



**Department of State.**

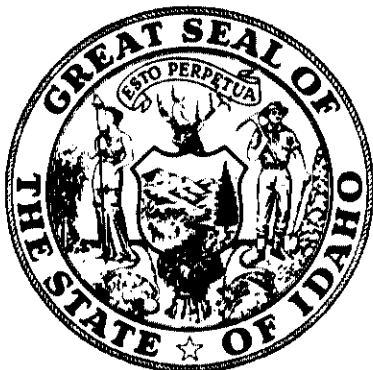
**CERTIFICATE OF REGISTRATION  
OF**

**PRIME TIMESHARE INVESTORS (SUN VALLEY) LIMITED PARTNERSHIP**

I, PETE T. CENARRUSA, Secretary of State of the State of Idaho, hereby certify that duplicate originals of an Application of **PRIME TIMESHARE INVESTORS (SUN VALLEY)**  
**LIMITED PARTNERSHIP** for Registration in this State, duly signed and verified pursuant to the provisions of the Idaho Limited Partnership Act, have been received in this office and are found to conform to law.

ACCORDINGLY and by virtue of the authority vested in me by law, I issue this Certificate of Registration to **PRIME TIMESHARE INVESTORS (SUN VALLEY) LIMITED PARTNERSHIP** to transact business in this State under the name **PRIME TIMESHARE INVESTORS**  
**(SUN VALLEY) LIMITED PARTNERSHIP** and attach hereto a duplicate original of the Application for Registration.

Dated **October 19, 1982**



*Pete T. Cenarrusa*

SECRETARY OF STATE

by: \_\_\_\_\_

**APPLICATION FOR REGISTRATION OF  
FOREIGN LIMITED PARTNERSHIP**

To the Secretary of State of the State of Idaho:

001 19 8 35 AM '82

Pursuant to the provisions of Chapter 2, Title 53, Idaho Code, the undersigned Limited Partnership hereby applies for registration to transact business in your State, and for that purpose submits the following statement:

1. The name of the limited partnership is Prime Timeshare Investors (Sun Valley)
2. The name which it shall use in Idaho is Prime Timeshare Investors (Sun Valley)  
Limited Partnership
3. It is organized under the laws of the State of Washington
4. The date of its formation is September 3, 1982
5. The address of its registered or principal office in the state or country under the laws of which it is organized is P. O. Box 60065, Richmond Beach, WA 98160
6. The name and street address of its proposed registered agent in Idaho are James P. Speck,  
220 East Avenue, Ketchum, Idaho 83340
7. The general character of the business it proposes to transact in Idaho is:  
To create and market time share intervals in the Ptarmigan  
Interval Ownership Project in the City of Ketchum, Idaho
8. The names and business addresses of its partners are (must be completed only if not included in the certificate of limited partnership):

Name	General or Limited	Address

(continued on reverse)

8. (Continued)

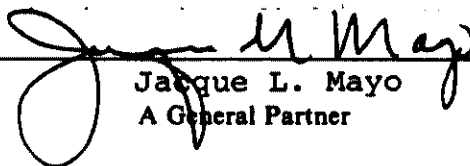
Name	General or Limited	Address

9. This Application is accompanied by a copy of the certificate of limited partnership and amendments thereto, duly authenticated by the proper officer of the state or country under the laws of which it is organized.

Dated October 14<sup>th</sup>, 19 82.

Prime Timeshare Investors (Sun Valley)

By

  
Jacques L. Mayo  
A General Partner

STATE OF Washington )  
 ) ss:  
COUNTY OF King )

I, George E. Merker, a notary public, do hereby certify that on this  
14<sup>th</sup> day of October, 19 82, personally appeared  
before me Jacques L. Mayo, who being by me first duly sworn,  
declared that he is a general partner of Prime Timeshare Investors (Sun Valley)

that he signed the foregoing document as a general partner of the limited partnership and that the statements therein contained are true.

  
Notary Public

CERTIFICATE AND AGREEMENT  
OF LIMITED PARTNERSHIP OF  
PRIME TIMESHARE INVESTORS (SUN VALLEY)

THIS CERTIFICATE AND AGREEMENT OF LIMITED PARTNERSHIP is made and entered into as of ~~June 30~~ 1982, by and among Jacque L. Mayo, an individual whose office address is P.O. Box 60065, Richmond Beach, Washington 98160, as the General Partner and the individuals and entities whose names and addresses are set forth in Exhibit A annexed hereto as Limited Partners.

ARTICLE I

Definitions

1.1 "Act" means the Washington Uniform Limited Partnership Act, which is Chapter 25.08 of the Revised Code of Washington.

1.2 "Affiliate" of another person means (a) any person directly or indirectly owning, controlling or holding with power to vote 10% or more of the outstanding voting securities of such other person; or (b) any person 10% or more of whose outstanding voting securities are directly or indirectly owned, controlled or held with power to vote by such other person; or (c) any person directly or indirectly controlling, controlled by or under common control with such other person.

1.3 "Agreement" means this Certificate and Agreement of Limited Partnership, as amended from time to time.

1.4 "Cash Flow from Operations" shall have the meaning set forth in Article XI, Section 11.2.

1.5 "Competitive Fee" for any service means the fee which would be charged by a person engaged in the business of providing comparable services in the locality where the service is rendered.

1.6 "General Partner" means Jacque L. Mayo, or any other person subsequently admitted to the Partnership as a General Partner.

1.7 "Gross Proceeds" means Fifty Thousand Dollars (\$50,000.00) multiplied by the total number of Units issued to all Limited Partners.

1.8 "Limited Partners" means the individuals and entities named as Limited Partners in Exhibit A hereto and such other persons as may be admitted to the Partnership as substitute or additional Limited Partners.

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1.9 "Management Fee" for a period means the amount payable for that period to the General Partner pursuant to Article X, Section 10.1.

1.10 "Nonoperating Cash Flow" shall have the meaning set forth in Article XI, Section 11.3.

1.11 "Partners" means collectively the General Partner and the Limited Partners.

1.12 "Phase I" means that portion of the Project consisting of Parcel 1, as set forth in Exhibit B.

1.13 "Phase II" means six additional apartment units to be constructed on Parcel 2, as set forth on Exhibit B.

1.14 "Profits and Losses" shall have the meaning set forth in Article XI, Section 11.1.

