replacement of HVAC at Clubhouse and Operations Building
- Purchase of new ice machine at Palmeras Pool

A motion was made by Robert Gallagher to approve the additional 2016 Reserve Expenditures in the amount of \$148,007. The motion was seconded by Joseph Lawrence and unanimously carried.

2017 Reserves

Ms. Ellebracht presented the 2017 Reserves. Highlights included:

- | | |
|---|-----------|
| ▪ Application of asphalt slurry seal (3 year) | \$122,600 |
| ▪ Upgrade of Lobby soft goods including furniture, paint, carpet (5 year) | \$211,000 |
| ▪ Installation of pool chillers at Palmeras and Clubhouse Pools | \$ 85,000 |
| ▪ Upgrade flat roof at Clubhouse and Operations Buildings (10 year) | \$123,680 |

A motion was made by Joseph Lawrence to approve the Desert Springs Villas Master Association 2017 Reserve Fund Projects for a total amount of \$1,066,529. The motion was seconded by Ronald Horwitz and unanimously carried.

INSURANCE REPORT

Ray Wood provided an overview of general liability insurance and workers compensation. Mr. Wood stated the number of general liabilities claims filed is below average. The Management Company strives to prevent workplace injuries with programs such as Stretch and Flex exercises, safety shoe program, increased safety training and promoting wellness.

2017 BUDGET OVERVIEW

Bill Gunderson presented the 2017 Budget review including a synopsis of the Fair Labor Standard Act (FLSA) and the effect it will have on the Association. Mr. Gunderson explained management's plan to accommodate the upcoming changes and reported the change is effective on December 1, 2016.

APPROVAL OF THE 2017 BUDGET AND PROPOSED MAINTENANCE FEES

Matt Gardell presented the Proposed 2017 Budget and Maintenance Fees.

The Management Company recommended the following:

- 2017 Operating Fee Budget of \$63.14, compared to \$57.00 in 2016
- 2017 Reserve Fee Budget of \$38.13, compared to \$31.52 in 2016

A motion was made by Robert Gallagher to approve the 2017 Desert Springs Villas Master Association Annual Budget as follows: Operating Fee of \$63.14 and Reserve Fee of \$38.13; for a total Maintenance

Fee of \$101.27 and a total budget of \$3,295,133 including each line item thereof, as attached to the minutes. The motion was seconded by Joseph Lawrence and unanimously carried.

RESORT OPERATIONS REPORT

Angel Paz and Anjanae Miller presented the Resort Operations Report. Highlights included:

- As of Period 10, Guest Satisfaction Scores are higher than 2015 and are in line with division goals
- Named 2016 Global Best Employer by Aon-Hewitt
- Summer events for Activities and Food and Beverage were reviewed

NEW BUSINESS

Announcement of Next Board of Directors Meeting Dates

The Board confirmed 2017 through 2021 Board Meeting Dates

- Board and Annual Meetings – May 18-19, 2017
- Board Meetings – October 19-20, 2017
- Board and Annual Meetings – May 17-18, 2018
- Board Meetings – October 18-19, 2018
- Board and Annual Meetings – May 16-17, 2019
- Board Meetings – October 17-18, 2019
- Board and Annual Meetings – May 14-15, 2020
- Board Meetings – October 15-16, 2020
- Board and Annual Meetings – May 13-14, 2021
- Board Meetings – October 14-15, 2021

A motion was made by Robert Gallagher to approve the meeting dates for 2017 through 2021. The motion was seconded by Shelley Chamberlain and unanimously carried.

Bylaw Amendment Review

Mr. Gunderson reminded the Board the Limited Proxy for the 2016 Annual Meeting included a vote to amend the Bylaws to permit proxies to be transmitted by electronic means and to permit transmitting notices and other documents and information by electronic means. The required 51% of all Owners required to vote to amend the Bylaws did not submit a vote by proxy, therefore the amendments failed.

Mr. Gunderson explained the governing documents do not prohibit transmitting proxies electronically or the transmittal of notices and other documents and information by electronic means. However, state statute prohibits electronic transmission of proxies.

Mr. Gunderson stated Management cannot facilitate electronic voting until the law changes in favor of electronic voting or electronic transmittal. If the law changes, the Management Company will request the Board provide formal direction as to how to proceed with the distribution of proxies, notices and other documents since the proposed amendment did not pass. Mr. Gunderson reminded the Board they always have the option to seek guidance from Association counsel.

Non-smoking Amendment

Mr. Gunderson presented the amended rules and regulations to formally clarify the non-smoking policy for the Desert Springs Villas Master Association.

A motion was made by Robert Gallagher to approve the form of First Amendment to the Second Amended and Restated Rules and Regulations for Desert Springs Villas Master Association, which amendment would expand, by means of clarification, the definition of the term “smoking” as used in the rules and regulations, as such First Amendment was presented and attached to the minutes, and authorize the President of the Association to execute the First Amendment, with any such changes as that officer deems necessary. The motion was seconded by Shelley Chamberlain and unanimously carried.

Reimbursement Policy

Mr. Gunderson reviewed the Board of Directors Reimbursement Policy as revised on May 19, 2016.

Desert Springs Villas Timeshare Association

Board of Directors Meeting

October 20, 2016

A regular meeting of Desert Springs Villas Timeshare Association Board of Directors was held on October 20, 2016, at Marriott's Desert Springs Villas, Hummingbird Meeting Room, 1091 Pinehurst Lane, Palm Desert, California 92260.

Present from the Board of Directors were: Robert Gallagher, President; Joseph Lawrence, Vice President; Thomas M. Cook, Secretary/Treasurer; Paul Backowski, Director and Shelley J. Chamberlain, Director

Present from Marriott Vacation Club® International, representing the Management Company, were: Jane Berg, Regional Vice President–West; Brian Burak, Senior Assistant Controller; Suzette Ellebracht, Project Manager; Matt Gardell, Director of Finance; Bill Gunderson, General Manager; Courtney Harrison, Assistant Controller Trainee–West; Linda Knaust, Director of Guest Relations; Glenn Knorr, Director of Engineering; Anjanae Miller, Front Office Manager; Tanner Newton, Director of Operations; Angel Paz, Director of Services; Scott Wilkerson, Regional Director of Finance–West and Mary Ann Chavez, Executive Assistant, acting as Recording Secretary

CALL TO ORDER

Robert Gallagher, President, called the meeting to order at 1:30 p.m., Pacific time.

ESTABLISHMENT OF QUORUM

With all Board Members present, quorum was met.

APPOINTMENT OF RECORDING SECRETARY

Mr. Gallagher appointed Mary Ann Chavez as Recording Secretary.

PROOF OF NOTICE OF BOARD OF DIRECTORS MEETING

Notice of Board Meeting was emailed to all Board Members on October 10, 2016 as required by the Association Bylaws.

