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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 28, 2014

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ________ to ________

Commission file number 001-35219

Marriott Vacations Worldwide Corporation
(Exact name of registrant as specified in its charter)

Delaware **(State or other jurisdiction of incorporation or organization)**	**45-2598330** **(I.R.S. Employer Identification No.)**
6649 Westwood Blvd. **Orlando, FL** **(Address of principal executive offices)**	**32821** **(Zip Code)**

(407) 206-6000
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The number of shares outstanding of the issuer's common stock, par value $0.01 per share, as of April 22, 2014 was 34,442,172.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

MARRIOTT VACATIONS WORLDWIDE CORPORATION
INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS
(In millions, except per share amounts)
(Unaudited)

	Twelve Weeks Ended	
	March 28, 2014	March 22, 2013
REVENUES		
Sale of vacation ownership products	$ 145	$ 141
Resort management and other services	60	59
Financing	31	33
Rental	64	63
Other	2	3
Cost reimbursements	100	91
TOTAL REVENUES	402	390
EXPENSES		
Cost of vacation ownership products	47	44
Marketing and sales	71	74
Resort management and other services	42	43
Financing	5	5
Rental	57	56
Other	2	3
General and administrative	22	21
Litigation settlement	—	(1)
Organizational and separation related	1	1
Consumer financing interest	7	8
Royalty fee	13	13
Cost reimbursements	100	91
TOTAL EXPENSES	367	358
Gains and other income	1	1
Interest expense	(2)	(3)
Impairment charges on equity investment	(2)	—
INCOME BEFORE INCOME TAXES	32	30
Provision for income taxes	(13)	(11)
NET INCOME	$ 19	$ 19
Basic earnings per share	$ 0.55	$ 0.53
Shares used in computing basic earnings per share	34.9	35.2
Diluted earnings per share	$ 0.54	$ 0.51
Shares used in computing diluted earnings per share	35.9	36.6

See Notes to Interim Consolidated Financial Statements

MARRIOTT VACATIONS WORLDWIDE CORPORATION
INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In millions)
(Unaudited)

	Twelve Weeks Ended	
	March 28, 2014	March 22, 2013
Net income	$ 19	$ 19
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustments	—	(1)
Total other comprehensive income (loss), net of tax	—	(1)
COMPREHENSIVE INCOME	$ 19	$ 18

See Notes to the Interim Consolidated Financial Statements

MARRIOTT VACATIONS WORLDWIDE CORPORATION
INTERIM CONSOLIDATED BALANCE SHEETS
(In millions, except share and per share amounts)

	(Unaudited) March 28, 2014	January 3, 2014
ASSETS		
Cash and cash equivalents	$ 159	$ 200
Restricted cash (including $27 and $34 from VIEs, respectively)	74	86
Accounts and contracts receivable, net (including $4 and $5 from VIEs, respectively)	130	109
Vacation ownership notes receivable, net (including $642 and $719 from VIEs, respectively)	936	970
Inventory	850	870
Property and equipment	229	254
Other	141	143
Total Assets	$ 2,519	$ 2,632
LIABILITIES AND EQUITY		
Accounts payable	$ 86	$ 129
Advance deposits	53	48
Accrued liabilities (including $1 and $1 from VIEs, respectively)	210	185
Deferred revenue	16	19
Payroll and benefits liability	66	82
Liability for Marriott Rewards customer loyalty program	107	114
Deferred compensation liability	38	37
Mandatorily redeemable preferred stock of consolidated subsidiary	40	40
Debt (including $593 and $674 from VIEs, respectively)	597	678
Other	57	31
Deferred taxes	61	60
Total Liabilities	1,331	1,423
Contingencies and Commitments (Note 8)		
Preferred stock — $.01 par value; 2,000,000 shares authorized; none issued or outstanding	—	—
Common stock — $.01 par value; 100,000,000 shares authorized; 35,827,949 and 35,637,765 shares issued, respectively	—	—
Treasury stock — at cost; 1,239,164 and 505,023 shares, respectively	(63)	(26)
Additional paid-in capital	1,127	1,130
Accumulated other comprehensive income	23	23
Retained earnings	101	82
Total Equity	1,188	1,209
Total Liabilities and Equity	$ 2,519	$ 2,632

The abbreviation VIEs above means Variable Interest Entities.

See Notes to Interim Consolidated Financial Statements

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MARRIOTT VACATIONS WORLDWIDE CORPORATION
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)
(Unaudited)

	Twelve Weeks Ended	
	March 28, 2014	March 22, 2013
OPERATING ACTIVITIES		
Net income	$ 19	$ 19
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	4	6
Amortization of debt issuance costs	1	1
Provision for loan losses	7	9
Share-based compensation	2	2
Deferred income taxes	(2)	(1)
Gain on disposal of property and equipment, net	(1)	(1)
Impairment charges on equity investment	2	—
Net change in assets and liabilities:		
Accounts and contracts receivable	(25)	(11)
Notes receivable originations	(45)	(44)
Notes receivable collections	71	74
Inventory	20	10
Other assets	2	(16)
Accounts payable, advance deposits and accrued liabilities	(9)	(36)
Liability for Marriott Rewards customer loyalty program	(7)	(12)
Deferred revenue	(3)	(10)
Payroll and benefit liabilities	(16)	(15)
Deferred compensation liability	1	(8)
Other liabilities	27	22
Net cash provided by (used in) operating activities	48	(11)
INVESTING ACTIVITIES		
Capital expenditures for property and equipment (excluding inventory)	(1)	(3)
Decrease in restricted cash	12	22
Dispositions	22	3
Net cash provided by investing activities	33	22
FINANCING ACTIVITIES		
Borrowings from securitization transactions	—	111
Repayment of debt related to securitization transactions	(81)	(103)
Borrowings on Revolving Corporate Credit Facility	—	25
Repayments on Revolving Corporate Credit Facility	—	(25)
Purchase of treasury stock	(37)	—
Proceeds from stock option exercises	—	1
Payment of withholding taxes on vesting of restricted stock units	(4)	(4)
Net cash (used in) provided by financing activities	(122)	5
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(41)	16
CASH AND CASH EQUIVALENTS, beginning of period	200	103
CASH AND CASH EQUIVALENTS, end of period	$ 159	$ 119
SUPPLEMENTAL DISCLOSURES OF NON-CASH FINANCING ACTIVITIES		
Non-cash reduction of Additional paid-in capital for decrease in Deferred tax liabilities distributed to Marriott Vacations Worldwide at Spin-Off	$ (1)	$ —

See Notes to Interim Consolidated Financial Statements

MARRIOTT VACATIONS WORLDWIDE CORPORATION
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Our Business

Marriott Vacations Worldwide Corporation ("Marriott Vacations Worldwide," "we" or "us," which includes our consolidated subsidiaries except where the context of the reference is to a single corporate entity) is the exclusive worldwide developer, marketer, seller and manager of vacation ownership and related products under the Marriott Vacation Club and Grand Residences by Marriott brands. We are also the exclusive worldwide developer, marketer and seller of vacation ownership and related products under The Ritz-Carlton Destination Club brand, and we have the non-exclusive right to develop, market and sell whole ownership residential products under The Ritz-Carlton Residences brand. The Ritz-Carlton Hotel Company, L.L.C. ("The Ritz-Carlton Hotel Company"), a subsidiary of Marriott International, Inc. ("Marriott International"), generally provides on-site management for Ritz-Carlton branded properties.

Our business is grouped into three reportable segments: North America, Europe and Asia Pacific. As of March 28, 2014, we operated 62 properties in the United States and nine other countries and territories. We generate most of our revenues from four primary sources: selling vacation ownership products; managing our resorts; financing consumer purchases; and renting vacation ownership inventory.

Our Spin-Off from Marriott International, Inc.

On November 21, 2011, the spin-off of Marriott Vacations Worldwide from Marriott International (the "Spin-Off") was completed. As a result of the Spin-Off, we became an independent public company, and our common stock is listed on the New York Stock Exchange under the symbol "VAC." Following the Spin-Off, we and Marriott International have operated independently, and neither company has any ownership interest in the other.

Principles of Consolidation and Basis of Presentation

The interim consolidated financial statements presented herein and discussed below include 100 percent of the assets, liabilities, revenues, expenses and cash flows of Marriott Vacations Worldwide, all entities in which Marriott Vacations Worldwide has a controlling voting interest ("subsidiaries"), and those variable interest entities for which Marriott Vacations Worldwide is the primary beneficiary in accordance with consolidation accounting guidance. Intercompany accounts and transactions between consolidated companies have been eliminated in consolidation. The interim consolidated financial statements reflect our financial position, results of operations and cash flows as prepared in conformity with United States Generally Accepted Accounting Principles ("GAAP").

In order to make this report easier to read, we refer throughout to (i) our Interim Consolidated Financial Statements as our "Financial Statements," (ii) our Interim Consolidated Statements of Operations as our "Statements of Operations," (iii) our Interim Consolidated Balance Sheets as our "Balance Sheets," and (iv) our Interim Consolidated Statements of Cash Flows as our "Cash Flows." In addition, references throughout to numbered "Footnotes" refer to the numbered Notes in these Notes to Interim Consolidated Financial Statements, unless otherwise noted.

Unless otherwise specified, each reference to a particular quarter in these Financial Statements means the twelve weeks ended on the date shown in the following table, rather than the corresponding calendar quarter:

Fiscal Year	Quarter-End Date
2014 First Quarter	March 28, 2014
2013 First Quarter	March 22, 2013

In our opinion, our Financial Statements reflect all normal and recurring adjustments necessary to present fairly our financial position and the results of our operations and cash flows for the periods presented. Interim results may not be indicative of fiscal year performance because of, among other reasons, seasonal and short-term variations.

These Financial Statements have not been audited. We have condensed or omitted certain information and footnote disclosures normally included in financial statements presented in accordance with GAAP. Although we believe our footnote disclosures are adequate to make the information presented not misleading, you should read these Financial Statements in conjunction with the consolidated financial statements and notes to those consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended January 3, 2014.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Such estimates include, but are not limited to, revenue recognition, cost of vacation ownership products, inventory valuation, property and equipment valuation, loan loss reserves, Marriott Rewards customer loyalty program liability, self-insured medical plan reserves, equity-based compensation, income taxes, loss contingencies and exit and disposal activities reserves. Accordingly, actual amounts may differ from these estimated amounts.

We have reclassified certain prior year amounts to conform to our 2014 presentation.

New Accounting Standards

Accounting Standards Update No. 2013-11 – "*Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists*" ("ASU No. 2013-11")

ASU No. 2013-11, which we adopted in the first quarter of 2014, provides financial statement presentation guidance on whether an unrecognized tax benefit must be presented as either a reduction to a deferred tax asset or separately as a liability. Our adoption of this update did not have a material impact on our Financial Statements.

Accounting Standards Update No. 2014-08 – "*Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*" ("ASU No. 2014-08")

ASU No. 2014-08, which we adopted in the first quarter of 2014, raises the threshold for a disposal to qualify as a discontinued operation and requires new disclosures of both discontinued operations and certain other disposals that do not meet the definition of a discontinued operation. ASU No. 2014-08 is effective for annual periods beginning after December 15, 2014, and interim periods within annual periods beginning on or after December 15, 2015, with early adoption permitted. Our adoption of this update did not have a material impact on our Financial Statements.

2. INCOME TAXES

We file U.S. consolidated federal and state tax returns, as well as separate tax filings for non-U.S. jurisdictions. We entered into a Tax Sharing and Indemnification Agreement with Marriott International, effective November 21, 2011 (as subsequently amended, the "Tax Sharing and Indemnification Agreement"), which governs the allocation of responsibility for federal, state, local and foreign income and other taxes related to taxable periods prior to and subsequent to the Spin-Off between Marriott International and Marriott Vacations Worldwide. Under this agreement, if any part of the Spin-Off fails to qualify for the tax treatment stated in the ruling Marriott International received from the U.S. Internal Revenue Service (the "IRS") in connection with the Spin-Off, taxes imposed will be allocated between Marriott International and Marriott Vacations Worldwide as set forth in the agreement, and each will indemnify and hold harmless the other from and against the taxes so allocated. During the first quarter of 2014 we increased our Deferred tax liabilities by $1 million for adjustments to the Deferred tax liabilities at the time of the Spin-Off with a corresponding reduction to Additional paid-in-capital.

Our total unrecognized tax benefit balance that, if recognized, would impact our effective tax rate was less than $1 million at both March 28, 2014 and January 3, 2014.

We have joined in the Marriott International U.S. Federal tax consolidated filing for periods up to the date of the Spin-Off. The IRS has examined Marriott International's federal income tax returns, and it has settled all issues related to the timeshare business for the tax years through the Spin-Off. Although we do not anticipate that a significant impact to our unrecognized tax benefit balance will occur during the next fiscal year as a result of audits by other tax jurisdictions, the amount of our liability for unrecognized tax benefits could change as a result of these audits. Pursuant to the Tax Sharing and Indemnification Agreement, Marriott International is liable and shall pay the relevant tax authority for all taxes related to our taxable income prior to the Spin-Off. Our tax years subsequent to the Spin-Off are subject to examination by relevant tax authorities.

3. VACATION OWNERSHIP NOTES RECEIVABLE

The following table shows the composition of our vacation ownership notes receivable balances, net of reserves:

($ in millions)	**March 28, 2014**	**January 3, 2014**
Vacation ownership notes receivable — securitized	$ 642	$ 719
Vacation ownership notes receivable — non-securitized		
Eligible for securitization (1)	136	73
Not eligible for securitization (1)	158	178
Subtotal	294	251
Total vacation ownership notes receivable	$ 936	$ 970

(1) Refer to Footnote No. 4, "Financial Instruments," for discussion of eligibility of our vacation ownership notes receivable.

The following tables show future principal payments, net of reserves, as well as interest rates for our securitized and non-securitized vacation ownership notes receivable:

($ in millions)	Non-Securitized Vacation Ownership Notes Receivable	Securitized Vacation Ownership Notes Receivable	Total
2014	$ 55	$ 72	$ 127
2015	45	97	142
2016	37	94	131
2017	26	91	117
2018	23	74	97
Thereafter	108	214	322
Balance at March 28, 2014	$ 294	$ 642	$ 936
Weighted average stated interest rate at March 28, 2014	11.9%	12.9%	12.5%
Range of stated interest rates at March 28, 2014	0.0% to 19.5%	4.9% to 18.7%	0.0% to 19.5%

We reflect interest income associated with vacation ownership notes receivable on our Statements of Operations in the Financing revenues caption. The following table summarizes interest income associated with vacation ownership notes receivable:

($ in millions)	Twelve Weeks Ended March 28, 2014	Twelve Weeks Ended March 22, 2013
Interest income associated with vacation ownership notes receivable — securitized	$ 22	$ 24
Interest income associated with vacation ownership notes receivable — non-securitized	7	8
Total interest income associated with vacation ownership notes receivable	$ 29	$ 32

We record an estimate of expected uncollectibility on all notes receivable from vacation ownership purchasers as a reduction of revenues from the sale of vacation ownership products at the time we recognize profit on a vacation ownership product sale. We fully reserve for all defaulted vacation ownership notes receivable in addition to recording a reserve on the estimated uncollectible portion of the remaining vacation ownership notes receivable. For those vacation ownership notes receivable that are not in default, we assess collectibility based on pools of vacation ownership notes receivable because we hold large numbers of homogeneous vacation ownership notes receivable. We use the same criteria to estimate uncollectibility for non-securitized vacation ownership notes receivable and securitized vacation ownership notes receivable because they perform similarly. We estimate uncollectibility for each pool based on historical activity for similar vacation ownership notes receivable.

The following table summarizes the activity related to our vacation ownership notes receivable reserve for the twelve weeks ended March 28, 2014:

($ in millions)	Non-Securitized Vacation Ownership Notes Receivable Reserve	Securitized Vacation Ownership Notes Receivable Reserve	Total
Balance at January 3, 2014	$ 82	$ 52	$ 134
Provision for loan losses	3	4	7
Clean-up calls (1)	2	(2)	—
Write-offs	(9)	—	(9)
Defaulted vacation ownership notes receivable repurchase activity (2)	7	(7)	—
Balance at March 28, 2014	$ 85	$ 47	$ 132

(1) Refers to our voluntary repurchase of previously securitized non-defaulted vacation ownership notes receivable to retire outstanding vacation ownership notes receivable securitizations.

(2) Decrease in securitized vacation ownership notes receivable reserve and increase in non-securitized vacation ownership notes receivable reserve was attributable to the transfer of the reserve when we voluntarily repurchased the securitized vacation ownership notes receivable.

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Although we consider loans to owners to be past due if we do not receive payment within 30 days of the due date, we suspend accrual of interest only on those loans that are over 90 days past due. We consider loans over 150 days past due to be in default. We apply payments we receive for vacation ownership notes receivable on non-accrual status first to interest, then to principal and any remainder to fees. We resume accruing interest when vacation ownership notes receivable are less than 90 days past due. We do not accept payments for vacation ownership notes receivable during the foreclosure process unless the amount is sufficient to pay all past due principal, interest, fees and penalties owed and fully reinstate the note. We write off uncollectible vacation ownership notes receivable against the reserve once we receive title of the vacation ownership products through the foreclosure or deed-in-lieu process or, in Europe or Asia Pacific, when revocation is complete. For both non-securitized and securitized vacation ownership notes receivable, we estimated average remaining default rates of 7.01 percent and 7.13 percent as of March 28, 2014 and January 3, 2014, respectively. A 0.5 percentage point increase in the estimated default rate would have resulted in an increase in our allowance for loan losses of $5 million as of both March 28, 2014 and January 3, 2014.

The following table shows our recorded investment in non-accrual vacation ownership notes receivable, which are vacation ownership notes receivable that are 90 days or more past due:

($ in millions)	Non-Securitized Vacation Ownership Notes Receivable	Securitized Vacation Ownership Notes Receivable	Total
Investment in vacation ownership notes receivable on non-accrual status at March 28, 2014	$ 66	$ 10	$ 76
Investment in vacation ownership notes receivable on non-accrual status at January 3, 2014	$ 69	$ 8	$ 77
Average investment in vacation ownership notes receivable on non-accrual status during the twelve weeks ended March 28, 2014	$ 68	$ 9	$ 77
Average investment in vacation ownership notes receivable on non-accrual status during the twelve weeks ended March 22, 2013	$ 74	$ 10	$ 84

The following table shows the aging of the recorded investment in principal, before reserves, in vacation ownership notes receivable as of March 28, 2014:

($ in millions)	Non-Securitized Vacation Ownership Notes Receivable	Securitized Vacation Ownership Notes Receivable	Total
31 – 90 days past due	$ 13	$ 17	$ 30
91 – 150 days past due	6	8	14
Greater than 150 days past due	60	2	62
Total past due	79	27	106
Current	300	662	962
Total vacation ownership notes receivable	$ 379	$ 689	$ 1,068

The following table shows the aging of the recorded investment in principal, before reserves, in vacation ownership notes receivable as of January 3, 2014:

($ in millions)	Non-Securitized Vacation Ownership Notes Receivable	Securitized Vacation Ownership Notes Receivable	Total
31 – 90 days past due	$ 12	$ 22	$ 34
91 – 150 days past due	7	8	15
Greater than 150 days past due	62	—	62
Total past due	81	30	111
Current	252	741	993
Total vacation ownership notes receivable	$ 333	$ 771	$ 1,104

4. FINANCIAL INSTRUMENTS

The following table shows the carrying values and the estimated fair values of financial assets and liabilities that qualify as financial instruments, determined in accordance with the guidance for disclosures regarding the fair value of financial instruments. Considerable judgment is required in interpreting market data to develop estimates of fair value. The use of different market assumptions and/or estimation methodologies could have a material effect on the estimated fair value amounts. The table excludes Cash and cash equivalents, Restricted cash, Accounts and contracts receivable, Accounts payable and Accrued liabilities, which had fair values approximating their carrying amounts due to the short maturities and liquidity of these instruments.

($ in millions)	At March 28, 2014 Carrying Amount	At March 28, 2014 Fair Value (1)	At January 3, 2014 Carrying Amount	At January 3, 2014 Fair Value (1)
Vacation ownership notes receivable — securitized	$ 642	$ 772	$ 719	$ 865
Vacation ownership notes receivable — non-securitized	294	326	251	267
Total financial assets	$ 936	$ 1,098	$ 970	$ 1,132
Non-recourse debt associated with vacation ownership notes receivable securitizations	$ (593)	$ (611)	$ (674)	$ (695)
Other debt	(4)	(4)	(4)	(4)
Mandatorily redeemable preferred stock of consolidated subsidiary	(40)	(44)	(40)	(44)
Liability for Marriott Rewards customer loyalty program	(107)	(103)	(114)	(110)
Other liabilities	(6)	(6)	(6)	(6)
Total financial liabilities	$ (750)	$ (768)	$ (838)	$ (859)

(1) Fair value of financial instruments has been determined using Level 3 inputs.

Vacation Ownership Notes Receivable

We estimate the fair value of our securitized vacation ownership notes receivable using a discounted cash flow model. We believe this is comparable to the model that an independent third party would use in the current market. Our model uses default rates, prepayment rates, coupon rates and loan terms for our securitized vacation ownership notes receivable portfolio as key drivers of risk and relative value, that when applied in combination with pricing parameters, determine the fair value of the underlying vacation ownership notes receivable.

Due to factors that impact the general marketability of our non-securitized vacation ownership notes receivable, as well as current market conditions, we bifurcate our vacation ownership notes receivable at each balance sheet date into those eligible and not eligible for securitization using criteria applicable to current securitization transactions in the asset-backed securities (“ABS”) market. Generally, vacation ownership notes receivable are considered not eligible for securitization if any of the following attributes are present: (1) payments are greater than 30 days past due; (2) the first payment has not been received; or (3) the collateral is located in Europe or Asia. In some cases eligibility may also be determined based on the credit score of the borrower, the remaining term of the loans and other similar factors that may reflect investor demand in a securitization transaction or the cost to effectively securitize the vacation ownership notes receivable. The following table shows the bifurcation of our non-securitized vacation ownership notes receivable into those eligible and not eligible for securitization based upon the aforementioned eligibility criteria:

($ in millions)	At March 28, 2014 Carrying Amount	At March 28, 2014 Fair Value	At January 3, 2014 Carrying Amount	At January 3, 2014 Fair Value
Vacation ownership notes receivable — eligible for securitization	$ 136	$ 168	$ 73	$ 89
Vacation ownership notes receivable — not eligible for securitization	158	158	178	178
Total vacation ownership notes receivable — non-securitized	$ 294	$ 326	$ 251	$ 267

We estimate the fair value of the portion of our non-securitized vacation ownership notes receivable that we believe will ultimately be securitized in the same manner as securitized vacation ownership notes receivable. We value the remaining non-securitized vacation ownership notes receivable at their carrying value, rather than using our pricing model. We believe that the carrying value of these particular vacation ownership notes receivable approximates fair value because the stated interest rates of these loans are consistent with current market rates and the reserve for these vacation ownership notes receivable appropriately accounts for risks in default rates, prepayment rates and loan terms.

Non-Recourse Debt Associated with Securitized Vacation Ownership Notes Receivable

We generate cash flow estimates by modeling all bond tranches for our active vacation ownership notes receivable securitization transactions, with consideration for the collateral specific to each tranche. The key drivers in our analysis include default rates, prepayment rates, bond interest rates and other structural factors, which we use to estimate the projected cash flows. In order to estimate market credit spreads by rating, we obtain indicative credit spreads from investment banks that actively issue and facilitate the market for vacation ownership securities and determine an average credit spread by rating level of the different tranches. We then apply those estimated market spreads to swap rates in order to estimate an underlying discount rate for calculating the fair value of the active bonds payable.

Mandatorily Redeemable Preferred Stock of Consolidated Subsidiary

We estimate the fair value of the mandatorily redeemable preferred stock of our consolidated subsidiary using a discounted cash flow model. We believe this is comparable to the model that an independent third party would use in the current market. Our model includes an assessment of our subsidiary's credit risk and the instrument's contractual dividend rate.

Liability for Marriott Rewards Customer Loyalty Program

We determine the carrying value of the future redemption obligation of our liability for the Marriott Rewards customer loyalty program based on statistical formulas that project the timing of future redemption of Marriott Rewards Points based on historical levels, including estimates of the number of Marriott Rewards Points that will eventually be redeemed and the "breakage" for points that will never be redeemed. We estimate the fair value of the future redemption obligation by adjusting the contractual discount rate to an estimate of that of a market participant with similar nonperformance risk.

Other Liabilities

We estimate the fair value of our other liabilities that are financial instruments using expected future payments discounted at risk-adjusted rates. These liabilities represent guarantee costs and reserves and other structured payments. The carrying values of our financial instruments within Other liabilities approximate their fair values.

5. DISPOSITIONS

During the first quarter of 2014, we disposed of a golf course and adjacent undeveloped land in Orlando, Florida for $24 million in cash. As a condition of the sale, we will continue to operate the golf course until the end of the first quarter of 2015 at our own risk. We will utilize the performance of services method to record a gain of approximately $2 million over the period during which we will operate the golf course, of which $1 million is included in the Gains and other income line on the Statement of Operations for the twelve weeks ended March 28, 2014.

6. EARNINGS PER SHARE

Basic earnings per common share is calculated by dividing net income attributable to common shareholders by the weighted average number of shares of common stock outstanding during the reporting period. Treasury stock is excluded from the weighted average number of shares of common stock outstanding. Diluted earnings per common share is calculated to give effect to all potentially dilutive common shares that were outstanding during the reporting period. The dilutive effect of outstanding equity-based compensation awards is reflected in diluted earnings per common share by application of the treasury stock method using average market prices during the period.

The table below illustrates the reconciliation of the earnings and number of shares used in our calculation of basic and diluted earnings per share.

(in millions, except per share amounts)	Twelve Weeks Ended March 28, 2014 [(1)]	Twelve Weeks Ended March 22, 2013 [(2)]
Computation of Basic Earnings Per Share		
Net income	$ 19	$ 19
Weighted average shares outstanding	34.9	35.2
Basic earnings per share	$ 0.55	$ 0.53
Computation of Diluted Earnings Per Share		
Net income	$ 19	$ 19
Weighted average shares outstanding	34.9	35.2
Effect of dilutive securities		
Employee stock options and SARs	0.6	0.8
Restricted stock units	0.4	0.6
Shares for diluted earnings per share	35.9	36.6
Diluted earnings per share	$ 0.54	$ 0.51

(1) The computations of diluted earnings per share exclude approximately 291,000 shares of common stock, the maximum number of shares issuable as of March 28, 2014 upon the vesting of certain performance-based awards, because the performance conditions required for the shares subject to such awards to vest were not achieved by the end of the reporting period.

(2) The computations of diluted earnings per share exclude approximately 229,000 shares of common stock, the maximum number of shares issuable as of March 22, 2013 upon the vesting of certain performance-based awards, because the performance conditions required for the shares subject to such awards to vest were not achieved by the end of the reporting period.

In accordance with the applicable accounting guidance for calculating earnings per share, for the twelve week period ended March 28, 2014, we excluded 57,906 shares underlying stock appreciation rights ("SARs") that may be settled in shares of common stock, with an exercise price of $52.09, from our calculation of diluted earnings per share because this exercise price was greater than the average market price for the applicable period.

For the twelve week period ended March 22, 2013, we have not excluded any shares underlying stock options or SARs that may be settled in shares of common stock from our calculation of diluted earnings per share as no exercise prices were greater than the average market prices for the applicable period.

7. INVENTORY

The following table shows the composition of our inventory balances:

($ in millions)	At March 28, 2014	At January 3, 2014
Finished goods (1)	$ 379	$ 369
Work-in-progress	124	151
Land and infrastructure (2)	341	344
Real estate inventory	844	864
Operating supplies and retail inventory	6	6
	$ 850	$ 870

(1) Represents completed inventory that is either registered for sale as vacation ownership interests, or unregistered and available for sale in its current form.

(2) Includes sales centers to be converted into vacation ownership products to be sold in the future.

We value vacation ownership and residential products at the lower of cost or fair market value less costs to sell, in accordance with applicable accounting guidance, and we record operating supplies at the lower of cost (using the first-in, first-out method) or market value.

8. CONTINGENCIES AND COMMITMENTS

Guarantees

We have historically issued guarantees to certain lenders in connection with the provision of third-party financing for our sale of vacation ownership products for the North America and Asia Pacific segments. The terms of these guarantees generally require us to fund if the purchaser fails to pay under the term of its note payable. Prior to the Spin-Off, Marriott International guaranteed our performance under these arrangements, and following the Spin-Off continues to hold a standby letter of credit related to the Asia Pacific segment guarantee. If Marriott International is required to fund any draws by lenders under this letter of credit it would seek recourse from us. Marriott International no longer guarantees our performance with respect to third-party financing for sales of products in the North America segment. We are entitled to recover any funding to third-party lenders related to these guarantees through reacquisition and resale of the vacation ownership product. Our commitments under these guarantees expire as notes mature or are repaid. The terms of the underlying notes extend to 2022.

The following table shows the maximum potential amount of future fundings for financing guarantees where we are the primary obligor and the carrying amount of the liability for expected future fundings.

($ in millions)	Maximum Potential Amount of Future Fundings At March 28, 2014	Liability for Expected Future Fundings At March 28, 2014
Segment		
Asia Pacific	$ 11	$ —
North America	3	—
Total guarantees where we are the primary obligor	$ 14	$ —

We included our liability of less than $1 million for expected future fundings for guarantees on our Balance Sheet at March 28, 2014 in the Other caption within Liabilities.

Commitments and Letters of Credit

In addition to the guarantees we describe in the preceding paragraphs, as of March 28, 2014, we had the following commitments outstanding:

- We have various contracts for the use of information technology hardware and software that we use in the normal course of business. Our commitments under these contracts were $42 million, of which we expect $9 million, $13 million, $7 million, $5 million, $2 million and $6 million will be paid in 2014, 2015, 2016, 2017, 2018 and thereafter, respectively.
- Commitments to subsidize vacation ownership associations were $5 million, which we expect will be paid in 2014.

Surety bonds issued as of March 28, 2014 totaled $81 million, the majority of which were requested by federal, state or local governments related to our operations.

Prior to the Spin-Off, Marriott International also guaranteed our performance using letters of credit under certain agreements necessary to operate our Europe segment. Following the Spin-Off, Marriott International continues to hold less than $1 million of standby letters of credit related to these guarantees. If Marriott International is required to fund any draws under these letters of credit it would seek recourse from us.

Additionally, as of March 28, 2014, we had $3 million of letters of credit outstanding under our $200 million revolving credit facility (the "Revolving Corporate Credit Facility").

Loss Contingencies

In 2012, we agreed to settle two lawsuits in which certain of our subsidiaries were defendants. The plaintiffs in the lawsuits, residential unit owners at The Ritz-Carlton Club and Residences, San Francisco (the "RCC San Francisco"), a project within our North America segment, questioned the adequacy of disclosures made prior to 2008, when our business was part of Marriott International, regarding bonds issued for that project under California's Mello-Roos Community Facilities Act of 1982 (the "Mello-Roos Act") and their payment obligations with respect to such bonds. In 2013, we agreed to settle a third lawsuit in which another residential unit owner at the RCC San Francisco had asserted similar claims. As a result of these settlements, in 2013 we reversed $1 million of the $41 million previously recognized expense recorded in 2012 in connection with these matters. An additional lawsuit was filed against us in June 2013 primarily related to disclosure provided to a purchaser of a residential unit at the RCC San Francisco. We dispute the material allegations in the complaint and intend to defend against this action vigorously. Given the early stages of the action and the inherent uncertainties of litigation, we cannot estimate a range of the potential liability, if any, at this time.

On December 21, 2012, Jon Benner, an owner of fractional interests in the RCC San Francisco, filed suit in Superior Court for the State of California, County of San Francisco against us and certain of our subsidiaries on behalf of a putative class consisting of all owners of fractional interests at the RCC San Francisco who allegedly did not receive proper notice of their payment obligations under the Mello-Roos Act. The plaintiff alleges that the disclosures made about bonds issued for the project under this Act and the payment obligations of fractional interest purchasers with respect to such bonds were inadequate, and this and other alleged statutory violations constitute intentional and negligent misrepresentation, fraud and fraudulent concealment. The relief sought includes damages in an unspecified amount, rescission of the purchases, restitution and disgorgement of profits. Thomas Wanless and Matthew Jenner, owners of another fractional interest at the RCC San Francisco, filed a complaint in San Francisco Superior Court on October 15, 2013, that contains similar allegations and seeks similar relief. The Wanless complaint has been consolidated with the Benner action and with a similar action previously filed by fractional interest owner Elisabeth Gani. These three lawsuits are distinct from the other lawsuits described above relating to the RCC San Francisco because the disclosure process for the sale of fractional interests differs from that applicable to the sale of whole-ownership units. We dispute the material allegations in these complaints and intend to defend against these actions vigorously. Given the early stages of these actions and the inherent uncertainties of litigation, we cannot estimate a range of the potential liability, if any, at this time.

On December 11, 2012, Steven B. Hoyt and Bradley A. Hoyt, purchasers of fractional interests in two of The Ritz-Carlton Destination Club projects, filed suit in the United States District Court for the District of Minnesota against us, certain of our subsidiaries and The Ritz-Carlton Hotel Company on behalf of a putative class consisting of all purchasers of fractional interests at The Ritz-Carlton Destination Club projects. The plaintiffs allege that program changes beginning in 2009 caused an actionable decrease in the value of the fractional interests purchased. The relief sought includes declaratory and injunctive relief, damages in an unspecified amount, rescission of the purchases, restitution, disgorgement of profits, interest and attorneys' fees. In response to our motion to dismiss the original complaint, plaintiffs filed an amended complaint. In response, we filed a renewed motion to dismiss. On February 7, 2014, the court issued an order granting that motion in part and denying it in part. We continue to dispute the material allegations remaining in the amended complaint and intend to continue to defend against this action vigorously. Given the early stages of the action and the inherent uncertainties of litigation, we cannot estimate a range of the potential liability, if any, at this time.

On January 30, 2013, Krishna and Sherrie Narayan and other owners of 12 residential units at the resort formerly known as The Ritz-Carlton Residences, Kapalua Bay ("Kapalua Bay") were granted leave by the Court to file, and subsequently did file, an amended complaint related to a suit originally filed in Circuit Court for Maui County, Hawaii in June 2012 against us, certain of our subsidiaries, Marriott International, certain of its subsidiaries, and the joint venture in which we have an equity investment that developed and marketed vacation ownership and residential products at Kapalua Bay (the "Joint Venture"). In the original complaint, the plaintiffs alleged that defendants mismanaged funds of the residential owners association (the "Kapalua Bay Association"), created a conflict of interest by permitting their employees to serve on the Kapalua Bay Association's board, and failed to disclose documents to which the plaintiffs were allegedly entitled. The amended complaint alleges breach of fiduciary duty, violations of the Hawaii Unfair and Deceptive Trade Practices Act and the Hawaii condominium statute, intentional misrepresentation and concealment, unjust enrichment and civil conspiracy. The relief sought in the amended complaint includes injunctive relief, repayment of all sums paid to us and our subsidiaries and Marriott International and its subsidiaries, compensatory and punitive damages, and treble damages under the Hawaii Unfair and Deceptive Trade Practices Act. We dispute the material allegations in the amended complaint and continue to defend against this action vigorously. On August 23, 2013, the Hawaii Intermediate Court of Appeals reversed the Maui Circuit Court's denial of our motion to compel arbitration of the claims asserted by plaintiffs. The Circuit Court subsequently granted our renewed motion to compel arbitration and referred the matter to arbitration. The Hawaii Supreme Court thereafter agreed to review the decision of the Intermediate Court of Appeals and heard oral argument in the case on April 3, 2014, but as of April 25, 2014 has taken no action to affirm or reverse that decision. Given the inherent uncertainties of litigation, we cannot estimate a range of the potential liability, if any, at this time.

In the fourth quarter of 2013, we reached an agreement with several parties involved in Kapalua Bay, including the foreclosure purchasers of the unsold interests in the project, other entities that have equity investments in the Joint Venture, the Kapalua Bay Association, and the Kapalua Bay Vacation Owners Association (the fractional owners' association), to mutually settle pending and threatened claims relating to the project (the "Kapalua Bay Settlement"). In connection with the Kapalua Bay Settlement, owners of 132 of the 177 developer-sold fractional interests (including owners of two fractional interests who were plaintiffs in the Charles action described below) provided full releases to us and other parties associated with the project. In addition, one residential owner provided a full release to us and other parties associated with the project. As a result, we recorded a charge of $8 million in 2013, which was partially offset by $7 million of income recorded for partial repayment of our previously fully reserved receivables due from the Joint Venture. Both were included in Impairment charges on equity investment on the consolidated statement of operations for the year ended January 3, 2014.

On June 19, 2013, Earl C. and Patricia A. Charles, owners of a fractional interest at Kapalua Bay, together with owners of 38 other fractional interests at Kapalua Bay, filed an amended complaint in the Circuit Court of the Second Circuit for the State of Hawaii against us, certain of our subsidiaries, Marriott International, certain of its subsidiaries, the Joint Venture, and other entities that have equity investments in the Joint Venture. The amended complaint supersedes a prior complaint that was not served on any defendant. The plaintiffs allege that the defendants failed to disclose the financial condition of the Joint Venture and the commitment of the defendants to the Joint Venture, and that defendants' actions constituted fraud and violated the Hawaii Unfair and Deceptive Trade

Practices Act, the Hawaii Condominium Property Act and the Hawaii Time Sharing Plans statute. The relief sought includes compensatory and punitive damages, attorneys' fees, pre-judgment interest, declaratory relief, rescission and treble damages under the Hawaii Unfair and Deceptive Trade Practices Act. The complaint was subsequently further amended to add owners of two additional fractional interests as plaintiffs. The Circuit Court granted our motion to compel arbitration of the claims asserted by the plaintiffs, and the parties subsequently agreed to attempt to settle the litigation through mediation. We dispute the material allegations in the amended complaint and intend to defend against this action vigorously if the mediation does not result in a settlement. Given the early stages of the action and the inherent uncertainties of litigation, we cannot estimate a range of the potential liability, if any, at this time. Additionally, owners of two fractional interests have since agreed to release their claims in this action in connection with the Kapalua Bay Settlement described above.

On June 28, 2013, owners of 35 residences and lots at The Abaco Club on Winding Bay ("The Abaco Club") filed a complaint in Orange County, Florida Circuit Court against us, one of our subsidiaries, certain subsidiaries of Marriott International and the resort's owners' association, alleging that the defendants failed to maintain the golf course, golf clubhouse, roads, water supply system, and other facilities and equipment in a manner commensurate with a five-star luxury resort, and certain deficiencies in the quality of services provided at the resort. Plaintiffs also allege that the defendants failed to honor an obligation to extend a right of first offer to club owners in connection with plans to sell the club property. Plaintiffs allege statutory and common law claims for breach of contract, breach of fiduciary duty, and fraud and seek compensatory and punitive damages. We have filed a motion to dismiss the complaint. We dispute the material allegations in this complaint and intend to defend against this action vigorously. In April 2014, this action was abated for a period of up to five months after we entered into a non-binding letter of intent to sell the golf course, spa and clubhouse and related facilities and certain developed and undeveloped lots at The Abaco Club to an entity to be comprised of certain members of The Abaco Club, including certain of the plaintiffs, and others. Although we cannot assure that the sale will occur, if we complete a sale on terms contemplated by the letter of intent, we could incur a non-cash loss of up to $25 million, and all claims asserted against us in this matter would be dismissed with prejudice.

On March 27, 2014, Salvatore DeSantis, an owner of a one-week vacation ownership interest at Marriott's Harbour Lake, a project within our North America segment, filed a complaint in Orange County, Florida, Circuit Court against us and certain of our subsidiaries on behalf of himself and a putative class consisting of all owners of weeks-based Marriott Vacation Club vacation ownership interests on June 20, 2010, the date of the launch of our points-based product. The plaintiff alleges that the introduction of our points-based ownership product caused an actionable decrease in the value of his vacation ownership interest. The relief sought includes compensatory and exemplary damages, restitution, injunctive relief, interest and attorneys' fees pursuant to the Florida Unfair and Deceptive Trade Practices Act and common-law theories of breach of contract and breach of an implied covenant of good faith and fair dealing. The complaint was served on April 10, 2014 and our response is due April 30, 2014. We dispute the material allegations in this complaint and intend to defend against this action vigorously. Given the early stages of the action and the inherent uncertainties of litigation, we cannot estimate a range of the potential liability, if any, at this time.

Other

We estimate the cash outflow associated with completing the phases of our existing portfolio of vacation ownership projects currently under development will be approximately $39 million, of which $18 million is included within liabilities on our Balance Sheet at March 28, 2014. This estimate is based on our current development plans, which remain subject to change, and we expect the phases currently under development will be completed by 2017.