1.15 "Project" means the development of the Property as a timesharing facility doing business as Ptarmigan Interval Ownership Project, the marketing and financing of timesharing interests and related administrative activities.

1.16 "Property" means that certain parcel of real property located in Ketchum, Idaho and described in Exhibit B.

1.17 "Receivables" means any notes, evidences of indebtedness or similar instruments given to the Partnership by purchasers of timesharing intervals in the Project who do not pay all cash for such intervals.

1.18 "Sellout" shall be deemed to have occurred on the last day of the fiscal quarter in which the sale of 90% of the total timeshare intervals in Phase I and Phase II of the Project has occurred. A timeshare interval shall not be deemed to have been sold for the purposes of this definition if the Receivable associated with such interval has been declared in default. Sellout shall also be deemed to have occurred on the last day of the fiscal quarter in which (i) Carl Berry & Associates or any other entity substituted in lieu of Carl Berry & Associates by agreement of the General Partner and Limited Partners holding 70% of the outstanding Units, determines further sales of timeshare intervals in Phase I and Phase II shall not be feasible or (ii) an event described in Article XIV, Section 14.1(c), (d) and (e) occurs.

1.19 "Unit" means an interest in the Partnership representing a contribution to capital of Fifty Thousand Dollars (\$50,000.00) by a Limited Partner.

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## ARTICLE II

### Formation and Name

2.1 Formation. The Partnership has been formed as a limited partnership under and pursuant to the Act.

2.2 Name. The name of the Partnership shall be Prime Timeshare Investors (Sun Valley).

## ARTICLE III

### Purpose

The purpose and business of the Partnership is to create and market timeshare intervals in the Project and in connection therewith to acquire, invest in, own, maintain and improve the Property and to do all things reasonably incident thereto, including borrowing money for Partnership purposes, securing such borrowings by mortgage, pledge or other lien and selling, leasing or otherwise disposing of all or part of the Project at any time.

## ARTICLE IV

### Principal Place of Business

The principal place of business of the Partnership shall be at Ptarmigan Condominiums, 591 Second Avenue, Ketchum, Idaho 83340, or such other place or places as the General Partner may hereafter determine.

## ARTICLE V

### Term

The Partnership shall have a term commencing as of the date of this Agreement and continuing until December 31, 2002 unless the Partnership is sooner terminated as herein provided or as provided by law.

## ARTICLE VI

### Partners and Capital Contributions

6.1 Capital Contribution of General Partner. Upon liquidation, dissolution or termination of the Partnership, the General Partner shall contribute to the capital of the Partnership that amount, if any, needed to cause the total capital contribution by the General Partner over the term of the Partnership to equal the lesser of (i) one ninety-ninth

(1/99) of the total capital contribution made to the Partnership by the Limited Partners or (ii) any negative amounts shown in the General Partner's capital account at such time.

## 6.2 Capital Contribution of Limited Partners.

(a) The Partnership is making a nonpublic offering of Limited Partnership Interests ("Units") so that the capital of the Partnership contributed by Limited Partners shall consist of not less than fourteen (14) Units and not more than twenty (20) Units of \$50,000 each. The Partnership is admitting, as Limited Partners, the persons whose subscriptions for Units are accepted by the General Partner in an initial offering. The Partnership may thereafter sell any portion of such 20 Units not so sold, but in the event of such later sale the persons then owning Units will be offered the opportunity to purchase additional Units or fractions thereof in such manner that their proportionate rights to participate in Cash Flow from Operations and Nonoperating Cash Flow are maintained.

(b) Each Limited Partner shall pay for at least one Unit in cash or by check, subject to collection, to be delivered to the Partnership upon execution of this Agreement, provided that the General Partner may waive this requirement and cause the Partnership to accept payment for each Unit purchased by a Limited Partner partly in cash or by check and partly by delivery of a Capital Note secured by a Letter of Credit as hereinafter set forth. The payment of the balance of the purchase price for the Unit or Units purchased by such Limited Partner may be made by delivery to the Partnership of a duly executed Capital Note, subject to collection, in a form satisfactory to the General Partner, in an amount equal to the balance of the purchase price, due December 1, 1982 (and bearing interest at the rate of 12% per annum). Such Capital Note is to be secured by an unconditional and irrevocable Letter of Credit in the amount of the Capital Note (plus interest payable thereon to December 1, 1982), issued by a bank acceptable to the Partnership, in a form satisfactory to the General Partner.

(c) The Partnership may sell, discount or pledge as security for any loan, financing or indebtedness or guarantee thereof any or all of the Capital Notes, and in connection therewith, assign its rights under the respective Letters of Credit securing the same.

(d) In the event of any default by a Limited Partner in the full payment, when due, of his Capital Note (including interest), the General Partner shall have the following rights and remedies, any of which may be exercised:

1. Draw the amount due under the Letter of Credit;
2. Sue to recover such amount, including costs of collection;
3. Borrow such amount from institutional or private lenders and charge the defaulting Limited Partner with his pro rata share of any commercially reasonable interest charged by such lender and secure repayment of any loan by imposing, granting or in any manner perfecting a lien in favor of the lender upon the defaulting Limited Partner's Unit and any and all rights appurtenant thereto;
4. Foreclose on and sell such defaulting Limited Partner's Partnership Interest; or
5. Exercise any other right and seek any remedy available to the Partnership at law or in equity.

6.3 Capital Account. The Partnership shall establish for each Partner a Capital Account which shall be credited with the amounts of his contributions to the Partnership when made; shall be credited or charged, as the case may be, with his distributive share of Partnership profits or losses; and shall be charged with the amounts of any distributions to him pursuant to Article XI. Loans by any Partner shall not be considered contributions to the capital of the Partnership.

6.4 Return of Capital Contributions. No interest shall be paid to any Partner on his Capital Contributions to the Partnership, nor shall any Partner have any right to receive any funds or property of the Partnership except as may be specifically provided in this Agreement and except as the Partners may otherwise agree. Except as provided herein, no Partner may withdraw his Capital Contribution.

## ARTICLE VII

### Powers and Limitations of Partnership

The Partnership shall have all of the powers of a partnership without limited partners under the provisions of

Chapter 25.04 of the Revised Code of Washington, hereinafter called the Washington Uniform Partnership Act. However, nothing in this Agreement shall be deemed or construed to impose upon any Limited Partner the liability of a general partner or any liability for the debts, obligations, or liabilities of the Partnership in excess of his capital contribution. The Limited Partners as such shall have no liability with respect to the debts, liabilities, or obligations of the Partnership.