REVIEW OF DAVIS-STIRLING ACT, SECTION 4900 (OPEN MEETING ACT)

Mr. Gallagher reviewed the Davis-Stirling Act, Section 4900, (Open Meeting Act).

APPROVAL OF AGENDA

A motion was made by Thomas Cook to approve the Agenda as presented. The motion was seconded by Shelley Chamberlain and unanimously carried.

APPROVAL OF BOARD OF DIRECTORS MEETING MINUTES

A motion was made by Shelley Chamberlain to approve the May 19, 2016 Board Meeting Minutes as presented. The motion was seconded by Thomas Cook and unanimously carried.

A motion was made by Paul Backowski to approve the May 20, 2016 Organizational Meeting Minutes as presented. The motion was seconded Thomas Cook and unanimously carried.

A motion was made by Shelley Chamberlain to accept the October 12, 2016 Investment Committee Meeting Minutes as presented. The motion was seconded by Joseph Lawrence and unanimously carried.

ACTION ITEM REVIEW

Electric Vehicle Charging Stations

Glenn Knorr presented the proposed Electric Vehicle Charging Stations Review. Highlights included:

- The installation site is between Buildings I and J with two stations under the carport and 12 stations outside the carport, for a total of 14 charging stations.

- 14 - Level 2, EV Charging Stations (6 dual charging stations, 2 single ADA charging stations), installed with a three year warranty
 - 14 - Charge Station Management Systems with payment/credit card processing for one year
 - Additional warranty at \$3,486/year \$ 36,542
 - Edison Incentive (\$ 6,800)
- Total \$ 29,742

A motion was made by Thomas Cook to approve the electric vehicle charging stations. The motion was seconded by Paul Backowski and unanimously carried.

A motion was made by Shelley Chamberlain to allow Glenn Knorr to purchase the additional three year warranty. The motion was seconded by Joseph Lawrence and unanimously carried.

FINANCIAL REPORT

Current Financials and 2016 Year End Forecast

Brian Burak presented the Current Financial Report and 2016 Year End Forecast. Highlights included:

- The 2016 Year-End Forecasted Operating Fund balance is projecting a surplus at year-end of \$33,000; variances included Utilities \$49,000; Landscaping \$15,000; Recreation (\$8,000) and Finance Charges (\$8,000).

Accounts Receivable

Accounts Receivables unpaid percentage is 1.32% through October 7, 2016, which compares favorably to the average percentage of unpaid maintenance fees for Marriott Vacation Club.

RESERVES

2016 Reserves

Suzette Ellebracht presented the 2016 Reserves. Highlights included:

- Installation of patio furniture Phase 2 completed
- Installation of water heaters Phases 1 and 2 completed
- Pre-purchase of FF&E for 2017 soft and case goods project completed
- Pre-purchase of closet doors for 2017 completed
- Installation of model room entry and interior doors completed
- Fire Life Safety Project was reviewed

2017 Reserves

Ms. Ellebracht presented the 2017 Reserves. Highlights included:

- Villa renovations include:
 - New entry and interior doors and frames (25 years)
 - Fireplace upgrades (10 Year)
 - New soft goods (5 year)
 - New interior lighting (5 year)
 - New appliances in slate finish (10 Year)
- Recoat decks at North and West pool areas

2017 Proposed Projects

Ms. Ellebracht presented the 2017 Proposed Projects. Highlights included:

- Installation of trash enclosure gates at 25 buildings \$ 93,500
- Installation of chillers at North and West pools \$ 40,000
- Installation of trash receptacle package for \$ 33,500
 - pool areas, barbeques and fire features

A motion was made by Shelley Chamberlain to approve the Desert Springs Villas Timeshare Association 2017 Reserve Projects, inclusive of 2017 Proposed Projects for a total amount of \$8,556,499. The motion was seconded by Joseph Lawrence and unanimously carried.

APPROVAL OF THE 2017 BUDGET AND PROPOSED MAINTENANCE FEES

Matt Gardell presented the Proposed 2017 Budget and Maintenance Fees. The Management Company recommended the following:

- 2017 Operating Fee Budget of \$885.37, compared to \$833.04 in 2016; an increase of 6.3%
- 2017 Reserve Fee Budget of \$498.21, compared to \$493.27 in 2016; an increase of 1%

A motion was made by Paul Backowski to approve the 2017 Desert Springs Villas Timeshare Association Annual Budget presented by Management as follows: Operating Fee of \$885.37 and Reserve Fee of \$498.21, for a total Maintenance Fee of \$1,383.58 and a total budget of \$16,652,768 including each line item thereof, as attached to the minutes. The motion was seconded by Shelley Chamberlain and unanimously carried.

NEW BUSINESS

Announcement of Next Board of Directors Meeting Dates

The Board confirmed 2017 through 2021 Board Meetings Dates

- Board and Annual Meetings – May 18-19, 2017
- Board Meetings – October 19-20, 2017
- Board and Annual Meetings – May 17-18, 2018
- Board Meetings – October 18-19, 2018
- Board and Annual Meetings – May 16-17, 2019
- Board Meetings – October 17-18, 2019
- Board and Annual Meetings – May 14-15, 2020
- Board Meetings – October 15-16, 2020
- Board and Annual Meetings – May 13-14, 2021
- Board Meetings – October 14-15, 2021

A motion was made by Joseph Lawrence to approve the meeting dates for 2017 through 2021. The motion was seconded by Shelley Chamberlain and unanimously carried.

Bylaw Amendment Review

Mr. Gunderson reminded the Board the Limited Proxy for the 2016 Annual Meeting included a vote to amend the Bylaws to permit proxies to be transmitted by electronic means and to permit transmitting notices and other documents and information by electronic means. The required 51% of all Owners required to vote to amend the Bylaws did not submit a vote by proxy, therefore the amendments failed.

Mr. Gunderson explained the governing documents do not prohibit transmitting proxies electronically or the transmittal of notices and other documents and information by electronic means. However, state statute prohibits electronic transmission of proxies.

Mr. Gunderson stated Management cannot facilitate electronic voting until the law changes in favor of electronic voting or electronic transmittal. If the law changes, the Management Company will request the Board provide formal direction as to how to proceed with the distribution of proxies, notices and other documents since the proposed amendment did not pass. Mr. Gunderson reminded the Board they always have the option to seek guidance from Association counsel.

Non-smoking Amendment

Mr. Gunderson presented the amended rules and regulations to formally clarify the non-smoking policy for the Desert Springs Villas Timeshare Association.

A motion was made by Shelley Chamberlain to approve the form of First Amendment to the Second Amended and Restated Rules and Regulations for Desert Springs Villas, which amendment would expand, by means of clarification, the definition of the term “smoking” as used in the rules and regulations, as such First Amendment was presented and to be attached to the minutes, and further authorize the President of the Association to execute the First Amendment, with any such changes as that officer deems necessary. The motion was seconded by Paul Backowski and unanimously carried.

