

PUERTO RICO TOURISM COMPANY

SAN JUAN, PUERTO RICO

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PUERTO RICO TIMESHARE AND VACATION CLUB ACT REGULATION

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 Secretary of State
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 Assistant Secretary of State

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INDEX

<u>Article</u>	<u>Name</u>	<u>Page</u>
Article I	- Title	-1-
Article II	- Legal basis	-1-
Article III	- Purposes	-1-
Article IV	- Definitions	-1-
Article V	- Application for exemption pursuant to section 1-105 (6) of the Act	-1-
Article VI	- Term for a timeshare plan or vacation club permit pursuant to section 2-101 of the Act	-3-
Article VII	- Application for a timeshare plan or vacation club permit pursuant to section 2-102 of the Act	-4-
Article VIII	- Inspection expenses pursuant to section 2-105 of the Act	-5-
Article IX	- Contents of the receipt of a timeshare plan or vacation club permit pursuant to section 2-106 of the Act	-6-
Article X	- Material adverse changes pursuant to section 2-107 (1) (g) of the Act	-6-
Article XI	- Application for an existing timeshare property pursuant to section 2-108 of the Act	-7-
Article XII	- Additional fees pursuant to section 2-111 of the Act	-8-
Article XIII	- Advisory opinion over advertising materials pursuant to section 7-102 of the Act	-9-
Article XIV	- Revocation or suspension of timeshare or vacation club permit pursuant to section 11-104 of the Act	-9-
Article XV	- Severability	-10-
Article XVI	- Effective date	-10-

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PUERTO RICO TIMESHARE AND VACATION CLUB ACT REGULATION

Article I - Title

This Regulation shall be known as the "Puerto Rico Timeshare and Vacation Club Act Regulation".

Article II - Legal basis

This Regulation is promulgated by virtue of the faculty conferred to the Puerto Rico Tourism Company under Article 5 of Law No. 10 of June 18, 1970, as amended, known as the Puerto Rico Tourist Company Act, subchapter II of Law No. 170 of August 12, 1988, as amended, known as the Commonwealth of Puerto Rico Uniform Administrative Procedures Act and section 11-101 of Law No. 252 of December 26, 1995 known as the Puerto Rico Timeshare and Vacation Club Act (hereinafter the "Act").

Article III - Purposes

The provisions of this Regulation are based on the public policy of Puerto Rico of encouraging the economic development of our Island through the tourism industry, promoting said development by means of the timeshare and vacation club industry through the establishment of the rules by which said industry has to operate and, at the same time, protect the purchasers of rights in timeshare plans and vacation clubs.

Article IV - Definitions

The terms and words used in this Regulation shall have the meaning ascribed to the same in the Act, save as otherwise provided for herein.

Article V - Application for exemption pursuant to section 1-105 (6) of the Act

Every developer that offers or disposes, or has the intention to offer or dispose of timeshares or vacation club rights in a timeshare plan or vacation club comprising twenty

(20) or fewer timeshares or vacation club rights (unless the developer offers or has the intention to offer additional timeshares or vacation club rights in the same timeshare plan or vacation club) and which offer is not made or consummated with the intention or the purpose of evading the provisions of the Act, may apply to the Company for an exemption to comply with the provisions of the Act. Said application shall be accompanied by the filing fees set forth in Article XII of this Regulation, as well as an application for exemption which shall contain the following information and documentation:

- (a) Name, principal address and social security number of the applicant.
- (b) Name and address of the timeshare plan or vacation club.
- (c) Name and address of all the partners and the managing partner of the applicant, in the case of a partnership, and the name and address of all the directors, officers and the resident agent of the applicant, in the case of a corporation.
- (d) The facts on which the application for exemption is based.
- (e) If the applicant is:
 - (i) a domestic corporation, copy of its certificate of incorporation, as well as any and all amendments thereto and a recent certificate issued by the corporations division of the Department of State of Puerto Rico to the effect that said corporation has complied with all requirements for the filing of annual reports required by the General Corporation Law shall be submitted.
 - (ii) in the case of a foreign corporation, evidence of its authority to do business in Puerto Rico, copy of its certificate of incorporation, as well as any and all

amendments thereto and the certificate described in section (i) above shall be submitted.

(iii) in the case of a civil or mercantile partnership, copy of the deed of constitution of partnership, and in the case of mercantile partnership, a certification issued by the Registrar of the Property to the effect that said partnership has been duly recorded at the Mercantile Registry, shall be submitted.

(iv) in the case of any other type of juridical person, copy of the documents which evidence the existence thereof shall be submitted.

(f) Negative debt certificates from:

- (i) Income tax bureau of the Department of the Treasury.
- (ii) Bureau of general excises of the Department of the Treasury.
- (iii) Municipal revenue collection center.
- (iv) Department of Labor.
- (v) State Insurance Fund.