## ARTICLE VIII

### Management and Control

8.1 Power and Authority of the General Partner. The General Partner shall have complete and exclusive control over the management of the Partnership business and affairs. The Limited Partners shall have no right to participate in the management or conduct of the Partnership business or affairs nor any power or authority to act for or on behalf of the Partnership in any respect whatsoever. Except as otherwise specifically provided in this Agreement, the General Partner shall have the right, power and authority, on behalf of the Partnership, and in its name, to exercise all of the rights, powers, and authority of a partner of a partnership without limited partners under the Washington Uniform Partnership Act.

8.2 Limitation on General Partner's Power and Authority. The General Partner shall not do any of the following:

- (a) Act in contravention of this Agreement;
- (b) Act in any manner which would make it impossible to carry on the ordinary business of the Partnership;
- (c) Confess a judgment against the Partnership;
- (d) Possess Partnership property, or assign its right in specific Partnership property, for other than the exclusive benefit of the Partnership, or commingle the funds of the Partnership with the funds of any other person;
- (e) Admit a person as a General Partner or a Limited Partner except as provided in this Agreement;
- (f) Except in connection with the winding-up of the Partnership sell all of the assets (other than by the sale of timeshare intervals) of the Partnership without

the approval of Limited Partners holding a majority of the outstanding Units;

(g) Except in connection with the acquisition of the Property, the acquisition or improvement of assets or the refinancing of previous obligations, mortgage or subject to the encumbrance of a mortgage, deed of trust, or other security interest substantially all of the assets of the Partnership at one time or from time to time without the approval of the Limited Partners holding a majority of the outstanding Units;

(h) Except for purchase of the Property, invest any of the assets of the Partnership in unimproved real property or mortgages on unimproved real property unless such unimproved real property is adjacent to the Property and is obtained for development of the Project;

(i) Except for the Units contemplated by this Agreement, issue equity securities of the Partnership, or options or warrants to purchase securities of the Partnership;

(j) Purchase or lease any real property from the Partnership, borrow any funds from the Partnership, or sell or lease any property to the Partnership either directly or through any other partnership in which the General Partner has an interest, except by consent of the Limited Partners holding a majority of the outstanding Units;

(k) Invest any Partnership assets in partnerships unless (1) the Partnership acquires and maintains a controlling interest in such partnerships and (2) the investment objectives and policies of such partnerships are similar to those of the Partnership;

(l) Unless waived by the consent of the Limited Partners holding a majority of the outstanding Units, acquire any real property for a price greater than the fair market value of such property as determined by independent appraisal. Such appraisal shall be maintained with the Partnership's records for at least five (5) years, and shall be available for inspection by the Limited Partners at any time and for duplication by any Limited Partner at his cost;

(m) Invest any of the proceeds of the sales of Units in any securities; provided, however, that the portion of such proceeds held as reserves as contemplated

by Article VIII, Section 8.3(d), and the balance thereof until invested, may be temporarily invested in short-term highly liquid investments if there is appropriate safety of principal, such as United States Treasury Bills, or certificates of deposit in commercial banks having a combined capital and surplus of not less than \$50,000,000;

(n) Subject any asset of the Partnership to a mortgage, deed of trust, or security interest as security for repayment of a loan to the Partnership by the General Partner or any Affiliate thereof;

(o) Underwrite the securities of other issuers or offer Partnership interests in exchange for property;

(p) Cause the Partnership to make loans to other persons or entities provided that the acquisition of land contracts or notes secured by mortgages or deeds of trust in connection with the sale of real property of the Partnership shall not be deemed to be making a loan; or

(q) Withdraw as a General Partner or commit any of the acts set forth in Article XIV, Section 14.1(b) hereof.

8.3 Duties of General Partner. The General Partner agrees that he shall:

(a) Diligently and faithfully devote such of his time to the business of the Partnership as may be necessary or appropriate to conduct its affairs to the greatest advantage of the Partnership;

(b) File and publish all certificates, statements, or other instruments required by law for the formation and operation of the Partnership as a limited partnership in all appropriate jurisdictions;

(c) Cause the Partnership to carry adequate public liability insurance, property damage insurance for not less than the full insurable value of the Partnership assets other than real property (reviewed from time to time), and such other insurance as at the time shall be maintained by persons engaged in the operation or ownership of similar properties;

(d) Retain a reasonable portion of the Gross Proceeds and cash from Partnership operations to provide adequate reserves for normal repairs, replacements, and contingencies not provided for through the Wild Bird

Homeowners' Association, Inc. and/or the Wild Bird Interval Owners' Association, Inc. as the duties of those organizations are set forth in the Condominium Declaration for the Ptarmigan Condominiums, Articles of Incorporation and By-Laws, collectively recorded as instrument no. 202651, and all recorded amendments thereto, records of Blaine County, Idaho; and the Declaration of Interval Ownership Within the Ptarmigan Condominium Project, Articles of Incorporation and By-Laws of the Wild Bird Interval Homeowners' Association, Inc., collectively recorded as instrument no. 217602, and all recorded amendments thereto, records of Blaine County, Idaho, respectively;

(e) Have a fiduciary responsibility for the safe-keeping and use of all funds and assets of the Partnership, whether or not in his immediate possession or control; and

(f) Perform such other acts as may be expressly required of him under the terms of this Agreement.

8.4 Payment of Expenses. The Partnership shall pay or reimburse the General Partner for organizational expenses of the Partnership. The General Partner may be reimbursed by the Partnership for the actual costs of goods or materials used for or by the Partnership. All other expenses of the Partnership shall be billed directly to and paid by the Partnership. Except as herein provided, reimbursement of the General Partner or any Affiliate of the General Partner shall not be permitted.