DESERT SPRINGS VILLAS MASTER ASSOCIATION

2017 Estimated Operating Budget

For The Period Beginning December 31, 2016 And Ending December 31, 2017

	2016 BUDGETED EXPENSES 32,538 (PER SUBDIVISION INTEREST)	2017 APPROVED BUDGET 32,538 (PER SUBDIVISION INTEREST)	PER ALTERNATE YEAR TIMESHARE INTERESTS	2016 BUDGET VS 2017 BUDGET INCREASE/(DECREASE)		2017 APPROVED BUDGET TOTAL
				\$	%	

Revenue						
Maintenance Fee	95.16	101.27	50.64	6.11	6.4%	3,295,133
Bank/Investment Interest	0.02	0.02	0.01	0.00	0.0%	651
Maintenance Fee Interest Income	0.45	0.35	0.18	(0.10)	(22.2%)	11,388
Miscellaneous Income	1.62	1.69	0.85	0.07	4.3%	54,989
Total Maintenance Fee Revenue	97.25	103.33	51.67	6.08	6.3%	3,362,161

Expenses						
Accounting	2.09	2.16	1.08	0.07	3.3%	70,282
Administration	4.72	5.07	2.54	0.35	7.4%	164,968
Audit Fee	0.34	0.36	0.18	0.02	5.9%	11,714
Bad Debt Expense	0.54	0.56	0.28	0.02	3.7%	18,221
Board of Directors	0.38	0.50	0.25	0.12	31.6%	16,269
Contingency	0.00	0.00	0.00	0.00	0.0%	0
Credit Card Fee	1.39	1.40	0.70	0.01	0.7%	45,553
Electricity	6.22	6.33	3.17	0.11	1.8%	205,966
Gas	1.89	1.96	0.98	0.07	3.7%	63,774
Housekeeping	11.41	12.53	6.27	1.12	9.8%	407,701
Income Tax	0.01	0.01	0.01	0.00	0.0%	325
Insurance	2.44	2.43	1.22	(0.01)	(0.4%)	79,075
Landscape / Grounds	1.14	1.18	0.59	0.04	3.5%	38,395
Legal	0.15	0.15	0.08	0.00	0.0%	4,881
Maintenance	5.69	6.09	3.05	0.40	7.0%	198,157
Management Fee	8.65	9.21	4.61	0.56	6.5%	299,675
Pest Control	0.23	0.24	0.12	0.01	4.3%	7,809
Postage and Printing	0.42	0.36	0.18	(0.06)	(14.3%)	11,714
Refuse Collection	0.33	0.34	0.17	0.01	3.0%	11,063
Transportation	13.30	13.64	6.82	0.34	2.6%	443,819
Water and Sewer	0.93	0.68	0.34	(0.25)	(26.9%)	22,126
Operating Fee	62.27	65.20	32.60	2.93	4.7%	2,121,487

Reserve Fee ¹	34.98	38.13	19.07	3.15	9.0%	1,240,674
Operating And Reserve Fee	97.25	103.33	51.67	6.08	6.3%	3,362,161

Total Maintenance Fee	95.16	101.27	50.64	6.11	6.4%	3,295,133
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Capitalized terms not defined in this budget have the meaning given to them in the Master Declaration of Covenants, Conditions and Restrictions for Desert Springs Villas.

DESERT SPRINGS VILLAS TIMESHARE ASSOCIATION

2017 Estimated Operating Budget

For The Period Beginning December 31, 2016 And Ending December 31, 2017

	2016 BUDGETED EXPENSES 12,036 (PER TIMESHARE INTEREST)	2017 APPROVED BUDGET 12,036 (PER TIMESHARE INTEREST)	PER ALTERNATE YEAR TIMESHARE INTERESTS	2016 BUDGET VS 2017 BUDGET INCREASE/(DECREASE)		2017 APPROVED BUDGET TOTAL
				\$	%	

Revenue						
Maintenance Fee	1,326.31	1,383.58	691.79	57.27	4.3%	16,652,768
Bank/Investment Interest	0.94	1.59	0.80	0.65	69.1%	19,137
Late Fees	3.29	3.29	1.65	0.00	0.0%	39,598
Maintenance Fee Interest Income	5.72	5.09	2.55	(0.63)	(11.0%)	61,263
Miscellaneous Income	0.00	0.97	0.49	0.97	100.0%	11,675
Other Income	0.32	0.00	0.00	(0.32)	(100.0%)	0
Total Maintenance Fee Revenue	1,336.58	1,394.52	697.26	57.94	4.3%	16,784,441

Expenses						
Accounting	11.85	12.92	6.46	1.07	9.0%	155,505
Activities	15.07	20.13	10.07	5.06	33.6%	242,284
Administration	26.78	29.00	14.50	2.22	8.3%	349,044
Audit Fee	1.08	1.15	0.58	0.07	6.5%	13,841
Bad Debt Expense	0.96	1.83	0.92	0.87	90.6%	22,026
Billing and Collections	9.50	9.55	4.78	0.05	0.5%	114,944
Board of Directors	1.02	1.35	0.68	0.33	32.4%	16,249
Cable Television	6.51	6.67	3.34	0.16	2.5%	80,280
Contingency	0.00	0.00	0.00	0.00	0.0%	0
Credit Card Fee	19.44	20.44	10.22	1.00	5.1%	246,016
Electricity	46.81	47.56	23.78	0.75	1.6%	572,432
Fee - Guest Facilities ³	63.10	70.12	35.06	7.02	11.1%	843,964
Front Desk	72.37	74.28	37.14	1.91	2.6%	894,034
Gas	6.27	5.91	2.96	(0.36)	(5.7%)	71,133
High Speed Internet	4.60	3.77	1.89	(0.83)	(18.0%)	45,376
Housekeeping	186.66	202.32	101.16	15.66	8.4%	2,435,157
Human Resources	9.99	12.03	6.02	2.04	20.4%	144,793
Income Tax	0.40	0.64	0.32	0.24	60.0%	7,703
Insurance	47.90	48.55	24.28	0.65	1.4%	584,319
Landscape / Grounds	20.23	21.00	10.50	0.77	3.8%	252,756
Legal	0.42	0.42	0.21	0.00	0.0%	5,055
Loss Prevention / Security	29.02	30.67	15.34	1.65	5.7%	369,113
Maintenance	72.87	80.26	40.13	7.39	10.1%	966,034
Management Fee	120.57	125.78	62.89	5.21	4.3%	1,513,888
Owner Services ²	38.79	41.11	20.56	2.32	6.0%	494,800
Pest Control	5.22	5.27	2.64	0.05	1.0%	63,430
Postage and Printing	3.21	3.13	1.57	(0.08)	(2.5%)	37,673
Refuse Collection	5.87	5.66	2.83	(0.21)	(3.6%)	68,124
Telephone	4.50	4.75	2.38	0.25	5.6%	57,171
Water and Sewer	12.30	10.04	5.02	(2.26)	(18.4%)	120,841
Operating Fee	843.31	896.31	448.16	53.00	6.3%	10,787,985