9. DEBT

The following table provides detail on our debt balances:

($ in millions)	**At March 28, 2014**	**At January 3, 2014**
Vacation ownership notes receivable securitizations, interest rates ranging from 2.2% to 7.2% (weighted average interest rate of 3.4%) (1)	$ 593	$ 674
Other	4	4
	$ 597	$ 678

(1) Interest rates are as of March 28, 2014.

See Footnote No. 13, “Variable Interest Entities,” for a discussion of the collateral for the non-recourse debt associated with the securitized vacation ownership notes receivable and our non-recourse warehouse credit facility (the “Warehouse Credit Facility”). All of our other debt was, and to the extent currently outstanding is, recourse to us but unsecured. The Warehouse Credit Facility currently terminates on September 5, 2015 and if not renewed, any amounts outstanding thereunder would become due and payable 13 months after termination, at which time all principal and interest collected with respect to the vacation ownership notes receivable held in the Warehouse Credit Facility would be redirected to the lenders to pay down the outstanding debt under the facility. We generally expect to securitize our vacation ownership notes receivable, including any vacation ownership notes receivable held in the Warehouse Credit Facility, in the ABS market once a year.

Although no cash borrowings were outstanding as of March 28, 2014 under our Revolving Corporate Credit Facility, any amounts that are borrowed under that facility, as well as obligations with respect to letters of credit issued pursuant to that facility, are secured by a perfected first priority security interest in substantially all of the assets of the borrower under, and guarantors of, that facility (which include most of our entities that are organized in the U.S.), in each case including inventory, subject to certain exceptions.

The following table shows scheduled future principal payments for our debt:

($ in millions) **Debt Principal Payments Year**	**Vacation Ownership Notes Receivable Securitizations** [1]	**Other Debt**	**Total**
2014	$ 75	$ —	$ 75
2015	99	—	99
2016	95	—	95
2017	70	—	70
2018	55	—	55
Thereafter	199	4	203
Balance at March 28, 2014	$ 593	$ 4	$ 597

(1) The debt associated with our vacation ownership notes receivable securitizations is non-recourse to us.

As the contractual terms of the underlying securitized vacation ownership notes receivable determine the maturities of the non-recourse debt associated with them, actual maturities may occur earlier than shown above due to prepayments by the vacation ownership notes receivable obligors.

We paid cash for interest, net of amounts capitalized, of $6 million in the twelve weeks ended March 28, 2014 and $10 million in the twelve weeks ended March 22, 2013.

Debt Associated with Vacation Ownership Notes Receivable Securitizations

Each of the transactions in which we have securitized vacation ownership notes receivable contains various triggers relating to the performance of the underlying vacation ownership notes receivable. If a pool of securitized vacation ownership notes receivable fails to perform within the pool’s established parameters (default or delinquency thresholds vary by transaction), transaction provisions effectively redirect the monthly excess spread we would otherwise receive from that pool (related to the interests we retained) to accelerate the principal payments to investors based on the subordination of the different tranches until the performance trigger is cured. During the twelve weeks ended March 28, 2014, and as of March 28, 2014, no pools failed to perform within the established parameters. As of March 28, 2014, we had 6 securitized vacation ownership notes receivable pools outstanding.

10. MANDATORILY REDEEMABLE PREFERRED STOCK OF CONSOLIDATED SUBSIDIARY

In October 2011, our subsidiary, MVW US Holdings, Inc. (“MVW US Holdings”) issued $40 million of its mandatorily redeemable Series A (non-voting) preferred stock to Marriott International as part of Marriott International’s internal reorganization prior to the Spin-Off. Subsequently Marriott International sold all of this preferred stock to third-party investors. For the first five years after issuance, the Series A preferred stock will pay an annual cash dividend equal to the five-year U.S. Treasury Rate as of October 19, 2011, plus a spread of 10.958 percent, for a total annual cash dividend rate of 12 percent. On the fifth anniversary of issuance, if we do not elect to redeem the preferred stock, the annual cash dividend rate will be reset to the five-year U.S. Treasury Rate in effect on such date plus the same 10.958 percent spread. The Series A preferred stock is mandatorily redeemable by MVW US Holdings upon the tenth anniversary of the date of issuance but can be redeemed at our option after five years (i.e., beginning in October 2016) at par. The Series A preferred stock has an aggregate liquidation preference of $40 million plus any accrued and unpaid dividends and an additional premium if liquidation occurs during the first five years after the issuance of the preferred stock. As of March 28, 2014, 1,000 shares of Series A preferred stock were authorized, of which 40 shares were issued and outstanding. The dividends are recorded as a component of Interest expense as the Series A preferred stock is treated as a liability for accounting purposes.

11. SHAREHOLDERS' EQUITY

Marriott Vacations Worldwide has 100,000,000 authorized shares of common stock, par value of $.01 per share. At March 28, 2014, there were 35,827,949 shares of Marriott Vacations Worldwide common stock issued, of which 34,588,785 shares were outstanding and 1,239,164 shares were held as treasury stock. At January 3, 2014, there were 35,637,765 shares of Marriott Vacations Worldwide common stock issued, of which 35,132,742 shares were outstanding and 505,023 shares were held as treasury stock.

Marriott Vacations Worldwide has 2,000,000 authorized shares of preferred stock, par value of $.01 per share, none of which were issued or outstanding as of March 28, 2014 or January 3, 2014.

The following table details changes in shareholders' equity during the twelve weeks ended March 28, 2014:

($ in millions)	Treasury Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income	Retained Earnings	Total Equity
Balance at January 3, 2014	$ (26)	$ 1,130	$ 23	$ 82	$ 1,209
Net income	—	—	—	19	19
Amounts related to share-based compensation	—	(2)	—	—	(2)
Adjustment to reclassification of Marriott International investment to Additional paid-in capital(1)	—	(1)	—	—	(1)
Repurchase of common stock	(37)	—	—	—	(37)
Balance at March 28, 2014	$ (63)	$ 1,127	$ 23	$ 101	$ 1,188

(1) Consists of an adjustment to Deferred tax liabilities for changes in the valuation of Marriott Vacations Worldwide at the time of the Spin-Off.

Stock Repurchase Program

On October 8, 2013, our Board of Directors authorized a share repurchase program under which we may purchase up to 3,500,000 shares of our common stock prior to March 28, 2015. The specific timing, amount and other terms of the repurchases will depend on market conditions, corporate and regulatory requirements and other factors. Acquired shares of our common stock are held as treasury shares carried at cost in our Financial Statements. In connection with the repurchase program, we are authorized to adopt one or more plans pursuant to the provisions of Rule 10b5-1 under the Securities Exchange Act of 1934, as amended.

The following table summarizes stock repurchase activity under our current stock repurchase program for the twelve weeks ended March 28, 2014:

($ in millions, except per share amounts)	Number of Shares Repurchased	Cost of Shares Repurchased	Average Price Paid per Share
As of January 3, 2014	505,023	$ 26	$ 50.76
For the twelve weeks ended March 28, 2014	734,141	37	50.99
As of March 28, 2014	1,239,164	$ 63	$ 50.90

As of March 28, 2014, approximately 2.3 million shares remained available for repurchase under the authorization approved by our Board of Directors.

12. SHARE-BASED COMPENSATION

A total of 6 million shares were authorized for issuance under the Marriott Vacations Worldwide Corporation Stock and Cash Incentive Plan (the "Marriott Vacations Worldwide Stock Plan"). As of March 28, 2014, approximately 2 million shares were available for grants under the Marriott Vacations Worldwide Stock Plan.

For share-based awards with service-only vesting conditions, we measure compensation expense related to share-based payment transactions with our employees and non-employee directors at fair value on the grant date. With respect to our employees, we recognize this expense on the Statements of Operations over the vesting period during which the employees provide service in exchange for the award; with respect to non-employee directors, we recognize this expense on the grant date. For share-based arrangements with performance vesting conditions, we recognize compensation expense once it is probable that the corresponding performance condition will be achieved.

We recorded share-based compensation expense related to award grants to our officers, directors and employees of $2 million for each of the twelve weeks ended March 28, 2014 and March 22, 2013. Our deferred compensation liability related to unvested awards held by our employees totaled $22 million and $13 million at March 28, 2014 and January 3, 2014, respectively.

Restricted Stock Units ("RSUs")

We granted 148,144 RSUs, exclusive of RSUs with performance vesting conditions, to our employees during the twelve weeks ended March 28, 2014. RSUs issued to our employees generally vest over four years in annual installments commencing one year after the date of grant. RSUs granted in the twelve weeks ended March 28, 2014 had a weighted average grant-date fair value of $52.09.

During the twelve weeks ended March 28, 2014, we granted RSUs with performance vesting conditions to members of management. The number of RSUs earned, if any, will be determined following the end of a three-year performance period based upon our cumulative achievement over that period of specific quantitative operating financial measures. For the RSUs with performance-based vesting criteria issued during the twelve weeks ended March 28, 2014, the maximum amount of RSUs that may vest under the performance-based RSUs is approximately 62,000.

Stock Appreciation Rights ("SARs")

We granted 57,906 SARs to members of management during the twelve weeks ended March 28, 2014. These SARs had a weighted average grant-date fair value of $27.98 and a weighted average exercise price of $52.09. SARs generally expire ten years after the date of grant and both vest and may be exercised in cumulative installments of one quarter of the grant at the end of each of the first four years following the date of grant.

We use the Black-Scholes model to estimate the fair value of the SARs granted. For SARs granted under the Marriott Vacations Worldwide Stock Plan in the twelve weeks ended March 28, 2014, the expected stock price volatility was calculated based on the historical volatility from the stock prices of a group of identified peer companies. The average expected life was calculated using the simplified method. The risk-free interest rate was calculated based on U.S. Treasury zero-coupon issues with a remaining term equal to the expected life assumed at the date of grant. The expected annual dividend per share was $0 based on our expected dividend rate.

The following table outlines the assumptions used to estimate the fair value of grants during the twelve weeks ended March 28, 2014:

Expected volatility	55.10%
Dividend yield	0.00%
Risk-free rate	1.84%
Expected term (in years)	6.25

13. VARIABLE INTEREST ENTITIES

In accordance with the applicable accounting guidance for the consolidation of variable interest entities, we analyze our variable interests, including loans, guarantees and equity investments, to determine if an entity in which we have a variable interest is a variable interest entity. Our analysis includes both quantitative and qualitative reviews. We base our quantitative analysis on the forecasted cash flows of the entity, and our qualitative analysis on our review of the design of the entity, its organizational structure including decision-making ability, and relevant financial agreements. We also use our qualitative analyses to determine if we must consolidate a variable interest entity because we are its primary beneficiary.

Variable Interest Entities Related to Our Vacation Ownership Notes Receivable Securitizations

We periodically securitize, without recourse, through bankruptcy remote special purpose entities, notes receivable originated in connection with the sale of vacation ownership products. These vacation ownership notes receivable securitizations provide funding for us and transfer the economic risks and substantially all the benefits of the loans to third parties. In a vacation ownership notes receivable securitization, various classes of debt securities issued by the special purpose entities are generally collateralized by a single tranche of transferred assets, which consist of vacation ownership notes receivable. We service the vacation ownership notes receivable. With each vacation ownership notes receivable securitization, we may retain a portion of the securities, subordinated tranches, interest-only strips, subordinated interests in accrued interest and fees on the securitized vacation ownership notes receivable or, in some cases, overcollateralization and cash reserve accounts.

We created these entities to serve as a mechanism for holding assets and related liabilities, and the entities have no equity investment at risk, making them variable interest entities. We continue to service the vacation ownership notes receivable, transfer all proceeds collected to these special purpose entities, and retain rights to receive benefits that are potentially significant to the entities. Accordingly, we concluded that we are the entities' primary beneficiary and, therefore, consolidate them.

The following table shows consolidated assets, which are collateral for the obligations of these variable interest entities, and consolidated liabilities included on our Balance Sheet at March 28, 2014:

($ in millions)	Vacation Ownership Notes Receivable Securitizations	Warehouse Credit Facility	Total
Consolidated Assets:			
Vacation ownership notes receivable, net of reserves	$ 642	$ —	$642
Interest receivable	4	—	4
Restricted cash	27	—	27
Total	$ 673	$ —	$673
Consolidated Liabilities:			
Interest payable	$ 1	$ —	$ 1
Debt	593	—	593
Total	$ 594	$ —	$594

The noncontrolling interest balance was zero. The creditors of these entities do not have general recourse to us.

The following table shows the interest income and expense recognized as a result of our involvement with these variable interest entities during the twelve weeks ended March 28, 2014:

($ in millions)	Vacation Ownership Notes Receivable Securitizations	Warehouse Credit Facility	Total
Interest income	$ 22	$ —	$ 22
Interest expense to investors	$ 5	$ —	$ 5
Debt issuance cost amortization	$ 1	$ —	$ 1

The following table shows cash flows between us and the vacation ownership notes receivable securitization variable interest entities during the twelve weeks ended March 28, 2014 and March 22, 2013:

	Twelve Weeks Ended	
($ in millions)	March 28, 2014	March 22, 2013
Cash inflows:		
Principal receipts	$ 46	$ 43
Interest receipts	22	23
Reserve release	2	—
Total	70	66
Cash outflows:		
Principal to investors	(47)	(43)
Voluntary repurchases of defaulted vacation ownership notes receivable	(7)	(7)
Voluntary clean-up call	(27)	(51)
Interest to investors	(6)	(7)
Total	(87)	(108)
Net Cash Flows	$ (17)	$ (42)

The following table shows cash flows between us and the Warehouse Credit Facility variable interest entity during the twelve weeks ended March 28, 2014 and March 22, 2013:

($ in millions)	Twelve Weeks Ended March 28, 2014	Twelve Weeks Ended March 22, 2013
Cash inflows:		
Net proceeds from vacation ownership notes receivable securitization	$ —	$ 109
Principal receipts	—	4
Interest receipts	—	1
Total	—	114
Cash outflows:		
Principal to investors	—	(2)
Total	—	(2)
Net Cash Flows	$ —	$ 112

Under the terms of our vacation ownership notes receivable securitizations, we have the right at our option to repurchase defaulted vacation ownership notes receivable at the outstanding principal balance. The transaction documents typically limit such repurchases to 15 to 20 percent of the transaction's initial vacation ownership notes receivable principal balance. Our maximum exposure to loss relating to the entities that own these vacation ownership notes receivable is the overcollateralization amount (the difference between the loan collateral balance and the balance on the outstanding vacation ownership notes receivable), plus cash reserves and any residual interest in future cash flows from collateral.

Other Variable Interest Entities

We have an equity investment in the Joint Venture, a variable interest entity that previously developed and marketed vacation ownership and residential products in Hawaii. We concluded that the Joint Venture is a variable interest entity because the equity investment at risk is not sufficient to permit it to finance its activities without additional support from other venture parties. We determined that we are not the primary beneficiary of the Joint Venture, as power to direct the activities that most significantly impact its economic performance is shared among the variable interest holders and, therefore, we do not consolidate the Joint Venture. In 2009, we fully impaired our equity investment in the Joint Venture and in certain notes receivable due from the Joint Venture. In 2010, the continued application of equity losses to our investment in the remaining outstanding notes receivable balance reduced its carrying value to zero. In addition, the Joint Venture was unable to pay promissory notes that matured on December 31, 2010 and August 1, 2011. Subsequently, the lenders issued a notice of default to the Joint Venture. The lenders initiated foreclosure proceedings with respect to unsold interests in the project. A foreclosure auction was held and, on January 31, 2013, a bid was accepted and confirmed. The sale was completed, and on June 13, 2013, we received $7 million of cash as a partial repayment of our previously fully reserved receivables due from the Joint Venture. As a result of the Kapalua Bay Settlement discussed in Footnote No. 8, "Contingencies and Commitments," the Joint Venture's obligations with respect to the remaining receivables were terminated.

We gave notice of breach or termination of various agreements, including management agreements with the owners' associations at the project, marketing and sales agreements with the Joint Venture, and other agreements pursuant to which we provided services to the Joint Venture and, as we were unable to reach agreement with the owners' associations with respect to our continued provision of services, termination of these agreements was effective on December 31, 2012. During the first quarter of 2014, we recorded a $2 million charge to increase our accrual for remaining costs expected to be incurred relating to our interests in the Joint Venture. At March 28, 2014, we have an accrual of $10 million for potential future funding obligations, representing our remaining expected exposure to loss related to our involvement with the Joint Venture exclusive of any future costs that may be incurred pursuant to outstanding litigation matters, including those discussed in Footnote No. 8, "Contingencies and Commitments."

14. ORGANIZATIONAL AND SEPARATION RELATED CHARGES

Subsequent to the Spin-Off, Marriott International continued to provide us with certain information technology, payroll, human resources and other administrative services pursuant to transition services agreements, most of which we had ceased using as of the end of 2013. In connection with our continued organizational and separation related activities, we have incurred certain expenses to complete our separation from Marriott International. These costs primarily relate to establishing our own information technology systems and services, independent payroll and accounts payable functions and reorganizing existing human resources, information technology and related finance and accounting organizations to support our stand-alone public company needs. We expect these efforts to be substantially completed in 2014. Organizational and separation related charges as reflected on our Statements of Operations, were $1 million for both the twelve weeks ended March 28, 2014 and March 22, 2013. In addition, less than $1 million and $1 million of additional separation related charges were capitalized to Property and equipment on our Balance Sheets during the twelve weeks ended March 28, 2014 and March 22, 2013, respectively.

15. BUSINESS SEGMENTS

We define our reportable segments based on the way in which the chief operating decision maker, currently our chief executive officer, manages the operations of the company for purposes of allocating resources and assessing performance. We operate in three reportable business segments:

- In our North America segment, we develop, market, sell and manage vacation ownership and related products under the Marriott Vacation Club and Grand Residences by Marriott brands. We also develop, market and sell vacation ownership and related products under The Ritz-Carlton Destination Club brand, as well as whole ownership residential products under The Ritz-Carlton Residences brand.
- In our Europe segment, we develop, market, sell and manage vacation ownership products in several locations in Europe. We are focusing on selling our existing projects and managing existing resorts. We do not have any current plans for new development in this segment.
- In our Asia Pacific segment, we develop, market, sell and manage the Marriott Vacation Club, Asia Pacific, a right-to-use points program that we specifically designed to appeal to the vacation preferences of the Asian market, as well as a weeks-based right-to-use product.

We evaluate the performance of our segments based primarily on the results of the segment without allocating corporate expenses or income taxes. We do not allocate corporate interest expense, consumer financing interest expense, other financing expenses or general and administrative expenses to our segments. We include interest income specific to segment activities within the appropriate segment. We allocate other gains and losses and equity in earnings or losses from our joint ventures to each of our segments as appropriate. Corporate and other represents that portion of our revenues, equity in earnings or losses, and other gains or losses that are not allocable to our segments.

Revenues

	Twelve Weeks Ended	
($ in millions)	March 28, 2014	March 22, 2013
North America	$ 366	$ 353
Europe	23	22
Asia Pacific	13	15
Total segment revenues	402	390
Corporate and other	—	—
	$ 402	$ 390

Net Income

	Twelve Weeks Ended	
($ in millions)	March 28, 2014	March 22, 2013
North America	$ 80	$ 78
Europe	1	1
Asia Pacific	1	3
Total segment financial results	82	82
Corporate and other	(50)	(52)
Provision for income taxes	(13)	(11)
	$ 19	$ 19

Assets

($ in millions)	At March 28, 2014	At January 3, 2014
North America	$ 2,082	$ 2,125
Europe	103	103
Asia Pacific	80	84
Total segment assets	2,265	2,312
Corporate and other	254	320
	$ 2,519	$ 2,632

16. SUBSEQUENT EVENT

Subsequent to March 28, 2014 , we entered into a purchase and sale agreement to dispose of undeveloped and partially developed land, an operating golf course and related assets, in Kauai, Hawaii for $60 million in cash. The transaction contemplated by the purchase and sale agreement is subject to a number of closing conditions, and we cannot assure that the transaction will be completed in a timely manner, or at all. If the transaction is completed as contemplated in the purchase and sale agreement, we will account for the sale under the full accrual method in accordance with the guidance on accounting for sales of real estate.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

We make forward-looking statements in Management's Discussion and Analysis of Financial Condition and Results of Operations and elsewhere in this Quarterly Report on Form 10-Q based on our management's beliefs and assumptions and on information currently available to our management. Forward-looking statements include, among other things, the information concerning our possible or assumed future results of operations, business strategies, financing plans, competitive position, potential growth opportunities, potential operating performance improvements, and the effects of competition. Forward-looking statements include all statements that are not historical facts and can be identified by the use of forward-looking terminology such as the words "believe," "expect," "plan," "intend," "anticipate," "estimate," "predict," "potential," "continue," "may," "might," "should," "could" or the negative of these terms or similar expressions.

Forward-looking statements involve risks, uncertainties and assumptions. Actual results may differ materially from those expressed in these forward-looking statements. You should not put undue reliance on any forward-looking statements in this Quarterly Report. We do not have any intention or obligation to update forward-looking statements after the date of this Quarterly Report on Form 10-Q, except as required by law.

The risk factors discussed in "Risk Factors" in our most recent Annual Report on Form 10-K could cause our results to differ materially from those expressed in forward-looking statements. There may be other risks and uncertainties that we cannot predict at this time or that we currently do not expect will have a material adverse effect on our financial position, results of operations or cash flows. Any such risks could cause our results to differ materially from those we express in forward-looking statements.

Our Financial Statements (as defined below), which we discuss below, reflect our historical financial condition, results of operations and cash flows. The financial information discussed below and included in this Quarterly Report on Form 10-Q may not necessarily reflect what our financial condition, results of operations or cash flows may be in the future. In order to make this report easier to read, we refer to (i) our Interim Consolidated Financial Statements as our "Financial Statements," (ii) our Interim Consolidated Statements of Operations as our "Statements of Operations," (iii) our Interim Consolidated Balance Sheets as our "Balance Sheets," and (iv) our Interim Consolidated Statements of Cash Flows as our "Cash Flows." In addition, references throughout to numbered "Footnotes" refer to the numbered Notes to our Financial Statements that we include in the Financial Statements section of this Quarterly Report on Form 10-Q.

The Spin-Off

On November 21, 2011, Marriott International, Inc. ("Marriott International") completed the spin-off of its vacation ownership division (the "Spin-Off"). As a result of the Spin-Off, we are an independent public company, and our common stock is listed on the New York Stock Exchange under the symbol "VAC." Following the Spin-Off, we and Marriott International have operated independently, and neither company has any ownership interest in the other.

Organizational and Separation Related Efforts

Subsequent to the Spin-Off, Marriott International continued to provide us with certain information technology, payroll, human resources and other administrative services pursuant to transition services agreements, most of which we had ceased using as of the end of 2013. In connection with our continued organizational and separation related activities, we have incurred certain expenses to complete our separation from Marriott International. These costs primarily relate to establishing our own information technology systems and services, independent payroll and accounts payable functions and reorganizing existing human resources, information technology, and related finance and accounting organizations to support our stand-alone public company needs. We expect these efforts to be substantially completed in 2014.

Organizational and separation related charges as reflected on our Statements of Operations, were $1 million for both the twelve weeks ended March 28, 2014 and March 22, 2013. In addition, less than $1 million and $1 million of separation related charges were capitalized to Property and equipment on our Balance Sheets during the twelve weeks ended March 28, 2014 and March 22, 2013, respectively.

We expect to incur an additional $5 million to $7 million in connection with these organizational and separation related efforts in 2014, of which we expect approximately $4 million to be capitalized and amortized over the useful lives of the assets. Once completed, we expect these efforts will generate approximately $15 million to $20 million of annualized savings. In addition to the $10 million of annualized savings achieved through the end of 2013, $1 million of incremental savings are reflected in our financial results for the twelve weeks ended March 28, 2014.

Business Overview

We are the exclusive worldwide developer, marketer, seller and manager of vacation ownership and related products under the Marriott Vacation Club and Grand Residences by Marriott brands. We are also the exclusive worldwide developer, marketer and seller of vacation ownership and related products under The Ritz-Carlton Destination Club brand, and we have the non-exclusive right to develop, market and sell whole ownership residential products under The Ritz-Carlton Residences brand. The Ritz-Carlton Hotel

Company, L.L.C., a subsidiary of Marriott International, generally provides on-site management for Ritz-Carlton branded properties. We are one of the world's largest companies whose business is focused almost entirely on vacation ownership, based on number of owners, number of resorts and revenues.

Our business is grouped into three reportable segments: North America, Europe and Asia Pacific. As of March 28, 2014, we operated 62 properties in the United States and nine other countries and territories. We generate most of our revenues from four primary sources: selling vacation ownership products; managing our resorts; financing consumer purchases of vacation ownership products; and renting vacation ownership inventory.

Below is a summary of significant accounting policies used in our business that will be used in describing our results of operations.

Sale of Vacation Ownership Products

We recognize revenues from the sale of vacation ownership products when all of the following conditions exist:

- A binding sales contract has been executed;
- The statutory rescission period has expired;
- The receivable is deemed collectible; and
- The remainder of our obligations are substantially completed.

Sales of vacation ownership products may be made for cash or we may provide financing. For sales where we provide financing, we defer revenue recognition until we receive a minimum down payment equal to ten percent of the purchase price plus the fair value of certain sales incentives provided to the purchaser. These sales incentives typically include Marriott Rewards Points or an alternative sales incentive that we refer to as "plus points." These plus points are redeemable for stays at our resorts, generally within one to two years from the date of issuance. Sales incentives are only awarded if the sale is closed.

As a result of the down payment requirements with respect to financed sales and the statutory rescission periods, we often defer revenues associated with the sale of vacation ownership products from the date of the purchase agreement to a future period. When comparing results year-over-year, this deferral frequently generates significant variances, which we refer to as the impact of revenue reportability.

Finally, as more fully described in the "Financing" section below, we record an estimate of expected uncollectibility on all vacation ownership notes receivable (also known as a vacation ownership notes receivable reserve or a sales reserve) from vacation ownership purchases as a reduction of revenues from the sale of vacation ownership products at the time we recognize revenues from a sale.

We report, on a supplemental basis, contract sales for each of our three segments. Contract sales represent the total amount of vacation ownership product sales under purchase agreements signed during the period where we have received a down payment of at least ten percent of the contract price, reduced by actual rescissions during the period. Contract sales differ from revenues from the sale of vacation ownership products that we report on our Statements of Operations due to the requirements for revenue recognition described above. We consider contract sales to be an important operating measure because it reflects the pace of sales in our business.

Cost of vacation ownership products includes costs to develop and construct our projects (also known as real estate inventory costs) as well as other non-capitalizable costs associated with the overall project development process. For each project, we expense real estate inventory costs in the same proportion as the revenue recognized. Consistent with the applicable accounting guidance, to the extent there is a change in the estimated sales revenues or real estate inventory costs for the project in a period, a non-cash adjustment is recorded on our Statements of Operations to true-up revenues and costs in that period to those that would have been recorded historically if the revised estimates had been used. These true-ups, which we refer to as product cost true-ups, will have a positive or negative impact on our Statements of Operations.

We refer to revenues from the sale of vacation ownership products less the cost of vacation ownership products and marketing and sales costs as development margin. Development margin percentage is calculated by dividing development margin by revenues from the sale of vacation ownership products.

Resort Management and Other Services

Our resort management and other services revenues include revenues generated from fees we earn for managing each of our resorts. In addition, we earn revenue for providing ancillary offerings, including food and beverage, retail, and golf and spa offerings at our resorts. We also receive annual fees, club dues and certain transaction-based fees from owners and other third parties, including our guests, for services we provide.

We provide day-to-day management services, including housekeeping services, operation of reservation systems, maintenance, and certain accounting and administrative services for property owners' associations. We receive compensation for these management services; this compensation is generally based on either a percentage of total costs to operate the resorts or a fixed fee arrangement. We earn these fees regardless of usage or occupancy.

Resort management and other services expenses include costs to operate the food and beverage and other ancillary operations and overall customer support services, including reservations, and expenses relating to our external exchange company.

Financing

We offer financing to qualified customers for the purchase of most types of our vacation ownership products. The average FICO score of customers who were U.S. citizens or residents who financed a vacation ownership purchase was as follows:

	Twelve Weeks Ended	
	March 28, 2014	**March 22, 2013**
Average FICO score	731	731

The typical financing agreement provides for monthly payments of principal and interest with the principal balance of the loan fully amortizing over the term of the related vacation ownership note receivable, which is generally ten years. The interest income earned from the financing arrangements is earned on an accrual basis on the principal balance outstanding over the life of the arrangement and is recorded as financing revenues on our Statements of Operations.

Financing revenues include interest income earned on vacation ownership notes receivable as well as fees earned from servicing the existing vacation ownership notes receivable portfolio. Financing expenses include costs in support of the financing, servicing and securitization processes. The amount of interest income earned in a period depends on the amount of outstanding vacation ownership notes receivable, which is impacted positively by the origination of new vacation ownership notes receivable and negatively by principal collections. Due to weakened economic conditions and our elimination of financing incentive programs, the percentage of customers choosing to finance their vacation ownership purchase with us (which we refer to as "financing propensity") declined significantly through 2009 and has stabilized since then. As a result, we expect that interest income will continue to decline in the near term until new originations outpace the decline in principal of the existing vacation ownership notes receivable portfolio.

In the event of a default, we generally have the right to foreclose on or revoke the mortgaged vacation ownership interest. We return vacation ownership interests that we reacquire through foreclosure or revocation back to real estate inventory. As discussed above, we record a vacation ownership notes receivable reserve at the time of sale and classify the reserve as a reduction to revenues from the sale of vacation ownership products on our Statements of Operations. Historical default rates, which represent defaults as a percentage of each year's beginning gross vacation ownership notes receivable balance, were as follows:

	Twelve Weeks Ended	
	March 28, 2014	**March 22, 2013**
Historical default rates	0.9%	1.0%

Rental

We operate a rental business to provide owner flexibility and to help mitigate carrying costs associated with our inventory.

We obtain rental inventory from:

- Unsold inventory; and
- Inventory we control because owners have elected alternative usage options offered through our vacation ownership programs.

Rental revenues are primarily the revenues we earn from renting this inventory. We also recognize rental revenue from the utilization of plus points under the Marriott Vacation Club Destinations ™ ("MVCD") program when those points are redeemed for rental stays at one of our resorts or upon expiration of the points.

Rental expenses include:

- Maintenance fees on unsold inventory;
- Costs to provide alternate usage options, including Marriott Rewards Points and Explorer Collection, for owners who elect to exchange their inventory;
- Subsidy payments to property owners' associations at resorts that are in the early phases of construction where maintenance fees collected from the owners are not sufficient to support operating costs of the resort;

- Marketing costs and direct operating and related expenses in connection with the rental business (such as housekeeping, credit card expenses and reservation services); and
- Costs associated with the banking and borrowing usage option that is available under the MVCD program.

Rental metrics, including the average daily transient rate or the number of transient keys rented, may not be comparable between periods given fluctuation in available occupancy by location, unit size (such as two bedroom, one bedroom or studio unit), and owner use and exchange behavior. Further, as our ability to rent certain luxury inventory and inventory in our Asia Pacific segment is often limited on a site-by-site basis, rental operations may not generate adequate rental revenues to cover associated costs. Our vacation units are either "full villas" or "lock-off" villas. Lock-off villas are units that can be separated into a master unit and a guest room. Full villas are "non-lock-off" villas because they cannot be separated. A "key" is the lowest increment for reporting occupancy statistics based upon the mix of non-lock-off and lock-off villas. Lock-off villas represent two keys and non-lock-off villas represent one key. The "transient keys" metric represents the blended mix of inventory available for rent and includes all of the combined inventory configurations available in our resort system.

Other

We also record other revenues and expenses which are primarily comprised of settlement fees and expenses from the sale of vacation ownership products.

Cost Reimbursements

Cost reimbursements include direct and indirect costs that property owners' associations reimburse to us. In accordance with the accounting guidance for "gross versus net" presentation, we record these revenues and expenses on a gross basis. We recognize cost reimbursements when we incur the related reimbursable costs. These costs primarily consist of payroll and payroll related expenses for management of the property owners' associations and other services we provide where we are the employer. Cost reimbursements consist of actual expenses with no added margin.

Consumer Financing Interest

Consumer financing interest expense represents interest expense associated with the debt from our non-recourse warehouse credit facility (the "Warehouse Credit Facility") and from the securitization of our vacation ownership notes receivable in the asset-backed securities ("ABS") market. We distinguish consumer financing interest expense from all other interest expense because the debt associated with the consumer financing interest expense is secured by vacation ownership notes receivable that have been sold to bankruptcy remote special purpose entities and is generally non-recourse to us.

Interest Expense

Interest expense consists of all interest expense other than consumer financing interest expense.

Other Items

We measure operating performance using the following key metrics:

- Contract sales from the sale of vacation ownership products;
- Development margin percentage; and
- Volume per guest ("VPG"), which we calculate by dividing contract sales, excluding fractional and residential sales, telesales and other sales that are not attributed to a tour at a sales location, by the number of sales tours in a given period. We believe that this operating metric is valuable in evaluating the effectiveness of the sales process as it combines the impact of average contract price with the number of touring guests who make a purchase.

Rounding

Percentage changes presented in our public filings are calculated using whole dollars.

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Consolidated Results

The following discussion presents an analysis of our results of operations for the twelve weeks ended March 28, 2014, compared to the twelve weeks ended March 22, 2013.

($ in millions)	Twelve Weeks Ended March 28, 2014	Twelve Weeks Ended March 22, 2013
Revenues		
Sale of vacation ownership products	$ 145	$ 141
Resort management and other services	60	59
Financing	31	33
Rental	64	63
Other	2	3
Cost reimbursements	100	91
Total revenues	402	390
Expenses		
Cost of vacation ownership products	47	44
Marketing and sales	71	74
Resort management and other services	42	43
Financing	5	5
Rental	57	56
Other	2	3
General and administrative	22	21
Litigation settlement	—	(1)
Organizational and separation related	1	1
Consumer financing interest	7	8
Royalty fee	13	13
Cost reimbursements	100	91
Total expenses	367	358
Gains and other income	1	1
Interest expense	(2)	(3)
Impairment charges on equity investment	(2)	—
Income before income taxes	32	30
Provision for income taxes	(13)	(11)
Net income	$ 19	$ 19

Contract Sales

Twelve Weeks Ended March 28, 2014

($ in millions)	Twelve Weeks Ended March 28, 2014	Twelve Weeks Ended March 22, 2013	Change	% Change
Contract Sales				
Vacation ownership	$ 156	$ 156	$ —	NM
Residential products	6	—	6	NM
Total contract sales	$ 162	$ 156	$ 6	3%

NM = not meaningful

The $6 million increase in total contract sales was driven by $6 million of residential contract sales in our North America segment. Vacation ownership contract sales remained relatively flat as a result of $5 million of higher contract sales in our Europe segment, $3 million, or 2 percent, of lower contract sales in our key North America segment, and $2 million of lower contract sales in our Asia Pacific segment.

The decrease in vacation ownership contract sales in our North America segment reflected a $4 million decline in sales at off-site (non tour-based) sales locations, due in part to the closure or downsizing of certain under-performing locations since the prior year comparable period, and a $1 million increase in sales at on-site sales locations. The increase in on-site sales locations reflected a 6.5 percent increase in VPG to $3,477 in the twelve weeks ended March 28, 2014 from $3,266 in the prior year comparable period,

partially offset by a 5 percent decline in tours. The increase in VPG was due to a nearly 1 percentage point increase in closing efficiency and higher pricing, partially offset by a decline in the average number of points per contract. The decline in tours continued to be driven by an increase in weeks-based owner utilization of the MVCD program, with owners taking advantage of the program's flexibility to take vacations of shorter duration and exercise alternative usage options. This trend has reduced our existing owner tour flow because fewer owners are in our resorts, and their stays in our resorts are shorter, than in prior years. We implemented new programs aimed at generating existing owner tours and new marketing programs targeted toward first-time buyers, which we expect will produce tour flow in nine to twelve months.

Development Margin

Twelve Weeks Ended March 28, 2014

($ in millions)	Twelve Weeks Ended March 28, 2014	Twelve Weeks Ended March 22, 2013	Change	% Change
Sale of vacation ownership products	$ 145	$ 141	$ 4	3%
Cost of vacation ownership products	(47)	(44)	(3)	(7%)
Marketing and sales	(71)	(74)	3	5%
Development margin	$ 27	$ 23	$ 4	21%
Development margin percentage	18.5%	15.8%	2.7 pts	

The increase in revenues from the sale of vacation ownership products was due to $5 million from the increase in contract sales net of sales reserve and $2 million from lower vacation ownership notes receivable reserve activity due to a decrease in estimated default and delinquency activity compared to the prior year comparable period, partially offset by $2 million of lower revenue reportability compared to the prior year comparable period and $1 million of higher plus points issued as sales incentives in the current period. Plus points will ultimately be recognized as rental revenues upon usage or expiration of the plus points rather than revenues from the sale of vacation ownership products.

The increase in development margin reflected an $8 million net increase from vacation ownership contract sales volume net of lower direct variable expenses (i.e., cost of vacation ownership products and marketing and sales) driven mainly by $6 million from a favorable mix of lower cost real estate inventory being sold and $2 million from more efficient marketing and sales spending, a $1 million increase from the higher residential contract sales, a $1 million impact from the decrease in vacation ownership notes receivable reserve activity and $1 million of severance related to the restructuring of sales locations in Europe in the prior year comparable period. These increases were partially offset by $5 million of lower favorable product cost true-ups ($1 million in the twelve weeks ended March 28, 2014 compared to $6 million in the prior year comparable period) and $2 million from lower revenue reportability year-over-year.

The 2.7 percentage point improvement in the development margin percentage reflected a 4 percentage point increase due to a favorable mix of lower cost vacation ownership real estate inventory being sold in the twelve weeks ended March 28, 2014, a 2 percentage point increase due to increased efficiency in marketing and sales spending, and a 1 percentage point increase due to the decrease in vacation ownership notes receivable reserve activity. These increases were offset partially by a 4 percentage point decrease due to the lower favorable product cost true-up activity year-over-year and a less than 1 percentage point decrease due to lower revenue reportability year-over-year. The residential sales did not materially impact the development margin percentage as the higher cost of the real estate inventory was offset by lower marketing and sales cost.

Resort Management and Other Services Revenues, Expenses and Margin

Twelve Weeks Ended March 28, 2014

($ in millions)	Twelve Weeks Ended March 28, 2014	Twelve Weeks Ended March 22, 2013	Change	% Change
Management fee revenues	$ 17	$ 16	$ 1	7%
Other services revenues	43	43	—	2%
Resort management and other services revenues	60	59	1	3%
Resort management and other services expenses	(42)	(43)	1	1%
Resort management and other services margin	$ 18	$ 16	$ 2	16%
Resort management and other services margin percentage	30.4%	27.2%	3.2 pts	

The increase in resort management and other services revenues was driven by $1 million of higher management fees, and nearly $1 million of additional annual club dues earned in connection with the MVCD program due to the cumulative increase in owners enrolled in the program. These increases were partially offset by a $1 million decline in the other services revenues. Ancillary revenues were flat compared to the prior year comparable period, and included a $1 million decline due to the disposition of a golf course in Orlando, Florida during the first quarter of 2014, which was offset by a $1 million increase in ancillary revenues from food and beverage and golf offerings at our resorts.

The improvement in the resort management and other services margin reflected $1 million of higher management fees and $1 million of additional annual club dues earned in connection with the MVCD program net of expenses.

Financing Revenues, Expenses and Margin

Twelve Weeks Ended March 28, 2014

($ in millions)	Twelve Weeks Ended March 28, 2014	Twelve Weeks Ended March 22, 2013	Change	% Change
Interest income	$ 29	$ 32	$ (3)	(9%)
Other financing revenues	2	1	1	NM
Financing revenues	31	33	(2)	(8%)
Financing expenses	(5)	(5)	—	NM
Financing margin	$ 26	$ 28	$ (2)	(10%)
Financing propensity	42%	40%		

The decrease in financing revenues was due to a $96 million decline in the average gross vacation ownership notes receivable balance. This decline reflected our continued collection of existing vacation ownership notes receivable at a faster pace than our origination of new vacation ownership notes receivable. The $2 million decrease in financing margin from the prior year comparable period reflected the lower interest income.

Financing margin net of consumer financing interest expense declined $1 million to $19 million in the twelve weeks ended March 28, 2014 from $20 million in the prior year comparable period. See “Consumer Financing Interest” below for further discussion.

Rental Revenues, Expenses and Margin

Twelve Weeks Ended March 28, 2014

($ in millions)	Twelve Weeks Ended March 28, 2014	Twelve Weeks Ended March 22, 2013	Change	% Change
Rental revenues	$ 64	$ 63	$ 1	NM
Unsold maintenance fees — upscale	(11)	(13)	2	10%
Unsold maintenance fees — luxury	(3)	(2)	(1)	(24%)
Unsold maintenance fees	(14)	(15)	1	4%
Other expenses	(43)	(41)	(2)	(3%)
Rental margin	$ 7	$ 7	$ —	(4%)
Rental margin percentage	10.6%	11.1%	(0.5 pts)	

	Twelve Weeks Ended March 28, 2014	Twelve Weeks Ended March 22, 2013	Change	% Change
Transient keys rented (1)	269,131	263,892	5,239	2%
Average transient key rate	$ 212.81	$ 210.17	$ 2.64	1%
Resort occupancy	88.6%	88.1%	0.5 pts	

(1) Transient keys rented exclude those obtained through the use of plus points.