Subject to any limitations expressly contained herein, the expenses to be paid by the Partnership shall include, but not be limited to:

(a) All costs of personnel employed by the Partnership and involved in the business of the Partnership, including persons who may also be officers or employees of the General Partner;

(b) All costs of borrowed money, taxes and assessments on Partnership properties or other taxes applicable to the Partnership;

(c) Legal, audit, accounting, brokerage and other fees;

(d) Printing, engraving and other expenses and taxes incurred in connection with the issuance, distribution, transfer, registration, and recording of

documents evidencing ownership of Units or in connection with the business of the Partnership;

(e) Fees and expenses paid to independent contractors, mortgage bankers, brokers and servicers, leasing agents, consultants, property managers, on-site managers, real estate brokers, insurance brokers and other agents;

(f) Expenses in connection with the disposition, replacement, alteration, repair, remodeling, refurbishment, leasing, refinancing, and operation of Partnership properties (including the costs and expenses of foreclosures, insurance premiums, real estate brokerage and leasing commissions, and of maintenance of such property);

(g) The cost of insurance as required in connection with the business of the Partnership;

(h) Expenses of organizing, revising, amending, converting, modifying, or terminating the Partnership;

(i) Expenses in connection with distributions made by the Partnership to, and communications and bookkeeping and clerical work necessary in maintaining relations with Limited Partners, including the cost of printing and mailing to such persons certificates for Units and reports of meetings of the Partnership, and of preparation of proxy statements and solicitations of proxies in connection therewith;

(j) Expenses in connection with preparing and mailing reports required to be furnished to Limited Partners for investor, tax reporting, and/or other purposes, or which reports the General Partner deems the furnishing thereof to Limited Partners to be in the best interest of the Partnership;

(k) Costs of any accounting, statistical, or bookkeeping equipment necessary for the maintenance of the books and records of the Partnership; and

(l) The cost of preparation and dissemination of the informational material and documentation relating to potential sale, refinancing, or other disposition of Partnership property.

8.5 Payment for Services. Notwithstanding any provision appearing herein to the contrary, the Partnership may retain the services of the General Partner or his Affiliates with

regard to the sale, disposition or maintenance of Partnership properties provided such services are charged for at a Competitive Fee.

## ARTICLE IX

### Transfer of Limited Partner's Interests in Partnership

9.1 Transfer of Limited Partner's Interest. Subject to any restrictions on transferability required by law or contained in this Agreement, each Limited Partner shall have the right to transfer (but not to substitute the assignee as a substitute Limited Partner in his place, except in accordance with Section 9.3 hereof), by a written instrument, to a person approved by the General Partner, the whole or any part of his Limited Partnership Interest, provided that (i) the transferor delivers to the General Partner an unqualified opinion of counsel in form and substance satisfactory to counsel designated by the General Partner that neither the transfer nor any offer in connection therewith violates any provision of any Federal or state securities law, (ii) the transferee executes a statement that he is acquiring such Limited Partnership Interest or such part thereof for his own account for investment and not with a view to distribution, fractionalization, or resale thereof, and (iii) the General Partner consents to such transfer, which consent shall be in his sole discretion. Such consent shall be withheld if in the opinion of counsel designated by the General Partner such transfer would result in the termination of the Partnership (within the meaning of Section 708(b) of the Code) or termination of its status as a partnership under the Code. The term "transfer", when used in this Agreement with respect to a Limited Partnership Interest, includes a sale, assignment, gift or any other disposition, whether voluntary or by operation of law.

9.2 Effectiveness of Transfer. The transfer by a Limited Partner of all or part of his Limited Partnership Interest shall become effective on the first day of the month following satisfaction of the requirements set forth in Section 9.1 and receipt by the General Partner of evidence of such transfer in form and substance reasonably satisfactory to the General Partner and a transfer fee sufficient to cover all reasonable expenses of the Partnership connected with such transfer.

9.3 Substituted Limited Partner. No transferee of the whole or a portion of a Limited Partner's Limited Partnership Interest shall have the right to become a substituted Limited

Partner in place of his assignor unless and until all of the following conditions are satisfied:

(i) A duly executed and acknowledged written instrument of transfer approved by the General Partner has been filed with the Partnership setting forth the intention of the transferor that the transferee become a substituted Limited Partner in his place.

(ii) The transferor and transferee have executed and acknowledged such other instruments as the General Partner may reasonably deem necessary or desirable to effect such substitution, including the written acceptance and adoption by the transferee of the provisions of this Agreement, and the execution, acknowledgment and delivery by the transferee of a power of attorney containing the powers provided for in Article XVI hereof.

(iii) The written consent of the General Partner to such substitution has been obtained, the granting or denial of which shall be within the sole and absolute discretion of the General Partner.

(iv) A reasonable transfer fee has been paid to the Partnership sufficient to cover all reasonable expenses connected with the transfer and substitution.

(v) An appropriate amendment of the Certificate has been duly filed and recorded. The General Partner agrees to file such amendment and cause it to be recorded promptly after the conditions specified above in subparagraphs (i) through (iv) above have been satisfied.

9.4 Entitlement to Distribution. A transferee of, or substitute Limited Partner for, a Limited Partner's Limited Partnership Interest shall be entitled to receive distributions from the Partnership with respect to such Limited Partnership Interest only after the effective date of such assignment subject to the right of Prime Timeshare Capital, Inc. to receive 20% of all distributions payable to the Limited Partner as provided in Paragraph 11 of the Subscription Agreement between the Partnership and each Limited Partner.

9.5 Consent to Transfer. The Limited Partners hereby consent to any substitution made in accordance with the provisions of Section 9.3.

9.6 Treatment of Assignee of Limited Partnership Interest. If the General Partner deems it to be in the best

interests of the Partnership, he may treat the assignee who has not become a substituted Limited Partner under this Article IX for any of the purposes of this Agreement as a substituted Limited Partner in the place and stead of his assignor.

9.7 Admission of New Partners. Upon the admission, withdrawal or substitution of any Partner or change in the Capital Contribution of any Partner, the capital accounts and distribution percentages shall be amended to reflect such changes, and copies of each such statement of capital accounts and distribution percentages shall be distributed to all Partners.

9.8 Purchase of Units by General Partner or Partnership. The Partnership may not acquire any Units. The General Partner may purchase Units for his own account from the Partnership or from Limited Partners or other holders of such Units and may become a Limited Partner in respect of such Units.

## ARTICLE X

### Compensation of General Partner and Affiliates

10.1 Management Fees. The Partnership shall pay a "Management Fee" to the General Partner for his services to the Partnership pursuant to this Agreement. The Management Fee for the General Partner shall be in the amount of Two Thousand Dollars (\$2,000.00) per month, payable at the end of each month to the General Partner. Any Management Fees not paid shall accrue and shall be an obligation of the Partnership, payable with interest from the date of accrual at the prime rate established by the primary depository for operating funds of the Partnership.