The exemption referred to above shall be applied for and obtained from the Company by the person who qualifies for such exemption prior to the date on which said person commences the offer or disposition of timeshares or vacation club rights, or applied for to the Company no later than ninety (90) days after the date of effectiveness of the Act, if the timeshare plan or vacation club is already being applied at the time of such effectiveness, as applicable.

Article VI - Term for a timeshare plan or vacation club permit pursuant to section 2-101 of the Act

The term of a permit for a timeshare plan or vacation club shall be of three (3) years from the date of the issuance of the same by the Company. Said permit may be renewed for





additional terms of two (2) years each, upon the filing of an application with the Company to such effect.

Every application to renew the term of a timeshare plan or vacation club permit shall be filed with the Company no later than thirty (30) days prior to the date of expiration of the term of the permit which renewal is sought.

Article VII - Application for a timeshare plan or vacation club permit pursuant to section 2-102 of the Act

In addition to the information and documentation required by Section 2-102 of the Act, the application for a timeshare plan or vacation club shall include the following information and documentation:

- (a) Name, principal address and social security number of the applicant.
- (b) Name and address of the timeshare plan or vacation club.
- (c) Name and address of all the partners and the managing partner of the applicant, in the case of a partnership, and the name and address of all the directors, officers and the resident agent of the applicant, in the case of a corporation.
- (d) If the applicant is:
 - (i) a domestic corporation, copy of its certificate of incorporation, as well as any and all amendments thereto and a recent certificate issued by the corporations division of the Department of State of Puerto Rico to the effect that said corporation has complied with all requirements for the filing of annual reports required by the General Corporation Law shall be submitted.
 - (ii) in the case of a foreign corporation, evidence of its authority to do business in Puerto Rico, copy of its certificate of incorporation, as well as any and all

amendments thereto and the certificate described in section (i) above shall be submitted.

(iii) in the case of a civil or mercantile partnership, copy of the deed of constitution of partnership, and in the case of mercantile partnership, a certification issued by the Registrar of the Property to the effect that said partnership has been duly recorded at the Mercantile Registry, shall be submitted.

(iv) in the case of any other type of juridical person, copy of the documents which evidence the existence thereof shall be submitted.

(e) Negative debt certificates from:

- (i) Income tax bureau of the Department of the Treasury.
- (ii) Bureau of general excises of the Department of the Treasury.
- (iii) Municipal revenue collection center.
- (iv) Department of Labor.
- (v) State Insurance Fund.

Article VIII - Inspection expenses pursuant to section 2-105 of the Act

The Company, in the discharge of its regulatory function of timeshare plans and vacation clubs shall have the authority to conduct an inspection of the property or properties forming part of a timeshare plan or vacation club and to retain an independent consultant to review the budget of a timeshare plan or vacation club.

If the Company exercises the authority referred to above, all expenses reasonably incurred by the Company in the exercise of the same, shall be reimbursed to the Company by the developer of the corresponding timeshare plan or vacation club.

Article IX - Contents of the receipt of a timeshare plan or vacation club permit pursuant to section 2-106 of the Act

Every receipt of a copy of the permit for a timeshare plan or vacation club to be obtained by a developer or seller from each purchaser prior to the execution of the corresponding purchase contract, pursuant to the provisions of section 2-106 of the Act, shall state in conspicuous type the following warning:

YOU MUST NOT SIGN THIS RECEIPT UNTIL YOU HAVE RECEIVED AND READ A COPY OF THE PERMIT FOR THE TIMESHARE PLAN OR VACATION CLUB CORRESPONDING TO THE TIMESHARE, VACATION CLUB OR ACCOMMODATION THAT HAS BEEN OFFERED TO YOU.

Article X - Material adverse changes pursuant to section 2-107 (1) (g) of the Act

The termination of any affiliation between the timeshare plan or vacation club and an exchange program shall not be deemed to constitute a material adverse change in the corresponding timeshare plan or vacation club if all of the following conditions are met:

- (a) the developer notifies the Company of the termination of such exchange program at least twenty (20) days prior to the proposed date of termination of the same or of the date on which offers of the right to participate in a substitute exchange program are initially made to the members of the exchange program that is being terminated, whichever occurs first;
- (b) the developer evidences to the Company that the rights of the members of the exchange program which is being terminated are recognized ("grandfathered") in the substitute exchange program and that the new obligations of such members will not be more burdensome under the substitute exchange program; and

- (c) the exchange company that offers the exchange program shall comply with the provisions of Article VIII of the Act.