The increase in rental revenues was due to a company-wide 2 percent increase in transient keys rented ($1 million) and a company-wide 1 percent increase in average transient rate ($1 million), both of which were driven by stronger consumer demand and a favorable mix of available inventory. These increases were partially offset by nearly $2 million of lower plus points revenue (which is recognized upon utilization of plus points for stays at our resorts or upon expiration of the points).

The rental margin of $7 million was flat compared to the prior year comparable period, and reflected $2 million of higher rental revenues net of direct variable expenses (such as housekeeping), expenses incurred due to owners choosing alternative usage options, and higher unsold maintenance fees. These increases were partially offset by the nearly $2 million decline in plus points revenue resulting from the decline in new enrollments in the MVCD program by existing owners (due to the maturity of the MVCD program), and corresponding decline in issuance of plus points as incentives for enrollment in the MVCD program.

Other

Twelve Weeks Ended March 28, 2014

	Twelve Weeks Ended	
($ in millions)	March 28, 2014	March 22, 2013
Other revenues	$ 2	$ 3
Other expenses	(2)	(3)
Other revenues, net of expenses	$ —	$ —

Other revenues net of expenses was flat compared to the prior year comparable period mainly as a result of lower settlement revenues and expenses due to a decline in the number of contracts closed in the twelve weeks ended March 28, 2014 compared to the prior year comparable period.

Cost Reimbursements

Twelve Weeks Ended March 28, 2014

Cost reimbursements increased $9 million, or 10 percent, over the prior year comparable period, reflecting $6 million of higher costs, $2 million due to timing of expenses compared to the prior year comparable period and $1 million due to additional managed unit weeks in the twelve weeks ended March 28, 2014.

General and Administrative

Twelve Weeks Ended March 28, 2014

General and administrative expenses increased $1 million (from $21 million to $22 million) over the prior year comparable period due to $1 million of higher legal related expenses and $1 million from the favorable resolution of an international tax (non-income tax) matter in the prior year comparable period. These increases were offset by $1 million of savings related to organizational and separation relation efforts in the human resources, information technology and finance and accounting organizations.

Consumer Financing Interest

Twelve Weeks Ended March 28, 2014

Consumer financing interest expense decreased $1 million (from $8 million to $7 million) due to lower outstanding debt balances of securitized vacation ownership notes receivable and associated interest costs as well as a lower average interest rate. The lower average interest rate reflected the continued pay-down of older securitization transactions that carried higher overall interest rates and the benefit of lower interest rates applicable to our most recently completed securitizations of vacation ownership notes receivable.

Interest Expense

Twelve Weeks Ended March 28, 2014

Interest expense decreased $1 million (from $3 million to $2 million) due to a $1 million increase in capitalized interest costs.

Royalty Fee

Twelve Weeks Ended March 28, 2014

Royalty fee expense was flat compared to the prior year comparable period and included a slight increase due to a lower portion of sales of pre-owned inventory, which carries a lower royalty fee as compared to initial sales of our real estate inventory (one percent versus two percent).

Impairment Charges on Equity Investment

Twelve Weeks Ended March 28, 2014

During the first quarter of 2014, we recorded a $2 million charge to increase our accrual for remaining costs expected to be incurred relating to our interests in an equity method investment in a joint venture project in our North America segment. There were no impairment charges on equity investment in the first quarter of 2013.

Income Tax

Twelve Weeks Ended March 28, 2014

Income tax expense increased by $2 million (from $11 million to $13 million) from the prior year comparable period. The increase in income tax expense primarily related to an increase in income before income taxes attributable to the United States as noted in our discussion of our North America segment results below.

Earnings Before Interest Expense, Taxes, Depreciation and Amortization ("EBITDA")

EBITDA, a financial measure that is not prescribed or authorized by GAAP, is defined as earnings, or net income, before interest expense (excluding consumer financing interest expense), provision for income taxes, depreciation and amortization. For purposes of our EBITDA calculation, we do not adjust for consumer financing interest expense because the associated debt is secured by vacation ownership notes receivable that have been sold to bankruptcy remote special purpose entities and is generally non-recourse to us. Further, we consider consumer financing interest expense to be an operating expense of our business.

We consider EBITDA to be an indicator of operating performance, and we use it to measure our ability to service debt, fund capital expenditures and expand our business. We also use it, as do analysts, lenders, investors and others, because it excludes certain items that can vary widely across different industries or among companies within the same industry. For example, interest expense can be dependent on a company's capital structure, debt levels and credit ratings. Accordingly, the impact of interest expense on earnings can vary significantly among companies. The tax positions of companies can also vary because of their differing abilities to take advantage of tax benefits and because of the tax policies of the jurisdictions in which they operate. As a result, effective tax rates and provision for income taxes can vary considerably among companies. EBITDA also excludes depreciation and amortization because companies utilize productive assets of different ages and use different methods of both acquiring and depreciating productive assets. These differences can result in considerable variability in the relative costs of productive assets and the depreciation and amortization expense among companies.

EBITDA has limitations and should not be considered in isolation or as a substitute for performance measures calculated in accordance with GAAP. In addition, other companies in our industry may calculate EBITDA differently than we do or may not calculate it at all, limiting its usefulness as a comparative measure. The table below shows our EBITDA calculation and reconciles that measure with Net income.

	Twelve Weeks Ended	
($ in millions)	March 28, 2014	March 22, 2013
Net income	$ 19	$ 19
Interest expense (1)	2	3
Tax provision	13	11
Depreciation and amortization	4	6
EBITDA	$ 38	$ 39

(1) Interest expense excludes consumer financing interest expense.

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Business Segments

Our business is grouped into three reportable business segments: North America, Europe and Asia Pacific. See Footnote No. 15, "Business Segments," to our Financial Statements for further information on our segments.

As of March 28, 2014, we operated the following 62 properties by segment:

	U.S. (1)	Non-U.S.	Total
North America	47	6	53
Europe	—	5	5
Asia Pacific	—	4	4
Total	47	15	62

(1) Includes properties located in the 48 contiguous states, Hawaii and Alaska.

North America

($ in millions)	Twelve Weeks Ended March 28, 2014	Twelve Weeks Ended March 22, 2013
Revenues		
Sale of vacation ownership products	$ 131	$ 126
Resort management and other services	54	53
Financing	29	31
Rental	60	59
Other	2	3
Cost reimbursements	90	81
Total revenues	366	353
Expenses		
Cost of vacation ownership products	42	40
Marketing and sales	62	64
Resort management and other services	36	37
Rental	51	51
Other	2	3
Litigation settlement	—	(1)
Royalty fee	2	1
Cost reimbursements	90	81
Total expenses	285	276
Gains and other income	1	1
Impairment charges on equity investment	(2)	—
Segment financial results	$ 80	$ 78

Contract Sales

Twelve Weeks Ended March 28, 2014

($ in millions)	Twelve Weeks Ended March 28, 2014	Twelve Weeks Ended March 22, 2013	Change	% Change
Contract Sales				
Vacation ownership	$ 140	$ 143	$ (3)	(2%)
Residential products	6	—	6	NM
Total contract sales	$ 146	$ 143	$ 3	2%

The increase in contract sales in our North America segment includes $6 million of residential contract sales, and a $3 million, or 2 percent, decline in vacation ownership contract sales.

The decrease in vacation ownership contract sales in our North America segment reflected a $4 million decline in sales at off-site (non tour-based) sales locations, due in part to the closure or downsizing of certain under-performing locations since the prior year comparable period, and a $1 million increase in sales at on-site sales locations. The increase in on-site sales locations reflected a 6.5 percent increase in VPG to $3,477 in the twelve weeks ended March 28, 2014 from $3,266 in the prior year comparable period, partially offset by a 5 percent decline in tours. The increase in VPG was due to a nearly 1 percentage point increase in closing efficiency and higher pricing, partially offset by a decline in the average number of points per contract. The decline in tours continued to be driven by an increase in weeks-based owner utilization of the MVCD program, with owners taking advantage of the program's flexibility to take vacations of shorter duration and exercise alternative usage options. This trend has reduced our existing owner tour flow because fewer owners are in our resorts, and their stays in our resorts are shorter, than in prior years. We implemented new programs aimed at generating existing owner tours and new marketing programs targeted toward first-time buyers, which we expect will produce tour flow in nine to twelve months.

Development Margin

Twelve Weeks Ended March 28, 2014

	Twelve Weeks Ended			
($ in millions)	**March 28, 2014**	**March 22, 2013**	**Change**	**% Change**
Sale of vacation ownership products	$ 131	$ 126	$ 5	5%
Cost of vacation ownership products	(42)	(40)	(2)	(3%)
Marketing and sales	(62)	(64)	2	2%
Development margin	$ 27	$ 22	$ 5	25%
Development margin percentage	20.7%	17.3%	3.4 pts	

The increase in revenues from the sale of vacation ownership products was due to $3 million from the increase in contract sales net of sales reserve, $2 million from lower vacation ownership notes receivable reserve activity due to a decrease in estimated default and delinquency activity compared to the prior year comparable period and $1 million of higher revenue reportability compared to the prior year comparable period, partially offset by $1 million of higher plus points issued as sales incentives in the current period. Plus points will ultimately be recognized as rental revenues upon usage or expiration of the plus points rather than revenues from the sale of vacation ownership products.

The increase in development margin reflected a $7 million net increase from lower vacation ownership contract sales volume net of lower direct variable expenses (i.e., cost of vacation ownership products and marketing and sales) driven by $7 million from a favorable mix of lower cost real estate inventory being sold and $1 million from more efficient marketing and sales spending, partially offset by a $1 million decrease from the lower vacation ownership contract sales volume. Additionally, the increase in development margin included a $1 million increase from the higher residential contract sales and a $1 million impact from the decrease in vacation ownership notes receivable reserve activity. These increases were partially offset by $4 million of lower favorable product cost true-ups ($1 million in the twelve weeks ended March 28, 2014 compared to $5 million in the prior year comparable period).

The 3.4 percentage point improvement in the development margin percentage reflected a 5 percentage point increase due to a favorable mix of lower cost vacation ownership real estate inventory being sold in the twelve weeks ended March 28, 2014, a 1 percentage point increase due to increased efficiency in marketing and sales spending, and a 1 percentage point increase due to the decrease in vacation ownership notes receivable reserve activity. These increases were offset partially by a more than 3 percentage point decrease due to the lower favorable product cost true-up activity year-over-year. The residential sales did not materially impact the development margin percentage as the higher cost of the real estate inventory was offset by lower marketing and sales cost.

Resort Management and Other Services Revenues, Expenses and Margin

Twelve Weeks Ended March 28, 2014

	Twelve Weeks Ended			
($ in millions)	**March 28, 2014**	**March 22, 2013**	**Change**	**% Change**
Management fee revenues	$ 15	$ 14	$ 1	7%
Other services revenues	39	39	—	2%
Resort management and other services revenues	54	53	1	3%
Resort management and other services expenses	(36)	(37)	1	2%
Resort management and other services margin	$ 18	$ 16	$ 2	15%
Resort management and other services margin percentage	32.6%	29.3%	3.3 pts	

The increase in resort management and other services revenues was driven by $1 million of higher management fees, and nearly $1 million of additional annual club dues earned in connection with the MVCD program due to the cumulative increase in owners enrolled in the program. These increases were partially offset by a $1 million decline in the other services revenues. Ancillary revenues were flat compared to the prior year comparable period, and included a $1 million decline due to the disposition of a golf course in Orlando, Florida during the first quarter of 2014, which was offset by a $1 million increase in ancillary revenues from food and beverage and golf offerings at our resorts.

The improvement in the resort management and other services margin reflected $1 million of higher management fees and $1 million of additional annual club dues earned in connection with the MVCD program net of expenses.

Financing Revenues

Twelve Weeks Ended March 28, 2014

($ in millions)	Twelve Weeks Ended March 28, 2014	Twelve Weeks Ended March 22, 2013	Change	% Change
Interest income	$ 27	$ 30	$ (3)	(9%)
Other financing revenues	2	1	1	NM
Financing revenues	$ 29	$ 31	$ (2)	(9%)
Financing propensity	40%	37%		

The decrease in financing revenues was due to lower interest income from a lower outstanding vacation ownership notes receivable balance. This decline reflected our continued collection of existing vacation ownership notes receivable at a faster pace than our origination of new vacation ownership notes receivable.

Rental Revenues, Expenses and Margin

Twelve Weeks Ended March 28, 2014

($ in millions)	Twelve Weeks Ended March 28, 2014	Twelve Weeks Ended March 22, 2013	Change	% Change
Rental revenues	$ 60	$ 59	$ 1	1%
Unsold maintenance fees — upscale	(9)	(11)	2	11%
Unsold maintenance fees — luxury	(3)	(2)	(1)	(24%)
Unsold maintenance fees	(12)	(13)	1	5%
Other expenses	(39)	(38)	(1)	(4%)
Rental margin	$ 9	$ 8	$ 1	NM
Rental margin percentage	14.0%	14.4%	(0.4 pts)	

	Twelve Weeks Ended March 28, 2014	Twelve Weeks Ended March 22, 2013	Change	% Change
Transient keys rented (1)	252,066	246,383	5,683	2%
Average transient key rate	$ 212.28	$ 208.93	$ 3.35	2%
Resort occupancy	90.3%	89.7%	0.6 pts	

(1) Transient keys rented exclude those obtained through the use of plus points.

The increase in rental revenues was due to a 2 percent increase in transient keys rented ($1 million) and a 2 percent increase in average transient rate ($1 million), both of which were driven by stronger consumer demand and a favorable mix of available inventory. These increases were partially offset by nearly $2 million of lower plus points revenue (which is recognized upon utilization of plus points for stays at our resorts or upon expiration of the points).

The increase in rental margin reflected $3 million of higher rental revenues net of direct variable expenses (such as housekeeping), expenses incurred due to owners choosing alternative usage options, and higher unsold maintenance fees. These increases were partially offset by the nearly $2 million decline in plus points revenue resulting from the decline in new enrollments in the MVCD program by existing owners (due to the maturity of the MVCD program), and corresponding decline in issuance of plus points as incentives for enrollment in the MVCD program.

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Europe

($ in millions)	Twelve Weeks Ended March 28, 2014	Twelve Weeks Ended March 22, 2013
Revenues		
Sale of vacation ownership products	$ 8	$ 7
Resort management and other services	5	5
Financing	1	1
Rental	2	2
Cost reimbursements	7	7
Total revenues	23	22
Expenses		
Cost of vacation ownership products	2	—
Marketing and sales	5	6
Resort management and other services	5	5
Rental	3	3
Cost reimbursements	7	7
Total expenses	22	21
Segment financial results	$ 1	$ 1

Overview

In our Europe segment, we are focused on selling our existing projects and managing existing resorts. We do not have any current plans for new development in this segment.

Contract Sales

Twelve Weeks Ended March 28, 2014

($ in millions)	Twelve Weeks Ended March 28, 2014	Twelve Weeks Ended March 22, 2013	Change	% Change
Contract Sales				
Vacation ownership	$ 9	$ 4	$ 5	89%
Total contract sales	$ 9	$ 4	$ 5	89%

The increase in contract sales reflected stronger sales from our Middle East sales location ($2 million), stronger fractional sales at our project in London, United Kingdom ($1 million), and lower cancellation activity ($1 million) compared to the prior year comparable period.

Development Margin

Twelve Weeks Ended March 28, 2014

($ in millions)	Twelve Weeks Ended March 28, 2014	Twelve Weeks Ended March 22, 2013	Change	% Change
Sale of vacation ownership products	$ 8	$ 7	$ 1	4%
Cost of vacation ownership products	(2)	—	(2)	(58%)
Marketing and sales	(5)	(6)	1	24%
Development margin	$ 1	$ 1	$ —	NM
Development margin percentage	14.4%	NM	NM	

The higher revenue from the sale of vacation ownership products reflected the $5 million increase in contract sales, partially offset by $4 million of higher revenue reportability in the prior year comparable period.

Development margin in the twelve weeks ended March 28, 2014 is unchanged from the prior year comparable period, with higher revenue from the sale of vacation ownership products and more efficient marketing and sales spending offset by an unfavorable mix of higher cost fractional real estate inventory being sold. In addition, results for the twelve weeks ended March 22, 2013 included $1 million of severance related to the restructuring of sales locations in Europe in early 2013.

Asia Pacific

($ in millions)	Twelve Weeks Ended March 28, 2014	Twelve Weeks Ended March 22, 2013
Revenues		
Sale of vacation ownership products	$ 6	$ 8
Resort management and other services	1	1
Financing	1	1
Rental	2	2
Cost reimbursements	3	3
Total revenues	13	15
Expenses		
Cost of vacation ownership products	1	2
Marketing and sales	4	4
Resort management and other services	1	1
Rental	3	2
Cost reimbursements	3	3
Total expenses	12	12
Segment financial results	$ 1	$ 3

Overview

In our Asia Pacific segment, we continue to identify opportunities for development margin improvement. Our on-site sales locations are more efficient sales channels than our off-site sales locations and we plan to focus on future inventory acquisitions with strong on-site sales distribution potential.

Contract Sales

Twelve Weeks Ended March 28, 2014

($ in millions)	Twelve Weeks Ended March 28, 2014	Twelve Weeks Ended March 22, 2013	Change	% Change
Contract Sales				
Vacation ownership	$ 7	$ 9	$ (2)	(22%)
Total contract sales	$ 7	$ 9	$ (2)	(22%)

The decline in contract sales reflected a 9 percent decrease in sales tours and a $472 decrease in VPG, reflecting the political turmoil in certain parts of the region.

Development Margin

Twelve Weeks Ended March 28, 2014

($ in millions)	Twelve Weeks Ended March 28, 2014	Twelve Weeks Ended March 22, 2013	Change	% Change
Sale of vacation ownership products	$ 6	$ 8	$ (2)	(24%)
Cost of vacation ownership products	(1)	(2)	1	NM
Marketing and sales	(4)	(4)	—	18%
Development margin	$ 1	$ 2	$ (1)	(55%)
Development margin percentage	16.4%	27.9%	(11.5 pts)	

The decrease in development margin was due to the lower sales volume net of direct variable expenses (i.e., cost of vacation ownership products and marketing and sales), and includes less efficient marketing and sales spending at our existing sales locations due to an inability to leverage fixed costs on the lower sales volumes.

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Corporate and Other

($ in millions)	Twelve Weeks Ended March 28, 2014	Twelve Weeks Ended March 22, 2013
Cost of vacation ownership products	$ 2	$ 2
Financing	5	5
General and administrative	22	21
Organizational and separation related	1	1
Consumer financing interest	7	8
Royalty fee	11	12
Total Expenses	$ 48	$ 49

Corporate and Other consists of results not specifically attributable to an individual segment, including expenses in support of our financing operations, non-capitalizable development expenses supporting overall company development, company-wide general and administrative costs, and the fixed royalty fee payable under the license agreements that we entered into with Marriott International in connection with the Spin-Off, as well as consumer financing interest expense.

Twelve Weeks Ended March 28, 2014

Total expenses decreased $1 million from the prior year comparable period. The $1 million decrease was the result of $1 million of lower consumer financing interest expense and less than $1 million of lower royalty fees, partially offset by $1 million of higher general and administrative expenses.

The $1 million decline in consumer financing interest expense was due to lower outstanding debt balances of securitized vacation ownership notes receivable and associated interest costs as well as a lower average interest rate. The lower average interest rate reflected the continued pay-down of older securitization transactions that carried higher overall interest rates and the benefit of lower interest rates applicable to our most recently completed securitizations of vacation ownership notes receivable.

The $1 million of higher general and administrative expense was due to $1 million of higher legal related expenses and $1 million from the favorable resolution of an international tax (non-income tax) matter in the prior year comparable period. These increases were offset by $1 million of savings related to organizational and separation relation efforts in the human resources, information technology and finance and accounting organizations.

New Accounting Standards

See Footnote No. 1, "Summary of Significant Accounting Policies," to our Financial Statements for information related to our adoption of new accounting standards.

Liquidity and Capital Resources

Our capital needs are supported by cash on hand ($159 million at the end of the first quarter of 2014), cash generated from operations, our ability to raise capital through securitizations in the ABS market, and to the extent necessary, funds available under the Warehouse Credit Facility and the Revolving Corporate Credit Facility. We believe these sources of capital will be adequate to meet our short-term and long-term liquidity requirements, finance our long-term growth plans, satisfy debt service requirements, and fulfill other cash requirements. At the end of the first quarter of 2014, $593 million of the $597 million of total debt outstanding was non-recourse debt associated with vacation ownership notes receivable securitizations. In addition, we have $40 million of mandatorily redeemable preferred stock of a consolidated subsidiary that we are not required to redeem until October 2021; however, we may redeem the preferred stock at par after October 2016 at our option.

We have sufficient real estate inventory to meet expected demand for our vacation ownership products for the next several years. At the end of the first quarter of 2014, we had $844 million of real estate inventory on hand, comprised of $379 million of finished goods, $124 million of work-in-process, and $341 million of land and infrastructure. As a result, we expect our real estate inventory spending (discussed below) will be less than or in line with the cost of vacation ownership products for the near term. We also expect to sell excess Ritz-Carlton branded inventory and dispose of certain undeveloped and partially developed land over the next few years, and plan to sell additional Ritz-Carlton branded inventory through the MVCD program in order to generate incremental cash and reduce related carrying costs.

Our vacation ownership product offerings also allow us to utilize our real estate inventory efficiently. The majority of our sales are of a points-based product, which permits us to sell vacation ownership products at most of our sales locations, including those where little or no weeks-based inventory remains available for sale. Because we no longer need specific resort-based inventory at each sales location, we have fewer resorts under construction at any given time and can better leverage successful sales locations at completed resorts in comparison to periods before we launched the MVCD program. This allows us to maintain long-term sales locations and reduces the need to develop and staff on-site sales locations at smaller projects in the future. We believe our points-based programs better position us to align our construction of real estate inventory with the pace of sales of vacation ownership products by slowing down or accelerating construction, as demand across our portfolio and market conditions dictate.

We intend to selectively pursue growth opportunities in North America and Asia by targeting high-quality inventory sources that allow us to add desirable new locations to our system, as well as provide new on-site sales locations, through transactions that limit our up-front capital investment and allow us to purchase finished inventory closer to the time it is needed for sale. These "asset light" deals could be structured as turn-key developments with third-party partners or purchases of constructed inventory just prior to sale.

During the twelve weeks ended March 28, 2014 we had a net decrease in cash and cash equivalents of $41 million compared to a $16 million net increase in cash and cash equivalents during the twelve weeks ended March 22, 2013. The following table summarizes these changes:

($ in millions)	Twelve Weeks Ended March 28, 2014	Twelve Weeks Ended March 22, 2013
Cash (used in) provided by:		
Operating activities	$ 48	$ (11)
Investing activities	33	22
Financing activities	(122)	5
Net change in cash and cash equivalents	$ (41)	$ 16

Cash from Operating Activities

Our primary sources of funds from operations are (1) cash sales and down payments on financed sales, (2) cash from our financing operations, including principal and interest payments received on outstanding vacation ownership notes receivable and (3) net cash generated from our rental and resort management and other services operations. Outflows include spending for the development of new phases of existing resorts as well as funding our working capital needs.

We minimize working capital needs through cash management, strict credit-granting policies, and disciplined collection efforts. Our working capital needs fluctuate throughout the year given the timing of annual maintenance fees on unsold inventory we pay to property owners' associations and certain annual compensation related outflows. In addition, our cash from operations varies due to the timing of our owners' repayment of vacation ownership notes receivable, the closing of sales contracts for vacation ownership products, the rate at which owners finance their vacation ownership purchase with us and cash outlays for real estate inventory acquisition and development.

In the twelve weeks ended March 28, 2014, we generated $48 million of cash flows from operating activities, compared to using $11 million of cash flows from operating activities in the twelve weeks ended March 22, 2013. The improvement in cash flows related to payment of a previously accrued litigation settlement in the first quarter of 2013 and the timing of income tax payments and unsold maintenance fee payments to property owners' associations year-over-year.

We recorded $6 million of residential contract sales in the twelve weeks ended March 28, 2014, associated with three units at the RCC San Francisco, which we bought back as part of a legal settlement at the end of 2012. We expect to dispose of the remaining four units in 2014, which should generate approximately $8 million of net cash proceeds.

In addition to net income and adjustments for non-cash items, the following operating activities are key drivers of our cash flow from operating activities:

Real Estate Inventory Spending Less Than Cost of Sales

($ in millions)	Twelve Weeks Ended March 28, 2014	Twelve Weeks Ended March 22, 2013
Real estate inventory spending	$ (23)	$ (31)
Real estate inventory costs	43	41
Real estate inventory spending less than cost of sales	$ 20	$ 10

We measure our real estate inventory capital efficiency by comparing the cash outflow for real estate inventory spending (a cash item) to the amount of real estate inventory costs charged to expense on our Statements of Operations related to sale of vacation ownership products (a non-cash item).

Given the significant level of completed real estate inventory on hand, as well as the capital efficiency resulting from the MVCD program, our spending for real estate inventory remained below the amount of real estate inventory costs in each of the twelve week periods ended March 28, 2014 and March 22, 2013.

Through our existing vacation ownership interest repurchase program, we proactively buy back previously sold vacation ownership interests at lower costs than would be required to develop new inventory. By repurchasing inventory in desirable locations, we expect to be able to stabilize the future cost of vacation ownership products for the next several years.

Notes Receivable Collections in Excess of New Mortgages

	Twelve Weeks Ended	
($ in millions)	**March 28, 2014**	**March 22, 2013**
Vacation ownership notes receivable collections — non-securitized	$ 25	$ 27
Vacation ownership notes receivable collections — securitized	46	47
Vacation ownership notes receivable originations	(45)	(44)
Vacation ownership notes receivable collections in excess of originations	$ 26	$ 30

Vacation ownership notes receivable collections include principal from non-securitized and securitized vacation ownership notes receivable. Total collections declined due to the reduction in the portfolio of outstanding vacation ownership notes receivable. New vacation ownership notes receivable originated in the twelve weeks ended March 28, 2014 increased slightly due to an increase in financing propensity to 42 percent for the twelve weeks ended March 28, 2014 compared to 40 percent for the twelve weeks ended March 22, 2013. During the twelve weeks ended March 28, 2014, and as of March 28, 2014, no securitized vacation ownership notes receivable pools were out of compliance with performance triggers.

Cash from Investing Activities

	Twelve Weeks Ended	
($ in millions)	**March 28, 2014**	**March 22, 2013**
Capital expenditures for property and equipment (excluding inventory)	$ (1)	$ (3)
Decrease in restricted cash	12	22
Dispositions	22	3
Net cash provided by investing activities	$ 33	$ 22

Capital Expenditures for Property and Equipment

Capital expenditures for property and equipment relates to spending for technology development, buildings and equipment used at sales locations, and for ancillary offerings, such as food and beverage offerings at locations where these are provided.

In the twelve weeks ended March 28, 2014, capital expenditures for property and equipment of $1 million included spending to support business operations for ancillary operations assets. In the twelve weeks ended March 22, 2013, capital expenditures for property and equipment of $3 million included $2 million of spending to support business operations for ancillary operations assets and $1 million for technology spending.

Decrease in Restricted Cash

Restricted cash primarily consists of cash held in reserve accounts related to vacation ownership notes receivable securitizations, cash collected for maintenance fees to be remitted to property owners' associations, and deposits received, primarily associated with vacation ownership products and residential sales that are held in escrow until the associated contract has closed or the period in which it can be rescinded has expired, depending on legal requirements.

The decrease in restricted cash in each of the twelve weeks ended March 28, 2014 and March 22, 2013, reflects payments to property owners' associations for maintenance fees collected on their behalf prior to the end of 2013 and 2012, respectively. We expect the fluctuation in restricted cash for maintenance fee activity to be relatively stable, with cash inflows occurring in the fourth quarter upon receipt of maintenance fees and cash outflows occurring in the first and second quarters upon remittance to property owners' associations. The decrease in restricted cash outflows from the prior year comparable period is due to the timing of the remittance of funds to the property owners' associations extending into the second quarter of the current year.

Dispositions

Dispositions in the twelve weeks ended March 28, 2014 related to the sale of a golf course and adjacent undeveloped land in Orlando, Florida. Dispositions in the twelve weeks ended March 22, 2013 related to the sale of a multi-family parcel and several lots in St. Thomas, U.S. Virgin Islands.

Cash from Financing Activities

	Twelve Weeks Ended	
($ in millions)	March 28, 2014	March 22, 2013
Borrowings from securitization transactions		
Borrowings on Warehouse Credit Facility	$ —	$ 111
Subtotal	—	111
Repayment of debt related to securitization transactions		
Bonds payable on securitized vacation ownership notes receivable	(81)	(101)
Warehouse Credit Facility	—	(2)
Subtotal	(81)	(103)
Borrowings on Revolving Corporate Credit Facility	—	25
Repayment of Revolving Corporate Credit Facility	—	(25)
Purchase of treasury stock	(37)	—
Proceeds from stock option exercises	—	1
Payment of withholding taxes on vesting of restricted stock units	(4)	(4)
Net cash (used in) provided by financing activities	$ (122)	$ 5

Warehouse Credit Facility

At March 28, 2014, no amounts were outstanding under the Warehouse Credit Facility and $145 million of gross vacation ownership notes receivable were eligible for securitization.

Borrowings / Repayments of Debt Related to Securitization Transactions

We reflect proceeds from securitizations of vacation ownership notes receivable, including draw downs on the Warehouse Credit Facility, as “Borrowings from securitization transactions,” and we reflect payments of bonds associated with vacation ownership notes receivable securitizations and on the Warehouse Credit Facility (including vacation ownership notes receivable repurchases) as “Repayment of debt related to securitization transactions.”

Repayments on the non-recourse debt associated with our vacation ownership notes receivable securitizations totaled $81 million (including $27 million for voluntary retirement clean-up calls) and $103 million (including $51 million for voluntary retirement clean-up calls) in the twelve weeks ended March 28, 2014 and March 22, 2013, respectively.

Share Repurchase Program

We repurchased 734,141 shares of our common stock for $37 million, at an average price per share of $50.99, during the twelve weeks ended March 28, 2014, under our share repurchase program. See Footnote No. 11, “Shareholders’ Equity,” to our Financial Statements for further information related to the share repurchase program.

Contractual Obligations and Off-Balance Sheet Arrangements

There have been no significant changes to our “Contractual Obligations and Off-Balance Sheet Arrangements” as reported in “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” in our Annual Report on Form 10-K for the year ended January 3, 2014, other than those resulting from changes in the amount of debt outstanding. As of March 28, 2014, debt decreased by $81 million to $597 million compared to $678 million at January 3, 2014, all of which related to a decrease in non-recourse debt associated with vacation ownership notes receivable securitizations. As of March 28, 2014, future debt payments to be paid out of collections from our vacation ownership notes receivable, including principal and interest, totaled $664 million and are due as follows: $90 million in 2014; $116 million in 2015; $107 million in 2016; $79 million in 2017; $61 million in 2018; and $211 million thereafter.

We have historically issued guarantees to certain lenders in connection with the provision of third-party financing for our sales of vacation ownership products, which guarantees generally have a stated maximum amount of funding and a term of five to ten years. The terms of these guarantees generally require us to fund if the purchaser fails to pay under the terms of its note payable. We are entitled to recover any funding to third-party lenders related to these guarantees through reacquisition and resale of the vacation ownership product securing the note payable. Our commitments under these guarantees expire as notes mature or are repaid. Our exposure under such guarantees as of March 28, 2014 in the Asia Pacific and North America segments was $11 million and $3 million, respectively, and the underlying debt to third-party lenders will mature between 2014 and 2022.

For additional information on these guarantees and the circumstances under which they were entered into, see the “Guarantees” caption within Footnote No. 8, “Contingencies and Commitments,” to our Financial Statements.

In the normal course of our resort management business, we enter into purchase commitments with property owners’ associations to manage the daily operating needs of our resorts. Since we are reimbursed for these commitments from the cash flows of the resorts, these obligations have minimal impact on our net income and cash flow.

Critical Accounting Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect reported amounts and related disclosures. Management considers an accounting estimate to be critical if: (1) it requires assumptions to be made that are uncertain at the time the estimate is made; and (2) changes in the estimate, or different estimates that could have been selected, could have a material effect on our consolidated results of operations or financial condition.

While we believe that our estimates, assumptions, and judgments are reasonable, they are based on information presently available. Actual results may differ significantly. Additionally, changes in our assumptions, estimates or assessments as a result of unforeseen events or otherwise could have a material impact on our financial position or results of operations. We have discussed those estimates that we believe are critical and require the use of complex judgment in their application in our most recent Annual Report on Form 10-K. Since the date of our most recent Annual Report on Form 10-K, there have been no material changes to our critical accounting policies or the methodologies or assumptions we apply under them.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Our exposure to market risk has not changed materially from that disclosed in our Annual Report on Form 10-K for the year ended January 3, 2014.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

As of the end of the period covered by this Quarterly Report on Form 10-Q, we evaluated, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, the effectiveness of the design and operation of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”)), and management necessarily applied its judgment in assessing the costs and benefits of such controls and procedures, which by their nature, can provide only reasonable assurance about management’s control objectives. Our disclosure controls and procedures have been designed to provide reasonable assurance of achieving the desired control objectives. However, you should note that the design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and we cannot assure you that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote. Based upon the foregoing evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective and operating to provide reasonable assurance that we record, process, summarize and report the information we are required to disclose in the reports that we file or submit under the Exchange Act within the time periods specified in the rules and forms of the SEC, and to provide reasonable assurance that we accumulate and communicate such information to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions about required disclosure.

Changes in Internal Control Over Financial Reporting

In the first quarter of 2014, we ceased using Marriott International’s services and systems for processing and accounting for accounts payable to vendors and for reimbursement of travel and business expenses to our associates. We now use our existing suite of financial applications for processing and accounting for accounts payable to vendors, and we implemented new functionality and controls over financial reporting related to these processes. In addition, we use an application hosted by a third party for reimbursement of travel and business expenses, and we also implemented new controls over financial reporting related to these processes.

Other than those noted above, there were no changes in our internal control over financial reporting during the period covered by this Quarterly Report on Form 10-Q that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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Part II. OTHER INFORMATION

Item 1. Legal Proceedings

Currently, and from time to time, we are subject to claims in legal proceedings arising in the normal course of business, including, among others, the legal actions discussed in Footnote No. 8, “Contingencies and Commitments,” to our Financial Statements. While management presently believes that the ultimate outcome of these proceedings, individually and in the aggregate, will not materially harm our financial position, cash flows, or overall trends in results of operations, legal proceedings are inherently uncertain, and unfavorable rulings could, individually or in aggregate, have a material adverse effect on our business, financial condition, or operating results.

Item 1A. Risk Factors

There have been no material changes from the risk factors disclosed in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended January 3, 2014.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased	Average Price per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Maximum Number of Shares That May Yet Be Purchased Under the Plans or Programs (1)
January 4, 2014 – January 31, 2014	306,468	$ 50.25	306,468	2,688,509
February 1, 2014 – February 28, 2014	223,721	$ 48.82	223,721	2,464,788
March 1, 2014 – March 28, 2014	203,952	$ 54.49	203,952	2,260,836

(1) On October 8, 2013, our Board of Directors authorized a share repurchase program under which we may purchase up to 3,500,000 shares of our common stock prior to March 28, 2015.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibits filed or furnished as a part of this Quarterly Report on Form 10-Q are listed on the Index to Exhibits on page E-1, which is incorporated by reference herein.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MARRIOTT VACATIONS WORLDWIDE CORPORATION

April 29, 2014

/s/ Stephen P. Weisz

Stephen P. Weisz
President and Chief Executive Officer

/s/ John E. Geller, Jr.

John E. Geller, Jr.
Executive Vice President and Chief Financial Officer

INDEX TO EXHIBITS

Exhibit No.	Description
3.1	Restated Certificate of Incorporation of Marriott Vacations Worldwide Corporation, incorporated by reference to Exhibit 3.1 of our Current Report on Form 8-K filed on November 22, 2011.
3.2	Restated Bylaws of Marriott Vacations Worldwide Corporation, incorporated by reference to Exhibit 3.2 of our Current Report on Form 8-K filed on November 22, 2011.
10.1	Purchase and Sale Agreement dated as of April 25, 2014 among Tower Development Inc., Lifestyle Retail Properties LLC, Kauai Lagoons LLC and MORI Golf (Kauai), LLC.
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934.
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934.
32.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(b) and Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(b) and Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Label Linkbase Document.
101.PRE	XBRL Taxonomy Presentation Linkbase Document.

We have attached the following documents formatted in XBRL (Extensible Business Reporting Language) as Exhibit 101 to this report: (i) the Interim Consolidated Statements of Operations for the twelve weeks ended March 28, 2014 and March 22, 2013, respectively; (ii) the Interim Consolidated Statements of Comprehensive Income for the twelve weeks ended March 28, 2014 and March 22, 2013, respectively; (iii) the Interim Consolidated Balance Sheets at March 28, 2014 and January 3, 2014; and (iv) the Interim Consolidated Statements of Cash Flows for the twelve weeks ended March 28, 2014 and March 22, 2013, respectively.

PURCHASE AND SALE AGREEMENT

This Purchase and Sale Agreement (the "**Agreement**") is made to be effective this 25th day of April, 2014 (the "**Effective Date**") by and between **Tower Development Inc.**, a Hawaii corporation ("**Tower**") and **Lifestyle Retail Properties LLC**, a Hawaii limited liability company ("**Lifestyle**"; each of the aforementioned also being referred to individually a "**Buyer**" and collectively the "**Buyers**"), and **Kauai Lagoons LLC**, a Hawaii limited liability company and **MORI Golf (Kauai), LLC**, a Delaware limited liability company, (individually a "**Seller**" and collectively the "**Sellers**). Buyers and Sellers are also sometimes referred to hereinafter individually as a "**Party**" and collectively as the "**Parties**".

Background

Sellers own certain Property (defined below) in the master planned community commonly referred to as the Kauai Lagoons Resort on the Island of Kauai in the State of Hawaii (the "**Resort**"). Sellers are willing to sell, convey or assign, as applicable, and Buyers are willing to purchase and assume, as applicable, the Property on the terms and conditions that are set forth in this Agreement.