## ARTICLE XI

### Profits and Losses; Cash Flow; Distributions

11.1 Profits and Losses. The term "Profits and Losses" as used herein shall mean, for each fiscal year, the net operating profits and net operating losses of the Partnership as ascertained through the use of generally accepted accounting principles consistently applied.

11.2 Cash Flow from Operations. The term "Cash Flow from Operations" as used herein shall mean and include for each fiscal year cash funds provided from operations of the Partnership and from the proceeds of any loan secured by

Receivables, without deduction for depreciation but after deducting cash funds used to pay or establish a reserve for all other expenses, debt payments, and capital improvements and replacements.

11.3 Nonoperating Cash Flow. The term "Nonoperating Cash Flow" as used herein shall mean and include all the net cash proceeds (after setting aside therefrom such reserves as the General Partner deems reasonable) of the Partnership from the following sources, less the amount of any reduction or other payment in connection with any mortgage or other indebtedness in connection therewith:

(i) refinancing, increasing or recasting of any mortgage on the Property;

(ii) a sale, condemnation award or other disposition of part or all of the Project other than timeshare intervals which does not result in a dissolution of the Partnership in accordance with Article XIV hereof; and

(iii) the occurrence of a casualty and the receipt of insurance proceeds by the Partnership as a result thereof which are not required, in the reasonable opinion of the General Partner, to be expended by the Partnership.

11.4 Distributions. The Profits and Losses and Cash Flow from Operations for each fiscal year and the Nonoperating Cash Flow shall be apportioned and distributed among the Partners and credited or charged to the respective interests of the Partners as follows:

(a) Profits.

Profits reportable for income tax purposes (including capital gains) shall be allocated to each Partner as nearly as possible in the same ratio as the amount of Cash Flow from Operations (plus Nonoperating Cash Flow, if any) allocated to him bears to the total amount of Cash Flow from Operations (plus Nonoperating Cash Flow) allocated to all of the Partners. In the event that there is no Cash Flow from Operations and/or Nonoperating Cash Flow in any fiscal year of the Partnership, Profits (including capital gains) shall be allocated 1% to the General Partner and 99% to the Limited Partners.

(b) Losses.

Losses (including capital losses) shall be allocated as follows:

1% thereof to the General Partner, and  
99% thereof to the Limited Partners.

(c) Cash Flow.

Cash Flow from Operations (including Non-operating Cash Flow), shall be allocated and distributed as follows:

(i) Until such Cash Flow from Operations and Nonoperating Cash Flow equal the aggregate dollar amount of the capital contributions of the Limited Partners:

1% to the General Partner, and  
99% to the Limited Partners.

(ii) Next, until Sellout, as follows:

To the General Partner: the amount determined by multiplying the Cash Flow from Operations (plus Nonoperating Cash Flow) to be allocated and distributed by the fraction the numerator of which is \$350,000 plus an amount equal to 1/99th of the capital contributions of the Limited Partners and the denominator of which is \$350,000 plus an amount equal to 1/99th of the capital contributions of the Limited Partners and plus the number of Units sold times \$50,000; (Thus, if the minimum number of Units are sold at the offering the fraction will be

$$\frac{357,070}{357,070 + 700,000} = 33.8\%$$

If the maximum number of Units are sold the fraction will be

$$\frac{360,101}{360,101 + 1,000,000} = 26.5\%$$

To the Limited Partners: the remainder.

(iii) From and after the time the Cash Flow from Operations and Nonoperating Cash Flow allocated and distributed pursuant to (i) above equal the capital contributions of the Limited Partners and Sellout has occurred, until Cash Flow from Operations and Nonoperating Cash Flow equal \$350,000;

100% to the General Partner.

(iv) Thereafter, Cash Flow from Operations and Nonoperating Cash Flow shall be distributed as provided in (ii) above.

(v) For the purposes of the allocation and distribution pursuant to (iii) above, at Sellout, Cash Flow from Operations and Nonoperating Cash Flow shall be determined for the fiscal year to date as though the end of the fiscal quarter were the end of a fiscal year. Allocation and distribution of Cash Flow from Operations and Nonoperating Cash Flow shall be made for the fiscal year to date pursuant to (i) or (ii) above as the case may be, within ninety (90) days following Sellout. For the period after the Limited Partners have received pursuant to (i) above an amount equal to their capital contributions and Sellout, until Cash Flow from Operations and Nonoperating Cash Flow equal \$350,000, allocation and distribution of Cash Flow from Operations and Nonoperating Cash Flow shall be made pursuant to (iii) above and thereafter pursuant to (iv) above.

Except as provided in subsection (v) above, the Cash Flow of the Partnership, to the extent available, shall be distributed within ninety (90) days of the close of each fiscal year or at such earlier intervals as the General Partner may determine.

11.5 Disposition of all Partnership Property. The net cash proceeds of a sale, exchange or other disposition of all of the Partnership's Property constituting a dissolution of the Partnership shall be applied as provided in Article XIV hereof.

## ARTICLE XII

### Admission of General Partners

12.1 Admission of Substitute General Partner. No person shall be admitted as a substitute General Partner unless the General Partner consents in writing to the admission of the person as a substitute General Partner, or there occurs an event as described in Article XIV, Section 14.1(b), which in the absence of the election of a substitute General Partner for the purpose of continuing the business of the Partnership would terminate the Partnership, and

(a) Such person agrees to become a General Partner for the purpose of continuing the business of the Partnership;

(b) The Limited Partners holding more than seventy percent (70%) of the outstanding Units consent to the

admission of such person as a General Partner for the purpose of continuing the business of the Partnership; and

(c) Such person executes and acknowledges such instruments as necessary or advisable to effect the admission of such person as a General Partner, including, without limitation, the written acceptance and adoption by such person of the provisions of this Agreement.

If the foregoing conditions are satisfied, this Agreement shall be amended in accordance with the provisions of the Act, and all other steps shall be taken which are reasonably necessary to effect the withdrawal of the General Partner and the substitution of the substitute General Partner.

### ARTICLE XIII

#### Death of Limited Partner

Upon the death of an individual Limited Partner, the personal representative of such Limited Partner shall have all the rights of the Limited Partner for the sole purpose of settling the estate of such Limited Partner, and such power as the predecessor Limited Partner possessed to designate a successor as an assignee of his interest in the Partnership and to join with such assignee in making application to substitute such assignee as a Limited Partner.