Total Net Operating	843.31	896.31	448.16	53.00	6.3%	10,787,985
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DESERT SPRINGS VILLAS TIMESHARE ASSOCIATION

2017 Estimated Operating Budget

For The Period Beginning December 31, 2016 And Ending December 31, 2017

	2016 BUDGETED EXPENSES 12,036 (PER TIMESHARE INTEREST)	2017 APPROVED BUDGET 12,036 (PER TIMESHARE INTEREST)	PER ALTERNATE YEAR TIMESHARE INTERESTS	2016 BUDGET VS 2017 BUDGET INCREASE/(DECREASE)		2017 APPROVED BUDGET TOTAL
				\$	%	

Reserve Fee ¹	493.27	498.21	249.11	4.94	1.0%	5,996,456
Operating And Reserve Fee	1,336.58	1,394.52	697.26	57.94	4.3%	16,784,441

Total Maintenance Fee	1,326.31	1,383.58	691.79	57.27	4.3%	16,652,768
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Capitalized terms not defined in this budget have the meaning given to them in the Declaration of Covenants, Conditions and Restrictions for Desert Springs Villas.

FIRST AMENDMENT TO LEASE AND GRANT OF EASEMENT

(The Grill and La-Canteen-a)

THIS FIRST AMENDMENT TO LEASE AND GRANT OF EASEMENT (The Grill and La-Canteen-a) (this "First Amendment") is entered into this 20th day of October, 2016, and made effective as of the 1st day of January, 2017, by and between **DESERT SPRINGS VILLAS MASTER ASSOCIATION**, a California nonprofit mutual benefit corporation ("Lessor"), and **MARRIOTT RESORTS HOSPITALITY CORPORATION**, a South Carolina corporation ("Lessee"). Lessor and Lessee are sometimes referred to in this First Amendment collectively as the "Parties" and, each individually, as a "Party".

RECITALS

WHEREAS, Lessor and Lessee are parties to that certain Lease and Grant of Easement (The Grill and La-Canteen-a), dated as of January 1, 2008 ("Lease"), pursuant to which Lessor leases to Lessee space within the Palmeras Pool Area at the Desert Springs Villas property for the operation of a bar and grill; and

WHEREAS, Lessor and Lessee desire to amend certain terms and conditions of the Lease as set forth herein.

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

AGREEMENT

1. Recitals. The Recitals are true and correct and are hereby incorporated by reference.
2. Capitalized Terms. All capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Lease.
3. Amendment. The Parties agree that the following two sentences shall be added to the end of Section 3.1, Rent, of the Lease to read as follows:

"Rent shall continue to be paid annually in thirteen (13) equal installments through December 31, 2016. Commencing January 1, 2017, Rent shall be paid by Lessee in twelve (12) equal installments, payable in advance on the first day of each calendar month."

4. Miscellaneous. The Parties further agree that, except as specifically modified and amended by this First Amendment, no part of the Lease is in any way altered, amended or modified. The Parties do hereby reaffirm and revalidate the full force and effect of the Lease, as amended by this First Amendment. In the event of any inconsistency between the Lease and this First Amendment, the terms of this First Amendment shall supersede and control to the extent of any such inconsistency. As modified and amended herein, the Lease is hereby ratified and

confirmed by the Parties. This First Amendment may be executed in any number of counterparts, each of which are considered one and the same instrument notwithstanding that all parties hereto have not signed the same counterpart. Signatures on this First Amendment that are transmitted by either electronic or telephonic means (including, without limitation, facsimile and email) are valid for all purposes and shall have the same effect as original signatures.

IN WITNESS WHEREOF, the Parties hereto have caused this First Amendment to Lease and Grant of Easement (The Grill and La-Canteen-a) to be executed by their duly authorized officers as of the date first above written.

Lessee:

DESERT SPRINGS VILLAS MASTER ASSOCIATION, a California nonprofit mutual benefit corporation

By: _____
Name: _____
Title: _____

Lessor:

MARRIOTT RESORTS HOSPITALITY CORPORATION, a South Carolina corporation

By: _____
Name: _____
Title: Vice President

FRIST AMENDMENT TO LEASE AND GRANT OF EASEMENT

(PBX)

THIS FIRST AMENDMENT TO LEASE AND GRANT OF EASEMENT (PBX) (this “First Amendment”) is entered into this 20th day of October, 2016, and made effective as of the 1st day of January, 2017, by and between **DESERT SPRINGS VILLAS MASTER ASSOCIATION**, a California nonprofit mutual benefit corporation (“Lessor”), and **MARRIOTT RESORTS HOSPITALITY CORPORATION**, a South Carolina corporation (“Lessee”). Lessor and Lessee are sometimes referred to in this First Amendment collectively as the “Parties” and, each individually, as a “Party”.

RECITALS

WHEREAS, Lessor and Lessee are parties to that certain Lease and Grant of Easement (PBX), dated as of January 1, 2008 (“Lease”), pursuant to which Lessor leases to Lessee space within the Central Facilities Building at the Desert Springs Villas property for the operation of a private branch exchange; and

WHEREAS, Lessor and Lessee desire to amend certain terms and conditions of the Lease as set forth herein.

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

AGREEMENT

1. Recitals. The Recitals are true and correct and are hereby incorporated by reference.
2. Capitalized Terms. All capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Lease.
3. Amendment. The Parties agree that the following two sentences shall be added to the end of Section 3, Rent, of the Lease to read as follows:

“Rent shall continue to be paid annually in thirteen (13) equal installments through December 31, 2016. Commencing January 1, 2017, Rent shall be paid by Lessee in twelve (12) equal installments, payable in advance on the first day of each calendar month.”

4. Miscellaneous. The Parties further agree that, except as specifically modified and amended by this First Amendment, no part of the Lease is in any way altered, amended or modified. The Parties do hereby reaffirm and revalidate the full force and effect of the Lease, as amended by this First Amendment. In the event of any inconsistency between the Lease and this First Amendment, the terms of this First Amendment shall supersede and control to the extent of any such inconsistency. As modified and amended herein, the Lease is hereby ratified and

confirmed by the Parties. This First Amendment may be executed in any number of counterparts, each of which are considered one and the same instrument notwithstanding that all parties hereto have not signed the same counterpart. Signatures on this First Amendment that are transmitted by either electronic or telephonic means (including, without limitation, facsimile and email) are valid for all purposes and shall have the same effect as original signatures.