Article XI - Application for an existing timeshare property pursuant to section 2-108 of the Act

In addition to the information and documentation required by Section 2-108 of the Act, the application to continue operating an existing timeshare property shall contain the following information and documentation:

- (a) Name, principal address and social security number of the applicant.
- (b) Name and address of the timeshare plan.
- (c) Name and address of all the partners and the managing partner of the applicant, in the case of a partnership, and the name and address of all the directors, officers and the resident agent of the applicant, in the case of a corporation.
- (d) If the applicant is:
 - (i) a domestic corporation, copy of its certificate of incorporation, as well as any and all amendments thereto and a recent certificate issued by the corporations division of the Department of State of Puerto Rico to the effect that said corporation has complied with all requirements for the filing of annual reports required by the General Corporation Law shall be submitted.
 - (ii) in the case of a foreign corporation, evidence of its authority to do business in Puerto Rico, copy of its certificate of incorporation, as well as any and all amendments thereto and the certificate described in section (i) above shall be submitted.

- (iii) in the case of a civil or mercantile partnership, copy of the deed of constitution of partnership, and in the case of mercantile partnership, a certification issued by the Registrar of the Property to the effect that said partnership has been duly recorded at the Mercantile Registry, shall be submitted.
- (iv) in the case of any other type of juridical person, copy of the documents which evidence the existence thereof shall be submitted.
- (e) Negative debt certificates from:
 - (i) Income tax bureau of the Department of the Treasury.
 - (ii) Bureau of general excises of the Department of the Treasury.
 - (iii) Municipal revenue collection center.
 - (iv) Department of Labor.
 - (v) State Insurance Fund.

Article XII - Additional fees pursuant to section 2-111 of the Act

In addition to the fees established in the Act, the Company will charge the following fees in connection with the review of the matters hereinafter set forth:

- (a) For each application for renewal of a timeshare plan or vacation club permit \$250
- (b) For each amendment to a timeshare plan or vacation club permit requested to increase or create additional timeshares or vacation club rights \$250 plus \$3 for each seven days (or portions thereof) of additional annual use available
- (c) For any other type of amendment to the timeshare plan or vacation club permit \$250

- (d) For each application for an exemption certificate pursuant to the provisions of Section 1-105 (6) of the Act \$500
- (e) For the filing by the managing entity of the information described in Section 6-105 (5) of the Act \$50
- (f) For the filing by an exchange company of the information described in Section 8-102 of the Act \$50
- (g) For the issuance of the opinion described in Article XIII of this Regulation \$250

The aforesaid charges, as well as those contained in the Act, may be reviewed by the Company, from time to time, with the purpose of ensuring that the income that the Company generates by means of the collection thereof is sufficient to cover the expenses of the Company related to the administration of the Act and this Regulation.

Article XIII - Advisory opinion over advertising materials pursuant to section 7-102 of the Act

Every person who proposes to use advertising materials, excluding exchange program materials, in connection with the offer, promotion or disposition of timeshares, vacation club rights or accommodations in Puerto Rico may file with the Company a sample of such materials and request a written advisory opinion concerning said materials' compliance with the applicable provisions of the Act. The Company may, but shall not be required to issue such opinion. Should the Company decide to issue said opinion, the Company may charge the amount set forth in Article XII of this Regulation.

Article XIV - Revocation or suspension of timeshare or vacation club permit pursuant to section 11-104 of the Act

A developer whose timeshare or vacation club permit has been revoked or suspended pursuant to an order issued by the Company may request, after exhausting all administrative remedies available, the judicial review of said order pursuant to the pertinent provisions of Regulation number 4380 of the

Company known as the Tourism Company of Puerto Rico Uniform Administrative Procedures Regulation, as the same may be amended from time to time.


Article XV - Severability

If any article, section, paragraph, clause or any part of this Regulation is declared invalid, illegal or unconstitutional by a court with jurisdiction, the judgment entered to such effect will not invalidate the rest of this Regulation, the effect of such judgment being limited to the article, section, paragraph, clause or part of this Regulation which has been declared invalid, illegal or unconstitutional.


Article XVI - Effective date

This Regulation shall become effective upon compliance with the provisions of Law No. 10 of June 18, 1970, as amended, and Law No. 170 of August 12, 1988, as amended.

Approved by the Board of Directors and by the Executive Director of the Tourism Company of Puerto Rico in San Juan, Puerto Rico, this 24 day of January 1996.

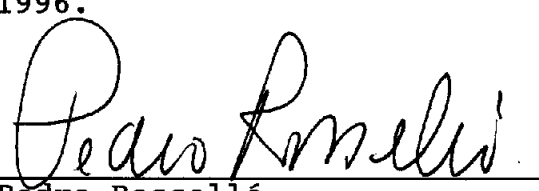


 José E. Velez
 Acting President
 Board of Directors
 Tourism Company of Puerto Rico



 Luis G. Fortuño
 Executive Director
 Tourism Company of
 Puerto Rico

APPROVED BY THE HONORABLE GOVERNOR OF PUERTO RICO IN FORTALEZA, San Juan, Puerto Rico, this 31 day of January 1996.



 Pedro Rosselló
 Governor of Puerto Rico