### ARTICLE XIV

#### Dissolution, Winding Up and Termination of Partnership

14.1 Dissolution of Partnership. The Partnership shall be dissolved upon the happening of any of the following events:

(a) The failure to acquire the Property.

(b) The retirement, withdrawal, resignation, expulsion, adjudication of bankruptcy, or assignment for the benefit of creditors with respect to the General Partner unless within 90 days after the occurrence of such event a substitute General Partner is admitted pursuant to Article XII, Section 12.1 of this Agreement for the purposes of continuing the business of the Partnership.

(c) The written decision of Limited Partners holding more than seventy (70%) percent of the outstanding Units.

(d) The sale or other disposition of all of the assets of the Partnership.

(e) The expiration of the term of this Partnership.

14.2 Winding Up Partnership. Upon a dissolution of the Partnership, the Partnership shall not terminate, but shall cease to engage in further business except to the extent necessary to perform existing contracts and preserve the value of its assets, and the General Partner shall take full account of the Partnership assets and liabilities and shall wind up its affairs and liquidate its assets. During the course of liquidation, the Partners shall continue to share profits and bear losses as provided in this Agreement, and all of the provisions of this Agreement shall continue to bind the parties and apply to the activities of the Partnership except as specifically provided to the contrary, but there shall be no distributions to the Partners except pursuant to this Section 14.2.

The proceeds from such liquidation, together with assets distributed in kind to the extent sufficient therefor, shall be applied and distributed as follows:

(a) to the payment of debts and liabilities of the Partnership (other than any loans or advances that may have been made by any of the Partners to the Partnership) and the expenses of liquidation;

(b) to the setting up of any reserves which the General Partner may reasonably deem necessary for any contingent liabilities or obligations of the Partnership or of the General Partner arising out of the Partnership; said reserves may be paid over by the General Partner to any attorney at law, as escrowee, to be held and disbursed by him in payment of any of the aforementioned contingencies, and, at the expiration of a reasonable period, to distribute the balance, if any, remaining after such disbursement in the manner herein-after provided;

(c) to the payment of any loans and advances that may have been made by any of the Partners to the Partnership;

(d) to the Partners in the order of priority as provided in Section 11.4, after taking into account all prior distributions of Cash Flow from Operations and Nonoperating Cash Flow.

Each of the Partners shall be furnished with a statement prepared by the Partnership's then accountants, which shall set forth the assets and liabilities of the Partnership as of the date of complete liquidation. Upon compliance by the General Partner with the foregoing distribution plan, the Limited Partnership shall cease to be such, and the General Partner shall execute, acknowledge and cause to be filed a certificate of cancellation of the Partnership; however, the General Partner shall retain full authority to direct the attorney escrowee in respect of the disbursement and/or the distribution of the funds, if any, held by him pursuant to the provisions of subdivision (b) of this Section 14.2. The Limited Partners shall receive advance written notice of any distribution.

#### ARTICLE XV

##### Books of Accounts, Accounting Records, Tax Returns Fiscal Year and Banking

15.1 Books of Accounts. The Partnership's books and records, the Partnership's register showing the names and addresses of the Limited Partners and the number of Units held by each of them, and this Agreement shall be maintained at the principal office of the Partnership and each Partner shall have access thereto at all reasonable times. The books and records shall be kept in accordance with generally-accepted accounting principles applied in a consistent manner by the Partnership and shall reflect all Partnership transactions and be appropriate and adequate for the Partnership's business and for the carrying out of all provisions of this Agreement. Each Partner shall have the right to receive by mail, upon written request to the Partnership and at his cost, a list of the names and addresses of the Limited Partners and the number of Units held by each of them.

15.2 Accounting Reports. As soon as reasonably practicable and after the end of each fiscal year, but in no event later than one hundred twenty (120) days after the end thereof, each Limited Partner shall be furnished with a report of the activities of the Partnership for such fiscal year, including a copy of the balance sheet of the Partnership as of the last day of such fiscal year and statements of income or loss and changes in financial position for the Partnership for such year, all prepared on an accrual basis in conformity with generally-accepted accounting principles applied on a consistent basis, together with statements of fees paid to the General Partner and his Affiliates for such years. Such financial statements shall have been examined by a firm of

independent public accountants selected by the General Partner, and the report of such firm with respect to such statements shall be delivered to each Limited Partner and shall be unqualified as to the scope of the examination.

As soon as reasonably practicable after the end of each fiscal quarter, but in no event later than sixty (60) days after the end thereof, each Limited Partner shall be furnished with a statement of income or loss for the Partnership for such quarter, together with statements of fees paid to the General Partner and his Affiliates for such quarter. The statements need not have been examined by such firm of independent accountants.

Copies of all financial statements and reports furnished pursuant to this Section 15.2 shall be filed with the Director of Licensing of the State of Washington, concurrently with transmittal to the Limited Partners.

15.3 Tax Returns. The General Partner shall cause income tax returns for the Partnership to be prepared and timely filed with the appropriate authorities. As soon as is reasonably practicable, and in any event on or before the expiration of three (3) months following the end of each fiscal year, each Limited Partner or assignee of the Units held by such Limited Partner shall be furnished with a statement, to be used by him in the preparation of his individual income tax returns, showing the amounts of any gain, profits or losses allocated to or against him, and the amount of any distributions made to him, pursuant to this Agreement along with a reconciliation of the annual report with information furnished to investors for income tax purposes.

15.4 Fiscal Year. The fiscal year of the Partnership shall be the calendar year.

15.5 Banking. All funds of the Partnership shall be deposited in a separate bank account or accounts as shall be determined by the General Partner. All withdrawals therefrom shall be made upon checks signed by the General Partner or by any person authorized to do so by the General Partner.