IN WITNESS WHEREOF, the Parties hereto have caused this First Amendment to Lease and Grant of Easement (PBX) to be executed by their duly authorized officers as of the date first above written.

Lessee:

DESERT SPRINGS VILLAS MASTER ASSOCIATION, a California nonprofit mutual benefit corporation

By: _____
Name: _____
Title: _____

Lessor:

MARRIOTT RESORTS HOSPITALITY CORPORATION, a South Carolina corporation

By: _____
Name: _____
Title: Vice President

SECOND AMENDMENT TO LEASE AND GRANT OF EASEMENT

(Sales Office and Marketing Desk)

THIS SECOND AMENDMENT TO LEASE AND GRANT OF EASEMENT (Sales Office and Marketing Desk) (this "Second Amendment") is entered into this 20th day of October, 2016, and made effective as of the 1st day of January, 2017, by and between **DESERT SPRINGS VILLAS MASTER ASSOCIATION**, a California nonprofit mutual benefit corporation ("Lessor"), and **MARRIOTT OWNERSHIP RESORTS, INC.**, a Delaware corporation ("Lessee"). Lessor and Lessee are sometimes referred to in this Second Amendment collectively as the "Parties" and, each individually, as a "Party".

RECITALS

WHEREAS, Lessor and Lessee are parties to that certain Lease and Grant of Easement (Sales Office and Marketing Desk), dated as of February 15, 2008, as amended by that certain Amendment to Lease and Grant of Easement dated August 1, 2010 (as amended, the "Lease"), pursuant to which, among other things, Lessor leases to Lessee space within the Central Facilities Building at the Desert Springs Villas property; and

WHEREAS, Lessor and Lessee desire to amend certain terms and conditions of the Lease as set forth herein.

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

AGREEMENT

1. Recitals. The Recitals are true and correct and are hereby incorporated by reference.
2. Capitalized Terms. All capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Lease.
3. Amendment. The Parties agree that the following three sentences shall be added to the end of Section 3, Rent, of the Lease to read as follows:

"Rent shall continue to be paid annually in thirteen (13) equal installments through December 31, 2016. Commencing January 1, 2017, Rent shall be paid by Lessee in twelve (12) equal installments, payable in advance on the first day of each calendar month. For the Renewal Term commencing August 1, 2016, the remaining amount of Rent due for the remainder of such Renewal Term as at January 1, 2017 will be divided by seven (7)."

4. Miscellaneous. The Parties further agree that, except as specifically modified and amended by this Second Amendment, no part of the Lease is in any way altered, amended or modified. The Parties do hereby reaffirm and revalidate the full force and effect of the Lease, as

amended by this Second Amendment. In the event of any inconsistency between the Lease and this Second Amendment, the terms of this Second Amendment shall supersede and control to the extent of any such inconsistency. As modified and amended herein, the Lease is hereby ratified and confirmed by the Parties. This Second Amendment may be executed in any number of counterparts, each of which are considered one and the same instrument notwithstanding that all parties hereto have not signed the same counterpart. Signatures on this Second Amendment that are transmitted by either electronic or telephonic means (including, without limitation, facsimile and email) are valid for all purposes and shall have the same effect as original signatures.

IN WITNESS WHEREOF, the Parties hereto have caused this Second Amendment to Lease and Grant of Easement (Sales Office and Marketing Desk) to be executed by their duly authorized officers as of the date first above written.

Lessor:

DESERT SPRINGS VILLAS MASTER ASSOCIATION, a California nonprofit mutual benefit corporation

By: _____
Name: _____
Title: _____

Lessee:

MARRIOTT OWNERSHIP RESORTS, INC., a Delaware corporation

By: _____
Name: _____
Title: Vice President

CONSENT AND FIRST AMENDMENT TO LEASE
AND GRANT OF EASEMENT

(The MarketPlace)

This CONSENT AND FIRST AMENDMENT TO LEASE AND GRANT OF EASEMENT (The MarketPlace) (“First Amendment”) is entered into this 20th day of October, 2016, by and between **Desert Springs Villas Master Association**, a California nonprofit mutual benefit corporation (“Lessor”), and **Marriott Resorts Hospitality Corporation**, a South Carolina corporation (“Lessee”). Lessor and Lessee are sometimes referred to in this First Amendment collectively as the “Parties” and, each individually, as a “Party”.

R E C I T A L S:

WHEREAS, Lessor and Lessee entered into that certain Lease and Grant of Easement dated January 1, 2008 (the “Lease”), pursuant to which Lessor leases to Lessee space within the Central Facilities Building at Desert Springs Villas for the operation of a general grocery store and liquor store facility, office space, snack bar, gift shop and storage space; and

WHEREAS, the Parties desire to amend the Lease to clarify the area leased by Lessee under the Lease and to address certain other terms and conditions of the Lease as set forth herein, and Lessor desires to consent to a proposed sublease of all or any portion of the Leased Area by Lessee.

NOW THEREFORE, in consideration of the mutual covenants herein and for other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, the Parties hereby agree as follows:

1. Recitals. The above Recitals are true and correct and are herein incorporated by reference.
2. Capitalized Terms. All capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Lease, as amended by this First Amendment.
3. Consent to Sublease. Pursuant to Section 16 of the Lease, Lessor hereby consents to and approves of Lessee’s sublease of all or any portion of the Leased Area (“Sublease”) to a third-party entity (“Sub-lessee”); provided that any such Sub-lessee continues to operate the Leased Area in accordance with the permitted use set forth in Section 6 of the Lease and Lessee remains responsible for payment of the Rent to Lessor. Lessor understands and agrees that any Sublease of all or any portion of the Leased Area is only proposed at this time and there is no guarantee that any Sublease of all or any portion of the Leased Area will be consummated. Within thirty (30) business days after execution of a Sublease by Lessee, Lessee shall provide written notice to Lessor of the execution of such Sublease. Additionally, Lessee shall provide Lessor with a copy of a certificate signed by Lessee and Sub-lessee, in the form attached hereto as Exhibit C (“Takeover Date Certificate”), reflecting the date that Sub-lessee takes over all or any portion of the Leased Area under the terms of the Sublease (“Takeover Date”), a copy of which Takeover Date Certificate will be provided to Lessor by Lessee within fifteen (15) business days after the Takeover Date.
4. Amendment – Leased Area. The Parties hereby agree that Section 1, THE

PROPERTY, of the Lease is hereby amended to re-define “Leased Area” as that portion of the Property consisting of approximately 1,660 square feet located within the Central Facilities Building, of which 1,554 square feet is usable space, comprised of the areas currently utilized as The MarketPlace, a storeroom, office space and kitchen space, all as more specifically depicted on Exhibit B, attached hereto and incorporated herein.