Agreement

In consideration of the mutual covenants and agreements set forth in this Agreement, Buyers and Sellers agree as follows:

1. DESCRIPTION OF THE PROPERTY. The "**Property**" shall mean of all of Sellers' rights, title and interest in and to the following tangible and intangible real and personal property (specifically excluding the Excluded Assets, as defined hereinbelow):

(a) The parcels of land that are collectively identified as "Parcel 1" on Schedule 1 attached hereto (referred to herein as "**Parcel 1**");

(b) The parcel of land that is identified as "Parcel 2" on Schedule 1 attached hereto, upon which the Kauai Lagoons Golf Club (the "**Golf Club**") is located (referred to herein as the "**Golf Club Land**"); provided, however, as a condition to Seller's transfer to Buyer of the Golf Club Land, at Closing, Buyers and Sellers will enter into an exclusive easement to allow Sellers to continue to use the Landscape Maintenance Building as defined below;

(c) The parcels of land that are collectively identified as "Parcel 3" on Schedule 1 attached hereto (referred to herein as the "**Makalii Land**"); and

(d) The parcel of land identified as "Parcel 4" on Schedule 1 attached hereto, which is more commonly known as "Fashion Point", including the Activities Building Land as that term is defined below (the "**Fashion Point Land**"); provided, however, as a condition to Seller's transfer to Buyer of the Fashion Point Land, at Closing, Buyers and Sellers will enter into an exclusive easement to allow Sellers to continue to use the Activities Building as defined below;

and the Fashion Point Land, together with Parcel 1, Golf Club Land, and Makalii Land, referred to collectively herein as the "**Land**");

(e) The lessee's interest under that certain Lease dated June 26, 1981 but effective as of January 1, 1981, of record in Liber 15698 at Page 59, as amended by (i) a Boundary Agreement and Amendment of Lease dated May 15, 1986, of record in Liber 19504 at Page 146, (ii) an unrecorded First Amendment of Lease dated May 30, 1986, a Short Form of which is recorded in Liber 19595 at Page 475, and (iii) a Second Amendment of Lease dated as of January 15, 1988 and recorded in Liber 21584 at Page 540 (which Lease, as so assigned and amended, is referred to hereinafter as the "**Rice Lease**"), demising the premises identified as the "Rice Parcel" on Schedule 1 attached hereto (referred to herein as the "**Rice Parcel**"), as such Rice Lease was impacted by that certain Assignment dated April 8, 1985, an Instrument of Conveyance dated January 30, 1991, a Limited Warranty Deed, Quitclaim of Permit and Assignment of Ground Lease dated October 1, 2003, and Assignment and Assumptions Agreements dated October 15, 2004 and August 10, 2007;

(f) All buildings, structures and other improvements on the Land and the lessee's rights, titles and interests with respect to all buildings, structures and other improvements on the Rice Parcel (collectively the "**Improvements**");

(g) All easements, licenses, rights-of-way and other rights that are appurtenant to the Land and the lessee's interests in the Rice Parcel (collectively, "**Easements**"), including without limitation the easements that are more particularly described in the legal descriptions of the Land and Rice Parcel;

(h) All tangible personal property that is owned by any of the Sellers as of the date of Closing (the "**Closing Date**") and used in connection with the ownership, maintenance and/or operation of the Land, Rice Parcel, Improvements, Easements and/or Golf Club (collectively the "**Tangible Personal Property**");

(i) All materials and supplies owned by any of the Sellers as of the Closing Date, located on the Land (including the Rice Parcel) and used or intended for use but not for sale in connection with the maintenance, operation, development or improvement of that Land, Rice Parcel, the Improvements, Golf Club or the Tangible Personal Property, whether in use or held in stock for future use (collectively the "**Supply Inventories**"); provided, however, that the Supply Inventories do not include any items that contain the Sellers Marks;

(j) All merchandise, food, beverages and other items located on the Land and held for sale that are owned by any of the Sellers as of the Closing Date in connection with the operation of the Golf Club (collectively the "**Consumable Inventories**"); provided, however, that the Consumable Inventories do not include any items that contain the Seller's Marks;

(k) All of Sellers' rights and interests (to the extent the same are assignable) in the following contracts (collectively, the "**Contracts**"):

1. The purchase orders and other contracts under which goods or services are sold or rendered to the Golf Club (the "**Service Contracts**") as the same are in effect on the Closing Date under the following terms: (i) the list of Service Contracts on Schedule

1(k)(1) attached hereto are those that are in effect on the Effective Date, and Buyers (or any designated one or more of them) shall be deemed to have agreed to assume the same at Closing if this Agreement is not terminated prior to the expiration of the Due Diligence Period; and (ii) Schedule 1(k)(1) shall be updated by the Parties prior to the Closing Date to include any additional agreements that Sellers enter into and that one or more Buyers expressly agree to assume in their sole discretion;

2. All transferable warranties and guaranties held by Seller on the Closing Date that relate to the Land, Improvements or the Tangible Personal Property, which warranties and guaranties as they exist as of the Effective Date are listed on Schedule 1(k)(2) attached hereto, which list shall be updated by the Parties prior to the Closing Date, if necessary, to include any additional warranties and guaranties that Seller receives after the Effective Date (collectively the "**Warranties**");

3. All transferable licenses (including without limitation unrecorded real estate licenses), permits, approvals and other intangible personal property which relate solely to the Property and are held or controlled by Sellers (collectively the "**Licenses**") on the Closing Date under the following terms: (i) the list of Licenses on Schedule 1(k)(3) attached hereto are those that are in effect on the Effective Date, and Buyers (or any designated one or more of them) shall be deemed to have agreed to assume the same at Closing if this Agreement is not terminated prior to the expiration of the Due Diligence Period; and (ii) Schedule 1(k)(3) shall be updated by the Parties prior to the Closing Date to include any additional license agreements that Sellers enter into and that one or more Buyers expressly agree to assume in their sole discretion; provided, however, that Licenses do not and will not include any Sellers Marks or any Licenses that were solely related to Sellers Marks;

4. The transferable equipment leases (collectively the "**Equipment Leases**") in effect on the Closing Date under the following terms: (i) the list of Equipment Leases on Schedule 1(k)(4) attached hereto are those that are in effect on the Effective Date, and Buyers (or any designated one or more of them) shall be deemed to have agreed to assume the same at Closing if this Agreement is not terminated prior to the expiration of the Due Diligence Period; and (ii) Schedule 1(k)(4) shall be updated by the Parties prior to the Closing Date to include any additional Equipment Leases that Sellers enter into and that one or more Buyers expressly agree to assume in their sole discretion;

5. The collective bargaining agreements and other labor agreements (collectively the "**Labor Agreements**") that are in effect on the Closing Date under the following terms: (i) the list of Labor Agreements on Schedule 1(k)(5) attached hereto and delivered on the date hereof are those that are in effect on the Effective Date, and Buyers (or any designated one or more of them) shall be deemed to have agreed to assume the same at Closing if this Agreement is not terminated prior to the expiration of the Due Diligence Period; and (ii) Schedule 1(k)(5) shall be updated by the Parties prior to the Closing Date to include any Labor Agreements that Sellers enter into and that one or more Buyers expressly agree to assume in their sole discretion, if any;

6. The golf and tennis play agreements in effect on the Closing Date (collectively the "**Golf Play Agreements**"), all of which the Buyers (or any designated one or more of them) shall be deemed to have agreed to assume the same at Closing if this Agreement is not terminated prior to the expiration of the Due Diligence Period.

(l) All of Sellers' rights and interests (to the extent the same are assignable) as the lessor under (i) the Sublease with HPTMI Hawaii, Inc., a Delaware corporation, as subtenant (as assignee from prior subtenants), dated January 30, 1991 with respect to a portion of the Rice Parcel (the "**Sublease**") and (ii) all other leases, concessions and occupancy agreements pertaining to the Land and the Improvements (collectively the "**Tenant Leases**"), which Tenant Leases are listed in the attached Schedule 1(l);

(m) All of Sellers' rights and interests, if any, in and to the following as the same pertain to the Property (collectively the "**Miscellaneous Property**"):

1. All confirmed reservations and agreements for the use of meeting rooms, dining reservations, dining rooms, banquet facilities, tennis courts and golf tee times, and any other usages or events on the Property (collectively the "**Bookings**") that occur or will occur on or after 12:01 AM on the Closing Date (the "**Cut-Off Date**"), and all advance rent and other security and reservation deposits therefor and negotiated rates that relate thereto or are held under Tenant Leases;

2. The transferable telephone numbers listed on the attached Schedule 1(m)(2);

3. The intellectual property interests of Sellers listed on Schedule 1(m)(3) (collectively the "**Intellectual Property**"). Provided, however, pursuant to the terms of a license agreement (the "**Intellectual Property License**") to be agreed upon by the parties prior to the expiration of the Due Diligence Period, Seller and its affiliates shall retain a right to use "Kauai Lagoons" in its marketing, sales, management and operation of property it owns or manages at the Resort, including, but not limited to, the Kalanipu'u condominium;

(n) For the avoidance of doubt, the Property shall not include any assets that are specifically excluded in this Agreement (the "**Excluded Assets**"). Excluded Assets shall mean (i) the service marks, copyrights, trade names, trademarks and all other marks or characteristics associated with Seller (other than the Intellectual Property), the Kalanipu'u condominium, the Kamamalu condominium, or with the "Marriott" or "The Ritz Carlton" brand names (the "**Seller Marks**"); (ii) all assets that are located on or used in connection with the portion of the property in the Resort that is being retained or managed by Sellers or its affiliates (the "**Retained Property**"); (iii) all sales lists for new business prospects at the Retained Property; (iv) any employee training manuals or employee benefit manuals of Sellers; (v) any fixtures or personal property owned by third parties unrelated to Sellers or leased from third parties that are not related to operations of the Property and are not assumed by Buyers, including without limitation equipment lease leases, but subject to the provisions of the Agreement relating to the transfer of the Sellers' interests in any such leases; (vi) fixtures or personal property owned by tenants under space leases, any manager, any employees, and any guests or customers of the Property, but

subject to the provisions of the Agreement relating to the transfer of the Sellers' interests in any such leases; (vii) all non-Golf Club guest data and information gathered by Sellers, but subject to the provisions of this Agreement relating to the transfer of future Bookings for the Property as referenced in Section 1(m)(1) above; (viii) any liquor licenses utilized in connection with any portion of the Property; (viii) all furniture fixtures and equipment located in or used in connection with the Activities Building and Landscape Maintenance Building (as defined below); and (ix) those additional items listed on Schedule 1(n) attached hereto.

(o) All of Sellers' rights, title and interest in governmental agency contracts, agreements, entitlements and other development rights to the extent the same are transferrable and relate to the development of the Property (the "**Entitlements**") including, but not limited to, that certain Implementing Agreement for the Kauai Lagoons Habitat Conservation Plan by and between Kauai Lagoons, LLC, United States Fish and Wildlife Services, and Hawaii Department of Land and Natural Resources (September 2012) attached hereto as Schedule 1(o), but reserving to Sellers the use of any such Entitlements to the extent related to Sellers Retained Property.

2. PURCHASE PRICE AND PAYMENT. The aggregate purchase price for the Property (the "**Purchase Price**") is SIXTY MILLION DOLLARS ($60,000,000), subject to increase or decrease by any credits and adjustments that are provided for in this Agreement. The Parties agree that the Purchase Price shall be allocated amongst the various portions of the Property as set forth on Schedule 2 attached hereto.

The Purchase Price, subject to the credits adjustments set forth herein (including a credit to Buyers for the Earnest Money Deposit) shall be paid by Buyers by wire transfer of immediately available good funds to Title Company on or before the Closing. There is no financing contingency to Buyers' obligation to close hereunder; however, if Buyers elect to obtain financing for the acquisition of the Property as set forth hereunder, then Sellers shall reasonably cooperate in providing commercially standard documentation requested of Sellers in connection with the assignment of the Service Contracts and Equipment Leases.

3. EARNEST MONEY DEPOSIT. No later than two (2) Business Days (defined below) after the execution of this Agreement by all Parties, Buyers shall deliver to Title Company (defined below), an initial earnest money deposit in the amount of Five Hundred Thousand Dollars ($500,000) (the "**Initial Earnest Money Deposit**"). The Earnest Money Deposit shall be deposited into and held by Title Company in an interest-bearing escrow account as directed by Buyers and Sellers, with all interest earned thereon accruing to the benefit of the Party or Parties entitled to receive the Earnest Money Deposit pursuant to the terms hereof. The Parties shall promptly enter into a reasonable, commercially standard escrow agreement with Title Company upon request by Title Company therefor. In the event Buyers elect to proceed with this Agreement as of the Due Diligence Deadline, Buyers shall deposit an additional Five Hundred Thousand Dollars ($500,000) (the "**Additional Earnest Money Deposit**", and together with the Initial Earnest Money Deposit, the "**Earnest Money Deposit**") by no later than the Due Diligence Deadline. Simultaneous with Buyers' deposit of the Additional Earnest Money, Buyers shall provide Sellers with a summary of its expenditures through the expiration of the Due Diligence Deadline for Buyers' due diligence, design and entitlement activities in connection with the Property. If the subject transaction is closed as contemplated by this Agreement, the Earnest Money Deposit shall be paid to Sellers and credited against the Purchase

Price at the Closing. Notwithstanding anything herein to the contrary, the aforementioned liquidated damages provision shall not apply to any indemnification or other post-closing provisions contained in this Agreement, and Buyers shall remain fully liable to Sellers for all indemnification or other post-closing provisions contained in this Agreement.

Immediately after the expiration of the Due Diligence Deadline, One Hundred Thousand Dollars ($100,000) of the Earnest Money Deposit shall become non-refundable to Buyers ("**Initial Non-Refundable Deposit Amount**"), but shall be held by Title Company and shall be paid to Sellers if Buyer fails to proceed with this Agreement for any reason after the expiration of the Due Diligence Period, unless such failure by Buyers arises out of a default by Sellers. Title Company shall pay the entire Earnest Money Deposit to Sellers if Buyers does not terminate this Agreement prior to the expiration of the Entitlement Period pursuant to the terms of Section 8 and then Buyer subsequently fails to proceed with this Agreement for any reason after the expiration of the Due Diligence Period, unless such failure by Buyers arises out of a default by Sellers. If the Closing does not occur because Sellers have committed a default under this Agreement, Title Company shall promptly release and return to Buyers the Earnest Money Deposit then held by Title Company. Any portion of the Earnest Money Deposit paid to Sellers pursuant to this paragraph shall be paid to Sellers as fixed and liquidated damages, and in full satisfaction of all causes of action, claims and demands that Sellers might have against Buyers if the Closing does not occur, but excluding all causes, claims, costs and damages associated with obligations that are intended to survive the Closing hereunder. The Parties have mutually agreed upon such liquidated damages, not as a penalty but as a mutually agreeable amount to compensate Sellers for their damages and expenses, and to avoid for the Parties expensive and vexatious litigation.

Notwithstanding anything above to the contrary, ONE HUNDRED AND NO/100 DOLLARS ($100.00) (the "**Independent Consideration**") of the Earnest Money Deposit is given by Buyers and is hereby accepted by Sellers as adequate consideration for Sellers' execution and delivery of this Agreement (including, without limitation, the provisions granting Buyers the Due Diligence Period and Entitlement Period and the associated termination right provided in Section 5 below), and which Independent Consideration is in addition to and independent of any other consideration provided for in this Agreement and is earned and is nonrefundable in all events as of the Effective Date, but is applicable to the Purchase Price at Closing. The provisions of this Section 3 shall survive any termination of this Agreement.

4. CONDITION OF TITLE; SURVEY AND TITLE INSURANCE.

(a) Sellers shall convey to each applicable Buyer good and marketable title to each applicable portion of the Property, including without limitation good and marketable record title to the fee estate in each portion of the Property owned by Sellers in fee simple, and a valid leasehold estate in the Rice Lease Parcel together with all rights, easements and other benefits related or appurtenant to the Property, free and clear of all liens and encumbrances except matters not objected to by Buyers pursuant to Section 4(c) below, matters deemed exceptions under this Agreement, and such other liens or encumbrances as contemplated by this Agreement or as Buyers may otherwise approve in their sole discretion (collectively the "**Permitted Title Exceptions**").

(b) Prior to the Effective Date, Sellers have provided Buyers with access to existing boundary surveys for the Property (collectively, "**Existing Survey**") via the Diligence Portal (defined below). Buyers shall have until the expiration of the Due Diligence Period in which to obtain an update to the Existing Survey (collectively, the "**Survey**") and to provide the Objection Notice defined and referenced in Section 4(c) below.

(c) Within ten (10) Business Days after the Effective Date, Seller shall, at the Parties' shared cost and expense pursuant to Section 18 of this Agreement, obtain and provide Buyers with a copy of a preliminary title commitment (and complete legible copies of all documents or items referenced therein as exceptions) from First American Title Insurance Company (Attn: Jill A. P. Kauka), 1177 Kapi'olani Blvd, Honolulu, HI 96814; Phone: (808) 457-3784; Fax: 866-713-7850; email: jkauka@firstam.com, which company is licensed or authorized to do business in Hawaii (the "**Title Company**"), in respect of the Property (collectively the "**Title Commitment**"), for the issuance of an ALTA owners policy of title insurance in favor of Buyers for the full amount of the Purchase Price (the "**Owner's Title Policy**"). Buyers shall deliver to Sellers, on or before the expiration of the Due Diligence Period, a written approval of the Title Commitment or object in writing to any matters shown in the Title Commitment or the Survey (the "**Approval Notice**"). Buyers' failure to timely deliver the Approval Notice shall be deemed to constitute Buyers' election to terminate the Agreement and to receive a return of the Earnest Money. In the event Buyers timely provide the Approval Notice, Buyers shall be deed to have approved of any and all matters then shown in the Title Commitment and Survey that are not objected to by Buyer in the Approval Notice and the same shall be included in the Permitted Title Exceptions; provided, however, that any mortgage lien or tax lien that encumbers all or any part of the Property, but not including any liens for non-delinquent real estate taxes, association fees and other assessments to be prorated hereunder (collectively the "**Monetary Liens**"), shall be deemed to have been objected to by Buyers. If Buyers timely object or are deemed to have objected to any item set forth in the Title Commitment or Survey, then Sellers shall have the right but not the obligation to cure some or all of the objections set forth in the Approval Notice. Sellers shall have thirty (30) days after notice of the aforementioned are received (the "**Cure Date**") in which to notify Buyers in writing if Sellers elect to cure all or some of such objections. If Sellers timely cure or commit in writing to cure such objections, then the Title Commitment and Survey shall be deemed approved, and all other exceptions therein shall then become Permitted Title Exceptions excepting any Monetary Liens. If Sellers do not timely cure such objections (or commit in writing to cure such objections) prior to the Cure Date, then Buyers shall, on or before five (5) Business Days after the Cure Date, either (i) terminate this Agreement by depositing with Sellers and Title Company a written notice of termination, whereupon Title Company shall promptly release and return to Buyers the Earnest Money Deposit then held by Title Company, or (ii) waive their objection in writing to the disapproved items, which shall then become Permitted Title Exceptions. Buyers' failure to timely deposit with Sellers and Title Company such a written notice of termination shall be deemed to constitute Buyers' election to terminate this Agreement.

(d) If Sellers fail to cure any disapproved item that Sellers committed to cure on or prior to Closing, Sellers shall have the right to postpone the Closing one or more times for up to sixty (60) days in the aggregate, in each case by providing written notice to Buyers no later than ten (10) Days prior to the scheduled Closing Date.

(e) Buyers shall have ten (10) Days after receipt of any updates to the Title Commitment (including receipt of any documents referenced in such update) to object in writing to any matters disclosed therein which were not disclosed in the original Title Commitment, and the procedure for objecting to such matters shall be as set forth in Section 4(c) above. In addition, the Closing Date shall be extended as provided in Section 4(c) to accommodate this process.

(f) If this Agreement is terminated by Buyers pursuant to this Section 4, the Earnest Money Deposit held by Title Company shall be promptly returned to Buyers, and such return shall be Buyers' sole remedy unless Buyers' termination of this Agreement pursuant to this Section 4 was the result of a default of Seller's express obligations hereunder, in which event Buyers may elect to pursue any other remedies for Sellers' default provided for in this Agreement. At the Closing, Sellers shall cause the Land and the Improvements to be conveyed to Buyers subject only to the Permitted Title Exceptions.

5. DUE DILIGENCE.

(a) Prior to the Effective Date, Sellers have provided to Buyers and their agents and representatives electronic access to the web portal (the "**Diligence Portal**") that contains documents and other information in the possession or control of Sellers that pertain to the Property and are relative to the ownership and/or operation of the same, excluding all documents and information that Seller deems confidential or privileged (all such documents and other information and materials made available by Sellers to Buyers being collectively referred to hereinafter as the "**Property Documents**"). Buyers shall have ninety (90) days commencing on the Effective Date to inspect and review the Property and the Property Documents to determine the suitability of the Property for Buyers' intended use (hereinbefore and hereinafter the "**Due Diligence Period**"). Buyers agree to keep the Property Documents confidential in accordance with the confidentiality provisions in Section 19 of this Agreement.

(b) To the extent that Buyers desire any evidence of title, survey or environmental report with respect to any part of the Property in addition to the title insurance commitments and policies, surveys and environmental materials that may be included in the Property Documents, Buyers will obtain and review the same at Buyers' expense. Within two (2) Business Days after Buyer's receipt, Buyers shall provide Sellers with a copy of any and all third party reports, documents and investigations relating to the Property and obtained by Buyers in connection with Buyers' due diligence on the Property excluding all privileged materials and communications and/or internal communications of Buyer or of Buyer's affiliated companies.

Without limiting the generality of the foregoing, and subject to the terms and limitation of Section 5, Buyers may, at their sole option and expense, select and retain an environmental consultant to perform an environmental assessment of the Land (consisting of a Phase One assessment and any further assessment or testing that may be recommended by the environmental consultant, and may include soil and ground water analyses at Buyer's option), and the preparation of a report summarizing the results of such assessment (the "**Environmental Report**"). The scope and form of the Environmental Report, if any, shall be determined by Buyers in their sole discretion and Buyers shall pay the cost of any such Environmental Report. Buyers shall have until the expiration of the Due Diligence Period to notify Sellers in writing if

the Environmental Report concludes that Hazardous Substances exist on the Property at levels in violation of applicable Environmental Laws and reasonably unacceptable to Buyers (the "**Environmental Notice**"), which Environmental Notice shall be accompanied by a copy of the Environmental Report. Buyers' failure to obtain an Environmental Report and deliver the Environmental Notice prior to the expiration of the Due Diligence Period shall be deemed to constitute Buyers' approval of the Environmental Report and environmental condition of the Property. If Buyers timely deliver the Environmental Notice, then Sellers shall have the right but not the obligation to remediate the issues set forth in the Environmental Notice. Sellers shall have twenty (20) Business Days after receipt of the Environmental Notice in which to notify Buyers in writing that Seller elects to remediate all or some of the issues set forth in the Environmental Notice and to obtain a no further action letter in connection therewith (the "**Environmental Response**"). If Sellers fail to provide the Environmental Response, then Sellers shall be deemed to have responded electing not to remediate any portion of the Property. If Sellers elect to remediate some or all of the issues set forth in the Environmental Notice, then the Closing Date will automatically be extended for the length of time required to effectuate such remediation and to obtain a no further action letter in connection therewith; provided, however, that Buyers may nevertheless terminate this Agreement and receive a return of the Earnest Money Deposit then in Title Company's possession if Seller fails to complete the remediation and to obtain the no further action letter within one hundred eighty (180) days after Buyers' receipt of the Environmental Response (the "**Remediation Deadline**"). If Sellers do not commit to remediate the Property in the Environmental Response, then Buyers may, within two (2) Business Days after Buyers' receipt (or deemed receipt) of the Environmental Response, either (i) terminate this Agreement by depositing with Sellers and Title Company a written notice of termination, whereupon Title Company shall promptly release and return the Earnest Money Deposit in Title Company's possession to Buyers, or (ii) waive the Environmental Notice and proceed with this Agreement subject to all matters set forth in the Environmental Report. Buyers' failure to timely deposit with Sellers and Title Company such a written notice of termination shall be deemed to constitute Buyers' election to waive the Environmental Notice and proceed with this Agreement.

(c) In connection with any on-site inspections and studies (i) Buyers shall have the right, at Buyers' sole risk, responsibility, cost and expense, to enter upon the Property with at least twenty-four (24) hours written advance notice to Sellers for the purpose of conducting such inspections and studies; (ii) Buyers and their agents, contractors and consultants must be accompanied by an employee, agent or representative of Sellers; (iii) such inspections and studies will be conducted on a Business Day between 10:00 am and 5:00 pm (local time); (iv) Buyers and their agents, contractors and consultants shall not perform any drilling, coring or other invasive testing without Sellers' prior written consent, in its sole and absolute discretion; (v) Buyers' right to perform the inspections and studies shall be subject to the rights of tenants, guests and customers of Sellers at the Property; and (vi) the inspections and studies shall not unreasonably interfere with the business being conducted by Sellers, and Buyers and their agents, contractors and consultants shall comply with Sellers' reasonable requests with respect to the inspections and studies to minimize such interference.

(d) Prior to conducting any on-site inspection of the Property, Buyer or Buyer's affiliate (in the case Buyer's affiliates, the insurer shall name Buyers and Sellers as "additional insureds") shall obtain, at Buyers' expense, from insurers reasonably acceptable to Sellers:

(i) Commercial general liability insurance, including contractual liability, and personal injury liability coverage, listing Sellers and their management companies as additional insureds as their interests may appear, which insurance policy must have a limit for bodily injury, personal injury and death and property damage liability of not less than Two Million Dollars ($2,000,000) for any one occurrence and not less than Two Million Dollars ($2,000,000) annual aggregate.

(ii) Auto liability insurance including all owned, non-owned and hired vehicles used in conjunction with the on-site inspection of the Property, for bodily injury and property damage with a combined single limit of not less than One Million Dollars ($1,000,000) for each occurrence. Such insurance shall also name Sellers and their management companies as additional insureds as their interests may appear.

Prior to making any entry upon the Property, Buyers shall furnish to Sellers a certificate of insurance evidencing the foregoing coverages.

(e) Buyers shall indemnify, defend and hold harmless Sellers, and their respective officers, directors, members, shareholders, employees, representatives and agents from any actions, suits, liens, claims, damages, expenses, losses and liabilities (including reasonable attorneys' fees and expenses) (collectively, the "**Claims**") arising from or related to Buyers' or their agents or contractors entry upon the Property or any inspections and studies related thereto, which indemnity shall survive the Closing and any termination of this Agreement. After any such entry, Buyers shall promptly restore the Property to its prior condition, if its condition was materially changed by such entry.

(f) Prior to the Closing, all inspections and studies by Buyers at the Property shall be arranged through Donald Baarman. Prior to the expiration of the Due Diligence Period, Buyers shall not interview any Property personnel outside the presence of a representative of Sellers without Sellers' prior consent, which consent shall not be unreasonably withheld or delayed. During the thirty (30) days prior to the Closing and provided that this Agreement has not been terminated by either Sellers or Buyers in accordance herewith, Buyers shall have the right to interview any such Property personnel not being retained by Sellers for possible employment outside of the presence of a representative of Sellers on reasonable notice to Sellers, such notice to include a description of any subject matter areas to be discussed with each employee. Buyers agree that any statements made by Property personnel not being retained by Sellers shall not constitute statements of Sellers for any purpose and shall not be admissible against Sellers in any judicial or other proceeding.

(g) If Buyers do not acquire the Property for any reason whatsoever, Buyers shall deliver to Sellers, promptly upon written demand therefore by Sellers and at no cost to Sellers, all materials and information generated by or on behalf of Buyers in connection with the Property (excluding all privileged materials and communications and/or internal communications of Buyer or of Buyer's affiliated companies) and Property Documents previously obtained by Buyer from Sellers (with no retention by Buyers of copies of any such materials and documents).

(h) Prior to the expiration of the Due Diligence Period, Buyers shall notify Sellers and Title Company in writing regarding whether Buyers have decided, in their sole and absolute

discretion, to proceed with the transaction that is the subject of this Agreement or to terminate this Agreement (the "**Due Diligence Notice**"). Buyers' failure to timely deliver the Due Diligence Notice shall be deemed to constitute Buyers' election to terminate this Agreement. If this Agreement is terminated by Buyers pursuant to this Section, the Earnest Money Deposit held by Title Company shall be promptly returned to Buyers, and neither party shall have any further obligations hereunder except those obligations expressly intended to survive such termination.

6. RETENTION OF RIGHTS BY SELLERS OVER CERTAIN PORTIONS OF THE PROPERTY

(a) Lot 10-A of the Kauai Lagoons Resort as shown on Kauai County Subdivision File No. S-2007-22 is currently improved with five buildings located on the Fashion Point Land. The building nearest the southwesterly corner of Lot 10-A (the "**Activities Building**") is currently being used by Seller and owners, guests and invitees of the nearby Kalanipu'u timeshare project ("**Kalanipu'u Guests**") as an activities center. Although Lot 10-A is part of the Property, Sellers shall retain, after the Closing, ownership in all furniture, fixtures, equipment and improvements and the right to exclusive use of the Activities Building.

(b) Lot 10-C of the Kauai Lagoons Resort as shown on Kauai County Subdivision File No. S-2008-02 is commonly referred to as Nene Island ("**Nene Island**"). Nene Island is currently used by Kalanipu'u Guests for exercise and outdoor activities. Although Nene Island is part of the Property, Sellers shall retain a non-exclusive right to use the area for outdoor activities until such time as Nene Island is modified for an alternative development use, which may or may not occur depending on governmental and other factors in the redevelopment of the Resort.

(c) To effectuate the rights described in (a) and (b) above, Buyers shall grant to Kalanipu'u Guests an exclusive easement for the use of the existing Activities Building (the "**Activities Building Easement**") in the location in which the Activities Building is located on the Effective Date (the "**Activities Easement Property**") and a nonexclusive easement for the use of Nene Island (the "**Nene Island Easement**"). The Nene Island Easement agreement and the Activities Building Easement shall be agreed to by the Parties prior to the expiration of the Due Diligence Period and attached hereto as Schedule 6(c). The Activities Building Easement shall provide at a minimum that the use of Activities Easement Property shall be at no cost to Sellers and/or Kalanipu'u Guests, except for the fairly allocable portion of the real property taxes due for such Activities Building (note, real property taxes for Nene Island shall not be allocated to Seller). Sellers shall be responsible for all operating costs and maintenance of the Activities Building and the Activities Easement Property which it elects to undertake in its sole discretion. Sellers shall also provide commercially reasonable insurance naming Buyers as named insureds relating to use of the Activities Easement Property by Seller and the Kalanipu'u Guests. Sellers agree that within thirty (30) days following the Effective Date, Sellers will, at Sellers' sole expense, prepare a draft of the Nene Island Easement and the Activities Building Easement, which will be subject to the review and approval of Sellers and Buyers. The Activities Building Easement shall contain a requirement that the Activities Building Easement be terminated within sixty (60) days after the earlier of the following: (1) Seller and Buyer have closed on the sale of a turn-key timeshare project constructed on Lot 9E ("**MVC Sequal Project**") upon which a replacement Activities Building has been constructed that meets the Brand Standards of Seller

taking into consideration the total number of timeshare units being serviced by such facility; or (2) the parties have mutually agreed to the relocation of the Activities Building to a new location adjacent to the Kalanipu'u condominium. In the event the Parties fail to reach agreement and close on the MVC Sequal Project, the Activities Building Easement shall remain in perpetuity. The Parties failure to agree upon the form of Activities Easement Agreement or Nene Island Easement prior to the expiration of the Due Diligence Period shall be deemed an election by both Parties to terminate this Agreement.

(d) Lot 7-A-1 of the Kauai Lagoons Resort as shown on Kauai County Subdivision File No. S-2009-6 includes a building that is currently being used in connection with maintenance activities on portions of the Resort owned and being retained by Sellers (the "**Landscape Maintenance Building**"). Although Lot 7-A-1 is a part of the Property, Sellers shall retain, after the Closing, ownership in all improvements and the right to use Landscape Maintenance Building. To effectuate such rights, Buyers shall grant to Sellers an exclusive easement for the use of the Landscape Maintenance Building (the "**Landscape Maintenance Building Easement**") in the location in which the Landscape Maintenance Building is located and the surrounding property upon which the Landscape Maintenance Building is located on the Effective Date (the "**Landscape Maintenance Building Easement Property**"). The agreement for the Landscape Maintenance Building Easement (the "**Landscape Maintenance Building Easement Agreement**") shall provide at a minimum that the use of Landscape Maintenance Building Easement Property shall be at no cost to Sellers, except for the fairly allocable portion of the real property taxes due for such Landscape Maintenance Building. Sellers shall be responsible for all operating costs and maintenance of the Landscape Maintenance Building and the Landscape Maintenance Building Property. Sellers shall also provide commercially reasonable insurance naming Buyers as named insureds relating to use of the Landscape Maintenance Building Easement Property by Seller. Sellers agree that within thirty (30) days following the Effective Date, Sellers will, at Sellers' sole expense, prepare the Landscape Maintenance Building Easement Agreement (with accompany exhibits with a proposed easement property boundary description), which will be subject to the review and approval of Buyers, which approval shall not to be unreasonably withheld, conditioned or delayed and shall be deemed disapproved if not approved in writing within fifteen (15) days after Buyers' receipt thereof. The Activities Easement Agreement shall be negotiated between the Parties during the Due Diligence Period and will be attached to this Agreement as <u>Schedule 6(d).</u> The Parties failure to agree upon the form of Landscape Maintenance Easement Agreement or the Landscape Easement Property prior to the expiration of the Due Diligence Period shall be deemed an election by both Parties to terminate this Agreement.

(e) Lot 8 of the Kauai Lagoons Resort as shown on Kauai County Subdivision File No. S-2010-22 includes a building (the "**Sales Center**") and other associated improvements proximate thereto (the "**Sales Center Property**") that is currently being used in connection with sales activities on portions of the Resort owned and being retained by Sellers. Sellers desire to retain, after the Closing, the right to use the Sales Center for one (1) year after Closing ("**Sales Center Lease Term**"). To effectuate such rights, Buyer and Seller shall enter into a sales center space lease for the Sales Center Property (the "**Sales Center Lease**"). The Sales Center Lease shall provide that (i) rent payable by Seller shall be One Dollar ($1.00) per annum plus a fairly allocated portion of the real property taxes, insurance and maintenance (but no improvements) of the existing Sales Center Property; (ii) Sellers shall be responsible for operating and maintenance

costs associated with its use and operation of the Sales Center; (iii) Sellers shall provide commercially reasonable insurance naming Buyers as named insureds relating to use of the Sales Center by Seller; and (iv) other terms agreed to by the Parties. Sellers agree that within thirty (30) days following the Effective Date, Sellers will, at Sellers' sole expense, prepare the Sales Center Lease, which will be subject to the review and approval of Buyers, which approval shall not to be unreasonably withheld, conditioned or delayed and shall be deemed disapproved if not approved in writing within fifteen (15) days after Buyers' receipt thereof. The Sales Center Lease shall be negotiated between the Parties during the Due Diligence Period and will be attached to this Agreement as Schedule 6(e). The Parties failure to agree upon the form of Sales Center Lease or the Sales Center Property prior to the expiration of the Due Diligence Period shall be deemed an election by both Parties to terminate this Agreement.

7. EASEMENT AND MASTER ASSOCIATION RIGHTS.

(a) At Closing, Buyers and Sellers will enter into a fiber optic line easement agreement (the "**Fiber Optic Easement Agreement**") in which Sellers shall be granted a non-exclusive easement for the operation, repair, maintenance and replacement of the fiber optic lines already installed on or under the Land in locations set forth on the as-built drawings to be provided to Sellers. The Fiber Optic Easement Agreement shall provide at a minimum that the use of the fiber optic lines as set forth in the Fiber Optic Easement Agreement shall be at no cost to Sellers. The form and substance of the Fiber Optic Easement Agreement shall be negotiated between the Parties during the Due Diligence Period and will be attached to this Agreement as Schedule 7(a).

(b) At Closing, the Parties shall execute an agreement memorializing the Parties' respective rights under the Master Association (the "**Master Association Rights Agreement**"), which shall provide at a minimum (i) a prohibition against the construction of improvements on Subdivision 7 (according to the current plat thereof) at heights that exceed 30 feet from grade as more particularly described on Schedule 7(b)-1; and (ii) that Buyers and Buyers' successors or assigns shall not have the right to promulgate, modify, or amend any design or architectural standards and/or restrictive covenants encumbering the Retained Property in any manner. It is the intent of the Parties that notwithstanding any assignment of "Developer" or "Declarant" rights as contemplated by this Agreement, Sellers, and their successors and assigns, shall continue to have the sole and exclusive right to govern, direct and control the development of the Retained Property, free from interference by Buyers and their successors; provided, however, that neither Sellers nor Buyers, nor any of their respective successors or assigns, shall take any action relating to the development of the Property or the Retained Property which would adversely impact (i) the common areas of the Resort; (ii) the signage for the Resort; and/or (iii) the master drainage system for the Resort, without the prior written consent of the other party.

The form and substance of the Master Association Rights Agreement shall be negotiated between the Parties during the Due Diligence Period and will be attached to this Agreement as Schedule 7(b)-2.

8. ENTITLEMENT PERIOD. Buyer intends to complete preliminary design planning for reasonable enhancements to the Resort which will include a hotel, revitalization of the existing retail area and Golf Course, and modifications to the residential components of the

Resort. To that end, Buyers plan to meet with the local planning officials to discuss the above-described preliminary plans to obtain a level of comfort from said governing officials that the proposed development changes for the Resort are feasible and that the necessary development entitlements will not be actively opposed by such local planning officials (collectively referred to herein as the "**Entitlements Confirmation**"). Buyers shall have until 4:00 p.m. Hawaii Standard Time on the date that is one hundred eighty (180) days after the Effective Date (the "**Entitlement Period**") in which to obtain the Entitlements Confirmation. Buyers may terminate this Agreement and receive a return of the Earnest Money Deposit then in Title Company's possession (less the Non-refundable Deposit) if Buyers' fail to obtain the Entitlements Confirmation and Buyers deliver written notice thereof to Sellers prior to the expiration of the Entitlement Period. If local planning officials fail to oppose the entitlements and plans proposed by Buyers, Sellers shall not interfere with Buyers' implementation and development pursuant to such entitlements, provided Buyers are not in violation of any of Sellers' rights under this Agreement or any restrictions of record that encumber the Property.

9. GOLF CLUB EMPLOYEES. The provisions of this Section 9 shall apply to the rights and obligations of the Parties with respect to all individuals employed at the Golf Club by Sellers (collectively, the "**Existing Employees**"), whose job titles, pay rates, work classification (full-time, part-time, seasonal, etc.) and union status are set forth in the attached Schedule 9.

(a) Sellers shall give all Existing Employees and all applicable governmental entities such notices of the transactions that are the subject of this Agreement as are required by the Hawaii Dislocated Workers Act, Hawaii Revised Statutes Chapter 394B (the "**Dislocated Workers Act**").

(b) Buyers understand that the Existing Employees identified in the attached Schedule 9 that are identified as having an active status with the International Longshore & Workers Union ("**ILWU**"), Local 142 ("**Union Employees**") are covered under the Labor Agreements. Pursuant to the terms of Labor Agreements, the Buyers will assume the terms and conditions of the Labor Agreements on the Closing Date. As a condition of this transaction, Buyer's entity that acquires the Golf Club Land (the "**Golf Club Owner**") shall offer employment to all Union Employees, subject to I-9 verification, without any change to their seniority status. On the Closing Date, the employment of those Union Employees still employed by Sellers shall terminate and shall begin with Golf Club Owner. Golf Club Owner shall assume the Labor Agreements at Closing and agrees to abide by the terms thereof with respect to the Union Employees.

(c) Sellers shall terminate the employment of all Existing Employees who are not subject to the Labor Agreement (the "**Non-Union Employees**") on the Closing Date. Golf Club Owner may, in its sole discretion, offer employment to any Non-Union Employee that Golf Club Owner chooses, subject to I-9 verification and background checks. Union Employees, together with the Non-Union Employees who are offered and accept employment by the Golf Club Owner, are collectively referred to as the "**Rehired Employees**."

(d) No later than seventy-five (75) days before the Closing Date, Buyers shall deliver to Sellers (1) written notice of their intent to proceed with closing, subject to any remaining

diligence, thus enabling Sellers to comply with distribution of any notice required under the Dislocated Workers Act; and (2) a copy of Schedule 12(n) ("**Assumption of Labor Agreements**"), signed by the Golf Club Owner. Sellers shall provide a copy of the signed Assumption of Labor Agreements to ILWU, Local 142, sixty (60) days prior to the Closing Date, in accordance with the terms of the Labor Agreements.

(e) Sellers shall remit to the proper governmental authorities all employment taxes and employment tax forms that pertain to the Existing Employees' employment with Sellers through the Closing Date. Subject to paragraph (e) below, Sellers shall also be responsible for all accrued compensation and benefits due to the Existing Employees through the Closing Date, including without limitation pension plan contributions and benefits, savings and retirement plan benefits, medical and dental benefits, severance pay, vacation pay, sick pay, personal holidays and other leave, salaries and wages. At the Closing, Golf Club Owner shall receive from Sellers a sum equal to the aggregate amounts payable by Sellers pursuant to this paragraph that are attributable to the period between the Cut-Off Date and the Closing Date.

(f) With respect to Sellers' personnel files and employment records, Buyers' access shall initially be limited to reviewing the Labor Agreements, agreements with providers of benefits, any employee handbooks, any employee benefit plan summaries, any 401(k) plans, individual employee contracts, and the schedule of Existing Employees, which shall specify only their names, dates of hire, status (full time, part time, on call), job titles, and wage or salary rates. Absent the prior written consent of the subject employee, Buyers shall not be given access to confidential or privileged information contained in an Existing Employee's personnel file (such as medical records, workers' compensation records, temporary and/or long term disability records, substance abuse treatment records, attorney-client communications, discrimination or harassment investigations, and confidential settlement agreements) until and unless such Existing Employee becomes a Rehired Employee and consents in writing to the transfer of copies of such personnel records to Golf Club Owner. However, Sellers agrees to permit Buyers to review employee personnel files of those Existing Employees who consent to such access by Buyers prior to the Closing Date. Seller agrees to deliver a written consent request to each Existing Employee sixty (60) days before the Closing Date and to use good faith efforts to obtain the consents.

(g) Immediately prior to the Closing Date, Sellers shall pay out all accrued severance and vacation pay, if any, that is payable to the Non-Union Employees who will not be hired by the Golf Club Owner on the Closing Date. At Closing, Golf Club Owner shall assume (1) the amount of Sellers' obligation to pay accrued severance, vacation pay, sick pay and personal days/holidays or other personal leave, if any, to the Rehired Employees who are covered by the Labor Agreements to the extent required under the Labor Agreements, and (2) the amount of Sellers' obligation to pay sick pay to the Rehired Employees who are not covered by the Labor Agreements (Non-Union Employees), in the amounts described on a schedule to be attached to this Agreement as Schedule 9(g) at least two (2) Business Days prior to the Closing, which amounts shall be calculated as of the Cut-Off Date. Buyers shall be entitled to a credit against the installment of the Purchase Price that is payable at the Closing in an amount equal to the obligations reflected in said schedule.