## ARTICLE XVI

### Power of Attorney

16.1 Each Limited Partner (and each substitute Limited Partner) irrevocably constitutes and appoints the General Partner and any additional or successor General Partner, with full power of substitution in the premises, his true and

lawful attorney-in-fact, in his name, place and stead, to make, execute, acknowledge, swear to and file:

(a) any Certificate of Limited Partnership to be filed pursuant to this Agreement and any and all amendments thereto and to this Agreement as required or permitted by the Act, including, without limitation, amendments required for admission or substitution of a Limited Partner, dilution of a Limited Partner's distributive percentage, the admission of a new or substitute General Partner, any other change with respect to the Partnership or the capital of any Partner or otherwise, and the continuation of the business of the Partnership after any of the events described in Article XIV;

(b) any cancellation of this Agreement and the Certificate of Limited Partnership as required by the Act upon the dissolution and termination of the Partnership;

(c) any instruments or papers required to conduct or continue the business of the Partnership after any of the events described in Article XIV;

(d) all other instruments, documents and certificates which may from time to time be required by the laws of the State of Washington, the United States of America or any other jurisdiction in which the Partnership shall determine to conduct business, or any political subdivision or agency thereof, to effectuate, implement, continue and defend the valid and subsisting existence of the Partnership;

(e) a new certificate of limited partnership or any other organization papers, forms, documents, applications, certificates or articles of incorporation necessary to form a successor entity and transfer the assets of the Partnership thereto;

(f) any instruments or documents required to sell, lease, transfer, assign, mortgage, convey or otherwise deal in or with its property or assets in the name of the Partnership as permitted by this Agreement; and

(g) any business certificate, fictitious name certificate, certificate of limited partnership, amendments thereto or other instrument or document of any kind necessary to accomplish the business, purposes and objectives of the Partnership.

It is expressly intended by each of the Limited Partners that the foregoing power of attorney is coupled with an interest. All acts done by the person or persons designated as attorney-in-fact hereunder during any period of disability or incompetence of a Limited Partner or period of uncertainty as to whether such Limited Partner is dead or alive shall have the same effect, inure to the benefit of and be binding upon such Limited Partner, his heirs, personal representatives, successors and assigns, as if such Limited Partner were alive, competent and not disabled.

16.2 The power of attorney set forth above shall survive an assignment by a Limited Partner of a whole or any part of the amounts distributable to him pursuant to this Agreement. If a Limited Partner transfers his Limited Partnership Interest, such power of attorney shall survive the delivery of the instruments effecting such transfer for the sole purpose of enabling the General Partner to execute, acknowledge and file any and all instruments necessary to effect the substitution of the transferee as a Limited Partner, provided that until the transferee is admitted to the Partnership as a substitute Limited Partner, such power of attorney shall remain in full force and effect.

16.3 The General Partner shall cause the instruments and documents referred to above to be filed as required or as they deem appropriate.

16.4 Either this Agreement or a certificate of limited partnership containing a power of attorney substantially similar to that in this Article XVI may, at the election of the General Partner, or if otherwise required by law, be recorded in the appropriate public office in the State of Washington or any other jurisdiction.

## ARTICLE XVII

### Amendment of Limited Partnership Agreement

This Agreement may be amended upon the vote of Limited Partners holding more than seventy percent (70%) of the then outstanding Units; provided, however, that this Agreement may be amended to add a substitute Limited Partner only as set forth in Article IX, Section 9.2 of this Agreement and to admit a substitute General Partner only as set forth in Article XII, Section 12.1 of this Agreement. Notwithstanding the foregoing, no amendment shall change the Limited Partnership to a general partnership, extend the term of the Partnership beyond December 31, 2002 or change the liability of the

General Partner or the limited liability of the Limited Partner.

### ARTICLE XVIII

#### Tax Matters

18.1 Partnership Election. The General Partner, in his sole discretion, may cause the Partnership to make or revoke the election referred to in Section 754 of the Internal Revenue Code of 1954, as amended, or any similar provision enacted in lieu thereof.

### ARTICLE XIX

#### Miscellaneous

19.1 Partition. Each of the Partners hereby irrevocably waives any and all right that he or it may have to maintain an action for partition with respect to any undivided interest in the Partnership assets or to compel any sale thereof.

19.2 Meetings of Partnership. Meetings of the Partnership may be called by the General Partner, or by written request of Limited Partners holding forty percent (40%) or more of the Units stating the purpose or purposes of such meeting. Within ten (10) days after receipt of such a written request of Limited Partners, the General Partner shall provide all Limited Partners with written notice of a meeting to be held at the principal place of business of the Partnership not less than fifteen (15) nor more than sixty (60) days after receipt of such written request, which notice shall specify the time and place of such meeting and the purpose or purposes thereof.

Except as otherwise expressly provided in this Agreement, a Limited Partner shall have no right to vote upon any matters affecting the Partnership. Votes may be cast at a duly-called meeting of the Partnership, or without a meeting upon call of the General Partner or written request of the Limited Partners holding forty percent (40%) or more of the Units stating the purpose or purposes of such vote. Within ten (10) days after receipt of such a written request of Limited Partners, the General Partner shall provide all Limited Partners with appropriate ballots, and specify a time not less than fifteen (15) nor more than sixty (60) days by which such ballots shall be returned.

19.3 Competing or Related Businesses. The General Partner and any Affiliate and any of the Limited Partners may acquire real property for their own account, or engage in the acquisition, development, operation, or management of real estate on behalf of other partnerships, joint ventures, corporations, or other business ventures formed by them or in which they may have an interest, including, without limitation, business ventures similar to, related to or in direct or indirect competition with any business of the Partnership. Neither the Partnership nor any other Partner shall have any right by virtue of this Agreement in or to such other business venture or income or profits derived therefrom.

19.4 Conflicts of Interest. The Partnership shall not enter into any transaction with the General Partner, or any Affiliate, except in connection with the performance of property management services, real estate brokerage services and services as agents for sales of Units and as otherwise specifically permitted by this Agreement.

Neither the General Partner nor the Partnership shall enter into any reciprocal, rebate or other business arrangement with any person, firm or corporation for the purpose of circumventing the restrictions of this Section 19.4 or any other restrictions contained in this Agreement relating to transactions with any person or entity affiliated with the General Partner.

19.5 Notices. Any notice given pursuant to this Agreement may be served personally on the Partner to be notified, or may be mailed, postage prepaid, registered with return receipt requested, addressed as follows, or to such other address as a Partner may from time to time designate in writing:

(a) To the General Partner:

Jacque L. Mayo  
c/o River Rim Development, Inc.  
P.O. Box 60065  
Richmond Beach, WA 98160

(b) To a Limited Partner:

At such Limited Partner's address as set forth on Exhibit A hereto, or at such other address as designated from time to time by said Limited Partner.

19.6 Liability and Indemnification of the General Partner. The General Partner shall not be personally liable for the return of any contribution made to the Partnership

by a Limited Partner. The General Partner shall not be liable to the Partnership or the Limited Partners, and the Partnership shall indemnify the General Partner, his spouse, the marital community comprised thereof, and any of his employees or the Partnership's employees, against any claim or liability by or to any person other than the Partnership, in respect of any act or any failure to act so long as such act or failure to act was performed in a manner determined by him, in good faith to be within the scope of his authority and to be in the best interests of the Partnership, and so long as he was not guilty of gross negligence or misconduct in such act or failure to act.