5. Amendment – Exhibit B. The Parties hereby agree that Exhibit B to the Lease is hereby deleted and replaced in its entirety with the attached Exhibit B, which reflects the Leased Area, as amended by this First Amendment.

6. Amendment – Term. The Parties hereby agree that upon the occurrence of the Takeover Date, Sections 2.1, Primary Term, and 2.2, Renewal Term, of the Lease shall automatically, and without further action by Lessor or Lessee, be deemed to be amended and restated in their entirety to read as follows:

“2.1 Primary Term.

The term of this Lease (the “Primary Term”) shall commence on the date that a third-party entity (a “Sub-lessee”) takes over all or a portion of the Leased Area under the terms of a sublease entered into between Lessee and Sub-lessee (“Takeover Date”), which Takeover Date shall be documented by Lessee and Sub-lessee in a written instrument signed by Lessee and Sub-lessee in the form attached hereto as Exhibit C (“Takeover Date Certificate”), a copy of which will be provided to Lessor within fifteen (15) business days after the Takeover Date, and shall continue for a period of five (5) years and sixty (60) days after the Takeover Date. A “Lease Year” shall be any one-year period commencing on the date that is sixty (60) days after the Takeover Date or any anniversary thereof.

2.2 Renewal Term.

After the end of the Primary Term, the term of this Lease shall automatically be extended for two (2) additional five (5) year periods (each, a “Renewal Term” and, collectively with the Primary Term, the “Term”) unless Lessee gives Lessor written notice, at least ninety (90) days prior to the expiration of the Primary Term or a Renewal Term, as applicable, that Lessee does not want to extend the Term.”

The Parties hereby agree that the occurrence of the Takeover Date is a condition precedent to the amendments set forth in this Section 6 taking effect, and that if the Takeover Date never occurs then the changes set forth in this Section 6 shall have no force or effect.

7. Amendment – Rent.

a. The Parties hereby agree that the following two sentences are hereby added to the end of Section 3, RENT, of the Lease to read as follows:

“Rent shall continue to be paid annually in thirteen (13) equal

installments through December 31, 2016. Commencing January 1, 2017, Rent shall be paid by Lessee in twelve (12) equal installments, payable in advance on the first day of each calendar month.”

b. The Parties hereby agree that upon the occurrence of the Takeover Date, Section 3, RENT, of the Lease shall automatically, and without further action by Lessor or Lessee, be deemed to be amended and restated in its entirety to read as follows:

3. RENT.

“Notwithstanding anything herein to the contrary, commencing on the 1st day of the calendar month immediately following two full calendar months after the Takeover Date, Lessee shall pay to Lessor as rent (“Rent”) an annual amount of Twenty-Five Thousand Two Hundred and 00/100 Dollars (\$25,200.00), payable in twelve (12) equal installments, in advance, on the first day of each calendar month. For clarification and as examples only, if the Takeover Date is January 2, 2017, the first installment of Rent would be due on April 1, 2017, and if the Takeover Date is January 25, 2017, the first installment of Rent would be due on April 1, 2017. Additionally, with respect to the first installment of Rent only, if the Takeover Date occurs on any date other than the first day of a calendar month, Lessee shall also pay to Lessor, as additional rent, an additional amount equal to the amount of one month’s installment of Rent pro-rated based on the number of days existing between the date that is sixty (60) days after the Takeover Date and the date the first installment of Rent is due, divided by thirty (30). For each Lease Year thereafter (including any Lease Year during a Renewal Term), the amount of Rent shall increase annually by the greater of 2.75% or an amount equal to the change in the Consumer Price Index-U.S. City Averages for Urban Wage Earners and Clerical Workers (1984-82=100) (“CPI”) published by the United States Department of Labor, Bureau of Labor Statistics (or a reasonably equivalent index if such index is discontinued) for the time period commencing on the first day of the previous Lease Year and ending on the last day of the tenth (10th) month thereafter. In no event will the annual increase in Rent be greater than 3.5%.”

The Parties hereby agree that the occurrence of the Takeover Date is a condition precedent to the amendments set forth in this Section 7(b) taking effect, and that if the Takeover Date never occurs then the changes set forth in this Section 7(b) shall have no force or effect.

8. Amendment – Improvements. The Parties hereby agree that upon the occurrence of the Takeover Date, Section 5, IMPROVEMENTS, of the Lease shall automatically, and without further action by Lessor or Lessee, be deemed to be amended to add the following as a new paragraph at the end of such section:

“Lessor hereby consents to any and all improvements to be made by Lessee

(or any Sub-lessee) to the Leased Area after the Takeover Date. The Parties hereby acknowledge and agree that, notwithstanding anything in this Section 5 or otherwise in this Lease to the contrary, all improvements made by Lessee (or any Sub-lessee) to the Leased Area after the Takeover Date, with the exception of any removable personal property (including, but not limited to, signage, personal items, logoed items, merchandise and equipment, such as computer terminals and cash registers), shall remain within the Leased Area after the expiration or other termination of this Lease and shall thereupon become the property of Lessor.”

9. Promotion and Advertising. Lessor agrees to promote and advertise Lessee’s (or its Sub-lessee’s) operation of the Leased Area as reasonably requested by Lessee from time to time. Such promotion and advertisement shall include, but not be limited to, Lessor placing any Lessee-approved promotional materials within Lessor-owned property at Desert Springs Villas, as requested by Lessee from time to time, which shall not negatively impact Lessor’s use of its property, with such promotional materials to be provided by Lessee at Lessee’s expense. Additionally, Lessor also agrees to use best efforts to work with the Desert Springs Villas Timeshare Association (“DSV”) and the Desert Springs Villas II Timeshare Association (“DSV II”) and, collectively with DSV, the “Timeshare Associations”) to get the Timeshare Associations to agree to promote and advertise Lessee’s (or its Sub-lessee’s) operation of the Leased Area as reasonably requested by Lessee from time to time, including, but not limited to, the placing of Lessee-approved promotional materials within property owned by the Timeshare Associations, which shall not negatively impact the Timeshare Associations’ use of their property, with such promotional materials to be provided by Lessee at Lessee’s expense.

10. Miscellaneous. The Parties further agree that, except as specifically modified and amended by this First Amendment, no part of the Lease is in any way altered, amended or modified. The Parties do hereby reaffirm and revalidate the full force and effect of the Lease and all of its terms, as amended by this First Amendment. In the event of any inconsistency between the Lease and this First Amendment, the terms of this First Amendment shall supersede and control to the extent of any such inconsistency. As modified and amended herein, the Lease is hereby ratified and confirmed by the Parties. This First Amendment may be executed in any number of counterparts, each of which are considered one and the same instrument notwithstanding that all parties hereto have not signed the same counterpart. Signatures on this First Amendment that are transmitted by either electronic or telephonic means (including, without limitation, facsimile and email) are valid for all purposes and shall have the same effect as original signatures.