(h) To the extent reasonably possible or as required by the Labor Agreements, Golf Club Owner will ensure that service with Sellers by any Rehired Employee shall be deemed to have been service with Golf Club Owner for purposes of any length of service requirements, waiting periods, vesting periods, or differential benefits based on length of service in any benefit plan established or maintained by Golf Club Owner for which such Rehired Employee may be eligible after the Closing. To the extent reasonably possible, Golf Club Owner will also ensure that any pre-existing conditions, restrictions or waiting periods under any benefit plan established by Golf Club Owner providing medical, dental, vision, or prescription drug coverage or benefits are waived to the extent they exceed the pre-existing conditions, restrictions and waiting periods that apply to such Rehired Employee's coverage under the benefit plans of Sellers, except as required under the Labor Agreements. At the request of Golf Club Owner and to the extent permitted by applicable law, Sellers will cooperate with Golf Club Owner to transfer the unemployment insurance experience ratings of the employer of the Existing Employees to Golf Club Owner.

(i) As soon as legally permissible and administratively feasible following the Closing Date, Golf Club Owner shall cause the administrator of any Section 401(k) retirement plan maintained by Golf Club Owner (the "**Buyer's 401(k) Plan**") to accept rollovers by the Rehired Employees of their vested accounts in one or more of the Section 401(k) retirement plans which Sellers sponsored or adopted on behalf of the Existing Employees, provided that such rollovers shall be subject to the limitations, terms and procedures of Buyer's 401(k) Plan, if any, including without limitation the procedures for verifying the qualified status of the plan from which the rollover derives, and subject to the Buyer's 401(k) Plan's terms and conditions for participation generally. Sellers shall be solely responsible for satisfying any unfunded liability under any benefit plan or retirement plan applicable to the Existing Employees that exists on the Effective Date and for which Sellers are liable, and Sellers shall indemnify, defend and hold Buyers harmless from and against any such liability.

(j) Except as otherwise expressly provided in this Section 9, no liabilities arising from the employment of the Existing Employees prior to the Closing Date shall be assumed by Buyers, the Golf Club Owner, or any of their affiliates. Sellers shall also cooperate with Buyers and Golf Club Owner with respect to due diligence and coordination of the transfer of employment of the Rehired Employees. This obligation applies until the Closing Date and, upon reasonable request by Golf Club Owner, for up to sixty (60) days following the Closing Date.

(k) Sellers will indemnify, defend and hold Buyers harmless from and against any loss, damage, liability, claim, cost or expense (including without limitation reasonable attorneys' fees) ("**Employee Claims**") that may be incurred by, or asserted against, any Golf Club Owner relating to a past or present Golf Club Employee to the extent arising from acts or omissions occurring prior to the Closing Date (including without limitation any Employee Claims which have not yet been asserted by the Closing Date). Golf Club Owner will indemnify, defend and hold Sellers harmless from and against any Employee Claims that may be incurred by, or asserted against, any Seller after the Closing Date relating to a Rehired Employee to the extent arising from acts or omissions occurring on or after the Closing Date. These indemnities apply, without limitation, to all forms of civil, labor and employment claims under state, federal and local law or under the Labor Agreements, whether brought in judicial, administrative, arbitration or other proceedings, private or public. Sellers and Buyers acknowledge and agree that nothing

in this Agreement is intended to create a “joint employer” relationship between them with respect to any Existing Employee.

(l) (i) Golf Club Owner shall assume (and cause any property manager retained by Buyer with respect to the Property to assume) an obligation to contribute to the Multiemployer Pension Plan in accordance with the terms of the Union Agreement on or after the Closing, for substantially the same number of contribution base units for which Sellers had an obligation to contribute with respect to the Property. For purposes of this Agreement, “**Multiemployer Pension Plan**” shall mean the multiemployer pension plan covered by the Union Agreement or its successor agreements.

(ii) During the period commencing on the first day of the plan year following the Closing and ending on the expiration of the fifth (5th) such plan year (the “**Contribution Period**”), Golf Club Owner shall provide to the Multiemployer Pension Plan either a bond, letter of credit or an escrow in an amount and manner meeting the requirements of section 4204 of ERISA. Notwithstanding anything contained in this Section 9 to the contrary, Golf Club Owner shall not be obligated to provide any bond, letter of credit or escrow required herein in the event and to the extent that Golf Course Owner obtains from the Pension Benefit Guaranty Corporation (the “**PBGC**”) or the Multiemployer Pension Plan a proper variance or exemption under section 4204(c) of ERISA and the applicable regulations thereunder, provided any and all requirements of said variance or exemption are met (a “**Variance**”). Sellers agrees to cooperate with and assist Golf Course Owner in connection with any application for such a variance or exemption made by Golf Course Owner to the PBGC or the Multiemployer Pension Plan including, but not limited to, requesting from such Multiemployer Pension Plan such data and information that Golf Course Owner requests in writing that Sellers obtain from such plan. The costs and expense of any such bond, letter of credit or escrow, as well as all costs of applying for a Variance, will be borne by Golf Course Owner or Buyers. Buyers will keep Sellers informed as to Golf Course Owner’s effort to obtain a Variance and will provide Sellers with copies of all communications related thereto.

(iii) Golf Course Owner agrees that any action on its part that causes withdrawal liability (either partial or complete) during the Contribution Period shall be for valid business reasons only. In the event of a subsequent sale of the Property by Buyers and/or Golf Club Owner during the Contribution Period, Buyers and/ or Golf Club Owner agree to comply with the provisions of Section 4204(a)(1) of ERISA.

(iv) If Golf Club Owner at any time withdraws from the Multiemployer Pension Plan in a complete or partial withdrawal with respect to the Rehired Employees covered by the Union Agreement during the Contribution Period, the Sellers shall be secondarily liable for the portion of the withdrawal liability attributable to Sellers’ contribution history assumed by Golf Course Owner as a result of Section 4204 of ERISA, Golf Course Owner agrees to provide Sellers at least ten (10) days advance notice of any action or event which it reasonably believes is likely

to result in the imposition of withdrawal liability contemplated by this Section 9, and in any event Golf Course Owner shall immediately furnish Sellers with a copy of any notice of withdrawal liability it may receive with respect to the Multiemployer Pension Plan, together with all the pertinent details.

(m) The provisions of this Section 9 shall survive the Closing and will not merge with the provisions of any closing documents.

10. POSSESSION AND CLOSING DATE. Sellers shall deliver possession of the Property to Buyers at the Closing; subject the Permitted Exceptions (which shall list specifically in the Preliminary Commitment any and all rights of the tenants under the Tenant Leases, and the rights of the Kauai Lagoons Community Association, a Hawaii nonprofit corporation (the "**Master Association**") and its members. Provided that all of Buyers' Conditions Precedent and Sellers' Conditions Precedent (as defined and described in Sections 16 and 17 of this Agreement, respectively) have been satisfied or waived, the Closing shall occur on or before the date that is thirty (30) days after the expiration of the Entitlement Period (the "**Closing Date**"). The Closing shall take place in the office of the Title Company, or another location mutually acceptable to the Parties.

11. ESCROW AND CLOSING PROCEDURES. This Agreement shall constitute both an agreement among the undersigned and escrow instructions. By 12:00 noon (Hawaii time) on the date that is two (2) Business Days after the Parties have fully executed this Agreement, the escrow pertaining to the subject transaction (the "**Escrow**") shall be opened with Title Company at its office at 235 Queen Street, Honolulu, Hawaii 96813, and Sellers shall deliver a copy of this Agreement to Title Company for execution. The failure of Title Company to execute this Agreement shall not affect the validity of this Agreement between Buyers and Sellers. The Parties agree to execute such supplemental escrow instructions as Title Company may reasonably require; provided, however, that in the event of any conflict between the terms of this Agreement and the terms of such supplemental escrow instructions, the terms of this Agreement shall govern.

The Closing Date may be extended or continued by agreement in writing of both Buyers and Sellers, although no Party shall be required to extend the Closing Date at the request of another Party except as otherwise provided in this Agreement.

12. DELIVERIES TO ESCROW BY SELLERS.

Sellers shall execute and deliver the following documents to Title Company no later than the second (2nd) Business Day prior to the Closing Date. Each such document shall be in form reasonably acceptable to Buyers, shall be in recordable form where appropriate, and shall be duly executed by the applicable Seller that holds title to each portion of the Property with all requisite formalities under Hawaii law:

(a) Limited warranty deeds that convey the Land, the Improvements, and the Easements to the respective Buyers to take title to the various real property interests that constitute part of the Property, with exception taken only for the Permitted Title Exceptions, which

deeds shall each be substantially in the form of the attached Schedule 12(a) (collectively the “**Deeds**”);

(b) An assignment and assumption of lease that assigns to the Buyer taking an assignment thereof all of Sellers’ rights and interests under the Rice Lease and also constitutes an assumption by Buyer of the lessee’s obligations thereunder that arise from and after the Closing Date (subject to the prorations described in Section 15 hereof), which instrument shall be substantially in the form of the attached Schedule 12(b) (the “**Rice Lease Assignment**”);

(c) An assignment and assumption of Sublease that assigns to the Buyer taking an assignment of the Rice Lease all of Sellers’ rights and interests under the Sublease and also constitutes an assumption by Buyer of the sublessor’s obligations thereunder that arise from and after the Closing Date (subject to the prorations described in Section 15 hereof), which instrument shall be substantially in the form of the attached Schedule 12(c) (the “**Sublease Assignment**”);

(d) An assignment and assumption that assigns to the one or more of the Buyers (as applicable) all of Sellers’ rights and interests under the Tenant Leases, and also constitutes an assumption by such Buyers of all of Sellers’ obligations thereunder that arise from and after the Closing Date (subject to the prorations described in Section 15 hereof), which instrument shall be substantially in the form of the attached Schedule 12(d) (the “**Tenant Leases Assignment**”);

(e) An assignment and assumption of leases that assigns to one or more of the Buyers (as applicable) all of Sellers’ rights and interests under the Equipment Leases and also constitutes an assumption by such designee of all of Sellers’ obligations thereunder that arise from and after the Closing Date (subject to the prorations provided in Section 15 hereof), which instrument shall be substantially in the form of the attached Schedule 12(e) (the “**Equipment Leases Assignment**”);

(f) A bill of sale that transfers the Tangible Personal Property to one or more of the Buyers (as applicable) in substantially in the form of the attached Schedule 12(f) (the “**Bill of Sale**”);

(g) An assignment and assumption of contracts that assigns one or more of the Buyers (as applicable) all of Sellers’ rights and interests under the Service Contracts and also constitutes an assumption by such Buyer(s) of all of Sellers’ obligations thereunder that arise from and after the Closing Date (subject to the prorations described in Section 15 hereof), which instrument shall be substantially in the form of the attached Schedule 12(g) (“**Service Contracts Assignment**”);

(h) An assignment and assumption of intangible rights that assigns to one or more of the Buyers (as applicable) all of Sellers’ rights and interests in the Warranties and the Miscellaneous Property (excepting the Intellectual Property) and also constitutes an assumption by such Buyer(s) of all of Sellers’ obligations thereunder that arise from and after the Closing Date (subject to the prorations described in Section 15 hereof), which

instrument shall be substantially in the form of the attached Schedule 12(h) (the "**Warranties Assignment**");

(i) An assignment and acceptance of intellectual property that assigns to one or more of the Buyers (as applicable) all of Sellers' rights and interests in and to the Intellectual Property, to the extent valid as of the Effective Date, and also constitutes an acceptance of that assignment and an assumption of obligations related thereto by such Buyer(s) as specified in that instrument, which instrument shall be substantially in the form of the attached Schedule 12(i), together with (1) such cover sheets and other forms as may be required to record said assignment of any federally-registered Intellectual Property with the U. S. Patent and Trademark Office, and (2) such assignments of trade name, trademark or service mark on Form T-4 of the Hawaii Department of Commerce and Consumer Affairs, Business Regulation Division (the "**DCCA**"), as may be required to effectuate the assignment of that portion of the Intellectual Property that is presently registered with the DCCA (the "**Intellectual Property Assignment**);

(j) An assignment and assumption of golf and tennis play agreements that assigns to one or more of the Buyers (as applicable) all of Sellers' rights and interests under the Golf Play Agreements and also constitutes an assumption by such Buyer(s) of Sellers' obligations thereunder that arise from and after the Closing Date (subject to the prorations described in Section 15 hereof), which instrument shall be substantially in the form of the attached Schedule 12(j) (the "**Golf Play Agreements Assignment**");

(k) All necessary Conveyance Tax Certificates (Hawaii Department of Taxation Form P-64A), which certificates shall be executed by grantor and grantee under each of the deeds;

(l) Any Hawaii General Excise Tax Returns and Reports of Bulk Sale or Transfer under Section 237-43 of the Hawaii Revised Statutes that may be required in connection with the purchase and sale of the Property together with the signed Certificate of the Director of Taxation;

(m) An executed lessor's consent to assignment and estoppel certificate from Wm. Hyde Rice, Limited, the lessor under the Rice Lease, which instrument shall be in the form of the attached Schedule 12(m);

(n) An assumption agreement in which Golf Course Owner adopts the Labor Agreements, which instrument shall be in the form of the attached Schedule 12(n) (the "**Assumption of Labor Agreements**");

(o) The Fiber Optic Easement Agreement (as defined in Section 7(a)) and Master Association Rights Agreement (as defined in Section 7(b));

(p) The Activities Easement Agreement (as defined in Section 6(a)), the Landscape Building Easement Agreement (as defined in Section 6(b)) and the Sales Center Lease (as defined in Section 6(c));

(q) Such other documents of assignment, transfer or conveyance that may be reasonably requested by Buyers, Title Agent or Title Company to effectuate the full transfer of the Property to Buyers, the issuance of the Title Policy or Policies to Buyers, and the assumption by each respective transferee of Sellers' obligations thereunder that arise from and after the Closing Date (subject to the prorations described in Section 15 hereof), including, but not limited to, an assignment of rights to Buyer related to the role as master developer and membership in the Master Association;

(r) A closing statement reflecting the Parties' respective costs of Closing hereunder (the "**Closing Statement**");

(s) An affidavit from each of the Sellers verifying that each such entity is not a "foreign person" as defined in Section 1445(f)(3) of the Internal Revenue Code, as amended;

(t) An affidavit from each of the Sellers verifying that each such entity is a "resident person" within the meaning of Section 235-68 of the Hawaii Revised Statutes;

(u) A certificate of good standing for each of the Sellers certified and issued by the Department of Commerce and Consumer Affairs of the State of Hawaii and a certified tax clearance certificate from the Department of Taxation of the State of Hawaii for each such entity dated no earlier than five (5) days before the Closing;

(v) Written evidence that each person who executed this Agreement on behalf of a Seller and any person who executes documents at or for the Closing on behalf of a Seller, including without limitation the various conveyance documents identified above, was and will be duly authorized to do so, and that each Seller was and will be bound by his or their actions;

(w) Estoppel Certificate from the Association in substantially the form attached hereto as Schedule 12(w);

(x) Intellectual Property License that the Parties will agree upon and attached hereto as Schedule 12(x) prior to the expiration of the Due Diligence Period.

13. DELIVERIES TO ESCROW BY BUYERS. Buyers shall deliver or cause to be delivered the following documents and funds to Title Company no later than the second (2nd) Business Day prior to the Closing Date:

(a) Counter-signed originals of the Rice Lease Assignment, Sublease Assignment, Tenant Leases Assignment, the Equipment Leases Assignment, the Service Contracts Assignment, the Warranties Assignment, the Intellectual Property Assignment, and the Domain Names Assignment;

(b) Counter-signed originals of the Golf Play Agreements Assignment;

(c) Counter-signed originals of the Labor Agreements Assignment;

(d) Counter-signed original of the Fiber Optic Easement Agreement and Master Association Rights Agreement;

(e) The Activities Easement Agreement, the Landscape Building Maintenance Agreement and Sales Center Lease;

(f) Written evidence that each person who executed this Agreement on behalf of a Buyer and any person who executes documents at or for the Closing on behalf of a Buyer, including without limitation the various conveyance documents identified above, was and will be duly authorized to do so, and that each Buyer was and will be bound by his or their actions;

(g) The Purchase Price payable by Buyers at the Closing pursuant to Section 2 of this Agreement, plus a sum of money equal to all closing costs and other expenses to be paid by Buyers at the Closing under this Agreement, less any credits to Buyers under this Agreement, which funds shall be in the form of a wire transfer of readily available federal funds;

(h) Such other documents of assignment, transfer or conveyance that may be reasonably requested by Buyers, Title Agent or Title Company to effectuate the full transfer of the Property to Buyers, the issuance of the Title Policy or Policies to Buyers, and the assumption by each respective transferee of Sellers' obligations thereunder that arise from and after the Closing Date (subject to the prorations described in Section 15 hereof);

(i) Counter-signed originals of the Intellectual Property License; and

(j) Counter-signed originals of the Closing Statement.

14. CLOSING SEQUENCE. To accomplish the Closing of the subject transaction, Title Company shall undertake all of the following in the order set forth below:

(a) On or before 12:00 noon (Hawaii time) on the second (2nd) Business Day prior to the Closing Date, Title Company shall first verify that title to the Land is subject only to the Permitted Title Exceptions, and shall then submit for recording, at 8:01 a.m. on the Closing Date, the deeds and other recordable conveyance documents, if any, that Sellers delivered to Title Company pursuant to Section 12 hereof in the Office of the Assistant Registrar of the Land Court of the State of Hawaii or the Bureau of Conveyances of the State of Hawaii, as appropriate, and thereafter deliver evidence of that recording to Buyers and Sellers together with conformed copies thereof as soon as the same are available.

(b) Following the recording of the documents described in subsection (a) above on the Closing Date, Title Company shall disburse the funds that Buyers deposited with Title Company as follows, such disbursements to occur no later than 3:00 p.m. (Hawaii time) on the Closing Date:

(1) Pay all closing costs and other amounts chargeable to each of the Buyers and the Sellers pursuant to the Closing Statement; and

(2) Pay to Sellers, pursuant to the Closing Statement, the sums required by Section 2 of this Agreement, less (i) any credits to which Buyers are entitled under this Agreement, and (ii) any closing costs chargeable to Sellers and disbursed pursuant to the preceding subsection (1), all as set forth on the Closing Statement executed by Buyers and Sellers.

(c) Following the disbursement of the funds as described in subsection (b) above, Title Company shall deliver to Buyers and Sellers the originals (where available) or conformed copies of the remaining documents that were delivered to Title Company by the Parties.

(d) Upon Closing, Title Company shall deliver the Owner's Title Policies to the Buyers.

15. PRORATIONS AND APPORTIONMENTS. All items described in this Section 15 shall be prorated and apportioned in the manner provided in this Section 15 so that, except as otherwise specifically provided herein, Sellers bears all expenses and liabilities incurred with respect to the Property (either by reason of ownership or operation), and receives the benefit of all income derived from the Property, through the day that is immediately prior to the Cut-Off Date, and Buyers bear all expenses and liabilities incurred with respect to the Property (either by reason of ownership or operation), and receives the benefit of all income derived from the Property, on and after the Cut-Off Date. Subject to that understanding, the following items shall be prorated and apportioned on an accrual basis:

(a) Revenues.

(1) All income and revenue from the operation of the Property (including without limitation income or revenue, if any, derived from room or facility rentals, food sales, beverage sales, merchandise and golf equipment sales, telephone usage and coin-operated vending machines);

(2) All income and revenue generated by or related to the operation of the Golf Courses, including without limitation tennis and court rental fees, golf dues, greens fees, golf lessons, golf cart fees, handicap fees, driving range fees and storage fees;

(3) All base and fixed rent, percentage rent, escalation rent, prepaid rent and other rent payable under the Tenant Leases; and

(4) All credit card receivables and other income and revenue derived from the ownership and operation of the Property.

(b) Expenses and Liabilities.

(1) Accrued wages, vacation pay, sick pay, bonuses, social security taxes and other payroll taxes, workers' compensation and fringe benefits payable to the Rehired Employees, including without limitation the premium payments for employee medical insurance, dental insurance, long-term disability insurance and life insurance.

(2) Gross income and other taxes, if any, payable on account of any rents and other income derived from the Property or the business conducted in the Improvements, including without limitation Hawaii general excise taxes, exclusive, however, of taxes on net income, which shall be the responsibility of the Party receiving such income.

(3) Real property taxes for the fiscal year in which the Closing occurs. If the Closing occurs before the tax rate or assessment is fixed, the apportionment of such real property taxes shall be upon the basis of the tax rate for the next preceding year applied to the latest assessed valuation, but such taxes shall be readjusted as soon as the applicable rate and assessment is fixed.

(4) Amounts paid or payable under the Service Contracts.

(5) Any liability under outstanding gift certificates, special promotions, pre-paid discounts, or similar programs or benefits, if any.

(6) Applicable gas, electric, water and other utility charges. If there are any meters on the Property measuring any of the foregoing, Sellers shall furnish Buyers a reading of each such meter made by the Party to which such meter charges are payable as of the Cut-Off Date or a date thereafter that is as close to the Cut-Off Date as possible.

(7) Trade association dues, travel agency commissions, trade subscriptions and commissions of credit referral organizations, if any.

(8) Fees for transferable City, County, State and Federal business licenses and permits, if any.

(9) Rent payable under the Rice Lease.

(10) Amounts due under the Equipment Leases.

(11) Any other prepaid or postpaid items that are typically apportioned by buyers and sellers in similar transactions in Hawaii, and such additional items with respect to which Buyers and Sellers mutually agree in writing.

(12) Prepaid insurance premiums for the period subsequent to the Cutoff Date, and for any period after the Closing to the extent that any of the existing insurance policies continue in force and effect after the Closing.

(13) Except to the extent included in the Developer Guaranty Liability described in subsection (14) below: water and sewer rents and charges; condominium association dues, assessments, fees and charges; Master Association and sub-association dues (if applicable) and other like and similar charges.

(14) As used herein, the “**Developer Guaranty Liability**” means any and all liabilities and obligations of Sellers, as declarant or developer under the declaration for the

Master Association, to guarantee the amount of the Master Association budgets through the end of the then-current guaranty period. The portion of the Developer Guaranty Liability calculated for the period of time beginning at Closing and continuing through the end of the present guaranty period is referred to as the "**Post Closing Guaranty Liability**". Sellers' portion of the Developer Guaranty Liability shall be based upon a formula to be agreed upon prior to the expiration of the Due Diligence Period.

(c) Credits for Certain Items. Sellers shall receive a credit for any and all cash in house banks and petty cash that shall be turned over to Buyers at the Closing and that shall constitute the proceeds of revenues attributable to the period prior to the Cut-Off Date and Buyers shall receive a credit for (i) all deposits and other advance sums paid with respect to any Bookings, and (ii) the accrued vacation pay and sick pay of the Rehired Employees as described in Section 9 of this Agreement.

(d) Accounts Payable and Receivable. All accounts payable and expenses related to the operation of the Property which accrue before the Cut-Off Date shall, except as otherwise expressly provided herein, be paid by Sellers, and all accounts payable and expenses arising on and after the Cut-Off Date will be the responsibility of Buyers. Buyers shall not acquire from Sellers any accounts receivable that arose prior to the Cut-Off Date (the "**Prior Accounts Receivable**"), and there shall be no adjustments or prorations for the Prior Accounts Receivable; provided, however, that Buyers shall remit to Sellers, upon receipt of the same, any and all amounts collected by Buyers on account thereof.

(e) Allocation of Payments Received after the Closing Date. For payments received by Buyers from persons having unpaid obligations to Sellers for matters preceding the Cut-Off Date and to Buyers for matters subsequent to the Cut-Off Date, the following allocations shall be utilized: (i) each payment that specifies application to a specific obligation or that matches the amount of a specific billing shall be allocated to such obligation or billing and paid to Sellers for pre-Cut-Off Date obligations or billings and to Buyers for post-Cut-Off Date obligations or billings; (ii) payments not specifying application to specific obligations or not matching the amount of specific billings shall be first allocated to actual obligations or billings arising after the Cut-Off Date and shall be paid to Buyers; and (iii) payments not allocated pursuant to (i) or (ii) above shall be paid to Sellers until all pre-Cut-Off Date obligations and billings have been paid.

(f) Proration Procedure. No earlier than five (5) Business Days prior to the Closing, Sellers shall determine the estimated amount of all prorations and apportionments as provided in this Section 15, which estimates shall be subject to Buyers' reasonable review and approval. Any item which cannot be ascertained with certainty as of the Closing Date shall be prorated on the basis of Sellers' reasonable estimate of such amount, and shall be the subject of a final proration as soon after the Closing Date as the precise amount of such item can be ascertained with reasonable certainty. Such estimate, as so approved, will constitute the prorations and apportionments for the purpose of the Closing.

(g) Special Liabilities. Notwithstanding any other provision of this Agreement or of any of the Transaction Documents (as defined in Section 20(k) of this Agreement), Sellers shall remain responsible for, and Buyers shall not be deemed to have assumed, any and all liabilities

that are caused by any negligence or willful misconduct of Sellers or any affiliate of Sellers, or of any employee or agent of any Seller or any such affiliate of Sellers, whether occurring before or after the Closing; provided, however, that the foregoing shall not apply to the actions of any Rehired Employees that occur after the Closing Date.

(h) True Up. To the extent that any of the items described above, except (b)(14), cannot be finally determined on the Closing Date, then such items shall be prorated on an estimated basis using the most current information. Within ninety (90) days after the Closing Date, Sellers and Buyers shall recalculate such prorations and any amount payable by Sellers or Buyers shall be paid to the other Party within fifteen (15) days after such recalculation.

This Section 15 will survive the Closing and the delivery of any instruments of conveyance to Buyers.

16. CONDITIONS PRECEDENT TO BUYERS' OBLIGATION TO CLOSE. The following are conditions precedent to Buyers' obligation to consummate the purchase and sale transaction that is contemplated by this Agreement ("**Buyers' Conditions Precedent**"):

(a) Sellers shall have timely performed, in all material respects, all of the obligations required to be performed by them under the terms of this Agreement at or prior to the Closing;

(b) The statutory notices (if required) shall have been given under the Hawaii Dislocated Worker's Act;

(c) Title Company shall be willing to issue the Owner's Title Policy, subject only to the Permitted Title Exceptions;

(d) Sellers shall have delivered or caused to be delivered all documents and instruments that they are obligated to deliver to Title Company pursuant to Section 12;

(e) All of the representations of Sellers contained in Section 20 hereof shall be true and correct as of the Closing Date; and

(g) Sellers shall have obtained and delivered to Title Company an executed lessor's consent to the assignment and estoppel certificate from Wm. Hyde Rice, Limited, the lessor under the Rice Lease.

If any of Buyers' Conditions Precedent have not been satisfied within the time limits provided herein and such Buyers' Condition Precedent has not previously been waived by Buyers, and such Buyers' Condition Precedent is not satisfied within fifteen (15) days after Seller's receipt of written notice from Buyers of same, Buyers shall be entitled to (i) waive such Buyers' Condition Precedent, in which event the subject transaction will close in accordance with the terms hereof, or (ii) terminate this Agreement by delivering to Sellers and Title Company written notice of Buyers' election to terminate prior to the Closing Date, in which event Title Company shall promptly release and return the Earnest Money Deposit to Buyers.

17. CONDITIONS PRECEDENT TO SELLERS' OBLIGATIONS TO CLOSE. The following are conditions precedent to Sellers' obligations to consummate the purchase and sale transaction that is contemplated by this Agreement ("**Sellers Conditions Precedent**"):

(a) Buyers shall have timely performed, in all material respects, all of the obligations required to be performed by them by the terms of this Agreement at or prior to the Closing;

(b) The statutory notices (if required) shall have been given under the Hawaii Dislocated Worker's Act;

(c) Buyers shall have delivered or caused to be delivered all documents, instruments and funds that they are obligated to deliver to Title Company pursuant to Section 13;

(d) No action or proceeding shall have been instituted and no bona fide action or proceeding shall have been threatened in writing by anyone not a Party to this Agreement prior to the Closing which calls into question or seeks to set aside any of the approvals or authorizations of the transaction described in this Agreement or the performance of any Party's obligations hereunder; and

(e) Sellers shall have obtained and delivered to Title Company an executed lessor's consent to the assignment and estoppel certificate from Wm. Hyde Rice, Limited, the lessor under the Rice Lease.

(f) All of the representations of Buyers contained in Section 21 hereof shall be true and correct as of the Closing.

If any of Sellers' Conditions Precedent have not been satisfied within the time limits provided herein and such Condition Precedent has not previously been waived by Sellers, and such Sellers' Condition Precedent is not satisfied within fifteen (15) days after Buyer's receipt of written notice from Sellers of same, Sellers shall be entitled to (i) waive such Condition Precedent, in which event the subject transaction will close in accordance with the terms hereof, or (ii) terminate this Agreement by delivering to Buyers and Title Company written notice of Sellers' election to terminate prior to the Closing Date.

18. CLOSING EXPENSES. Sellers and Buyers shall each pay one-half (½) of all (i) conveyance taxes charged with respect to the transfer of title to the Land, Improvements and the Easements, (ii) any fees charged by Title Company, (iii) the cost of recording the deeds, assignments of leases and other recordable conveyance documents contemplated herein, and (iv) all commitment fees, search fees, base premiums for the issuance of the Title Commitment and the Owner's Title Policies. Buyers shall pay (i) the cost of the Survey, (ii) all documentary taxes, recording and such other costs in connection with any financing obtained by Buyers, including without limitation, all costs in connection with the mortgagee's title policies, (iii) all loan closing costs charged by Title Agent, (iv) the costs of any endorsements to the Buyers' Owner's Title Policies, and (v) all costs associated with Buyers' due diligence. Sellers shall pay all fees for obtaining and recording any releases or other corrective documents that are necessary to remove any title exceptions that are not Permitted Title Exceptions. Each Party shall pay its own consultant fees and attorneys fees and costs in connection with the Closing.

19. CONFIDENTIALITY.

(a) Confidential Information. As used in this Agreement, "**Confidential Information**" means all non-public information concerning the transaction contemplated in this Agreement and/or the Property that is disclosed by Sellers to Buyers in connection with the possible purchase, development, ownership, investment, financing and/or other operational aspect of the Property, including all non-public information to which Buyers are provided access through an electronic dataroom or web-based storage area. With respect to any analyses, compilations, studies or other material prepared by Buyers or its Qualified Persons (as defined below) containing or based in whole or in part upon such information furnished to Buyers or its Qualified Persons by Sellers, Confidential Information includes the portion of the analyses, compilations, studies or other material that contains such information. For the avoidance of doubt, the definition of Confidential Information as set forth in this paragraph shall apply whether such information is provided to Buyers, or to any of their principals, employees, agents, designees or representatives.

(b) Exclusions. Confidential Information does not include any information that (i) is or becomes available without breach of this Agreement; (ii) was independently developed by Buyers without reference to any Confidential Information; or (iii) at the time of disclosure or later, is published or becomes a part of the public domain through no act on the part of Buyers.

(c) Confidentiality and Non-Use. Buyers shall treat the Confidential Information as confidential. Buyers shall protect and safeguard the Confidential Information against unauthorized use, publication or disclosure, and in furtherance thereof, shall not (i) use, directly or indirectly, any of the Confidential Information for any purpose other than their evaluation of the Property and the transaction that is the subject of this Agreement, and as otherwise permitted under this Agreement, or (ii) disclose, publish or reveal the Confidential Information to any person other than a Qualified Person as described in subsection (f) of this Section 19.

(d) Disclosure by Law, Regulatory or Judicial Process. Notwithstanding the foregoing, Buyers shall not be liable for the disclosure of Confidential Information if made in response to a court order or request by an authorized agent of government. If Buyers or any Qualified Person has been requested or is required (by oral questions, interrogatories, request for information or documents, subpoena, civil investigative demand or similar process) to disclose any Confidential Information, Buyers will notify Sellers (as soon as reasonably practical) of such request so that Sellers may seek an appropriate protective order. Buyers may disclose such information pursuant to such request or requirement without any liability hereunder.

(e) Confidentiality of any Proposed Transaction. Buyers will not, without Sellers's prior written consent, disclose to any person other than a Qualified Person as described in subsection (f) of this Section 19 any Confidential Information about the transaction contemplated by this Agreement or the Property. Neither Sellers nor Buyers will, without the other Party's prior written consent, disclose to any person other than a Qualified Person the terms and conditions of this Agreement or the transaction contemplated herein, including the fact that discussions or negotiations are taking place with respect thereto or the status thereof, or the fact that Confidential Information has been made available to Buyers. Notwithstanding anything herein to the contrary, Sellers and any parent company of Sellers may make a disclosure

determined by any such parent company to be required by rules or regulations of the United States Securities and Exchange Commission or the New York Stock Exchange, including, but not limited to SEC Form 8-K disclosures and investor earning calls in connection with such disclosures.

(f) Qualified Persons. Buyers shall limit the disclosure of Confidential Information to those of its employees, officers, directors, consultants, attorneys, advisors and agents who need to have such information in order to evaluate the Property or the transaction contemplated by this Agreement (collectively the "**Qualified Persons**" and individually a "**Qualified Person**"). Buyers shall inform the Qualified Persons that the Confidential Information is proprietary to Sellers and must be held in confidence. Buyers shall request all Qualified Persons to take precautions to safeguard the confidential status of the Confidential Information. Buyers shall maintain the confidentiality and make a commercially reasonable effort to prevent accidental or other loss or disclosure of any Confidential Information of Sellers with at least the same degree of care as it uses to protect its own Confidential Information but in no event with less than reasonable care. In the event that Buyers become aware of an unauthorized disclosure of Sellers' Confidential Information, Buyers shall promptly inform Sellers of such disclosure so that Sellers may have the opportunity to minimize the damage related to such disclosure.

(g) Ownership of Confidential Information. All Confidential Information will remain the exclusive property of Sellers except to the extent expressly included as part of the Property to be conveyed to Buyers pursuant to this Agreement or any of the Closing Documents. Sellers' disclosure of Confidential Information will not constitute an express or implied grant to Buyers of any rights to or under Sellers' patents, copyrights, trade secrets, trademarks or other intellectual property rights.

(h) Notice of Unauthorized Use. Buyers will notify Sellers promptly upon discovery of any unauthorized use or disclosure of Confidential Information or any other breach of the confidentiality provisions of this Agreement by Buyers of which Buyers become aware. If any unauthorized use or disclosure of Confidential Information results from a breach of the Agreement by Buyers, Buyers will cooperate with Sellers in every reasonable way to help Sellers regain possession of such Confidential Information and prevent its further unauthorized use.

(i) Return or Destruction of Confidential Information. Upon the written request of Sellers, Buyers will return or destroy all tangible materials embodying Confidential Information (in any form and including, without limitation, all summaries, copies and excerpts of Confidential Information) promptly following termination of discussions or negotiations regarding the Property.

(j) Injunctive Relief. Buyers acknowledge that disclosure or use of Confidential Information in violation of this Section 19 would cause injury to Sellers for which monetary damages may be difficult to ascertain or an inadequate remedy. Buyers therefore agree that Sellers will have the right, in addition to their other rights and remedies, to seek injunctive relief for any violation of the confidentiality provisions of this Agreement, without bond or other security.

(k) Scope; Termination. This Agreement is intended to cover Confidential Information disclosed by Sellers prior to or subsequent to the date hereof. Buyers' obligations with respect to the Sellers' Confidential Information will survive for three (3) years following the termination of this Agreement; however, notwithstanding the foregoing, there will be no surviving limitations on Buyers' right to disclose or use the Confidential Information in any way following the Closing of the transaction contemplated by this Agreement.

(l) Third Party Information. Buyers acknowledge that unless Sellers have actual knowledge of any materially adverse inaccuracy, falsity or incomplete nature of any Confidential Information or Property Document that is generated, gathered or prepared by a third party, (i) neither Sellers nor its agents are making any representation or warranty as to the accuracy, veracity or completeness of any Confidential Information or Property Document that is generated, gathered or prepared by a third party, and (ii) neither Sellers nor any of their respective officers, directors, members, employees, agents or controlling persons shall have any liability to Buyers or any of its Qualified Persons relating to or arising from the use of the Confidential Information or a Property Document that is generated, gathered or prepared by a third party.

(m) Indemnified Parties. For purposes of this Agreement, Indemnified Parties shall consist of Sellers, their successors, assigns, subsidiaries, affiliates, parents, officers, directors, agents, employees, principals, and consultants (the "**Indemnified Parties**").

(n) Release of Liability. Buyers release and forever discharge the Indemnified Parties from and against any and all actions, costs, claims, losses, expenses, damages and liability (including reasonable attorneys' fees) arising as a result of disclosure of Confidential Information by Buyers in violation or breach of this Agreement.

(o) Indemnity. Each of the Buyers shall indemnify, defend and hold harmless the Indemnified Parties from and against any and all actions, costs, claims, losses, expenses, damages and liability (including attorneys' fees) that arises as a result of disclosure of Confidential Information by such Buyer in violation or breach of this Agreement. The indemnity shall include all court costs and reasonable attorney's fees (including attorney's fees incurred in appellate actions) sustained by the Indemnified Parties, through trial and appeal. Buyers shall pay the reasonable cost of such defense, whether it shall be conducted by Buyers or by Indemnified Parties. If Buyers elect to defend such suit, Indemnified Parties may participate in such defense at their own discretion and at the expense of the Indemnified Parties that choose to participate.

20. SELLERS' REPRESENTATIONS AND WARRANTIES. To induce Buyers to enter into this Agreement, Sellers hereby jointly and severally make the following representations and warranties to Buyers as of the Effective Date and again at Closing (except to the extent Sellers notify Buyers in writing pursuant to the last paragraph of this Section 20), and only as to the specific portion of the Property that is owned by each respective Seller:

(a) Ownership of the Property. Sellers are the sole owners of the Land and the Improvements, which they own in fee simple, and the sole holders of the lessee's interest under the Rice Lease (subject to rights of the subtenant under the Sublease). As of the Closing Date,

title to the Property will be free and clear of all Monetary Liens and encumbrances whatsoever, excepting the Permitted Title Exceptions and any obligations under the Equipment Leases. The general level of the Supply Inventories, Consumable Inventories and Tangible Personal Property shall not be materially reduced to the detriment of Purchaser between the Effective Date and the Closing Date, subject to sales, depletion and restocking in the ordinary course of business.

(b) Leasehold Estate under the Rice Lease. There are no uncured defaults by Sellers existing under the Rice Lease. To Sellers' actual knowledge, no defaults were committed under the Rice Lease by any prior lessee thereunder that will give rise in the future to the exercise by the lessor under the Rice Lease of any right to terminate the Rice Lease or to evict the lessee under the Rice Lease. Neither Sellers nor any affiliate thereof has received from the lessor under the Rice Lease any notice of any alleged default under the Rice Lease that has not been remedied to such lessor's satisfaction. Buyers have been provided with a true and complete copy of the Rice Lease, which is in full force and effect. All rent payable under the Rice Lease has been paid in full through the Effective Date. No percentage rent is payable under the Rice Lease given the current use of the Rice Parcel.

(c) No Other Agreements or Instruments. There are no currently effective written or oral agreements of any kind giving any other person the right to purchase the Property or any part thereof. In addition, there are no written or oral currently effective leases, licenses or other agreements granting any person the right to use or occupy any part of the Land and the Improvements for any purpose whatsoever, other than the Permitted Title Exceptions, the Tenant Leases that are described in the attached Schedule 1(l), the rights of the public to use and have access to the shoreline and other similar areas, any PASH or other protected native Hawaiian rights, and rights under golf and tennis play agreements.

(d) Tenant Leases. There are no material defaults under the Tenant Leases by either the landlord or, to Sellers' knowledge, any tenant thereunder. Buyers have been provided with true and complete copies of the Tenant Leases. There are no security deposits being held (or required to be held) by Sellers or any affiliate thereof. Neither Sellers nor any affiliate thereof has given or received any notice of default with respect to any of the Tenant Leases.

(e) Real Estate Taxes; Tax Protests; No Special Assessments. Except as disclosed in the attached Schedule 20(e), Sellers have received no written notice of any proposed special assessment affecting the Land or the Improvements, or any formation of an improvement district that would give rise to a material special assessment being imposed on the Land or the Improvements.

(f) No Condemnation Pending or Threatened; Access. Sellers have received no notice of, and to the best of Sellers' knowledge there are no, pending or threatened condemnation, eminent domain or similar proceedings that would have a material and adverse impact the Land, the Improvements, the Easements or any portion thereof. Sellers have no actual knowledge of any facts or circumstances that would result in termination of the current access to and from the Land.

(g) Mechanics' Liens. Sellers have received no written notice of any pending or threatened mechanics' or materialmen's liens against the Land or the Improvements that will not

be satisfied or eliminated at or prior to Closing. Sellers have paid or will pay prior to the Closing Date for all labor and other services that have been or may be performed and all materials that have been or may be furnished prior to the Closing Date to improve any part of the Land, the non-payment of which would give rise to the right to file a mechanic's or materialman's lien.

