

## Owner's Vacation Interest Policy (PPT-11)

SUBJECT TO THE EXCLUSIONS FROM COVERAGE, THE EXCEPTIONS TO COVERAGE CONTAINED IN SCHEDULE B, AND THE CONDITIONS AND STIPULATIONS Blank Title Insurance Company, a [insert jurisdiction of organization of Company and type of entity] insures, as of Date of Policy shown on Schedule A, against Loss or Damage, not exceeding the amount of insurance stated in Schedule A, sustained or incurred by the Insured by reason of any of the following:

1. The Insured's Transferor not having ownership of the Vacation Interest;
2. The Insured's Transferor not having full power and authority to transfer the Vacation Interest;
3. The Issuer of the Vacation Interest not having full power and authority to Issue the Vacation Interest;
4. The Insured not having ownership of the Vacation Interest at Date of Policy;
5. Any Adverse Claim to the Vacation Interest;
6. The existence of any Lien against the Vacation Interest; and
7. The existence of any tax lien against the Vacation Interest.

### EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this Policy and the Company will not pay Loss or Damage, costs, attorney's fees, or expenses which arise by reason of:

1. Defects, liens, encumbrances, Adverse Claims or other matters:
  - a. created, suffered, assumed or agreed to by the Insured Claimant, including those arising from the terms, provisions, and conditions governing the Vacation Interest (including, without limitation, the terms, provisions, and conditions of any document, instrument, or agreement relating to the association or organization operating the facility associated with the Vacation Interest and providing for payment of common charges, assessments, or other expenses incurred by such association or organization);
  - b. not known to the Company, not filed in the Public Records at Date of Policy, but known to the Insured Claimant and not disclosed in writing to the Company by the Insured Claimant prior to the date the Insured claimant became an Insured under this policy;
  - c. resulting in no Loss or Damage to the Insured Claimant; or
  - d. resulting in Loss or Damage which would not have been sustained if the Insured Claimant had paid Value for the Vacation Interest.
2. Any Security Interest or other encumbrance perfected by any means other than filing in the Public Records; or any Lien or tax lien
  - a. enforceable in any manner other than seizure of any Security Certificate representing the Vacation Interest; or
  - b. if the Vacation Interest is not represented by a Security Certificate, enforceable in any manner other than filing in the Public Records.
3. Any Adverse Interest, claim, right, or remedy of any person by reason of the operation of the Bankruptcy Code, state insolvency, or similar creditors' right laws, including, but not limited to, a claim that the Vacation Interest in whole or in part constitutes, or was created by, a fraudulent conveyance, fraudulent transfer, or preference, or is subject to the doctrine of equitable subordination, or that its transfer is subject to rejection as an executory contract or otherwise.

### CONDITIONS AND STIPULATIONS

1. Definitions.

The following terms when used in this policy mean:

"Bankruptcy Code" means the U.S. Bankruptcy Code, as it may be in effect from time to time.

"Insured" shall mean the person or persons identified on Schedule A.

"Insured Claimant" means an Insured claiming Loss or Damage.

“Issuer” shall mean the entity shown on Schedule A. “Issuance” and “Issued” relate to the acts of such entity.

“Lien” means the interest of a Lien Creditor.

“Loss” or “Damage” shall mean financial loss or damage arising solely from the application of any substantive law of the United States of America or of any of the states of the United States of America. For purposes of this definition, the District of Columbia and any territory of the United States shall be considered a state of the United States of America.

“Public Records” means those records maintained by the Filing Office.

“Security Certificate” means a certificate that represents a Vacation Interest and is a Security.

“Transferor” means the person or persons listed on Schedule A.

“Uniform Commercial Code” means the Uniform Commercial Code in effect in the jurisdiction whose law applies to the event upon which a claim is based.

“Vacation Interest” shall mean the personal property interest described in Schedule A.

“Value of the Vacation Interest” shall mean the fair market value of such Vacation Interest as of the date the notice of claim described in Section 3 below was or was required to have been given. In determining fair market value, the Company may (but shall not be required to) retain a recognized appraiser of personal property. Such appraiser shall consider both the replacement cost of an equivalent vacation interest at the facility at which the Vacation Interest is utilized and the value of the Vacation Interest on any secondary market on which such vacation interests may be sold; *provided, however*, that if all vacation interests at the facility at which the Vacation Interest is utilized are subject to the same defect, lien, encumbrance, Adverse Claim, or other matter, replacement cost shall be determined with reference to a comparable facility identified by the Company in its reasonable discretion.