[Remainder of Page Intentionally Left Blank; Signature Page Follows]

IN WITNESS WHEREOF, the Parties hereto have caused this Consent and First Amendment to Lease and Grant of Easement to be executed by their duly authorized officers as of the date first above written.

“LESSOR”

DESERT SPRINGS VILLAS MASTER ASSOCIATION,
a California nonprofit mutual benefit corporation

By: _____
Name: _____
Title: _____

“LESSEE”

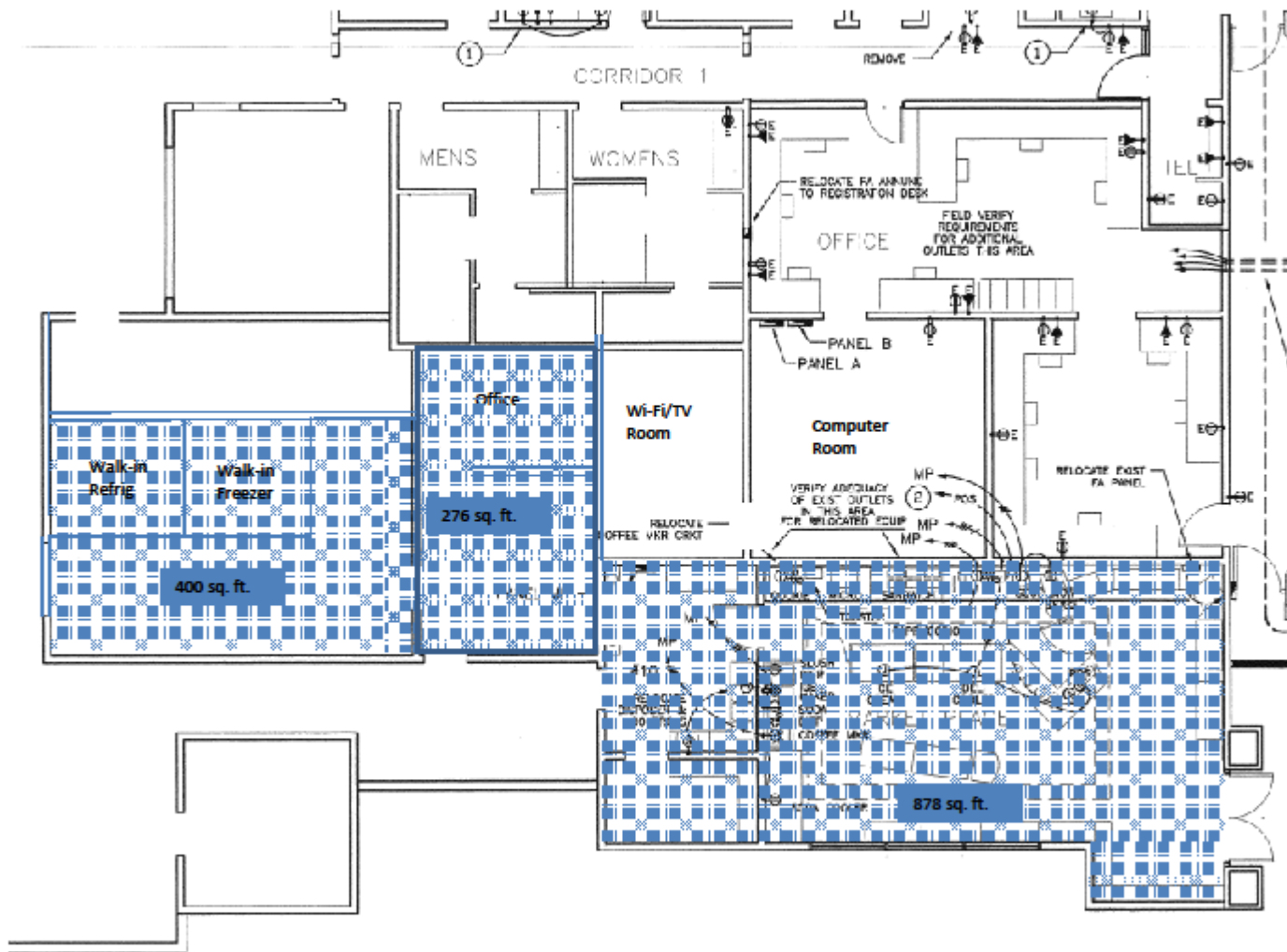
MARRIOTT RESORTS HOSPITALITY
CORPORATION, a South Carolina corporation

By: _____
Name: _____
Title: _____

EXHIBIT B
LEASED AREA

[See attached]

Exhibit B



Area Measured is "Usable Space"

6

7

EXHIBIT C

TAKEOVER DATE CERTIFICATE

By their execution of this Takeover Date Certificate, dated as of the ____ day of _____, 201__, _____ (“Tenant”) and Marriott Resorts Hospitality Corporation (“Landlord” and, collectively, with Tenant, the “Parties”) agree that _____, 20__ is the Takeover Date for the Premises leased by Tenant from Landlord at Desert Springs Villas, pursuant to that certain Lease Agreement dated _____, 201__, between the Parties (the “Lease”).

Any capitalized terms used but not otherwise defined herein shall have the meanings given to them in the Lease.

IN WITNESS WHEREOF, this Takeover Date Certificate has been duly executed by the parties hereto as the date above written.

[TENANT]

MARRIOTT RESORTS HOSPITALITY
CORPORATION

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

**FIRST AMENDMENT TO THE RULES AND REGULATIONS
FOR DESERT SPRINGS VILLAS MASTER ASSOCIATION**

THIS FIRST AMENDMENT TO THE RULES AND REGULATIONS FOR DESERT SPRINGS VILLAS MASTER ASSOCIATION ("First Amendment"), effective October 20, 2016 ("Effective Date"), is promulgated by the Board of Directors ("Board") of Desert Springs Villas Master Association (the "Master Association").

RECITALS:

WHEREAS, Marriott Resorts Hospitality Corporation ("Manager") and the Master Association are parties to a Management Agreement dated November 13, 1989 ("Management Agreement"), pursuant to which the Master Association engaged Manager as its agent to provide for the management and operation of the Master Project; and

WHEREAS, the Rules and Regulations for Desert Springs Villas Master Association ("Rules and Regulations") were promulgated by the Board effective May 14, 2009; and

WHEREAS, pursuant to Section 3.4(c) of the Management Agreement, Manager recommended to the Board that it amend the Rules and Regulations to expand, by means of clarification, the "Non-Smoking Policy" set forth in the Rules and Regulations; and

WHEREAS, pursuant to the Rules and Regulations, the Board reserved the right to amend the Rules and Regulations from time to time without the consent of the Members; and

WHEREAS, during a meeting of the Board on October 20, 2016, the Board, determining it to be in the best interest of the Master Association to formally clarify the non-smoking policy for the Master Project, unanimously carried a motion to amend the Rules and Regulations to expand, by way of clarification, the definition of smoking as set forth herein.