(h) Encroachments. To Sellers' actual knowledge, with the exception of certain encroachments by the Kiele Golf Course onto airport land and three of the tennis courts onto adjoining hotel land, the encroachment by a garage at the Pali Kai cottages onto the Land, and the encroachment of certain storm sewer facilities onto the Land, and any other matters that are or would have been reflected in any updated survey obtained by Buyers (i) the Improvements do not encroach onto land adjoining the Land, or onto any appurtenant easements enjoyed by such land, and (ii) the improvements located on land adjoining the Land do not encroach onto the Land or the Easements.

(i) Compliance With Laws. With regard to any violation that would have a material and adverse impact against the Property, Sellers' have received no written notice from any government, agency, body or subdivision thereof, or any employee or official thereof, stating that the Improvements or the current operation thereof have violated or are violating, any law, ordinance, rule, regulation, order or standard, including without limitation those relating to zoning, building, fire, health, safety, environmental control and protection, and access, or that any investigation has been commenced or is contemplated respecting any such possible violation, and Sellers have no actual knowledge of any such violation or investigation.

(j) Organization and Good Standing. Each Seller is duly organized, validly existing and in good standing under the laws of the state of its formation, with full power and authority to conduct its business as it is now being conducted, to own, lease and operate the properties and assets that it purports to own, lease and operate, and to perform all of its obligations under all contracts and agreements to which it is a party. Each Seller is also duly qualified to do business and, to the extent such concept is applicable in such jurisdictions, is in good standing in each jurisdiction in which the properties owned, leased or operated by it or the nature of the business conducted by it makes such qualification necessary.

(k) Authority. Subject to Section 45 of this Agreement, each Seller has full power and authority to execute, deliver and perform its obligations under this Agreement and all agreements and other documents executed and delivered, or to be executed and delivered, by it pursuant to this Agreement (collectively hereinbefore and hereinafter the "**Transaction Documents**"), and has taken all actions required by its respective articles of organization and operating agreement, or otherwise, to authorize the execution, delivery and performance of this Agreement and the Transaction Documents and the consummation of the transactions contemplated hereby and thereby. When so executed and delivered, this Agreement and the Transaction Documents will be valid and binding obligations of each Seller, enforceable in accordance with their terms.

(l) No Conflicts. This Agreement, the Transaction Documents, and the transactions contemplated by this Agreement and the Transaction Documents do not (i) conflict with or violate any provisions of the articles of organization and operating agreement of any Seller, or (ii) constitute a breach of or default under, or result in the creation of any lien, charge or other

encumbrance or tax on or against, any assets, rights or property of any Seller, or (iii) give rise, with or without notice or lapse of time, to any third-party right of termination, cancellation, material modification or acceleration under any note, bond, mortgage, pledge, lien, lease, license, commitment, instrument or other agreement applicable to any Seller, or by which any Seller or its assets are bound, or (iv) conflict with or violate any restrictions of any kind to which any Seller or its respective assets are subject, or (v) violate any law, order, writ, judgment, award, statute, rule, regulation or decree of any governmental agency or entity applicable to any of such entities which, in any of the foregoing events, would prevent or materially delay the consummation of the transactions contemplated by this Agreement or the Transaction Documents, or otherwise prevent Sellers from performing their respective obligations under this Agreement in any material respect.

(m) Identification Numbers. Kauai Lagoons LLC's Employer Identification Number for federal tax reporting purposes is 20-4562569 and MORI Golf (Kauai) LLC's Employer Identification Number for federal tax reporting purposes is 26-0341137. Kauai Lagoons LLC's Hawaii General Excise Tax Number is W73194565-01 and MORI Golf (Kauai) LLC's Hawaii General Excise Tax Number is W15985806-01.

(n) FIRPTA. No Seller is a foreign person within the meaning of Section 1445(f)(3) of the Code.

(o) Labor Agreements. All collective bargaining agreements in effect for the Property have been fully disclosed to Buyers and true and complete copies thereof have been furnished to Buyers.

(p) No Hiring Commitments. With the exception of (i) a hiring preference for contractors and residents of Kauai that has been requested by the County of Kauai, and (ii) a commitment in the Labor Agreements that Golf Club Owner (defined below) shall offer employment to all of the Existing Employees who are covered under the Labor Agreements, no other commitments have been made to any governmental authority, labor union, utility company, or other organization, group or individual relating to Sellers or the Property that would impose an obligation upon Buyers or the owner of the Property to hire any number or class of persons.

(q) Labor Relations. There are no unfair labor practice proceedings, complaints, charges of discrimination, administrative investigations or charges, lawsuits, arbitrations or grievance proceedings of any kind pending or, to Sellers' actual knowledge, threatened against Sellers or any agent of Sellers and arising out of the operation of the Property or against the Master Resort Association. During the period commencing upon August 10, 2007 through the Effective Date, there has not been (i) any strike, slowdown, picketing or work stoppage by any employee of any Seller, (ii) any proceeding against or affecting any Seller which alleged a violation of any law, ordinance or regulation pertaining to labor relations, including without limitation any charge or complaint filed by an employee or union with the National Labor Relations Board, (iii) any application for the certification of a collective bargaining agent with respect to any employees of any Seller, (iv) any claim of employment discrimination based on race, sex, age, religion, national origin or other suspect classification, or (v) any claim of sexual harassment or misconduct, or (v) any claim of sexual harassment or misconduct, or (vi) any claim for underpayment of wages or miscalculation of work time under state or federal law.

(r) Litigation. Except as disclosed in the attached Schedule 20(r), there are no pending and, to Sellers' actual knowledge, there are no threatened actions, suits, arbitrations, claims or proceedings, at law or in equity, by or against any Seller or affecting all or any portion of the Property, including without limitation judicial, municipal or administrative proceedings relating to eminent domain, unlawful detainer or eviction, collections, alleged violations of building, health, safety or zoning codes or practices, worker's compensation, sexual harassment, personal injury, or property damage alleged to have occurred on the Land, or by reason of the condition or use of the Property, or in connection with Sellers' ownership or operation of the Property.

(s) Insurance. Sellers will maintain in full force and effect though the Closing Date commercially reasonable policies of insurance pertaining to the Property (unless Sellers and Buyers jointly agree otherwise).

(t) Consents. To Sellers' actual knowledge, other than the approval of the lessor under the Rice Lease, no consent, approval, order or authorization of, or registration, declaration or filing with, any governmental agency or entity or any other third party is required to be obtained, made or filed by any Seller in connection with the execution and delivery of this Agreement or the Transaction Documents by Sellers or the consummation by Sellers of the transactions contemplated by this Agreement.

(u) Other Possible Sales and Transfers. No other person or entity has any right or option to purchase or acquire all or any part of the Property that has not been waived.

(v) Service Contracts. Sellers have received no written notice of any material defaults under the Service Contracts by any Seller. Buyers have been provided with true and complete copies of the Service Contracts. Neither Sellers nor any affiliate thereof has given or received any written notice of default with respect to any of the Service Contracts, and to Seller's actual knowledge, no other parties thereto are in default thereunder.

(w) Equipment Leases. Sellers have paid all rent and other sums due under the Equipment Leases and no material defaults exist under the Equipment Leases. No Seller has received from any of the lessors under the Equipment Leases any written notices of alleged default thereunder. Buyers have been provided with true and complete copies of the Equipment Leases.

(x) Intellectual Property. Sellers are the sole owners of, and have not licensed any intellectual property rights and interests that pertain to, the names "Kauai Lagoons", "Mokihana Golf Course", and "Kiele Golf Course" (excluding internet domain names), and such intellectual property rights are free and clear of all monetary liens and encumbrances.

(y) Environmental Representations. Other than any Hazardous Substances (defined below) that have been used by Sellers on the Property in compliance with applicable Environmental Laws (defined below) and the Hazardous Substances commonly used in the operation and maintenance of golf courses similar to the Golf Club, Sellers hereby make the following representations to Buyers:

(i) Sellers have not used the Land as a sanitary landfill or waste dump site, or for the treatment, storage or disposal of any Hazardous Substances except in accordance with all applicable Environmental Laws;

(ii) To Sellers' actual knowledge, no release of Hazardous Substances has occurred from or upon the Land, nor has any release of Hazardous Substances migrated from adjacent property onto the Land; and

(iii) No Seller has received any written notice alleging that it, the Land or any of the Improvements are in violation of any Environmental Laws.

As used herein, "Hazardous Substances" is defined to include any substance that is regulated under any Environmental Laws (defined below) as a pollutant, contaminant or toxic, radioactive or otherwise hazardous substance, including petroleum, its derivatives or by-products and other hydrocarbons (collectively and individually, "**Hazardous Substances**") in violation of any applicable Environmental Laws. As used herein, "**Environmental Laws**" means any and all federal, state, county and local statutes, laws, regulations, ordinances, codes, decrees, and binding rules promulgated by any applicable governmental authority with respect to Hazardous Substances and in effect on the Effective Date, including, without limitation, the following: (A) the Resource Conservation and Recovery Act of 1976, as amended by the Hazardous and Solid Waste Amendments of 1984, 42 U.S.C. Section 6901 et seq.; (B) the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986, 42 U.S.C. Section 9601 et seq.; (C) the Clean Water Act, 33 U.S.C. Section 1251 et seq.; (D) the Safe Drinking Water Act, 42 U.S.C. Section 300f et seq.; (E) the Toxic Substances Control Act, 15 U.S.C. Sections 2601-2629; (F) the Hazardous Materials Transportation Act, 49 U.S.C. Section 1801 et seq.; (G) the Clean Air Act, 42 U.S.C. Section 7401 et seq.; and (H) the Federal Insecticide, Fungicide, and Rodenticide Act, 7 U.S.C. Section 136 et seq.

Sellers expressly decline to make any warranties or representations whatsoever with respect to the treatment, storage or disposal of hazardous materials on or about any portion of the Land or Rice Parcel prior to August 10, 2007 when Sellers acquired the Property, the compliance by any prior owner or owners of the Land with any environmental law, or any other matter, event or condition relating to the environmental condition of the Land or Rice Parcel prior to the time that Sellers acquired title thereto or a leasehold interest therein. Except for the limited express warranties that are set forth in Section 20(z) above, Buyers understand that they are buying the Land and leasehold estate in the Rice Parcel "as is" with respect to all environmental matters, and agree that they will satisfy themselves prior to the Closing as to all other environmental matters, including (i) the presence of any Hazardous Substances or other hazardous materials or other pollutants and (ii) compliance with all federal, state and local Environmental Laws.

References to "**Sellers' knowledge**" or "**Sellers' actual knowledge**" or "**Seller has no knowledge**" or any similar phrase implying a limitation on the basis of knowledge shall mean the actual, present, conscious knowledge of Donald Baarman and Tim Tansey, who are the persons most knowledgeable about the Property (the "**Seller Knowledge Individuals**") on the Effective Date without any investigation or inquiry (provided that Sellers hereby confirm that the Seller Knowledge Individuals have read the representations and warranties of Sellers set forth in

this Agreement), but such individuals shall not have any individual liability in connection herewith. Without limiting the foregoing, the Seller Knowledge Individuals have not performed and are not obligated to perform any investigation or review any files or other information in the possession of Sellers, or to make any inquiry of any persons, or to take any other actions in connection with the representations and warranties of Sellers set forth in this Agreement. Neither the actual, present, conscious knowledge of any other individual or entity, nor the constructive knowledge of the Seller Knowledge Individuals or of any other individual or entity, shall be imputed to the Seller Knowledge Individuals.

If any of the foregoing representations of Sellers in this Section 20 become materially inaccurate at any time after the Effective Date and before the Closing, Sellers shall promptly provide written notice to Buyers thereof. If any representation made in this Section 20 is materially inaccurate and Buyers are notified of such inaccuracy by Sellers or if such inaccuracy is discovered by Buyers before the Closing, and such inaccuracy materially and adversely affects the contemplated use and development of the Land, Buyers shall have the option of terminating this Agreement by giving written notice of such termination to Sellers within ten (10) Business Days after Buyers receive written notice of the inaccuracy. Immediately upon such termination, both Parties shall be released from all further liability under this Agreement other than any indemnifications that are intended to survive the termination of this Agreement and Title Company shall promptly release and return to Buyers the Earnest Money Deposit then held by Title Company. If Buyers close despite a material inaccuracy as described in this paragraph, Buyers shall be deemed to have waived such inaccurate representation.

(z) Sellers hereby warrant and represent that the Service Contracts, Warranties, Licenses, Equipment Leases, Labor Agreements and Golf Play Agreements as of the Effective Date shall not be materially and adversely different than those in effect on the Closing Date, except as modified in accordance with Section 1(k).

21. BUYERS’ REPRESENTATIONS AND WARRANTIES. To induce Sellers to enter into this Agreement, Buyers hereby make the following representations and warranties to Sellers as of the Effective Date and again at Closing (except to the extent Buyers notify Sellers in writing pursuant to the last paragraph of this Section 21):

(a) Organization and Good Standing. Tower is a corporation validly existing and in good standing under the laws of the State of Hawaii, with full corporate power and authority to conduct its business as it is now being conducted, to own, lease and operate the properties and assets that it purports to own, lease and operate, and to perform all of its obligations under all contracts and agreements to which it is a party. Lifestyle is a limited liability company validly existing and in good standing under the laws of the State of Hawaii, with full corporate power and authority to conduct its business as it is now being conducted, to own, lease and operate the properties and assets that it purports to own, lease and operate, and to perform all of its obligations under all contracts and agreements to which it is a party.

(b) Authority. Each of the Buyers have full power and authority to execute, deliver and perform its obligations under this Agreement and will, as of the Closing Date, have the full power and authority to execute, deliver and perform its obligations under the Transaction Documents, and has or will have taken all actions required by its organizational documents to

authorize the execution, delivery and performance of this Agreement and the Transaction Documents and the consummation of the transactions contemplated hereby and thereby. When so executed and delivered, this Agreement and the Transaction Documents will be valid and binding obligations of each of the Buyers, enforceable in accordance with their terms.

(c) No Conflicts. This Agreement, the Transaction Documents and the transactions contemplated by this Agreement and the Transaction Documents do not (i) conflict with or violate any provisions of the organizational documents of the Buyers, or (ii) constitute a breach of or default under, or result in the creation of any lien, charge or other encumbrance or tax on or against, any assets, rights or property of the Buyers, or (iii) give rise, with or without notice or lapse of time, to any third-party right of termination, cancellation, material modification or acceleration under any note, bond, mortgage, pledge, lien, lease, license, commitment, instrument or other agreement applicable to Buyers, or by which Buyers or their respective assets are bound, or (iv) conflict with or violate any restrictions of any kind to which Buyers or their respective assets are subject, or (v) violate any law, order, writ, judgment, award, statute, rule, regulation or decree of any governmental agency or entity applicable to Buyers that would prevent or materially delay the consummation of the transactions contemplated by this Agreement or the Transaction Documents, or otherwise prevent Buyers from performing its obligations under this Agreement in any material respect.

(d) Consents. To Buyers' actual knowledge, no consent, approval, order or authorization of, or registration, declaration or filing with, any governmental agency or entity or any other third party is required to be obtained, made or filed by Buyers in connection with the execution and delivery of this Agreement or the Transaction Documents by Buyers, or the consummation by Buyers of the transactions contemplated by this Agreement or the Transaction Documents.

(e) OFAC. To Buyers' actual knowledge, none of the Buyers nor any of their affiliates, nor any of their respective partners, members, shareholders or other equity owners, nor any of their respective employees, officers, directors, representatives or agents is a person or entity with whom U.S. persons or entities are restricted from doing business under regulations of the Office of Foreign Asset Control ("**OFAC**") of the Department of the Treasury (including those named on OFAC's Specially Designated and Blocked Persons List) or under any statute, executive order (including the September 24, 2001, Executive Order Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism), or other governmental action. Buyers will not knowingly assign or otherwise transfer this Agreement to, contract with, otherwise engage in any dealings or transactions with, or otherwise be associated with any such restricted persons or entities.

(f) Buyer Investigations. Buyers are experienced purchasers and operators of real property such as the Property, and Buyers acknowledge and agree that Buyers have made, or will make prior to Closing, such independent investigations, inspections, analyses and research as Buyers have deemed necessary or appropriate (or, in the alternative, Buyers have elected at their risk not to make such investigations, inspections, analyses and research), concerning the condition, ownership, use and operation of the Property, including without limitation investigations, inspections, analyses and research of (i) present and future laws and restrictions concerning the use, location and suitability of the Property or any existing or proposed

development or build-out or condition thereof, including, but not limited to, zoning, environmental and other such laws; (ii) the necessity and availability of any building permits, environmental impact reports, or any other governmental permits, approvals, entitlements or acts in respect of the Property (collectively the "**Approvals**"); (iii) the necessity or existence of any dedications, fees, charges, costs or assessments that may be imposed in connection with any laws or the obtaining of any Approvals; (iv) the economic value of the Property; (v) the seismic and structural integrity of the Improvements; (vi) any surface, soil, subsoil, geologic or ground water conditions or other physical conditions of or affecting the Property; (vii) the extent or condition of title to the Property and the extent of existing encumbrances against the Property, as reflected in the existing survey and the Title Commitment; (viii) the operation and management of the Property; (ix) any employment matters affecting the Property; and (x) the presence, use, transportation or storage of Hazardous Substances on, over, under or near the Property; provided, however, that such investigations, inspections, analyses and research by Buyers will include Buyers' review of the Property Documents and the other information about the Property that is disclosed to Buyers in the Schedules that are attached to this Agreement, and subject to the express qualifications set forth in this Agreement, Buyers shall be entitled to rely on the information contained in the Property Documents and such Schedules in conducting their evaluation of the Property.

(g) No Reliance. Subject to the representations and warranties set forth in this Agreement and in the Transaction Documents: (i) Buyers are relying solely upon their own inspections, investigations, research and analyses of the matters set forth in Section 21(f) above and their own verification of the validity, accuracy and relevance of the portion of the Property Documents that were prepared by third parties; and (ii) Sellers shall have no liability with respect to the accuracy or completeness of any portion of the Property Documents prepared by third parties.

(h) As-is Transaction. SUBJECT TO THE REPRESENTATIONS AND WARRANTIES OF SELLERS SET FORTH IN SECTION 20, AND IN ANY TRANSACTION DOCUMENTS DELIVERED BY SELLERS TO BUYERS AT THE CLOSING, BUYERS AGREE THAT: (I) BUYERS SHALL ACCEPT THE PROPERTY IN ITS PRESENT STATE AND CONDITION AND "AS-IS WITH ALL FAULTS"; (II) UNLESS OTHERWISE PROVIDED IN ANY AGREEMENT BETWEEN A SELLER OR SELLERS AND A BUYER OR BUYERS, SELLERS SHALL NOT BE OBLIGATED TO DO ANY RESTORATION, REPAIRS OR OTHER WORK OF ANY KIND OR NATURE WHATSOEVER ON THE PROPERTY AND SELLERS SHALL NOT BE RESPONSIBLE FOR ANY WORK ON OR IMPROVEMENT OF THE PROPERTY NECESSARY (A) TO CAUSE THE PROPERTY TO MEET ANY APPLICABLE HAZARDOUS WASTE LAWS, OR (B) TO REPAIR, RETROFIT OR SUPPORT ANY PORTION OF THE IMPROVEMENTS DUE TO THE SEISMIC OR STRUCTURAL INTEGRITY (OR ANY DEFICIENCIES THEREIN) OF THE IMPROVEMENTS, AND (III) NO PATENT OR LATENT CONDITION AFFECTING THE PROPERTY IN ANY WAY, WHETHER OR NOT KNOWN OR DISCOVERABLE OR DISCOVERED AFTER THE CLOSING DATE, SHALL AFFECT BUYERS' OBLIGATION TO PURCHASE THE PROPERTY OR TO PERFORM ANY OTHER ACT OTHERWISE TO BE PERFORMED BY BUYERS UNDER THIS AGREEMENT, NOR SHALL ANY SUCH CONDITION GIVE RISE TO ANY ACTION, PROCEEDING, CLAIM OR RIGHT OF

DAMAGE OR RESCISSION AGAINST SELLERS, EXCEPT AS OTHERWISE EXPRESSLY PROVIDED FOR IN THIS AGREEMENT.

(i) No Other Representations. Except as otherwise set forth in this Agreement (including without limitation in the documents and agreements that are attached as Schedules to this Agreement), or in the Property Documents, or in any of the Transaction Documents, neither Sellers nor any of their affiliates, nor any of their respective shareholders, members, partners, trustees, beneficiaries, directors, officers, managers, employees, attorneys, accountants, contractors, consultants, agents or representatives, nor any person purporting to represent any of the foregoing, have made any representation, warranty, guaranty, promise, projection or prediction whatsoever with respect to the Property or the business conducted thereon, written or oral, express or implied, arising by operation of law or otherwise, including without limitation any warranty of merchantability or fitness for a particular purpose, or any representation or warranty as to (a) the condition, safety, quantity, quality, use, occupancy or operation of the Property, (b) the past, present or future revenues or expenses with respect to the Property, (c) the compliance of the Property or any business conducted thereon with any zoning requirements, building codes or other applicable law, including without limitation the Americans with Disabilities Act of 1990, or (d) the accuracy of any environmental reports or other data or information set forth in the Property Documents provided to Buyers which were prepared by third parties for or on behalf of Sellers; or (e) any other matter relating to the Sellers, the Property, or the business conducted thereon or the development thereof.

References to “**Buyers’ actual knowledge**” or “**Buyers’ knowledge**” or any similar phrase implying a limitation on the basis of knowledge shall mean the actual, present, conscious knowledge of Edward Bushor, who is the person most knowledgeable about the Property (the “**Buyer Knowledge Individual**”) on the Effective Date without any investigation or inquiry (provided that Buyers hereby confirm that the Buyer Knowledge Individual has read the representations and warranties of Buyers set forth in this Agreement), but such individual shall not have any individual liability in connection herewith. Without limiting the foregoing, the Buyer Knowledge Individual has not performed and is not obligated to perform any investigation or review any files or other information in the possession of Buyers, or to make any inquiry of any persons, or to take any other actions in connection with the representations and warranties of Buyers set forth in this Agreement. Neither the actual, present, conscious knowledge of any other individual or entity, nor the constructive knowledge of the Buyer Knowledge Individual or of any other individual or entity, shall be imputed to the Buyer Knowledge Individual.

If any of the foregoing representations of Buyers become untrue at any time after the Effective Date and before the Closing, Buyers shall promptly provide written notice to Sellers thereof, and if Sellers close despite such written notice, Sellers shall be deemed to have waived such untrue representation.

22. CLUB STORAGE. All golf clubs and other property that has been checked with or left in the care of MORI Golf (Kauai), LLC at the Golf Club shall be inventoried and tagged jointly by MORI Golf (Kauai), LLC and the Buyer designated to take title to the Golf Club property immediately before the Closing. Buyers shall indemnify, defend and hold MORI Golf (Kauai), LLC harmless from and against all claims, losses and liabilities with respect to items included in the inventory that are lost or damaged after the Closing. MORI Golf (Kauai), LLC

shall indemnify, defend and hold Buyers harmless against all claims, losses and liabilities with respect to items not included in the inventory and items that were lost or damaged prior to the Closing. The indemnities contained herein shall survive the Closing.

23. POST-CLOSING GOLF COURSE USAGE. By no later than the expiration of the Due Diligence Period, the Parties shall cooperate to negotiate the terms of a golf access agreement that will become Schedule 23 to be attached to this Agreement upon completion and approval, and which shall be executed at Closing and which shall address golf access, priority tee times, and rates for the owners of the Retained Property.

24. BROKER'S COMMISSIONS. Sellers have executed an Exclusive Listing Agreement (the "**Listing Agreement**") with Colliers International HI, LLC ("**Colliers**") for the sale of the Property. Any brokerage commission or fee owed to Colliers pursuant to the terms of such Listing Agreement shall be the sole responsibility of Sellers. Other than Colliers, Sellers and Buyers hereby warrant and represent to each other that no broker or agent is or will be owed a fee or commission with respect to the procurement or closing of this transaction as a result of the act or omission of the indemnifying Party or any affiliate thereof, and each agrees that it will indemnify, defend and hold the other and its affiliates harmless from and against all causes of action, claims and demands for such a fee or commission arising out of the act or omission of the indemnifying Party or any affiliate thereof.

25. DAMAGE OR DESTRUCTION OF THE PROPERTY. Sellers shall bear all risks for damage to or injury occurring to the Property by fire, storm, accident, or any other casualty or cause (a "**Casualty**") until the Closing. Immediately after Sellers have received notice of the occurrence of any Casualty between the date hereof and the Closing, Sellers shall give Buyers written notice thereof (a "**Casualty Notice**"), which Casualty Notice shall state the type, location and amount of damage to the Property and Seller's good faith estimate of the cost to complete repairs of such Casualty.

(a) If prior to the Closing such a Casualty shall occur and the cost to complete repairs of such Casualty shall be greater than or equal to twenty percent (20%) of the portion of the Purchase Price hereunder allocated thereto with respect to each portion of the Property, as such cost is determined by the insurance adjuster assigned the review of the claim, then in any such event, Sellers may, at its sole option, either (i) terminate this Agreement in its entirety, by written notice to Buyers (any such notice, a "**Casualty Termination Notice**"), (ii) elect to repair the Casualty, in which event Buyers shall be obligated to timely close on all portions of the Property not impacted by the Casualty, and in which event the closing on the portion of the Property impacted by the Casualty shall be extended for a reasonable amount of time in which Sellers shall diligently proceed with such repairs, or (iii) provide Buyer with a credit for the cost of repairs or assign the insurance proceeds for such Casualty to Buyer, in which event the closing on the Property shall proceed as set forth in this Agreement. Sellers' election in accordance with the prior sentence shall be made within thirty (30) days after the Casualty and shall be made in writing to Buyers. In the event Sellers elect to terminate this Agreement, this Agreement shall be null and void, the Earnest Money Deposit shall be returned to Buyers and neither Party shall have any further liability or obligations to the other (except as specifically provided in this Agreement).

(b) If prior to the Closing such a Casualty shall occur and the cost to complete repairs of such Casualty shall be less than twenty percent (20%) of the portion of the Purchase Price hereunder allocated thereto with respect to each portion of the Property, as such cost is determined by the insurance adjuster assigned the review of the claim, then neither Party shall have the right to termination this Agreement, and in any such event, Sellers may, at its sole option, either (i) elect to repair the Casualty, in which event Buyers shall be obligated to timely close on all portions of the Property not impacted by the Casualty, and in which event the closing on the portion of the Property impacted by the Casualty shall be extended for a reasonable amount of time in which Sellers shall diligently proceed with such repairs, or (ii) provide Buyer with a credit for the cost of repairs or assign the insurance proceeds for such Casualty to Buyer, in which event the closing on the Property shall proceed as set forth in this Agreement. Sellers' election in accordance with the prior sentence shall be made within thirty (30) days after the Casualty and shall be made in writing to Buyers.

26. EMINENT DOMAIN. If prior to the Closing any part of the Property is taken or threatened to be taken by any governmental authority under the power of eminent domain which taking shall result in a material and adverse effect on the remaining portion of the Property, Buyers shall have the option of terminating this Agreement by giving written notice of that termination to Sellers prior to the Closing and not later than ten (10) Business Days after Buyers receive notice from Sellers of the taking or threatened taking. If Buyers elect to proceed with this transaction, the purchase consideration payable by Buyers to Sellers pursuant to Section 2 of this Agreement shall be reduced by the total awards or other proceeds received by Sellers at or prior to the Closing with respect to any such taking, and at the Closing Sellers shall assign to Buyers all rights of Sellers in and to all awards and other proceeds payable thereafter by reason of any taking relating to the Property. Otherwise, the risk of any condemnation or taking of any part of the Property under the power of eminent domain shall be on Sellers until the Closing.

27. COOPERATION; NON-DISPARAGEMENT. Buyers and Sellers will reasonably cooperate with each other in every way and will exercise good faith efforts in carrying out the transactions contemplated herein, in obtaining all required approvals, authorizations, and clearances, and in delivering all documents, instruments, or copies thereof or other information deemed reasonably necessary or useful by the other Parties. Such cooperation shall include, without limitation, the execution and delivery before or after the Closing of such further instruments in writing that may be reasonably requested by a Party to evidence or complete the transactions contemplated by this Agreement. Post closing cooperation among the Parties may include the execution of easements or other documents necessary to assure the Retained Property has adequate and reasonable access to utilities, public roadways, and other infrastructure reasonably necessary for the use, development and ownership of the Retained Property.

Sellers and Buyers further covenant to each other that neither they nor their affiliates will knowingly and intentionally disparage the other or their affiliates, or the acts or omissions thereof with respect to the Kauai Lagoons Resort. Buyers and Sellers, as the case may be, shall be responsible for any failure by any affiliate thereof to comply with the foregoing.

28. NOTICES. All notices, demands, requests, consents, approvals and other communications that are required or permitted to be given hereunder or which are given with

respect to this Agreement shall be in writing and shall be delivered personally or sent either by facsimile transmission, by overnight delivery service, or by registered or certified mail with return receipt requested and postage prepaid, and addressed to the Party to be notified at the following address, or to such other address as that Party shall have specified most recently by like notice:

If to Sellers, then to:

Mr. Donald L. Baarman
Marriott Ownership Resorts, Inc.
6649 Westwood Boulevard, Suite 500
Orlando, Florida 32821
Fax: (407) 206-6262

With a copy to:

Sean Roberts, Esq.
Marriott Ownership Resorts, Inc.
6649 Westwood Boulevard, Suite 500
Orlando, Florida 32821
Fax: (407) 206-6262

With a copy to:

John Melicharek, Jr., Esq.
Jessica P. Malchow, Esq.
Baker & Hostetler, LLP
200 South Orange Avenue
Suite 2300
Orlando, Florida 32801
Fax: (407) 841-0168

If to Buyers, then to:

Mr. Edward Bushor
Tower Development
1050 Bishop Street Suite 530
Honolulu, Hawaii 96813

Fax: (808)

With a copy to:

Michael L. Lam, Esq.

Case Lombardi & Pettit A Law Corporation
Pacific Guardian Center, Mauka Tower
737 Bishop Street, Suite 2600
Honolulu, HI 96813
(808) 547-5400
(808) 523-1888 (fax)
E-mail: mlam@caselombardi.com

In all cases the notice shall be deemed to have been given on the date of its receipt by the addressee.

29. ASSIGNMENT. Except as set forth below, this Agreement may not be assigned by Buyers without the prior written consent of Sellers, which may be withheld in Sellers' sole and absolute discretion. Notwithstanding the previous sentence, either of the Buyers may assign this Agreement and all of such Buyer's rights and obligations hereunder, without Sellers' prior written consent, if such assignment is to a wholly owned subsidiary of such assigning Buyer; provided however, that said assignee agrees to assume this Agreement and all obligations of Buyers hereunder, whether arising before or after the assignment, pursuant to a written assignment and assumption agreement in form and substance reasonably acceptable to Sellers, which written assignment and assumption agreement must be fully executed and delivered to Sellers within a reasonable time prior to Closing in order to provide sufficient time for the finalization of documents in preparation for a timely closing. In the event of an assignment, the Buyers specifically named in this Agreement shall not be released from any of their obligations hereunder and shall remain jointly liable with all assignees for all Buyers' obligations under this Agreement. The terms "Buyers" and "Sellers" as used in this Agreement shall include their respective permitted successors and assigns.

30. REMEDIES REGARDING REPRESENTATIONS AND WARRANTIES.

(a) If any Party (the "**Notifying Party**") gives written notice to any other Party (the "**Receiving Party**") prior to the Closing that any of representations and warranties of such Receiving Party set forth in this Agreement have been found to be untrue or incorrect in any material respect, as provided in the last paragraphs of Section 20 of this Agreement, and if the matter is susceptible to being cured or corrected so that the representation or warranty as given in this Agreement is then true and correct, Receiving Party shall make a diligent, good faith effort to cure or correct the same before the Closing, and the Closing shall be postponed until five (5) Business Days following Notifying Party's receipt of proof satisfactory to Notifying Party that such matters have been cured or corrected, but in any event such postponement shall not be more than fifteen (15) days unless Notifying Party agrees to a further extension in Notifying Party's sole discretion. If Receiving Party is unable or unwilling to cure or correct the same within fifteen (15) days after the scheduled Closing Date, or such longer period as Notifying Party may approve, Notifying Party shall have the option either to waive the same and close this transaction or to terminate this Agreement. In the event Notifying Party elects to terminate this Agreement pursuant to this Section 30, Title Company shall promptly release and return the Earnest Money Deposit to Buyers and none of the Parties shall thereafter have any further rights or liabilities under this Agreement, except that (i) Receiving Party shall pay the expenses of escrow and (ii) those obligations expressly set forth in this Agreement to survive the Closing or the termination

of this Agreement shall survive such termination. In the event that Notifying Party elects to waive Receiving Party's incorrect representations and warranties and close this transaction, such waiver shall be deemed to include any and all claims associated with the same, including any post-closing survivability or post-closing indemnity related to the same.

(b) The representations and warranties of each of the Parties shall survive the Closing for a period of six (6) months, and each Party (each an "**Indemnifying Party**") shall indemnify, defend and hold the other Parties (each an "**Indemnified Party**") harmless from and against any loss, damage, liability, claim, cost or expense (including without limitation reasonable attorneys' fees) that may be incurred by or asserted against each Indemnified Party and which arise from a breach of the Indemnifying Party's representation or warranty. To the extent each Indemnified Party is seeking indemnification or damages for a breach of any of the Indemnifying Party's representations or warranties, each Indemnified Party will be entitled to indemnification or damages only for those matters as to which each Indemnified Party has given written notice thereof to the Indemnifying Party prior to the expiration of the six (6) month period following the Closing.

(c) Notwithstanding any other provision contained in this Section 30 to the contrary, (i) Sellers shall be obligated to indemnify and hold Buyers harmless with respect only to Claims caused by one or more breaches of Sellers' warranties and representations which in the aggregate exceeds three percent (3%) of the Purchase Price (after which Sellers' liability for valid claims shall begin from zero), (ii) Buyers shall have no right to file an action for rescission in connection with any breaches of Seller's covenants, representations or warranties, and (iii) each of the Sellers' liability to Buyers with respect to any and all breaches of such individual Seller's covenants, representations or warranties shall not exceed the Purchase Price allocable to each such Seller, and Buyers hereby waive any damages, costs and expenses in excess of said limitation. In addition, in no event shall Sellers be liable for any incidental, consequential, indirect, punitive, special or exemplary damages, or for lost profits, unrealized expectations or other similar claim except those of third parties against which Sellers have indemnified Buyers. In the event that Buyers actually recover any insurance proceeds or any indemnity, contribution or other similar payment from any insurance company, tenant, or other third party for damages against which Sellers indemnified and actually paid Buyers under this Agreement, then to the extent Buyers' damages did not exceed the amount paid by Sellers to Buyers, Buyers shall promptly reimburse Sellers to the extent of any such double recovery. In the event that Buyers actually recover any insurance proceeds or any indemnity, contribution or other similar payment from any insurance company, tenant, or other third party for damages against which Sellers indemnified and actually paid Buyers under this Agreement, then to the extent Buyers' damages did not exceed the amount paid by Sellers to Buyers, Buyers shall promptly reimburse Sellers to the extent of any such double-recovery, less any reasonable attorneys' fees and other costs of recovery incurred by Buyers.

(d) EXCEPT AS SET FORTH HEREIN, BUYERS AND ANYONE CLAIMING BY, THROUGH OR UNDER BUYERS HEREBY WAIVES THEIR RIGHT TO RECOVER FROM AND FULLY AND IRREVOCABLY RELEASES SELLERS, AND THEIR RESPECTIVE EMPLOYEES, OFFICERS, DIRECTORS, REPRESENTATIVES, AGENTS, SERVANTS, ATTORNEYS, AFFILIATES, PARENT, SUBSIDIARIES, SUCCESSORS AND ASSIGNS, AND ALL PERSONS, FIRMS, CORPORATIONS AND ORGANIZATIONS ON THEIR

BEHALF ("**RELEASED PARTIES**") FROM ANY AND ALL CLAIMS THAT EACH HAS OR MAY HAVE AGAINST ANY OF THE RELEASED PARTIES FOR ANY COSTS, LOSS, LIABILITY, DAMAGE, EXPENSES, DEMAND, ACTION OR CAUSE OF ACTION ARISING FROM OR RELATED TO ANY MATTERS AFFECTING THE TRANSFERRED PROPERTY, OR ANY PORTION THEREOF, INCLUDING, WITHOUT LIMITATION, THE EXISTING DEBT DOCUMENTS, SIGNAGE RIGHTS, ENTITLEMENTS, ZONING, PARKING, TITLE DOCUMENTS OR DEFECTS, CONSTRUCTION DEFECTS, ANY AND ALL VIOLATIONS OF APPLICABLE LAW INCLUDING VIOLATIONS OF THE AMERICANS WITH DISABILITIES ACT OF 1990 AND ALL ENVIRONMENTAL CLAIMS AND ENVIRONMENTAL LIABILITIES, WHETHER NOW KNOWN OR UNKNOWN TO BUYERS. THIS RELEASE INCLUDES CLAIMS OF WHICH BUYERS ARE PRESENTLY UNAWARE OR WHICH BUYERS DO NOT PRESENTLY SUSPECT TO EXIST WHICH, IF KNOWN BY BUYERS, WOULD SIGNIFICANTLY AFFECT BUYERS' RELEASE TO SELLERS. WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, BUYERS EXPRESSLY WAIVE ANY AND ALL RIGHTS CONFERRED UPON ANY OF THEM BY ANY STATUTE OR RULE OF LAW WHICH PROVIDES THAT A RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CLAIMANT DOES NOT KNOW OR SUSPECT TO EXIST IN THEIR FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY ANY OF THEM MUST HAVE SIGNIFICANTLY AFFECTED THEIR SETTLEMENT WITH THE RELEASED PARTY, INCLUDING, WITHOUT LIMITATION, ANY PROVISIONS SIMILAR TO THE FOLLOWING: "A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN THEIR FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY ANY OF THEM MUST HAVE SIGNIFICANTLY AFFECTED THEIR SETTLEMENT WITH THE DEBTOR."

IN THIS CONNECTION AND TO THE EXTENT PERMITTED BY LAW, AND EXCEPT AS EXPRESSLY SET FORTH HEREIN, BUYERS HEREBY AGREE, REPRESENT AND WARRANT, WHICH REPRESENTATION AND WARRANTY SHALL SURVIVE THE CLOSING AND NOT BE MERGED WITH THE CLOSING, THAT BUYERS REALIZE AND ACKNOWLEDGE THAT FACTUAL MATTERS NOW UNKNOWN TO THEM MAY HAVE GIVEN OR MAY HEREAFTER GIVE RISE TO CLAIMS WHICH ARE PRESENTLY UNKNOWN, UNANTICIPATED AND UNSUSPECTED, AND BUYERS FURTHER AGREE, REPRESENT AND WARRANT, WHICH REPRESENTATION AND WARRANTY SHALL SURVIVE THE CLOSING AND NOT BE MERGED WITH THE CLOSING, THAT THE WAIVERS AND RELEASES HEREIN HAVE BEEN NEGOTIATED AND AGREED UPON IN LIGHT OF THAT REALIZATION AND THAT BUYERS NEVERTHELESS HEREBY INTEND TO RELEASE, DISCHARGE AND ACQUIT SELLERS, EXCEPT AS EXPRESSLY SET FORTH HEREIN, FROM ANY SUCH UNKNOWN CLAIMS WHICH MIGHT IN ANY WAY BE INCLUDED AS A PORTION OF THE CONSIDERATION GIVEN TO SELLERS BY BUYERS IN EXCHANGE FOR SELLERS' PERFORMANCE HEREUNDER.

The foregoing waivers and releases shall not apply to any of the representations, warranties, covenants, indemnities or other matters expressly contained in this Agreement, or in any of the closing documents delivered by Sellers.

31. REMEDIES UPON CERTAIN DEFAULTS.

(a) Buyers' Pre-Closing Default. Due to the fluctuation in land values, the unpredictable state of the economy and of governmental regulations, the fluctuating money market for real estate loans of all types, and other factors which directly affect the value and marketability of the Property, the Parties recognize that it would be extremely difficult and impracticable, if not impossible, to ascertain with any degree of certainty the amount of damages which would be suffered by Sellers in the event of Buyers' failure to perform their obligations under this Agreement. Accordingly, the Parties agree that a reasonable estimate of Sellers' damages in such event is the amount of the Earnest Money Deposit, and in the event of Buyers' failure to perform their obligations under this Agreement to purchase the Property, so long as such failure is not caused by (i) the failure of any condition precedent to Buyers' obligation under this Agreement to purchase the Property, (ii) a default by Sellers under this Agreement, or (iii) Buyers' termination of this Agreement in accordance with its terms, Sellers shall, as their sole remedy, after reasonable written notice to Buyers and opportunity for Buyers to cure such failure, be entitled to receive and retain such sum as liquidated damages. Upon the occurrence of an event entitling Sellers to retain the Earnest Money as liquidated damages, Buyers hereby waive and release all rights to purchase the Property and upon demand from Sellers, Buyers agree to evidence such waiver and release in written form reasonably satisfactory to Sellers. Retention of such amount by Sellers shall constitute liquidated damages to Sellers.