It is recognized that the General Partner, his spouse and the marital community comprised thereof have become personally obligated on that certain promissory note and underlying deed of trust recorded July 24, 1979 as instrument number 195271, Records of Blaine County, Idaho, as subsequently modified and amended as a benefit to and at the request of the Partnership. The indemnity authorized by this Section 19.6 for the General Partner, his spouse and the marital community comprised thereof shall extend to all claims by or liabilities to any person in respect to such note and deed of trust.

The indemnification authorized by this Section 19.6 shall include payment of (a) reasonable attorneys' fees or other expenses incurred in settling any such claim or liability or incurred in any legal or administrative proceeding; and (b) expenses incurred by the removal of any liens affecting any property of the person to be indemnified.

Indemnification shall be made from assets of the Partnership and no Limited Partner shall be personally liable to any person to be indemnified.

This Section 19.6 shall inure to the benefit of the General Partner, his spouse and the marital community comprised thereof, his employees and agents, the employees and agents of the Partnership, and their respective heirs, executors, administrators, successors and assigns.

19.7 Successors and Assigns. All the terms and conditions of this Agreement shall be binding upon the successors and assigns of the Partners, but shall not inure to the benefit of the successors or assigns of the Partners except as otherwise expressly provided in this Agreement.

19.8 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, and such counterparts shall constitute but one and the same instrument which may sufficiently be evidenced by one counterpart.

19.9 Captions. Captions to and headings of the articles, sections, subsections, paragraphs, or subparagraphs of this Agreement are solely for the convenience of the parties, and shall not be used for the interpretation or determination of the validity of this Agreement or any provision hereof.

19.10 Entire Agreement. This Agreement constitutes the entire understanding between the parties with respect to the subject matter hereof and all prior understandings and agreements of the parties relating thereto are merged herein.

19.11 Washington Law. This Agreement and its application shall be governed by the laws of the State of Washington. In the event of any conflict between any provision of this Agreement and any provision of the Act, the provisions of the Act shall control.

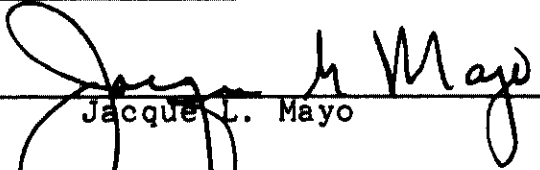
19.12 Legend. Any certificate, document, or instrument evidencing any right or interest of any Partner in the Partnership shall bear such legend or legends as may be required to comply with applicable requirements of any governmental authority.

19.13 Investment Representation. The Limited Partners hereby represent that they are acquiring their Partnership Interests hereunder for investment purposes only and not with a view to a further resale thereof, in whole or in part, or to the distribution thereof.

19.14 Person. Person as used herein shall include any natural person, partnership, corporation, association or any other legal entity.

IN WITNESS WHEREOF, this Certificate and Agreement of Limited Partnership has been executed on the date first above written.

GENERAL PARTNER:

  
\_\_\_\_\_  
Jacques L. Mayo

LIMITED PARTNERS:

By PRIME TIMESHARE CAPITAL, INC.,  
as attorney-in-fact

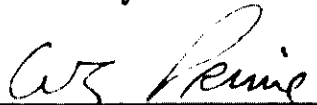
By   
\_\_\_\_\_  
William G. Prime, President

Exhibit A

<u>Name</u>	<u>Units</u>
William G. Prime R.F.D. 2, Box 258 Bedford, NY 10506	5 Units
Alison Margaret Shaw Flat 6 6 Collingham Gardens London SW5 OHW ENGLAND	4 Units
Prime Timeshare Capital, Inc. R.F.D. 2, Box 258 Bedford, NY 10506	2 Units
Evalyn Douglas Ceballos Blythwood Warrenton, VA	1 Unit
William D. Doeller Box 886 Warrenton, VA 22186	1 Unit
Fitzgerald S. Hudson Box 31817 Charlotte, NC 28231	1 Unit

EXHIBIT B

Parcel 1:


Condominium Units 1 through 12 as shown on the condominium plat and, DIAGRAMMATIC floorplans for PTARMIGAN Condominiums, recorded as instrument number 202652, as defined and described in that certain condominium declaration for Ptarmigan Condominiums, recorded as instrument number 202651, records of Blaine County, Idaho.

Parcel 2:

Township 4 North, Range 18 East, Boise Meridian, Blaine County, Idaho:

Section 18:       A tract of land lying within Lot 1 of PTARMIGAN SUBDIVISION, as shown on the official plat thereof recorded July 13, 1979, as Instrument No. 194999, records of Blaine County, Idaho, and more particularly described as follows:

Commencing at the Brass Cap marking the TRUE POINT OF BEGINNING of said PTARMIGAN SUBDIVISION, thence N. 45 degrees 17'00" E., 154.29 feet to a point being the TRUE POINT OF BEGINNING; thence Continuing N. 45 degrees 17'00"E., 64.12 feet to an iron bar; thence S. 89 degrees 31'09" E., 78.72 feet to an iron bar on the Westerly edge of Second Avenue, thence



S. 6 degrees 29'45" E., 84.00 feet to an iron bar on  
the Westerly edge of Second Avenue; thence  
S. 83 degrees 30'15" W., 31.65 feet to an iron bar;  
thence;  
S. 59 degrees 36'00" W., 44.13 feet to an iron bar;  
thence;  
N. 44 degrees 43' W., 91.36 feet to the TRUE POINT OF  
BEGINNING.

Containing 0.23 acres, all lying within the CITY OF  
KETCHUM.

STATE OF WASHINGTON )  
County of King

I, KENNETH S. HELM, Clerk of the Superior Court  
of the State of Washington, for the County of King, do hereby certify  
that I have compared the foregoing copy with the original instrument as  
the same appears on file and of record in my office, and that the same  
is a true and perfect transcript of said original and of the whole thereof.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the  
Seal of the Superior Court at my office at Seattle this \_\_\_\_\_

19 SEP 29 1982

KENNETH S. HELM, Superior Court Clerk

By *Lathen Wilson*  
Deputy Clerk

AM