NOW, THEREFORE, the Board of the Master Association does hereby adopt an amendment to the Rules and Regulations of the Master Association as set forth below:

1. The Recitals are true and correct and are incorporated herein by this reference.
2. Section 1 of the Rules and Regulations, "Non-Smoking", shall be amended to add the following new sentences to the end of such section as follows:

"As used in these Rules and Regulations, the term "smoking" or "smoke" shall mean the carrying or using of a lighted pipe, lighted cigar, or lighted cigarette of any kind, or the lighting of a pipe, cigar, or cigarette of any kind, including, but not limited to, any use of a lighted pipe, lighted cigar or lighted cigarette containing tobacco, marijuana or any other weed, plant, chemical or substance, and includes the use of electronic cigarettes and devices. "Cigarette" includes but is not limited to the definition of "cigarette" as set forth in the California Health and Safety Code §104556, as may be amended, and specifically includes cigarettes containing marijuana and any other weeds, plants, substances or chemicals of any kind, regardless of whether they contain nicotine or tobacco. "Cigar"

includes but is not limited to the definition of “cigar” as set forth in the California Health and Safety Code §104550, as may be amended, and specifically includes cigars containing marijuana and any other weeds, plants, substances or chemicals of any kind, regardless of whether they contain nicotine or tobacco. "Electronic cigarette" means an electronic or battery-operated device of any kind, which can be used to deliver nicotine or any other chemical or substance of any kind, whether used, manufactured, distributed, marketed, or sold as an electronic cigarette, an electronic cigar, an electronic cigarillo, an electronic pipe, or an electronic hookah, as well as any other similar device regardless of delivery mechanism, product name or descriptor.”

3. This First Amendment shall affect and be binding upon all Members, past, present and future, and their successors and assigns, until otherwise amended or rescinded by future amendment of the Rules and Regulations.
4. The provisions of this First Amendment shall supersede and replace any contrary provisions in the Rules and Regulations.
5. Capitalized terms not otherwise defined herein shall have the meanings set forth in the Master Declaration of Covenants, Conditions and Restrictions for Desert Springs Villas, as amended from time to time.
6. Except as otherwise modified hereby, the Rules and Regulations shall remain unchanged and in full force and effect.

IN WITNESS WHEREOF, a duly authorized representative of the Master Association has executed this First Amendment as of the Effective Date set forth above.

DESERT SPRINGS VILLAS MASTER ASSOCIATION

By: _____

Name: _____

Title: _____

FIRST AMENDMENT TO THE SECOND AMENDED AND RESTATED RULES AND REGULATIONS FOR DESERT SPRINGS VILLAS

THIS FIRST AMENDMENT TO THE SECOND AMENDED AND RESTATED RULES AND REGULATIONS FOR DESERT SPRINGS VILLAS ("First Amendment"), effective October 20, 2016 ("Effective Date"), is promulgated by the Board of Directors ("Board") of Desert Springs Villas Timeshare Association (the "Timeshare Association").

RECITALS:

WHEREAS, Marriott Resorts Hospitality Corporation ("Managing Agent") and the Timeshare Association are parties to a Management Agreement dated November 13, 1989 ("Management Agreement"), pursuant to which the Timeshare Association engaged Managing Agent as its agent to provide for the management and operation of the Timeshare Interest Project; and

WHEREAS, the Second Amended and Restated Rules and Regulations for Desert Spring Villas ("Rules and Regulations") were promulgated by Managing Agent at the request of and upon the consent of the Board effective June 1, 2010; and

WHEREAS, pursuant to Section 3.4(c) of the Management Agreement, Managing Agent recommended to the Board that it amend the Rules and Regulations to expand, by means of clarification, the "Non-Smoking Policy" set forth in the Rules and Regulations; and

WHEREAS, pursuant to Section 16 of the Rules and Regulations, the Board reserved the right to amend the Rules and Regulations from time to time without the consent of the Owners; and

WHEREAS, during a meeting of the Board on October 20, 2016, the Board, determining it to be in the best interest of the Timeshare Association to formally clarify the non-smoking policy for the Timeshare Interest Project, [unanimously] carried a motion to amend the Rules and Regulations to expand, by way of clarification, the definition of smoking as set forth herein.

NOW, THEREFORE, the Board of the Timeshare Association does hereby adopt an amendment to the Rules and Regulations of the Timeshare Association as set forth below:

1. The Recitals are true and correct and are incorporated herein by this reference.
2. Section 33 of the Rules and Regulations, "Non-Smoking Policy", shall be amended to add the following new sentences to the end of such section as follows:

"As used in these Rules and Regulations, the term "smoking" or "smoke" shall mean the carrying or using of a lighted pipe, lighted cigar, or lighted cigarette of any kind, or the lighting of a pipe, cigar, or cigarette of any kind, including, but not limited to, any use of a lighted pipe, lighted cigar or lighted cigarette containing tobacco, marijuana or any other weed, plant, chemical or substance, and includes the use of electronic cigarettes and devices. "Cigarette" includes but is not limited to the definition of "cigarette" as set forth

in the California Health and Safety Code §104556, as may be amended, and specifically includes cigarettes containing marijuana and any other weeds, plants, substances or chemicals of any kind, regardless of whether they contain nicotine or tobacco. "Cigar" includes but is not limited to the definition of "cigar" as set forth in the California Health and Safety Code §104550, as may be amended, and specifically includes cigars containing marijuana and any other weeds, plants, substances or chemicals of any kind, regardless of whether they contain nicotine or tobacco. "Electronic cigarette" means an electronic or battery-operated device of any kind, which can be used to deliver nicotine or any other chemical or substance of any kind, whether used, manufactured, distributed, marketed, or sold as an electronic cigarette, an electronic cigar, an electronic cigarillo, an electronic pipe, or an electronic hookah, as well as any other similar device regardless of delivery mechanism, product name or descriptor."

3. This First Amendment shall affect and be binding upon all Owners, past, present and future, and their successors and assigns, until otherwise amended or rescinded by future amendment of the Rules and Regulations.
4. The provisions of this First Amendment shall supersede and replace any contrary provisions in the Rules and Regulations.
5. Capitalized terms not otherwise defined herein shall have the meanings set forth in the Declaration of Covenants, Conditions and Restrictions for Desert Springs Villas, as amended from time to time.
6. Except as otherwise modified hereby, the Rules and Regulations shall remain unchanged and in full force and effect.

IN WITNESS WHEREOF, a duly authorized representative of the Timeshare Association has executed this First Amendment as of the Effective Date set forth above.

DESERT SPRINGS VILLAS TIMESHARE ASSOCIATION

By: _____

Name: _____

Title: _____