(b) Sellers' Pre-Closing Default. If Sellers fails to perform any of their obligations under this Agreement that arise on or prior to the Closing Date for any reason except the failure of any condition precedent to Sellers' obligations under this Agreement, then Buyers shall have the right, after reasonable written notice to Sellers and opportunity for Sellers to cure such failure, to exercise any one of the following as their sole and exclusive remedy: (i) terminate this Agreement by giving Sellers written notice of such election prior to or at the Closing, whereupon Title Company shall promptly return the Earnest Money Deposit to Buyers, and Sellers shall, within thirty (30) days after receipt of notice and supporting documentation from Buyers, reimburse Buyers for Buyers' reasonable out of pocket actual and documented expenses or (ii) seek specific performance on the part of Sellers under the terms of this Agreement, including without limitation payment by Buyers of the full purchase price, only to the extent that Buyers can demonstrate that they had fully complied with all their obligations hereunder, including without limitation signing, acknowledging where necessary and depositing with Title Company all documents required for Closing and depositing with Escrow Holding all funds to be paid by Buyers at Closing. Buyers specifically disclaim any claims for monetary damages of any kind except as expressly set forth herein.

(c) Litigation Costs. If any litigation or other enforcement proceeding is commenced in connection with this Agreement, then the substantially prevailing Party shall be entitled to receive payment of its reasonable attorneys' fees and expenses and court costs from the other Parties.

32. NO THIRD PARTY BENEFICIARIES. Nothing in this Agreement is intended or shall be construed to create or confer any rights or remedies upon any person or entity other

than the Parties and, subject to any restrictions on assignment that are contained herein, their respective successors and assigns.

33. ENTIRE AGREEMENT. This document constitutes the entire agreement between the Parties and supersedes all prior or contemporaneous discussions, representations or agreements relating to the subject matter. No amendments, modifications or additions to this Agreement shall be made or be binding on any Party unless made in writing and signed by each Party. All Schedules that are attached to this Agreement are incorporated herein by this reference.

34. SEPARABILITY OF PROVISIONS. If any part of this Agreement is held to be invalid or unenforceable for any reason, the remainder of this Agreement shall continue in full force and effect, unless the invalid or unenforceable provision results in a material adverse consequence to a Party, in which case this Agreement may be terminated by such affected Party.

35. HEADINGS AND PRONOUNS. The headings to the sections in this Agreement have been inserted for convenience of reference only and shall in no way modify or restrict any provision hereof or be used to construe any of such provisions. Any pronoun used herein shall include all other numbers and genders, as the context or the number and gender of its antecedent may require.

36. NO MERGER. All warranties, representations, obligations, covenants and agreements contained in this Agreement shall survive the Closing and shall not be merged with any instruments delivered by and between Sellers and Buyers.

37. PERSONS BOUND. This Agreement shall inure to the benefit of and bind the undersigned and their respective successors and permitted assigns. The Effective Date of this Agreement set forth hereinabove shall be the date on which it was last accepted and executed by Buyers or Sellers.

38. INTERPRETATION. Each Party acknowledges that it has been represented and advised by legal counsel in the negotiation and legal effects of this Agreement and acknowledges that it has caused this Agreement to be reviewed and approved by legal counsel of its own choosing. No negotiations concerning or modifications made to prior drafts of this Agreement shall be construed in any manner to limit, reduce or impair the rights, remedies, duties and obligations of the Parties under this Agreement, or to restrict or expand the meaning of any of the provisions of this Agreement, or to construe any of the provisions of this Agreement in any Party’s favor. No Party shall be deemed to be the drafter of this Agreement and no term or provision of this Agreement may be construed against any Party on that basis.

39. TIME IS OF ESSENCE; COMPUTATION OF PERIODS. Time is of the essence as to every provision of this Agreement.

40. GOVERNING LAW. The interpretation, construction and enforcement of this Agreement, and all matters relating hereto, shall be governed by the laws of the State of Hawaii. Any judicial proceeding brought by any of the parties against any other party to this Agreement on any dispute arising out of this Agreement, the Transaction Documents, the Property or any matter related thereto shall be brought in Hawaii.

41. ALTERNATIVE DISPUTE RESOLUTION.

(a) The Parties agree for themselves and each of their respective shareholders, trustees, beneficiaries, directors, officers, employees and agents, that any controversies, disputes, or claims between the Parties arising from or relating to this Agreement (individually, a "**Dispute**", and collectively, the "**Disputes**") may, upon the agreement of the Parties that are involved in the Dispute, be resolved in accordance with this Section 41.

(b) If any Party gives notice to the other Parties of the existence of a Dispute, then, commencing within five (5) days after the date of such notice, the Parties shall, through their senior business representatives and (if they so desire) counsel, negotiate in good faith for a period of at least twenty (20) days in an effort to resolve the Dispute. If the Parties are unable to resolve the Dispute within such twenty (20) day period, then the Parties shall submit the Dispute to mediation with a licensed mediator that has significant experience in mediating matters similar to the Dispute and who is approved by both Parties in their reasonable discretion, the costs of such mediation to be shared equally by the Parties. If the Parties are unable to resolve the Dispute within thirty (30) days after the matter is submitted to mediation, then the Dispute shall be subjected to final and binding arbitration through Dispute Prevention and Resolution, Inc. of Honolulu. The arbitration proceedings shall be held in Honolulu, Hawaii. The arbitration shall be governed exclusively by the United States Arbitration Act (9 U.S.C. Sections 1 et seq.) or any successor law, without reference to any state arbitration statutes.

(c) The arbitration proceedings will be conducted by one (1) arbitrator and, except as this Section otherwise provides, according to the American Arbitration Association's (the "**AAA**") then current commercial arbitration rules, and the arbitration shall be sponsored by the AAA. The arbitrator selected shall be a third-party individual: (a) having not less than ten years' experience in the real estate industry or at least twenty years' consulting experience with a solid reputation in the real estate industry; (b) not having had any direct or indirect relationship with any Party or its affiliates during the preceding five (5) year period, except to the extent disclosed and accepted by the other Parties; and (c) having demonstrated knowledge of the market where the Property is located. The arbitrator has the right to award any relief that he or she deems proper, including money damages (with interest on unpaid amounts from the date due), specific performance, injunctive relief, and attorneys' fees and costs, provided that the arbitrator may not declare any trademark generic or otherwise invalid or award any punitive, exemplary, or treble or other forms of multiple damages against any Party. The award of the arbitrator shall be conclusive and binding upon all Parties to the Dispute and judgment upon the award may be entered in any court of competent jurisdiction.

(d) The Parties agree that arbitration will be conducted on an individual, not a class wide, basis; that only the Parties (and their affiliates and its and their respective officers, directors, agents, and employees, as applicable) may be the parties to any arbitration proceedings described in this Section; and that an arbitration proceeding between the Parties (and their affiliates and its and their respective owners, officers, directors, agents, and employees) under this Agreement may not be consolidated with any other arbitration proceeding between the Parties. Notwithstanding the foregoing or anything to the contrary in this Section, if any court or arbitrator determines that all or any part of the preceding sentence is unenforceable with respect to a dispute that otherwise is subjected to arbitration under this Section, then all Parties agree that

this arbitration clause shall not apply to that Dispute and that such Dispute shall be resolved in a judicial proceeding.

(e) THE ARBITRATOR SHALL HAVE NO AUTHORITY TO AWARD ANY PUNITIVE OR EXEMPLARY DAMAGES OR TO VARY OR IGNORE THE TERMS OF THIS AGREEMENT, AND SHALL BE BOUND BY CONTROLLING LAW. THE ARBITRATOR’S FAILURE TO APPLY CONTROLLING LAW OR ENTRY OF A DECISION THAT IS NOT BASED ON SUBSTANTIAL EVIDENCE IN THE RECORD SHALL BE GROUNDS FOR MODIFYING OR VACATING AN ARBITRATION DECISION.

(f) Notwithstanding anything to the contrary in this Section 41, the Parties shall have the right to commence litigation or other legal proceedings without seeking alternative dispute resolution with respect to any claims (a) relating to trademarks, (b) relating to emergency or injunctive relief, or (c) relating to the enforcement of the dispute resolution provisions of this Agreement. In furtherance of the foregoing, each Party acknowledges and agrees that (i) a Party shall have the right to seek to obtain injunctive relief without bond, but upon notice required under applicable legal requirements (an “**Enjoining Party**”); and (ii) such injunctive relief shall be in addition to such further and other relief as may be available to an Enjoining Party or its affiliates at law or in equity.

42. COUNTERPART AND FACSIMILE SIGNATURES. This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original, but all of which shall constitute one and the same instrument. The submission of a signature page transmitted by facsimile (or similar electronic transmission facility) shall be considered as an “original” signature page for purposes of this Agreement.

43. WAIVER OF TRIAL BY JURY. Sellers and Buyers each hereby waive their right to a trial by jury in any litigation or other court proceeding with respect to any matter arising from or in connection with this Agreement. The provisions of this Section 43 shall survive the Closing or the termination of this Agreement.

44. COMPUTATION OF TIME PERIODS. The time in which any act under this Agreement is to be done shall be computed by excluding the first day and including the last day, until 4:00 p.m. Hawaii Standard Time. If the last day of any time period stated herein shall fall on a Saturday, Sunday or legal holiday, then the duration of such time period shall be extended so that it shall end on the next succeeding day which is not a Saturday, Sunday or legal holiday, at 4:00 p.m. Hawaii Standard Time. Unless preceded by the word “business,” the word “day” shall mean a calendar day. The phrase “**Business Day**” or “**Business Days**” shall mean any day that is not a Saturday, Sunday or state or federal holiday in either Honolulu, Hawaii or Orlando, Florida.

45. BOARD APPROVALS REQUIRED. Buyers acknowledge that this Agreement remains subject to the review and approval of the Board of Directors for the publically traded parent corporation of the Sellers (collectively the “**Board**”). Sellers shall endeavor to obtain such approval on or before June 10, 2014 (the “**Board Approval Deadline**”), and shall promptly notify Buyers of such approval. However, in the event this Agreement is disapproved by the

Board or Sellers fail to obtain such approval on or before the Board Approval Deadline, this Agreement shall automatically terminate and have no further force or effect, the Earnest Money Deposit shall be promptly returned to Buyers, and the Parties shall have no further obligations under this Agreement.

46. FUTURE COOPERATION. The Parties acknowledge that Sellers' and Buyers' development and operation of their respective properties post Closing may result in the need for the granting of additional easements or other rights over each other's property, cooperation in the operation and care for their respective properties, and transition of numerous operational aspects of the Resort between the Parties. To that end, the Parties hereby agree to reasonably cooperate in good faith with each other's commercially reasonable requests for such easements or other rights, cooperation and accommodations, at no charge.

REMAINDER OF PAGE INTENTIONALLY LEFT BLANK

SIGNATURE PAGE TO FOLLOW

IN WITNESS WHEREOF, Buyers and Sellers have each executed this Agreement or have caused it to be executed by a duly authorized officer, member or manager, as appropriate, to be effective on the date set forth above.

TOWER DEVELOPMENT INC.

By /s/ Edward Bushor
Printed: Edward Bushor
Its: President

LIFESTYLE RETAIL PROPERTIES LLC

By: /s/ Edward Bushor
Printed: Edward Bushor
Its: President

KAUAI LAGOONS, LLC

By /s/ Donald L. Baarman
Printed: Donald L. Baarman
Its Vice President

MORI GOLF (KAUAI), LLC

By /s/ Donald L. Baarman
Printed: Donald L. Baarman
Its: Vice President

First American Title Insurance Company, the “Title Company” under this Agreement, hereby joins in the execution of this Agreement for purposes of acknowledging the instructions that are given to it in this Agreement.

First American Title Insurance Company

By: ______________________________
Printed: ______________________________
Its: ______________________________

SCHEDULE 1 - LEGAL DESCRIPTION

See attached

Lot #	Tax Map Key #	Kauai County Subdivision File No.	Surveyor's Certificate Doc. No.	Exclusions
PARCEL 1				
100	4-3-5-004-100	S-2008-24	2008-191171	
101	4-3-5-004-101	S-2008-24	2008-191171	
102	4-3-5-004-102	S-2008-24	2008-191171	
103	4-3-5-004-103	S-2008-24	2008-191171	
104	4-3-5-004-104	S-2008-24	2008-191171	
105	4-3-5-004-105	S-2008-24	2008-191171	
106	4-3-5-004-106	S-2008-24	2008-191171	
107	4-3-5-004-107	S-2008-24	2008-191171	
108	4-3-5-004-108	S-2008-24	2008-191171	
109	4-3-5-004-109	S-2008-24	2008-191171	
200	4-3-5-004-200	S-2009-6	2009-107148	
201	4-3-5-004-201	S-2009-6	2009-107148	
202	4-3-5-004-202	S-2009-6	2009-107148	
203	4-3-5-004-203	S-2009-6	2009-107148	
204	4-3-5-004-204	S-2009-6	2009-107148	
205	4-3-5-004-205	S-2009-6	2009-107148	
206	4-3-5-004-206	S-2009-6	2009-107148	
207	4-3-5-004-207	S-2009-6	2009-107148	
208	4-3-5-004-208	S-2009-6	2009-107148	
300	4-3-5-004-300	S-2009-6	2009-107148	
301	4-3-5-004-301	S-2009-6	2009-107148	
302	4-3-5-004-302	S-2009-6	2009-107148	
303	4-3-5-004-303	S-2009-6	2009-107148	
304	4-3-5-004-304	S-2009-6	2009-107148	
305	4-3-5-004-305	S-2009-6	2009-107148	
306	4-3-5-004-306	S-2009-6	2009-107148	
307	4-3-5-004-307	S-2009-6	2009-107148	
308	4-3-5-004-308	S-2009-6	2009-107148	
309	4-3-5-004-309	S-2009-6	2009-107148	
310	4-3-5-004-310	S-2009-6	2009-107148	
400	4-3-5-004-400	S-2008-24	2008-191171	
401	4-3-5-004-401	S-2008-24	2008-191171	
402	4-3-5-004-402	S-2008-24	2008-191171	
403	4-3-5-004-403	S-2008-24	2008-191171	
404	4-3-5-004-404	S-2008-24	2008-191171	
405	4-3-5-004-405	S-2008-24	2008-191171	
406	4-3-5-004-406	S-2008-24	2008-191171	
407	4-3-5-004-407	S-2008-24	2008-191171	
408	4-3-5-004-408	S-2008-24	2008-191171	
409	4-3-5-004-409	S-2008-24	2008-191171	
410	4-3-5-004-410	S-2008-24	2008-191171	
411	4-3-5-004-411	S-2008-24	2008-191171	
412	4-3-5-004-412	S-2008-24	2008-191171	
413	4-3-5-004-413	S-2008-24	2008-191171	
414	4-3-5-004-414	S-2008-24	2008-191171	

415	4-3-5-004-415	S-2008-24	2008-191171	
416	4-3-5-004-416	S-2008-24	2008-191171	
417	4-3-5-004-417	S-2008-24	2008-191171	
418	4-3-5-004-418	S-2008-24	2008-191171	
419	4-3-5-004-419	S-2008-24	2008-191171	
420	4-3-5-004-420	S-2008-24	2008-191171	
421	4-3-5-004-421	S-2008-24	2008-191171	
422	4-3-5-004-422	S-2008-24	2008-191171	
423	4-3-5-004-423	S-2008-24	2008-191171	
700	4-3-5-004-700	S-2010-11	2011-089678	
701	4-3-5-004-701	S-2010-11	2011-089678	
702	4-3-5-004-702	S-2010-11	2011-089678	
703	4-3-5-004-703	S-2010-11	2011-089678	
704	4-3-5-004-704	S-2010-11	2011-089678	
705	4-3-5-004-705	S-2010-11	2011-089678	
706	4-3-5-004-706	S-2010-11	2011-089678	
707	4-3-5-004-707	S-2010-11	2011-089678	
708	4-3-5-004-708	S-2010-11	2011-089678	
709	4-3-5-004-709	S-2010-11	2011-089678	
710	4-3-5-004-710	S-2010-11	2011-089678	
9-A	4-3-5-001-216	S-2010-11	2011-089678	
9-E	4-3-5-001-220	S-2010-11	2011-089678	
Road Lot A	4-3-5-004-424	S-2008-24	2008-191171	
Road Lot B	4-3-5-004-110	S-2008-24	2008-191171	
Road Lot C	4-3-5-004-311	S-2009-6	2009-107148	
Road Lot D	4-3-5-004-209	S-2009-6	2009-107148	
Road Lot E	4-3-5-004-711	S-2010-11	2011-089678	
Triangle Parcel	4-3-5-001-006-0000			
R	4-3-5-001-001			
10-C	4-3-5-001-177-0000	S-2008-2	2008-158879	
PARCEL 2 - GOLF CLUB LAND				
2-A	4-3-5-001-027-0000	S-2010-11	2011-089678	***Parties acknowledge that the building and surrounding land currently used as a Landscape Maintenance Facility will be subject to an exclusive easement providing Seller's continuous and uninterrupted use of the same.***
3	4-3-5-002-019-0000	N/A	Map 2 LCA 1819	
5A	4-3-5-001-168-0000	S-2008-24	2008-191171	
7-A-1	4-3-5-001-169-0000	S-2009-6	2009-107148	
8	4-3-5-001-171-0000	S-2010-11	2011-089678	
PARCEL 3 - MAKALI'I LAND				
9-B	4-3-5-001-217	S-2010-11	2011-089678	
9-C	4-3-5-001-218	S-2010-11	2011-089678	

9-D	4-3-5-001-219	S-2010-11	2011-089678	
<u>PARCEL 4 - FASHION POINT LAND</u>				
10-A	4-3-5-001-173-0000	S-2007-22	2008-032433	***Parties acknowledge that the building and surrounding land currently used as a Fitness Center will be subject to an exclusive easement providing Seller's continuous and uninterrupted use of the same.***

SCHEDULE 1(k)(1) - LIST OF SERVICE CONTRACTS

TBD prior to the expiration of Due Diligence Period but the following is an initial list:

Kauai Lagoons Golf

Vendor name	Description	Terms
ALERT ALARM HAWAII	Alarm for Golf Shop	month-to-month, no agreement
DISH NETWORK	Dish at Snack Shop	month-to-month, no agreement
EZ LINKS GOLF	Tee sheet system	month-to-month, no agreement
GARDEN ISLAND DISPOSAL	Trash pickup	month-to-month, no agreement
HAWAIIAN TEL	Digital advertising	month-to-month, no agreement
KAUAI LAGOONS COMMUNITY ASSN	Golf CH building maintenance service	month-to-month allocation, no agreement
KAUAI MARRIOTT RESORT AND BEACH CLUB	Shuttle service	see attached agreement
KAUAI VISITORS BUREAU	Coop golf advertising	annually, no agreement
LOOMIS	Armored car service	see attached agreement
MENEHUNE WATER COMPANY INC	guest water on carts with logo	month-to-month, no agreement
MORRIS VISITOR PUBLICATIONS LLC	magazine advertising	month-to-month, no agreement
OAHU PUBLICATION	magazine advertising	month-to-month, no agreement
OCEANIC TIME WARNER CABLE	cable service	month-to-month, no agreement
SENTER PETROLEUM INC	fuel refill	month-to-month, no agreement
SIMPLEX GRINNELL	fire safety	Kauai Lagoons master agreement
THE GAS COMPANY	propane refill	Kauai Lagoons master agreement
THIS WEEK PUBLICATION	magazine advertising	month-to-month, no agreement
VERIZON WIRELESS	cell phone master account	month-to-month, no agreement

Kauai Lagoons Community Association

Vendor name	Description	Terms
ALERT ALARM HAWAII	Alarm for ops building	
CHEMSEARCH	Lagoon chemical	with agreement
DEPT OF LAND & NATURAL RESOURCES	Regulated Dam fees	no agreement
GARDEN ISLAND DISPOSAL	Trash pickup	month-to-month, no agreement
KAUAI MARRIOTT RESORT AND BEACH CLUB	Shuttle service	see attached agreement
MOKIHANA PEST CONTROL INC	Pest control service	month-to-month, no agreement
THE GAS COMPANY	propane refill - torches	Kauai Lagoons master agreement

Golf Agreements

PREFERRED GOLF AGREEMENT	Discounted rate for golf	see attached agreement
KALINIPU'U FOUNDING MEMBERS GOLF PLAY AGREEMENT	Discounted rate for golf	see attached agreement
GOLF AND TENNIS PLAY AGREEMENTS	Discounted rate for golf and tennis, as well as access	see attached agreement

SCHEDULE 1(k)(2) - LIST OF TRANSFERABLE WARRANTIES

NONE.

SCHEDULE 1(k)(3) - LIST OF LICENSES

Property Access and Purpose License Agreement between Kauai Lagoons LLC, MORI Golf (Kauai), LLC, and Kauai Lagoons Community Association
Master Association GE Tax License
MORI Golf (Kauai) Tobacco Permit
MORI Golf (Kauai) GE Tax License
Department of Transportation Permit No. 4786 – T Box at Airport

SCHEDULE 1(k)(4) - LIST OF EQUIPMENT LEASES

MORI Golf (Kauai), LLC and GPSI Leasing LLC dated November 14, 2013 – Golf Cart GPS
MORI Golf Kauai, LLC and Textron dated May 2, 2011 – Golf Carts

SCHEDULE 1(k)5 - LABOR AGREEMENTS

MORI Golf (Kauai), LLC and ILWU LOCAL 142 Collective Bargaining Agreement (January 1, 2013 through December 31, 2013)

Memorandum of Agreement between MORI Golf (Kauai), LLC and ILWU LOCAL 142 dated December 21, 2013 (extending term of Agreement through December 3, 2014)

SCHEDULE 1(l) - LIST OF TENANT LEASES

MORI GOLF (KAUAI), LLC AND J AND B RESTAURANTS, LLC dated November 1, 2011

SCHEDULE 1(m)(2) - LIST OF TRANSFERABLE TELEPHONE NUMBERS

TBD prior to the expiration of Due Diligence Period

SCHEDULE 1(m)(3) - LIST OF INTELLECTUAL PROPERTY

The following business names:

- Kauai Lagoons
- The Kauai Lagoons Golf and Racquet Club
- The Kauai Lagoons Golf Course
- The Kiele Golf Course

SCHEDULE 1(n) – EXCLUDED ASSETS

See attached schedule.

Kauai Lagoons Golf Club **LOCATION: GOLF MAINTENANCE**
EQUIPMENT FILE LISTING
1/11/2013

PROPERTY #	EQUIPMENT NAME	MODEL	SERIAL NO.	PURCHASE DATE
H2	HDX-D UTILITY CART	07371	311000501	6/1/2011
H3	HDX-D UTILITY CART	07371	311000504	6/1/2011
M2	MDX UTILITY CART	07273	311000313	6/1/2011
M3	MDX UTILITY CART	07273	311000320	6/1/2011

FF&E - 2013 (landscaping) LOCATION: LANDSCAPE BUILDING

	MAKE	YR	VIN#	Lic. No.
1	Chevy Pick-up	06	1GCHK24U66E186936	268TSD
2	Chevy Pick-up	06	1GBJK34WX6E164126	603KBK
3	Chevy Pick-up	06	1GBJK34W06E164295	600KBK

	MOWERS/TRACTORS	SN# OR REFERENCE#	Brand	Model#
1	Brush Hog	639645	Land Pride	RCR2510
2	Kubota Tractor	66665	Kubota	M7040SU
3	Riding Mower	519069	Exmark 52”	

	OTHER SMALL EQPT	SN# OR REFERENCE#	Brand	Model#
1	Air Compressor	2509002620	Craftsman 175PSI	919.167784
2	Blower	PB-25YPB500T	Echo	Handheld
3	Blower	J6003005	Hitachi	RB24EAP
4	Blower	T14412003062	Shindaiwa	Backpack
5	Blower	T14112003381	Shindaiwa	Backpack
6	Chainsaw	2010-3500037	Hosquarna	375XP
7	Chainsaw	N/A	Stihl	MS261
8	Chainsaw	9020548	Echo	CS-360T
9	Chainsaw	C04112026824	ECHO	CS341
10	Chainsaw	C08511006542	ECHO	CS341
11	Cutter (Metal/Iron)	BX0945-13553	Ridgid	
12	Edger	TLE-600	Tanaka	
13	Hedge Trimmer	T12612001208	Shindaiwa	
14	Hedgetrimmer	S77911004614	Shindaiwa	
15	Hedgetrimmer	N/A	Stihl	HS87T
16	Pressure Washer	T51011	G-Force	
17	Push Mower #2	MAGA1520125	Honda	HRX2172HxA
18	Push Mower/Tru Cut	C-27x2	Honda	
19	Weed Eater	9100593	Shindaiwa	282
20	Weed Eater	8041018	Shindaiwa	282

FF&E
3/1/2013

LOCATION: FASHION LANDING

Mcherny

22	Wooden doors
8	Cases of passage knobs
15	Flush bolts
5	Boxes of villa room drawer handles
14	Bags of misc. screws for handles
11	Boxes of stainless cabinet door handles
4	Boxes Schlage door key locks
4	Boxes automatic switch for door
4	Boxes double door latch bolts
76	Slim door closer bars
13	Base board trims
75	Ceiling Fans controls
11	Boxes shelf pegs
1	Box insulated duct
9	5 gallon bucket STO
1	Compactor Jumping Jack
4	Fire extinguisher cabinets
6	Boxes Shelf supports
8	Sheets of square shelf
1	Subzero Refrigerator
2	Generators
20	Zero Brand door sweeps
20	Thresholds
1	Box corner guards
6	Boxes vinyl floor tile
9	Boxes service room handles and locks
6	Large villa windows
10	Small villa windows
35	Assorted cabinet Doors for kitchen
3	Wooden frames
50	Wooden trims assorted
2	Boxes lanai door gaskets
4	Assorted kitchen Cabinets
1	GE Dryer
30	Bags sanded grout
5	Pallets tile assorted
1	Pallet caulking
	Misc. rolls carpet & padding

Room across Pool Furniture Storage

12	Boxes new villa furniture
1	Buffet Table
1	Dining Table

Pool Furniture Storage Room

2	Industrial Rack shelf
2	Wolf oven
1	Box filters small appliance
1	Box ballasts
2	GE ovens
12	Small window screens
9	Ceiling Fans
20	Boxes assorted light fixtures, housings, & extra trims
1	GE Washer
1	Box Shower door hardware
1	Box exit light signs
4	Boxes Dining room light fixtures
1	Stainless warmer or cooler
1	Stainless sink
1	Pallet granite counter tops
1	Pallet rocks edger, Pallet rock veneer
2	Frog Statues
1	Buddha statue
4	Pallets wooden doors for villas w/ trims
1	Remington replica horse statue
1	Wooden desk
	Tropitone Pool Furniture
2	Dinning tables
6	Unboxed Chairs
6	Umbrellas
10	Unboxed Chaise lounge chairs
67	Boxed Chaise Lounge Chairs
47	Mini tables
	Breeze Way Furniture
8	Chairs
3	Tables

FF&E LIST LOCATION: Clubhouse Ops building - common area

Area	Qty	Description
Lower Pool Area		
	4	Round Wooden Table
	12	Wooden Chairs
Lobby Area	3	Round Wooden Table
	11	Wooden Chairs w/cushions
	3	Wooden Couches
	3	Lounge Chairs w/cushions
	1	Round Wooden Coffee Table
	1	Round Wicker Coffee Table
	1	Square Wooden End Table
	2	Lamps
	1	Wooden Round Table
	4	Wooden Chairs w/cushions
	1	Plant Pot
	1	Marble Table
	1	Glass Table w/Vase
	1	Plant Pot
	3	Wooden Couches
	1	Wooden Round Table
	4	Wooden Chairs w/cushions
	1	Marble Coffee Table
	1	Wooden Coffee Table
	1	Wooden Lounge Chair w/cushions
	2	51” flat screen TVs w/ CPU
	4	46” flat screen TVs w/CPU
	2	37” flat screen TVs w/CPU
	2	Round Wooden Tables
	8	Wooden Chairs w/cushions
	1	Round Glass Table
	4	Wooden Chairs w/cushions
	2	Wooden Benches w/cushions
	1	Wooden Chairs w/cushions
	2	Wooden Couches
	1	Wooden Chairs w/cushions
	1	Round Wooden Coffee Table
	1	Lamp
	1	Wooden Benches w/cushions
	1	Wooden Chairs w/cushions
	1	Square Wooden Coffee Table
	3	Plant Pots
	6	Marble Top Credenzas
	2	Round Wooden Tables (encore)
	8	Wooden Chairs (encore)
	10	Plant Pots
	1	Display Stand
	1	Wicker low table with glass case
	2	Wooden Stands w/glass cases
	2	Old Wooden Credenzas w/glass cases for Hawaiiaina
	2	Small wooden stands w/glass cases for Hawaiianna
	1	Topo Map
	1	Wooden Display Stand w/Hawaiianna in glass case, on wall opposite golf
NOT OURS - loan only		**Various Hawaiianna mounted on walls**
Purchased by Sales		**15 Various Wall Art**

FF&E **LOCATION: CLUBHOUSE OPS BUILDING**

M&S offices

Qty	Item
	Green Room
1	copier
8	CPUs
7	monitors
1	flat screen TV
1	shredder
1	4 drawer lateral file cabinet
16	chairs
14	modular cubicles
2	desks with hutches
1	safe
3	pin boards
1	white board
2	3 drawer lateral file cab
1	wooden mail slot box
1	bookcase
	Phones
	C Machorek Office
1	printer
1	conf table
6	chairs
2	desks
1	desk hutch
1	book case
1	white board
1	cpu- laptop
1	monitor

Accounting offices

Qty	Item
	Kitchen
1	Refrigerator
1	Microwave
1	Coffee maker
	Main area
2	HR desk kiosks
2	2 office chairs
	HR office
1	Desk
1	Chair
1	Filing cabinet - 4 drawer
1	Credenza
	Acctg Coordinator office
1	Desk
1	Credenza
1	Filing cabinet - 4 drawer
1	Chair
1	Safe

Admin Asst office

1 Desk
1 Chair
1 Filing cabinet - 4 drawer
1 Filing cabinet - 2 drawer

Asst Controller's office

1 Desk
1 Chair
1 Filing cabinet - 4 drawer
1 Filing cabinet - 2 drawer
1 Vacuum
1 Rolling file folder

Jowen's office

1 Desk
1 Chair
1 Credenza
1 Filing cabinet - 4 drawer
1 Floor fan

Back office:

1 Printer
1 Postage meter machine
1 Shredder
4 Metal supplies cabinets
1 Filing cabinet - 4 drawer
2 Long tables
Miscellaneous IT supplies in boxes
2 TV

C&D offices

Main Area:
Refrigerator
Microwave
Coffee maker
Conference table with 10 chairs
Shredder
Copier/printer
4 sets of plan drawer files - 15 drawers per set
6 lateral filing cabinets - 4 drawers each
Storage cabinet
Exec Admin modular desk unit with 2 letter size filing cabinets and chair
Lateral filing cabinet - 2 drawer
Floor fan

2 Cubicle Offices, each with:
Modular desk unit with 2 letter size filing cabinets and chair
Lateral filing cabinet - 2 drawer

Tim's Office
Modular desk unit with 1 letter size filing cabinet and chair

Spare Office
Desk and desk extension and chair

Metal book case

Lani's Office
Desk and desk extension with 2 letter size file cabinets and chair
Lateral file cabinet - 4 drawer

Administration Conference Room
Conference table with 8 chairs
Additional chairs around the room (14)
Round tables (3)
Credenza
70" TV monitor
Cabinet for phones and computer accessories
Dry erase board

Kauai Lagoons Sales | LOCATION: SALES GALLERY

ROGER OFFICE:

Qty	Item
1	Desk
1	Laptop
1	Monitor
1	37 inch Screen
2	Drawer file cabinet w/Bookcase
4	Chairs
1	Whiteboard
2	Wall Art
1	Printer
1	Credenza w/Hutch

SANDY OFFICE:

Qty	Item
1	Credenza w/Hutch
1	Desk
3	Chairs
6	Wall Art
1	Computer
1	Monitor
2	Drawer file cabinet

KERENSA OFFICE:

Qty	Item
2	Wall Art
2	2 Drawer Cabinets
1	Chair
1	Modular Work Station
2	Overhead Storage
1	Computer
1	Side Table
1	Printer

TERESA OFFICE:

Qty	Item
1	Desk w/Return & Hutch
2	Chairs
2	Drawer Cabinet w/Bookcase
1	End Table
1	Computer
1	Monitor

MAILROOM:

Qty	Item
1	Rectangular Table
1	Timeclock
1	Postage Machine
1	Mailboxes
1	Wall Art

SALES ADMIN:

Qty	Item	Qty	Item
2	Whiteboard	4	Chairs
1	Wall Art	4	Monitors
1	Color copier/Printer		
5	Workstations		
4	Computers		

Kauai Lagoons Sales **LOCATION: SALES GALLERY**

Room	Qty	Item	Qty	Item
KITCHEN:				
	1	Small Desk	1	Shredder
	2	Tables	3	Office Chairs
	4	File Cabinets		
	2	Refridgerators		
	1	Flat Screen		
	1	Water Cooler		
	3	Metal Racks		
	1	Long Table		
	17	Dining Chairs		
	1	Copier/Printer		
KIM OFFICE:				
	1	Desk		
	1	Crendenza w/Hutch		
	1	Computer		
	1	Monitor		
	1	Printer		
	1	File Cabinet		
BAR:				
	1	Ice Machine	1	Rectangular Table
	1	Soda Machine		
	2	Coffee Machine		
	2	Wall Art		
		Serving Dishes, Utensils		
	1	Refridgerator		
	3	Bar Stools		
	1	Glass top table		
RECEPTION DESK:				
	3	Chairs		
	3	Computers		
	3	Monitors		
	2	Printers		
CONTRACTS:				
	3	Whiteboards	2	Potted Plants
	1	Copier/Printer		
	3	File Cabinet		
	1	Water Cooler		
	2	Desk Chairs		
THOM OFFICE:				
	1	Computer		
	1	Monitor		
	1	Desk credenza w/Hutch		
	1	Glass top table		
	7	Chairs		
MOANA OFFICE:				
	1	Desk w/Return	1	Printer
	3	Chairs	1	File Cabinet
	1	Computer	1	Wooden Cabinet
	1	Monitor		

Kauai Lagoons Sales **LOCATION: SALES GALLERY**

CONTRACTS OFFICE:

Qty	Item
4	Workstations
1	Shredder
4	Printers
4	Computers
4	Chairs
4	File Cabinets
1	Copier
4	Monitors

CLOSING ROOM:

Qty	Item
1	Bench
2	Chairs
3	Wall Arts
1	Credenza
3	Potted Plants
1	Water Feature

TEAM LEADER OFFICE:

Qty	Item
4	Desks
2	Crendenza w/hutch
1	Whiteboard
4	Computers
4	Monitors
1	Printer
5	Chairs

RECEPTION STORAGE:

Qty	Item
2	Metal Racks
4	File Cabinets

RITZ STORAGE:

Qty	Item	Qty	Item
5	Metal Racks	1	Christmas Tree
9	File Cabinets		
5	Desks		
5	Modular Workstations		
20	Chairs		

Kauai Lagoons Sales **LOCATION: SALES GALLERY**

TOP CLOSING ROOM ENTRANCE:

- 1 Cabinet
- 1 WaterCooler
- 2 Wall Art

JULIE VALENCIA:

- 1 Keyhold Desk
- 4 Chairs
- 1 Computer
- 1 Monitor
- 1 File Cabinet
- 2 Wall Art

LUIS TREVINO:

- 4 Chairs
- 1 Desk
- 2 Wall Art
- 1 Computer
- 1 Monitor
- 1 Cabinet
- 2 Lamps

VACANT #8082

- 3 Wall Art
- 1 Desk
- 3 Chairs
- 1 Computer
- 1 Monitor
- 1 Cabinet

VACANT #8083

- 2 Wall Art
- 1 Monitor w/CPU
- 1 Keyhold Desk
- 1 Computer
- 1 Monitor
- 3 Chairs

VACANT #8086

- 4 Chairs
- 1 Cabinet
- 1 Keyhold Desk
- 1 Lamp
- 1 Rattan Table
- 1 Computer
- 1 Monitor

VACANT #8085

- 1 Keyhold Desk
- 4 Chairs
- 2 Wall Art
- 1 Cabinet
- 1 Lamp
- 1 Computer
- 1 Monitor

Kauai Lagoons Sales

LOCATION: CLOSING ROOM

KYLE GOODMAN:

4 Chairs
1 Computer
1 Monitor
1 Desk
2 Wall Art

ALIEA BAILEY:

4 Chairs
1 Computer
1 Monitor
1 Crendenza
1 Desk
2 Wall Art
1 Lamp

CHRISTY SELVAGE:

4 Chairs
1 Computer
1 Monitor
1 Desk
1 Lamp
3 Wall Art

COLLETTE ALTHOUSE:

4 Chairs
1 Computer
1 Monitor
1 Desk
2 Wall Art
1 Credenza

GORDON LETT:

4 Chairs
1 Computer
1 Monitor
1 Desk
5 Wall Art
1 Cabinet

MIKE PARSELLS:

4 Chairs
1 Computer
1 Monitor
1 Desk
2 Wall Art
1 Lamp

DANIEL SCHMIDT:

4 Chairs
1 Computer
1 Monitor
1 Desk
1 Credenza
3 Wall Art
1 Lamp

KRISTINE YOUNG:

3 Chairs
1 Computer
1 Monitor
1 Desk
1 Lamp
2 Wall Art

RYAN MCANARNEY:

4 Chairs
1 Computer
1 Monitor
1 Desk
3 Wall Art
1 Lamp
1 Cabinet

KIRSTEN SPARKMAN:

3 Chairs
1 Computer
1 Monitor
1 Desk
2 Small Tables
1 Lamp
3 Wall Art

MARTY KAHN:

5 Chairs
1 Computer
1 Monitor
1 Desk
1 Cabinet
4 Wall Art

Kauai Lagoons Sales **LOCATION: CLOSING ROOM**

TJ MARSHMAN:				
	3	Chairs	1	Desk
	1	Computer	1	Credenza
	1	Monitor	2	Wall Art
CATHERINE GRAY:				
	4	Chairs	1	Desk
	1	Computer	1	Cabinet
	1	Monitor	2	Wall Art
			1	Lamp
MARK JOHNSON:				
	4	Chairs	1	Desk
	1	Computer	2	Wall Art
	1	Monitor		
BACK OF SE CLOSING ROOM:				
	8	Chairs	1	File Cabinet
	1	Glass Table	4	Wall Art
	1	Cabinet	1	Hawaiiana Display
			24	Lockers

3 **boats**
1964 Century
1969 Funai (Huki)
1986 Serenella

1 **Truck**
Toyota pickup
LP vehicles

SCHEDULE 1(o) – HABITAT CONSERVATION PLAN

See attached.

IMPLEMENTING AGREEMENT

for the

KAUA‘I LAGOONS HABITAT CONSERVATION PLAN

by and between

KAUA‘I LAGOONS LLC,

UNITED STATES FISH AND WILDLIFE SERVICE, and

HAWAI‘I DEPARTMENT OF LAND AND NATURAL RESOURCES

September, 2012

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1.0 PARTIES

This Implementing Agreement is made by and between Kaua‘i Lagoons LLC (KL), the United States Fish and Wildlife Service (USFWS), and the Hawai‘i Department of Land and Natural Resources (DLNR).

These entities may be referred to as the “Parties” and individually as a “Party.” The USFWS and DLNR may be referred to collectively as the “Wildlife Agencies” and individually as a “Wildlife Agency,” and KL may be referred to as the “Permittee.”

2.0 RECITALS AND PURPOSES

2.1 Recitals. The Parties have entered into this Agreement in consideration of the following facts:

(a) The Kaua‘i Lagoons Resort (Resort) in Līhu‘e, Kaua‘i, built in the 1980’s, encompasses approximately 600 acres, and was originally developed with two 18-hole championship golf courses, a golf and racquet club facility, a network of man- made navigable lagoons, a restaurant, commercial development, and associated parking areas.

(b) The Resort lagoons and golf courses have been colonized by several bird species which are listed as threatened or endangered under the federal Endangered Species Act (ESA), including the Hawaiian Goose or *Nēnē* (*Branta sandvicensis*) (hereafter referred to as Nēnē), the Hawaiian endemic sub-species of the Black-necked Stilt (*Himantopus mexicanus knudseni*) (hereafter referred to as Hawaiian Stilt), Hawaiian Coot (*Fulica alai*), the Hawaiian endemic sub-species of the Common Moorhen (*Gallinula chloropus sandvicensis*) (hereafter referred to as Hawaiian Moorhen), and the Hawaiian Duck (*Anas wyvilliana*). The island of Kaua‘i also provides habitat for two seabird species which are listed under the ESA [Hawaiian Petrel (*Pterodroma sandwichensis*) and the Newell’s Shearwater (*Puffinus auricularis newelli*)], and one seabird species which is a Candidate for listing under the ESA [Band-rumped Storm-Petrel (*Oceanodroma castro*)]. These three seabird species may fly over the Resort when they transit between their inland breeding colonies and the sea.