Any capitalized term used in this policy that is not defined in this policy shall have the meaning given to it in the Uniform Commercial Code.

## 2. Continuance of Insurance.

The coverage of this policy shall continue in favor of the Insured so long as the Insured owns the Vacation Interest or has liability by reason of any undertaking arising under the terms and conditions governing the Vacation Interest, or arising under any documents evidencing a loan incurred to purchase the Vacation Interest. This policy is not assignable, nor shall the Company recognize any person other than the Insured Claimant as loss payee without its written consent; *provided, however*, that upon the death of the Insured, and presentation of documents reasonably satisfactory to the Company, the Company will recognize the Insured’s personal representative, devisee or legatee as the successor Insured. Claims arising by virtue of any law, rule, or regulation enacted or promulgated after Date of Policy will not be paid.

## 3. Notice of Claim to be given by Insured Claimant.

The Insured shall notify the Company promptly in writing (i) in case of any litigation as set forth in Section 4(a) below, (ii) in case knowledge shall come to an Insured hereunder of any defect, lien, encumbrance, Adverse Claim, or other matter which might cause Loss or Damage for which the Company may be liable by virtue of this policy. If prompt notice shall not be given to the Company, then as to the Insured all liability of the Company shall terminate with regard to the matter or matters for which prompt notice is required; *provided, however*, that failure to notify the Company shall in no case prejudice the rights of any Insured under this policy unless the Company shall be prejudiced by the failure and then only to the extent of the prejudice.

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

- a. Upon written request by the Insured and subject to the options contained in Section 6 of these Conditions and Stipulations, the Company, at its own cost and without unreasonable delay, shall provide for the defense of an Insured in litigation in which any third party asserts a claim adverse to the Vacation Interest, but only as to those stated causes of action alleging a defect, lien, encumbrance, Adverse Claim, or other matter insured against by this policy. The Company shall have the right to select counsel of its choice to represent the Insured as to those stated causes of action and shall not be liable for and will not pay the fees

of any other counsel. The Company will not pay any fees, costs or expenses incurred by the Insured in the defense of those causes of action which allege matters not insured against by this policy.

- b. The Company shall have the right, at its own cost, to institute and prosecute any action or proceeding or to do any other act, which in its opinion, may be necessary or desirable to prevent or reduce Loss or Damage to the Insured. The Company may take any appropriate action under the terms of this policy, whether or not it shall be liable hereunder, and shall not thereby concede liability or waive any provision of this policy. If the Company shall exercise its rights under this paragraph, it shall do so diligently.
- c. Whenever the Company shall have brought an action or interposed a defense as required or permitted by the provisions of this policy, the Company may pursue any litigation to final determination by a court of competent jurisdiction and expressly reserves the right, in its sole discretion, to appeal from any adverse judgment or order.
- d. In all cases where this policy permits or requires the Company to prosecute or provide for the defense of any action or proceeding, the Insured shall secure to the Company the right to so prosecute or provide defense in the action or proceeding, and all appeals therein, and permit the Company to use, at its option, the name of the Insured for this purpose. Whenever requested by the Company, the Insured, at the Company's expense, shall give the Company all reasonable aid (i) in any action or proceeding, securing evidence, obtaining witnesses, prosecuting or defending the action or proceeding, or effecting settlement, and (ii) in any other lawful act which in the opinion of the Company may be necessary or desirable to establish the Insured Security Interest. If the Company is prejudiced by the failure of the Insured to furnish the required cooperation, the Company's obligations to the Insured under the policy shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation, with regard to the matter or matters requiring such cooperation.

#### 5. Proof of Loss or Damage.

In addition to and after the notices required under Section 3 of these Conditions and Stipulations have been provided to the Company, a proof of Loss or Damage signed and sworn to by the Insured Claimant shall be furnished to the Company within 90 days after the Insured Claimant shall ascertain the facts giving rise to the Loss or Damage. The proof of Loss or Damage shall describe the matter Insured against by this policy, which constitutes the basis of Loss or Damage, and shall state, to the extent possible, the basis of calculating the amount of the Loss or Damage. If the Company is prejudiced by the failure of the Insured Claimant to provide the required proof of Loss or Damage, the Company's obligations to the Insured under the policy shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation, with regard to the matter or matters requiring such proof of Loss or Damage.