(c) All eight bird species identified above are listed as threatened or endangered pursuant to Hawai‘i Revised Statutes (HRS) Chapter 195D;

(d) Further development within the Resort, and operation of the Resort, could result in the incidental take of these eight bird species. KL has developed a series of measures, described in the Habitat Conservation Plan (HCP), that will minimize and mitigate to the maximum extent practicable the effects of Take of these Covered Species incidental to KL’s Covered Activities, and that will also increase the likelihood that the Covered Species will survive and recover, and provide a net environmental benefit.

2.2 Purpose. The purpose of this Agreement is to clarify the provisions of the HCP and the processes the Parties intend to follow to ensure the successful implementation of the HCP in accordance with the Permits and applicable Federal and State law.

3.0 DEFINITIONS

The following terms as used in this Agreement will have the meanings set forth below:

3.1 Terms defined in Endangered Species Act and HRS Chapter 195D. Terms used in this Agreement and specifically defined in the Endangered Species Act (ESA) or HRS Chapter 195D, or in regulations adopted by the Wildlife Agencies under the ESA or HRS Chapter 195D, have the same meaning as in the ESA or HRS Chapter 195D and those implementing regulations, unless this Agreement expressly provides otherwise.

3.2 "Adaptive Management" means a flexible approach to the long-term management of fish, wildlife and habitat resources of the project area that is directed over time by the results of ongoing monitoring activities and other information.

3.3 "Agreement" means this Implementing Agreement, which incorporates the HCP and Permits by reference.

3.4 "Changed Circumstances" means changes in circumstances affecting a Covered Species or the geographic area covered by the HCP that can reasonably be anticipated by the Parties and that can reasonably be planned for in the HCP (e.g. the listing of a new species, or a fire or other natural catastrophic event in areas prone to such event.) Changed Circumstances and the planned responses to those circumstances are described in section 7.4.2 of the HCP. Changed Circumstances are not Unforeseen Circumstances.

3.5 "Covered Activities" means certain activities carried out by KL that may result in incidental Take of Covered Species, and consists of Resort construction and operation activities as described in Chapter 2 of the HCP.

3.6 "Covered Species" means the following eight species, each of which the HCP addresses in a manner sufficient to meet all of the criteria for the USFWS to issue an Incidental Take Permit under ESA § 10(a)(1)(B) and for DLNR to issue an Incidental Take License under HRS Chapter 195D: Hawaiian Goose or *Nēnē* (*Branta sandvicensis*) (hereafter referred to as Nēnē), the Hawaiian endemic sub-species of the Black-necked Stilt (*Himantopus mexicanus knudseni*) (hereafter referred to as Hawaiian Stilt), Hawaiian Coot (*Fulica alai*), the Hawaiian endemic sub-species of the Common Moorhen (*Gallinula chloropus sandvicensis*) (hereafter referred to as Hawaiian Moorhen), the Hawaiian Duck (*Anas wyvilliana*), Hawaiian Petrel (*Pterodroma sandwichensis*), Newell's Shearwater (*Puffinus auricularis newelli*), and Band-rumped Storm-Petrel (*Oceanodroma castro*).

3.7 "HCP" means the Habitat Conservation Plan prepared by Kaua‘i Lagoons LLC.

3.8 "Listed Species" means a species (including a subspecies, or a distinct population segment of a vertebrate species) that is listed as endangered or threatened under the ESA and/or HRS Chapter 195D.

3.9 "Permit" or "Permits" means the Incidental Take Permit issued by the USFWS to KL pursuant to Section 10(a)(1)(B) of the ESA, and the Incidental Take License issued by DLNR to KL pursuant to HRS Chapter 195D, for Take incidental to Covered Activities, as such Permits may be amended from time to time.

3.10 "Permittee" means Kaua'i Lagoons LLC.

3.11 "Take" means to harass, harm, pursue, hunt, shoot, wound, kill, trap, capture, or collect any listed or unlisted Covered Species. Harm means an act that actually kills or injures a member of a Covered Species, including an act that causes significant habitat modification or degradation where it actually kills or injures a member of a Covered Species by significantly impairing essential behavioral patterns, including breeding, feeding or sheltering.

3.12 "Unforeseen Circumstances" means changes in circumstances affecting a Covered Species or geographic area covered by the HCP that could not reasonably have been anticipated by plan developers and the Wildlife Agencies at the time of the HCP's negotiation and development, and that result in a substantial and adverse change in the status of the Covered Species.

3.13 "Unlisted Species" means a species (including a subspecies, or a distinct population segment of a vertebrate species) that is not listed as endangered or threatened under the ESA or HRS Chapter 195D.

4.0 OBLIGATIONS OF THE PARTIES

4.1 Obligations of Permittee.

4.1.1 Chapters 4 and 6 of the HCP describe the measures KL is obligated to implement in order to avoid, minimize, mitigate and monitor the effects of its Covered Activities on the Covered Species.

4.1.2 Upon issuance of the Permits, KL will fully and faithfully perform all obligations assigned to it under this Agreement, the Permits, and the HCP.

4.2 Obligations of the Wildlife Agencies.

4.2.1 Permit Issuance. Upon approval of the HCP by the Wildlife Agencies and execution of this Agreement by all Parties, and satisfaction of all other applicable legal requirements, the USFWS will issue KL a Permit under Section 10(a)(1)(B) of the ESA, and DLNR will issue KL a Permit under HRS Chapter 195D, authorizing incidental Take by KL of each Covered Species resulting from Covered Activities.

4.2.2 Permit coverage. The Permits will identify all Covered Species. The Permit issued by the USFWS will take effect for those Covered Species which are also Listed Species under the ESA (i.e., all of the Covered Species except for the Band-rumped Storm-Petrel (*Oceanodroma castro*)) in accordance with the terms of the federal

Permit. Subject to compliance with all other terms of this Agreement, the Permit issued by the USFWS will take effect for a Covered Species which is an Unlisted Species (i.e., Band-rumped Storm-Petrel (*Oceanodroma castro*)) upon the listing of that species as threatened or endangered under the ESA. The Permit issued by the DLNR will take effect for all of the Covered Species at the time the Permit is issued.

4.2.3 "No surprises" and "Incentives" assurances. Provided that Permittee has complied with its obligations under the HCP, this Agreement, and the Permits, including any provisions for Changed Circumstances, adaptive management and any other contingency measures provided for in the HCP, the USFWS can require Permittee to provide mitigation beyond that provided for in the HCP only in accordance with the ESA "No Surprises" regulations at 50 C.F.R. §§ 17.22(b)(5) and 17.32(b)(5), and the DLNR can require Permittee to provide mitigation beyond that provided for in the HCP only in accordance with the HRS Chapter 195D "Incentives" provisions at HRS Section 195D-23.

4.3 Interim obligations upon a finding of Unforeseen Circumstances. If either the USFWS or DLNR or both make a finding of Unforeseen Circumstances, during the period necessary to determine the nature and location of additional or modified mitigation, KL will avoid contributing to appreciably reducing the likelihood of the survival and recovery of the affected species.

5.0 INCORPORATION OF HCP

The HCP and each of its provisions are intended to be, and by this reference are, incorporated herein. In the event of any direct contradiction between the terms of this Agreement and the HCP, the terms of this Agreement shall control. In all other cases, the terms of this Agreement and the terms of the HCP shall be interpreted to be complementary to each other. In the event of any contradiction between the terms of the HCP and the terms of either Permit, the terms of that Permit shall control with regard to the Permit.

6.0 TERM

6.1 Effective date and term. This Agreement and the HCP shall become effective as between KL and DLNR on the date that DLNR issues the Permit under HRS Chapter 195D, and as between KL and USFWS on the date that USFWS issues the Permit under the ESA. This Agreement, the HCP, and the Permits will remain in effect for thirty (30) years from the issuance of the Permits, except as otherwise provided below.

6.2 Surrender of the Permits. Permittee may surrender the Permits in accordance with any applicable statutes or regulations in force on the date of such surrender. (For example, the relevant USFWS regulations are currently codified at 50 C.F.R. § 13.26.) Notwithstanding surrender of the Permits, Permittee will be required to provide post-surrender mitigation for any take of Covered Species that the Wildlife Agencies determine will not have been fully mitigated under the HCP by the time of

surrender. Permittee's obligations under the HCP and this Agreement will continue until the Wildlife Agencies notify Permittee that no post-surrender mitigation is required, or that all post-surrender mitigation required by the Wildlife Agencies is completed. The Permits shall be deemed canceled only upon a determination by the issuing Wildlife Agency that such outstanding mitigation obligations have been implemented. Upon surrender of the Permits, no additional take shall be allowed under the surrendered Permit except as necessary to carry out any outstanding mitigation obligations. Unless the Parties agree otherwise, the Wildlife Agencies may not require more mitigation than would have been provided if Permittee had carried out the full term of the HCP. If Permittee elects to surrender the Permits before expiration of the full term of the HCP, such surrender shall be in accordance with applicable regulations in force at the time of surrender. If such regulations do not specify the procedures for surrender, Permittee will provide notice to the Wildlife Agencies at least 120 days prior to the planned surrender. Such notice will include a status report detailing the nature and amount of take of all Covered Species, the mitigation provided for those species prior to surrender, and the status of Permittee's compliance with all other terms of the HCP. Within 120 days after receiving a notice and status report meeting the requirements of this paragraph, the Wildlife Agencies will give notice to Permittee stating whether any post-surrender mitigation is required and, if so, the amount and terms of such mitigation, and the basis for the Wildlife Agencies' conclusions. If the Wildlife Agencies determine that no post-surrender mitigation is required, all obligations assumed by the Parties under this Agreement will terminate upon issuance by the Wildlife Agencies of such notice. If Permittee disagrees with the Wildlife Agencies' determination, the Parties may choose to use the dispute resolution procedures described in section 12.6 of this Agreement. Permittee will continue to carry out its obligations under the HCP until any such dispute is resolved. If the Parties are unable to agree, the Wildlife Agencies will have the final authority to determine whether Permittee is required to provide post-surrender mitigation.

7.0 FUNDING

7.1 KL warrants that it has, and will expend, the funds identified in Chapters 4 and 6 of the HCP as such funds may be necessary to fulfill its obligations under the HCP. KL commits to including a line item for complete HCP implementation into its annual operating budget for the life of the HCP. KL will promptly notify the Wildlife Agencies of any material change in KL's financial ability to fulfill its obligations. In addition to providing any such notice, KL will provide the Wildlife Agencies with a copy of its annual report each year of the Permits, or with such other reasonably available financial information that the Parties agree will provide adequate evidence of KL's ability to fulfill its obligations.

7.2 Kaua'i Lagoons will also post a bond in a form acceptable to the Wildlife Agencies to ensure that funding will be available to implement the HCP.

(a) The bond will name DLNR as the obligee. DLNR may make a claim to fund or otherwise pay for any mitigation obligations required by the HCP or the Permits which Kauai Lagoons failed to or is unable to implement. The circumstances under which DLNR may make a claim include, but are not limited to: Kaua'i Lagoons fails to fund or otherwise pay for the monitoring and mitigation

measures when required under the HCP; or the Permit is suspended or terminated early through revocation or surrender and Kauai Lagoons fails to or is unable to implement any required mitigation measures. Whenever DLNR makes a valid claim under the bond, DLNR is entitled to payment of the full cost of implementing the outstanding mitigation obligations, as determined exclusively by DLNR after consultation with the Service, up to the full amount of the bond.

(b) The bond shall either: (i) continue in force for the term of the Permits; or (ii) take the form of a biennial bond which shall be renewed every two years with a continuation certificate mailed to DLNR with a copy to the Service at least six months prior to expiration of the bond. Failure to renew or obtain a replacement bond six months before the expiration date of the then-existing bond will constitute grounds for suspension or revocation of the Permits.

(c) The bond will be in the amount of $153,677 dollars for each of the first 5 years of the Plan which reflects the estimated annual implementation cost as detailed in Section 6.4 of the HCP. Effective on January 1, 2017, and each five-year anniversary thereafter during the term of the Permits, the amount of the bond shall be adjusted for inflation using 2012 dollars as baseline. These are annual amounts and any claim made by DLNR does not diminish the amount that must be assured by the bond in subsequent years.

(d) DLNR shall consult with FWS in determining whether to make a claim on the bond. Prior to making any claim on the bond, DLNR shall provide written notice to Kauai Lagoons of its alleged failure or inability to implement required obligations under the HCP, and a period of 30 days to demonstrate to DLNR's satisfaction that a claim on the bond is not warranted, unless such 30-day period would extend beyond the term of the bond. In such cases, DLNR may proceed to make a claim on the bond and provide simultaneous notice to Kauai Lagoons.

8.0 MONITORING AND REPORTING

8.1 Planned periodic reports. As described in the HCP, KL will submit periodic reports describing its activities and results of the monitoring program provided for in the HCP.

8.2 Other reports. KL will provide, within 30 days of being requested by either or both of the Wildlife Agencies, any additional information in its possession or control related to implementation of the HCP that is requested by the Wildlife Agencies for the purpose of assessing whether the terms and conditions of the Permits and the HCP, including the HCP's adaptive management plan, are being fully implemented.

8.3 Certification of reports. All reports will include the following certification from a responsible KL official who supervised or directed preparation of the report:

I certify that, to the best of my knowledge, after appropriate inquiries of relevant persons involved in the preparation of this report, the information submitted is true, accurate, and complete.

8.4 Monitoring by Wildlife Agencies. The USFWS may conduct inspections and monitoring in connection with the federal Permit in accordance with the ESA and its implementing regulations (see, e.g., 50 CFR §13.47), and DLNR may conduct inspections and monitoring in connection with the state Permit in accordance with HRS Chapter 195D and its implementing regulations.

9.0 CHANGED CIRCUMSTANCES

9.1 Permittee-initiated response to Changed Circumstances. Changed Circumstances identified and planned for in the HCP are specifically listed in section 6.3 of the HCP. KL will give notice to the Wildlife Agencies within seven (7) calendar days after learning that any of the Changed Circumstances has occurred. As soon as practicable thereafter, but no later than thirty (30) calendar days after learning of the Changed Circumstance, KL shall begin implementing the remedial conservation measures identified in section 6.3 for the specific Changed Circumstance to the extent necessary to mitigate the effects of the Changed Circumstance on Covered Species. KL will promptly report to the Wildlife Agencies on its actions, and KL will begin implementing the remedial conservation measures without awaiting notice from the Wildlife Agencies. Such changes are provided for in the HCP, and hence do not constitute Unforeseen Circumstances or require amendment of the Permits or HCP.

9.2 Wildlife Agency-initiated response to Changed Circumstances. If a Wildlife Agency determines that a Changed Circumstance has occurred and that KL has not responded in accordance with section 6.3 of the HCP, the Wildlife Agency will so notify Permittee and direct Permittee to make the required changes. Within thirty (30) calendar days after receiving such notice, KL will make the required changes and report to the Wildlife Agencies on its actions. Such changes are provided for in the HCP, and hence do not constitute Unforeseen Circumstances or require amendment of the Permits or HCP.

9.3 Listing of species that are not Covered Species. In the event that a non-Covered Species that may be affected by Covered Activities becomes listed under the ESA or HRS Chapter 195D during the term of this Agreement, the HCP and the Permits, KL will either refrain from conducting Covered Activities which will result in Take or jeopardy of the species or adverse modification of critical habitat, or implement the “no take/no jeopardy/no adverse modification” measures identified by the Wildlife Agencies until the Permits are amended to include such species, or until the Wildlife Agencies notify KL that such measures are no longer needed to avoid jeopardy to, Take of, or adverse modification of the critical habitat of, the non-Covered Species.

10.0 ADAPTIVE MANAGEMENT

10.1 Permittee-initiated adaptive management. KL will implement the adaptive management provisions in Section 4.6 of the HCP when changes in management practices are necessary to achieve the HCP’s biological objectives or to respond to monitoring results or new scientific information. Permittee will make such changes without awaiting notice from the Wildlife Agencies, and will report to the Wildlife Agencies on any actions taken pursuant to this section.

10.2 Wildlife Agency-initiated adaptive management. If the Wildlife Agencies determine that the adaptive management provisions in the HCP have been triggered and that Permittee has not changed its management practices in accordance with Section 4.6 of the HCP, the Wildlife Agencies will so notify KL and direct KL to make the required changes. Within thirty (30) calendar days of receiving such notice, KL will make the required changes and report to the Wildlife Agencies on its actions. Such changes are provided for in the HCP, and hence do not constitute Unforeseen Circumstances or require amendment of the Permits or HCP.

10.3 Reductions in mitigation. KL will not implement adaptive management changes that may result in less mitigation than provided for Covered Species under the original terms of the HCP, unless the Wildlife Agencies first provide written approval. KL may propose any such adaptive management changes by notice to the Wildlife Agencies, specifying the adaptive management modifications proposed, the basis for them, including supporting data, and the anticipated effects on Covered Species, and other environmental impacts. Within 120 days of receiving such a notice, the Wildlife Agencies will either approve the proposed adaptive management changes, approve them as modified by the Wildlife Agencies, or notify KL that the proposed changes constitute permit amendments that must be reviewed under Section 11.0 of this Agreement.

10.4 No increase in Take. This section does not authorize any modifications that would result in an increase in the amount and nature of Take, or increase the impacts of Take, of Covered Species beyond that analyzed under the original HCP and any amendments thereto. Any such modification must be reviewed as a permit amendment under Section 11.0 of this Agreement.

11.0 MODIFICATIONS AND AMENDMENTS

11.1 Minor amendments.

(a) Minor Amendments are changes to the HCP provided for under the operating conservation program, including adaptive management changes and responses to Changed Circumstances. They also include revisions which do not significantly modify the scope or nature of activities or actions covered by the incidental take Permits in terms of their effect on the Covered Species. Any Party may propose minor amendments to the HCP or this Agreement by providing notice to all other Parties. Such notice shall include a statement of the reason for the proposed amendment and an analysis of its environmental effects, including its effects on operations under the HCP and on Covered Species. The other Parties shall each use their best efforts to respond in writing to the proposal within sixty (60) calendar days of receipt of the request. The response shall either (1) concur with the proposed Amendment; (2) concur with the proposed Amendment with requested changes; (3) identify additional information necessary to enable evaluation of the proposed Amendment, or (4) disapprove the proposed Amendment, stating reasons for the disapproval. All Parties must agree in writing to any Minor Amendment, including the schedule for implementation, before implementation of such Amendment. Any proposed Minor Amendment which is disapproved by one of the Parties may be resubmitted as a proposed Major Amendment pursuant to Section 11.2 of this Agreement. The Wildlife

Agencies will not propose or approve a Minor Amendment if the Wildlife Agencies determine that such amendment would result in operations under the HCP that are significantly different from those analyzed in connection with the original HCP, adverse effects on the environment that are new or significantly different from those analyzed in connection with the original HCP, or additional Take not analyzed in connection with the original HCP.

(b) Minor Amendments may include, but are not limited to, the following:

(1) Correction of any maps or exhibits to correct errors in mapping or to reflect previously approved changes in the HCP and/or incidental take permits;

(2) Modifying existing or establishing new measures to further minimize or avoid take of the Covered Species;

(3) Modifying reporting protocols for Annual Reports;

(4) Minor changes to monitoring or reporting protocols;

(5) Minor changes to the amount of authorized take based on the results of monitoring;

(6) The changes described in Section 4.4.3 of the HCP;

(7) Revising Covered Species habitat enhancement and management techniques based on new information and/or analyses;

(8) Any other modifications to the HCP that are consistent with the biological goals and objectives described in the HCP that will not result in operations under the HCP that are significantly different from those analyzed in connection with the HCP as approved, adverse impacts on the environment that are new or significantly different from those analyzed in connection with the HCP as approved, or take of Covered Species not analyzed in connection with the HCP as approved, including but not limited to the approval or execution of agreements to facilitate execution and implementation of the HCP, or actions by KL to delegate (while retaining full responsibility for compliance with) any of its duties under this HCP to a third party under its direct control.

11.2 Major Amendments.

(a) Major Amendments may include, but are not limited to, the following:

(1) Adding a new species to the list of Covered Species contained in the HCP and/or the incidental take permits;

(2) Changes to the Covered Activities which were not addressed in the HCP as originally adopted, and which otherwise do not meet the criteria for a Minor Amendment as discussed above; and

(3) Extending the term of the incidental take permits.

(b) A Major Amendment requires submittal to the USFWS and DLNR of a written application and implementation of all permit processing procedures

applicable to an original incidental take Permit. The specific documentation required to comply with the ESA, HRS Chapter 195D, and the National Environmental Policy Act may vary based on the nature of the Amendment.

12.0 REMEDIES, ENFORCEMENT, AND DISPUTE RESOLUTION

12.1 In general. Except as set forth below, each Party shall have all remedies otherwise available to enforce the terms of this Agreement, the Permits, and the HCP.

12.2 No monetary damages. No Party shall be liable for damages to any other Party or other person for any breach of this Agreement, any performance or failure to perform a mandatory or discretionary obligation imposed by this Agreement or any other cause of action arising from this Agreement.

12.3 Injunctive and temporary relief. The Parties acknowledge that the Covered Species are unique and that their loss as species would result in irreparable damage to the environment, and that therefore injunctive and temporary relief may be appropriate to ensure compliance with the terms of this Agreement.

12.4 Enforcement authority of the United States and State of Hawaiʻi. Nothing contained in this Agreement is intended to limit the authority of the United States or the State of Hawaiʻi to seek civil or criminal penalties or otherwise fulfill its enforcement responsibilities under the ESA or HRS Chapter 195D or other applicable law.

12.5 Permit Suspension. The USFWS may suspend or revoke the federal Permit, in whole or in part, in accordance with the ESA, associated implementing regulations, or other applicable laws and regulations in force at the time of such suspension. DLNR may suspend the state Permit, in whole or in part, to the extent allowed by HRS Chapter 195D, associated implementing regulations, or other applicable laws and regulations in force at the time of such suspension.

12.6 Informal dispute resolution process. In the event of a dispute between the Parties regarding this Agreement, the Permits or the HCP, the disputing Party may notify the other Parties of the dispute in writing. The Parties will then confer within thirty (30) calendar days of the receipt of such notification, and the Parties will use their best efforts and good faith to promptly and cooperatively resolve the dispute within an additional thirty (30) calendar days. If at the end of that period the dispute has not been resolved, the dispute shall be elevated to the Executive Director of Kauai Lagoons, the Field Supervisor for the USFWS Pacific Islands Fish and Wildlife Office, and the DLNR Chairperson, who shall personally meet and confer within the next thirty (30) calendar days and who shall exercise their best efforts and good faith to promptly and cooperatively resolve the dispute. If at any time a Party determines that circumstances so warrant, the Party may avail itself of any legal remedies otherwise available.

13.0 CONSULTATIONS WITH OTHER PUBLIC AGENCIES

Nothing in this Agreement is intended to alter the obligation of a federal agency to

consult with the USFWS pursuant to Section 7 of the ESA (16 U.S.C. 1536(a)). To the maximum extent appropriate in any consultation on any Covered Activity with respect to the Covered Species under Section 7(a) of the ESA and regulations issued there under, the USFWS shall ensure that the biological opinion issued in formal consultation, or views expressed by the USFWS in informal consultation, in connection with the proposed activity are consistent with the biological opinion prepared on the Permit and HCP, provided that the Covered Activity as proposed in the consultation is consistent, and will be implemented in accordance with, the HCP, this Agreement, and the Permit. Any reasonable and prudent measures and terms and conditions in the biological opinion, or views expressed by the USFWS in informal consultation, on the proposed activity shall, to the maximum extent appropriate, be consistent with and not in excess of the measures included in the HCP, this Agreement, and the Permit

14.0 MISCELLANEOUS PROVISIONS

14.1 Temporary prevention of performance. In the event that Permittee is wholly or partially prevented from performing obligations under this Agreement because of unforeseeable causes beyond the reasonable control of and without the fault or negligence of the Permittee, including, but not limited to third party actions, sudden actions of the elements not identified as Changed Circumstances, or actions of a non-participating federal agency, state agencies or local jurisdictions, Permittee shall be excused from whatever performance is affected by such unforeseeable cause to the extent so affected, provided that nothing in this section shall be deemed to authorize any Party to violate the ESA or HRS Chapter 195D, and provided further that:

(a) The suspension of performance is of no greater scope and no longer duration than is required by the unforeseeable cause;

(b) Within fifteen (15) days after the occurrence of the unforeseeable cause Permittee shall give the Wildlife Agencies written notice describing the condition, an estimate of how long Permittee expects it to persist, and how Permittee plans to remedy the effects of the temporary suspension of performance;

(c) Permittee shall use its best efforts to remedy its inability to perform; and

(d) When Permittee is able to resume performance of its obligations, Permittee shall give the Wildlife Agencies written notice to that effect.

14.2 No partnership. Neither this Agreement nor the HCP shall make or be deemed to make any Party to this Agreement the agent for or the partner of any other Party.

14.3 Notices. Any notice permitted or required by this Agreement shall be in writing, delivered personally, or by overnight mail, to the persons listed below, or shall be deemed given five (5) business days after deposit in the United States mail, certified and postage prepaid, return receipt requested and addressed as follows, or at such other address as any Party may from time to time specify to the other Parties in writing.

Notices may be delivered by facsimile or other electronic means, provided that they are also delivered personally or by overnight or certified mail. Notices shall be transmitted so that they are received within the specified deadlines.

Field Supervisor
United States Fish and Wildlife Service
Pacific Islands Fish and Wildlife Office
300 Ala Moana Blvd., Room 3-122
Honolulu, Hawaii 96850
Telephone: 808-792-9400
Facsimile: 808-792-9580

Chairperson
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1151 Punchbowl Street, Rm 130
Honolulu, Hawaii 96813
Telephone: 808-587-0400
Facsimile: 808-587-0160

Marriott Vacation Club International
Kauai Lagoons Development Office
3351 Hoolaulea Way
Lihue, HI 96766
Telephone: 808-241-2061
Facsimile: 808-241-2065

14.4 No Federal contract. Notwithstanding any language to the contrary in this Agreement, this Agreement is not intended to create, and shall not be construed to create, an enforceable contract between the Parties. The sole purpose of this Agreement is to clarify the provisions of the HCP and the processes the Parties intend to follow to ensure the successful implementation of the HCP in accordance with the Permits.

14.5 Availability of funds. Implementation of this Agreement and the HCP by the USFWS is subject to the requirements of the Anti-Deficiency Act and the availability of appropriated funds. Nothing in this Agreement will be construed by the Parties to require the obligation, appropriation, or expenditure of any money from the U.S. Treasury. The Parties acknowledge that the USFWS will not be required under this Agreement to expend any federal agency's appropriated funds unless and until an authorized official of that agency affirmatively acts to commit to such expenditures as evidenced in writing.

14.6 Duplicate originals. This Agreement may be executed in any number of duplicate originals. A complete original of this Agreement shall be maintained in the official records of each of the Parties hereto.

14.7 No third-party beneficiaries. Without limiting the applicability of rights granted to the public pursuant to the ESA, HRS Chapter 195D, or other federal or state law, this Agreement shall not create any right or interest in the public, or any member thereof, as a third-party beneficiary hereof, nor shall it authorize anyone not a Party to this Agreement to maintain a suit for personal injuries or damages pursuant to

the provisions of this Agreement. The duties, obligations, and responsibilities of the Parties to this Agreement with respect to third parties shall remain as imposed under existing law.

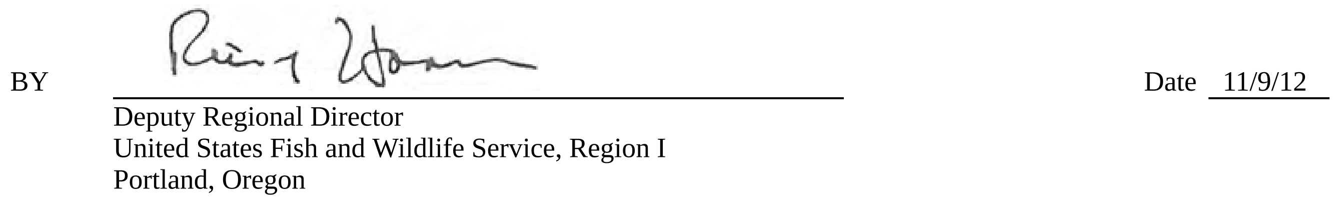
14.8 Relationship to the ESA, HRS Chapter 195D and other authorities. The terms of this Agreement shall be governed by and construed in accordance with the ESA, HRS Chapter 195D, and applicable federal and state law. In particular, nothing in this Agreement is intended to limit the authority of the Wildlife Agencies to seek penalties or otherwise fulfill their responsibilities under the ESA or HRS Chapter 195D. Moreover, nothing in this Agreement is intended to limit or diminish the legal obligations and responsibilities of the Wildlife Agencies as agencies of the federal government. Nothing in this Agreement will limit the right or obligation of any federal agency to engage in consultation required under Section 7 of the ESA or other federal law; however, it is intended that the rights and obligations of Permittee under the HCP and this Agreement will be considered in any consultation affecting Permittee or its Covered Activities.

14.9 References to regulations. Any reference in this Agreement, the HCP, or the Permits to any regulation or rule of the Wildlife Agencies shall be deemed to be a reference to such regulation or rule in existence at the time an action is taken.

14.10 Applicable laws. All activities undertaken pursuant to this Agreement, the HCP, or the Permits must be in compliance with all applicable state and federal laws and regulations.

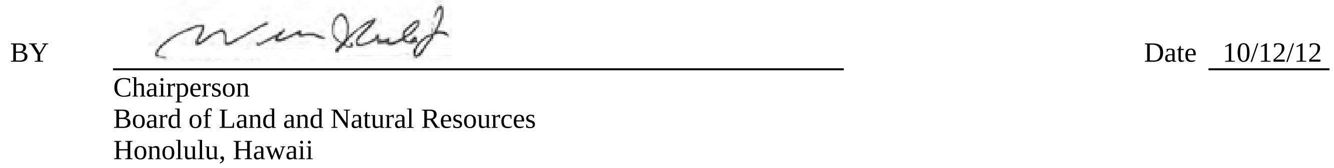
14.11 Successors and assigns. This Agreement and each of its covenants and conditions shall be binding on and shall inure to the benefit of the Parties and their respective successors and assigns. Assignment or other transfer of either of the Permits shall be governed by the Wildlife Agencies' regulations in force at the time.

IN WITNESS WHEREOF, THE PARTIES HERETO have executed this Implementing Agreement to be in effect as of the date the Permits are issued.



BY ______________________________ Date 11/9/12

Deputy Regional Director
United States Fish and Wildlife Service, Region I
Portland, Oregon



BY ______________________________ Date 10/12/12

Chairperson
Board of Land and Natural Resources
Honolulu, Hawaii

BY ______________________________ Date 9/28/12

Kaua'i Lagoons LLC
Lihue, Hawaii

SCHEDULE 2 – PURCHASE PRICE ALLOCATION
TBD prior to the expiration of Due Diligence Period

SCHEDULE 6(c) – ACTIVITIES BUILDING EASEMENT AND NENE ISLAND EASEMENT
TBD prior to the expiration of Due Diligence Period

SCHEDULE 6(d) – LANDSCAPE MAINTENANCE BUILDING EASEMENT AGREEMENT
TBD prior to the expiration of Due Diligence Period

SCHEDULE 6(e) – SALES CENTER LEASE
TBD prior to the expiration of Due Diligence Period

SCHEDULE 7(a) – FIBER OPTIC EASEMENT AGREEMENT
TBD prior to the expiration of Due Diligence Period

SCHEDULE 7(b)-1 – DEPICTION OF VIEW CORRIDOR AREA ON SUBDIVISION 7 WITH HEIGHT RESTRICTION

See attached sketch

Schedule 7(b)-1

* CONCEPTUAL (SUBJECT TO CHANGE)

KAUAI LAGOONS

LIHUE, KAUAI, HAWAII

PROJECT ZONING PLAN

0.03

WCITARCHITECTURE

ROOF DESIGN

PITCH:
Double Pitch: Main Slope 4:12 Min, 7:12 Max
Secondary Slope 3:12 Min, 5:12 Max
Single Pitch: 8:12 Max Slope

HEIGHT:
No building shall be over thirty (30) feet to the highest point of the roof measured at each point along the building from the finished grade at the main entry.

MATERIALS:
- Simulated Wood Shakes or Shingles
- Others subject to Design Review Committee (DRC) approval:
  1. Clay or Concrete Tiles
  2. Zinc or Copper Roof w/ Patina Finish

COLOR:
All colors subject to DRC approval:
Earthtones, Browns and non-reflective Green and Blue Tones, Cool to Charcoal Greys

BUILDING DESIGN

HEIGHT:
No building shall be more than two (2) stories above and one (1) story below the finished grade at the main entry or over twenty (20) feet measured from the finished grade at the main entry to the highest exterior wall plate line.

MATERIALS:
- Board and Batten style using Hardy Plank, Redwood or Cedar Siding.
- Stone, Stucco

COLOR:
Earthtones, Tans, Beige, Off Whites

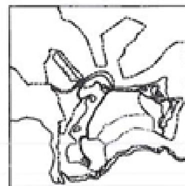
BASE MATERIALS:
A 'base' should be created to proportionately break the building massing down. This can be created through differentiation of building materials, textures or materials.

USE OF STONE:
Exterior wall surfaces must be covered with mortar set or mechanically fastened stone cladding for a minimum of 10% per elevation. Stone base or wainscot shall be limited to the bottom 1/3 of total ground floor wall height except at columns or pilasters

Acceptable Materials:
- Coral, Moss Rock,
- Travertine per DSC Approval

Color/Tone of stone material should be a darker shade than that of field color for exterior wall.

* CONCEPTUAL (SUBJECT TO CHANGE)



KEY PLAN

ARCHITECTURAL STYLE & CHARACTER

DISTINGUISHING ELEMENTS:
- Panoramic views of golf course and/or lagoons
- Some distant mountain views
- Privacy created by location away from primary resort access road and resort components of the property

STYLE:
- Island style architecture with elements drawn from Kauai vernacular
- Respond to tropical climate and landscape to create seamlessness between indoors and outdoors

MASSING:
- Massing should be broken down with rooflines and lanais
- Architecture should accentuate its open plan design with varied roof forms and courtyards
- Separate roofs for specific areas of house are encouraged to provide an appearance of multiple pavilions in a garden setting

SPACES:
- Most main rooms will be sited to capture views- however, where possible, halls and porches should take advantage of view, natural lighting and ventilation
- Courtyards or covered lanai areas are encouraged

ARTICULATION:
- Window and door openings should be designed so that residences can take advantage of tradewinds and views
- Decorative or carved railing details utilizing Polynesian motifs
- Lighter massing and materials are encouraged versus heavy plastered walls

OTHER CONSIDERATIONS:

Sound Attenuation:

For all residential development located between the 60 to 65 DNL noise contours, design guidelines will be established which would set forth the various door, window and exterior building envelope treatment measures to be followed in the construction of the units to achieve an interior noise level of 45 DNL.

NOTE:
THESE GUIDELINES ONLY REFLECT RESORT REQUIREMENTS TO ENCOURAGE A CONSISTENT THEME AND PRODUCT.

ALL STRUCTURES & DEVELOPMENTS MUST COMPLY WITH KALUAI COUNTY ZONING ORDINANCE.

DEVIATIONS DUE TO RENOVATIONS OF EXISTING STRUCTURES ARE SUBJECT TO DESIGN REVIEW COMMITTEE REVIEW.

AREAS 'A' & 'C'
RR-10 & RR-20 ZONES-
SINGLE FAMILY HOUSING

A.00

WOTARCHITECTURE

MAY 2009

KAUAI LAGOONS
LIHUE, KAUAI, HAWAII

RESIDENTIAL
ZONING REQUIREMENTS

COUNTY OF KAUAI

THE FOLLOWING REQUIREMENTS MUST BE MET FOR THE CONSTRUCTION OF A SINGLE-FAMILY RESIDENCE IN RESIDENTIAL ZONING:

A plot plan, drawn to scale, must be provided and must show the following:

1. Location of all existing and proposed buildings and structures, paved driveways, sidewalks, and cesspools.

2. Building setbacks from property lines conforming to the following minimum standards:

   Front — 10 feet;
   Side — 5 feet or 1/2 the wall height, whichever is greater (check also with State Health Dept.);
   Rear — 10 feet.

3. Distance Between Buildings

   Depending on orientation, distance range between 10 ft. and 30 ft. minimum. (refer to Sec. 3.015C of the CZO, Ord. No. 164).

4. Lot Coverage:

   The ground covered by buildings, paved areas, sidewalks, and ground floor decks cannot exceed 50% of the total lot area.

5. Parking:

   A minimum of two additional parking stalls are required for the additional dwelling unit (ADU). All parking must be provided entirely on the lot and not on the street.

6. Building Height:

Ground to peak of roof	=	*30 ft. maximum	Sec 3.017B of CZO, Ord. No. 164
Ground to wall plate line	=	20 ft. maximum	

For North Shore of Kauai (Haena to Princeville)

Ground to peak of roof	=	*25 ft. maximum	Sec. 3.041
Ground to wall plate line	=	20 ft. maximum	Ord. No 239

*May vary in flood hazard zones.

May 99

SCHEDULE 7(b)-2 – MASTER ASSOCIATION RIGHTS AGREEMENT

TBD prior to the expiration of Due Diligence Period

SCHEDULE 9 – GOLF CLUB EMPLOYEES

List of job titles, pay rates, work classification and union status for each to be attached prior to the expiration of the Due Diligence Period

SCHEDULE 9(g) – AMOUNT OF SELLERS' OBLIGATIONS ASSUMED BY GOLF CLUB OWNER FOR SICK PAY TO REHIRED EMPLOYEES

TBD prior to the expiration of Due Diligence Period

SCHEDULE 12(a) through 12(x) DELIVERIES TO ESCROW BY SELLERS

TBD prior to the expiration of Due Diligence Period

SCHEDULE 20(e) – SPECIAL ASSESSMENTS

None.

SCHEDULE 20(r) – PENDING AND THREATENED LITIGATION

11/2/2012 - Ricky L. Ball vs. Kauai Lagoons Resort Company, Ltd., et al. (Hawaii 12-44715; 12-1-0289)

12/4/2012 - Jeffrey Sampoang vs. Kauai Lagoons, LLC; et al. (Hawaii 12-44789; 12-1-0294)

10/3/2013 - Barton Lambdin vs. Marriott Resorts Hospitality Corporation (EEOC Charge No. 486-2013-00487) (Hawaii 13-45806; 486-2013-00487)

11/5/2013 - Erin Trask v. Marriott Vacation Club International (EEOC Charge No. 486-2014-00016) (Hawaii 13-45926, 4886-2014-00016)

7/15/2009 - Suzanne Kneubuhl and Douglass Kneubuhl v. Marriot Kauai Ownership Resorts, Inc., et al. (Casualty Claims Hawaii 09-14317, 09-1-0182)

3/17/2014 - Alan K. Handy, Trustee of the ANFAM Trust dated December 9, 1992 vs. MORI Gold (Kauai) LLC, et al. (Hawaii 14-46330, 14-1-0010)

Exhibit 31.1

Certificate of Chief Executive Officer
Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934

I, Stephen P. Weisz, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Marriott Vacations Worldwide Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 29, 2014

/s/ Stephen P. Weisz
Stephen P. Weisz
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

Certificate of Chief Financial Officer
Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934

I, John E. Geller, Jr., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Marriott Vacations Worldwide Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 29, 2014

/s/ John E. Geller, Jr.

John E. Geller, Jr.
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

Certification
Pursuant to Rule 13a-14(b) and Section 906 of the Sarbanes-Oxley Act of 2002
(18 U.S.C. Sections 1350(a) and (b))

I, Stephen P. Weisz, President and Chief Executive Officer of Marriott Vacations Worldwide Corporation (the "Company") certify that:

1. the Quarterly Report on Form 10-Q of the Company for the period ended March 28, 2014 (the "Quarterly Report"), fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

2. the information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

April 29, 2014

/s/ Stephen P. Weisz
Stephen P. Weisz
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

Certification
Pursuant to Rule 13a-14(b) and Section 906 of the Sarbanes-Oxley Act of 2002
(18 U.S.C. Sections 1350(a) and (b))

I, John E. Geller, Jr., Executive Vice President and Chief Financial Officer of Marriott Vacations Worldwide Corporation (the “Company”) certify that:

1. the Quarterly Report on Form 10-Q of the Company for the period ended March 28, 2014 (the “Quarterly Report”), fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

2. the information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

April 29, 2014

/s/ John E. Geller, Jr.
John E. Geller, Jr.
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)