In addition, the Insured Claimant may reasonably be required to submit to examination under oath by any authorized representative of the Company and shall produce for examination, inspection and copying, at such reasonable times and places as may be designated by any authorized representative of the Company, all records, books, ledgers, checks, correspondence and memoranda, whether bearing a date before or after Date of Policy, which reasonably pertain to the Loss or Damage. Further, if requested by any authorized representative of the Company, the Insured Claimant shall grant its permission, in writing, for any authorized representative of the Company to examine, inspect and copy all records, books, ledgers, checks, correspondence and memoranda in the custody or control of a third party, which reasonably pertain to the Loss or Damage. All information designated as confidential by the Insured Claimant provided to the Company pursuant to this Section shall not be disclosed to others unless, in the reasonable judgment of the Company, it is necessary in the administration of the claim. Failure of the Insured Claimant to submit for examination under oath, produce other reasonably requested information or grant permission to secure reasonably necessary information from third parties as required in this paragraph, unless prohibited by law or governmental regulation, shall terminate any liability of the Company under this policy as to that claim.

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

Subject to Sections 7 and 10 of this policy, in case of a claim under this policy, the Company shall have the following options:

To Pay or Tender Payment of the amount of insurance or the Value of the Vacation Interest:

- (i) to pay or tender payment of the amount of insurance under this policy together with any costs, attorneys' fees and expenses incurred by the Insured Claimant, which were authorized by the Company, up to the time of payment or tender of payment and which the Company is obligated to pay; or

- (ii) to pay the Value of the Vacation Interest, together with any costs, attorneys' fees and expenses incurred by the Insured Claimant which were authorized by the Company up to the time of purchase and which the Company is obligated to pay.

In either event, the Insured shall, at the Company's option, transfer, assign, and convey the Vacation Interest to the Company upon payment and demand made hereunder.

Upon the exercise by the Company of either of the options provided for in subparagraphs (i) or (ii), all liability and obligations to the Insured under this policy, other than to make the payment required in those paragraphs, shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation, and the policy shall be surrendered to the Company for cancellation.

To Pay or otherwise Settle With Parties other than the Insured or With the Insured Claimant.

- (iii) to pay or otherwise settle with other parties for or in the name of an Insured Claimant any claim Insured against under this policy, together with any costs, attorneys' fees and expenses incurred by the Insured Claimant which were authorized by the Company up to the time of payment and which the Company is obligated to pay; or
- (iv) to pay or otherwise settle with the Insured Claimant the Loss or Damage provided for under this policy, together with any costs, attorneys' fees and expenses incurred by the Insured Claimant which were authorized by the Company up to the time of payment and which the Company is obligated to pay.

Upon the exercise by the Company by either of the options provided for in subparagraphs (iii) or (iv), the Company's obligations to the Insured under this policy for the claimed Loss or Damage, other than the payments required to be made, shall terminate, including any liability or obligation to defend, prosecute or continue any litigation.

#### 7. Determination and Extent of Liability.

This policy is a contract of indemnity against actual monetary Loss or Damage sustained or incurred by the Insured Claimant who has suffered Loss or Damage by reason of matters Insured against by this policy and only to the extent herein described.

The liability of the Company under this policy shall not exceed the lesser of:

- (1) The amount of insurance set forth on Schedule A hereto; or
- (2) the difference between the Value of the Vacation Interest without the defect, lien, encumbrance, Adverse Claim or other matter insured against under this policy and its fair market value as subject thereto, less any amounts due any association of vacation interest owners or management company representing the same under the terms and conditions governing the Vacation Interest, and any amounts due to any lender that has provided financing for the purchase of such Vacation Interest.

#### 8. Limitation of Liability.

- a. If the Company removes the alleged defect, lien, encumbrance, Adverse Claim, or other matter in a reasonably diligent manner by any method, including litigation and the completion of any appeals therefrom, it shall have fully performed its obligations with respect to that matter and shall not be liable for any Loss or Damage caused thereby.
- b. In the event of any litigation, including litigation by the Company or with the Company's consent, the Company shall have no liability for Loss or Damage until there has been a final determination by a court of competent jurisdiction adverse to the Insured, and disposition of all appeals therefrom.
- c. The Company shall not be liable for Loss or Damage to any Insured for liability voluntarily assumed by the Insured in settling any claim or suit without the prior written consent of the Company.

#### 9. Reduction of Insurance; Reduction or Termination of Liability.

All payments under this policy, except payments made for costs, attorneys' fees and expenses, shall reduce the amount of the insurance *pro tanto*.

Payment in full or part by any person in compensation for any defect, lien, encumbrance, Adverse Claim, or other matter insured against or the voluntary abandonment or relinquishment of the Vacation Interest shall terminate all liability of the Company.

10. Liability Noncumulative.

It is expressly understood that the amount of insurance under this policy shall be reduced by any amount the Company has paid or may pay as a result of any defect, lien, encumbrance, Adverse Claim, or other matter insured against by this policy under any UCCPlus policy insuring any loan to which the Insured has agreed, assumed, or taken subject, or which may hereafter be entered into by the Insured, and any amount so paid shall be deemed a payment under this policy to the Insured.

11. Payment of Loss.

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

When liability and the extent of Loss or Damage has been definitely fixed in accordance with these Conditions and Stipulations, the Loss or Damage shall be payable within 30 days thereafter.

12. Subrogation upon Payment or Settlement.

a. The Company's Right of Subrogation.

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

The Company shall be subrogated to and be entitled to all rights and remedies which the Insured Claimant would have had against any person or property in respect to the claim had this policy not been issued. If requested by the Company, the Insured Claimant shall transfer to the Company all rights and remedies against any person or property necessary in order to perfect this right of subrogation. The Insured Claimant shall permit the Company to sue, compromise or settle in the name of the Insured Claimant and to use the name of the Insured Claimant in any transaction or litigation involving these rights or remedies. The Insured will not take any action that unreasonably impairs the Company's right of subrogation.

If a payment on account of a claim does not fully cover the Loss or Damage of the Insured Claimant, the Company shall be subrogated to all rights and remedies of the Insured Claimant after the Insured Claimant shall have recovered its Loss or Damage in full.

13. Liability Limited to this Policy; Policy Entire Contract.

This policy together with all endorsements, if any, attached hereto by the Company is the entire policy and contract between the Insured and the Company. In interpreting any provision of this policy, this policy shall be construed as a whole.

Any claim of loss or damage, whether or not based on negligence, and which arises out of the status of the Insured Security Interest covered hereby or by any action asserting such claim, shall be restricted to this policy.

No amendment of or endorsement to this policy can be made except by a writing endorsed hereon or attached hereto signed by either the President, a Vice President, the Secretary, an Assistant Secretary, or validating officer or authorized signatory of the Company.

14. Severability.

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

15. Notices, Where Sent.

All notices required to be given the Company and any statement in writing required to be furnished the Company shall include the number of this policy and shall be addressed to the Company at the issuing office or to:

[Insert name, address, and contact

Information for Company]

## SCHEDULE A

### OWNER'S VACATION INTEREST POLICY

Policy No.:

Premium: \$

Amount of Insurance: \$

**Date of Policy:**

1. Exact legal name of Insured(s):
2. Principal residence of Insured(s):
3. Mailing address of Insured(s), if different:
4. Exact legal name of Transferor(s):
5. Exact name of Transferor(s) appearing on the three most recently filed federal tax returns (if different, please list all names used):
6. Transferor(s) type of legal status or entity:
7. Transferor(s) Location:
  - (a) For individuals:
    - (1) The Residence of the Transferor(s):
    - (2) During the four months prior to Date of Policy, the Transferor(s) residences have been:
  - (b) For businesses:
    - (1) The Sole Place of Business, or (if the Transferor(s) have more than one Place of Business) Chief Executive Office of the Transferor(s):
    - (2) The State or States of the Transferor(s) legal formation:
    - (3) During the four months prior to Date of Policy, Transferor(s) Sole Place of Business, or (if the Transferor(s) have more than one Place of Business) Chief Executive Office of the Transferor(s), and the State or States of the Transferor(s) legal formation, have been:
8. The Vacation Interest that is covered by this Policy is described as follows:

Equity Membership Certificate Number:

Assigned Vacation Unit Number:

Assigned Week Number:

Vacation Period Use Right:
9. The agreement(s) under which the Vacation Interest has been transferred from the Transferor(s) to the Insured are described as follows:
10. The date of closing of the transfer to the Insured:
11. The name of the individual and organization conducting such closing on behalf of the Transferor(s) are as follows:
12. Location of Equity Membership Certificate described in Item 8 above (if any):

During the four months prior to Date of Policy, the Security Certificate (if any) representing the Vacation Interest has been located in the following jurisdictions:

## Schedule B

### OWNER'S VACATION INTEREST POLICY

**Policy No:**

This Policy does not cover against loss or damage (and the Company will not pay costs, attorneys' fees or expenses) which arise by reason of: