

DESTINATION CLUB ASSOCIATION
CODE OF RESPONSIBLE BUSINESS CONDUCT

Adopted August 2, 2007
Effective October 1, 2007

Preamble:

The Destination Club Association (DCA), in recognition that destination clubs must assume certain responsibilities by engaging in fair and ethical practices with both club members and prospective club members while ensuring the long-term success of the industry through the responsible operation of their respective clubs, hereby sets forth this Code of Responsible Business Conduct (Code) to which all members of the DCA shall adhere to in the operation of their businesses. In addition, the DCA intends that the Code serves as a model for the entire industry and encourages all destination clubs, whether or not they are a DCA member, to comply voluntarily with the practices and provisions outlined below.

Code of Conduct:

Compliance with the Code is a condition of membership in the DCA.

For purposes of this Code, a destination club shall be defined as having the following characteristics:

- (1) members pay an initial fee (some or all of which is refundable),
- (2) members pay annual dues, daily user fees and/or other fees associated with the use of club services;
- (3) members have rights to use club accommodations and other club services pursuant to the terms and conditions of a club services agreement (which may take the form of a membership agreement or other form of contract) between the club and the member;
- (4) either the member or the club may terminate the membership; and
- (5) the refundable portion of the initial fee is payable to members following termination of membership in accordance with the terms and conditions of the club services agreement.

The Code of Conduct shall consist of the following:

1. **Compliance with the DCA's Industry Best Practices (then effective).** The current version of DCA's Industry Best Practices is attached.
2. **Member Rescission Rights.** DCA members must provide the right of rescission that permits a club member to cancel its club services agreement before midnight of the seventh calendar day after the date the member signs the club services agreement. A club member may not waive the right of rescission. If a club member elects to cancel their club services agreement before the end of the seven day rescission period, the rescission notice is effective upon the date sent by overnight commercial delivery to the destination club at the address provided in the club services agreement. Cancellation is without penalty, and all payments made by the member must be refunded in whole on or before the 30th day after the date on which the club receives a timely notice of cancellation.
3. **Required Club Disclosures.** Each DCA member shall provide prospective club members with certain disclosures prior to the execution of its club services agreement. Such disclosures shall be contained in the club services agreement or in other written communications provided by the club, including the club website, and shall be updated annually unless otherwise specified. The required disclosures shall consist of the following:
 - a. Legal name and address of the club.
 - b. A description of the destination club, including the following:
 - i. Type of memberships being offered in the destination club and, if membership in the destination club is limited to a specified number of club members, the number of memberships available for sale at the time of registration;
 - ii. The number of nights of use of accommodations associated with each type of membership plan offered as part of the destination club;
 - iii. The destinations, the number of accommodations available for member use and other club services offered by the destination club. If the destinations, number of accommodations or other club services are subject to change, a description of how and when such change may occur and any rights a club member has as a result of any such change;
 - iv. The procedure and rules for reservation and use of accommodations and other club services;

- v. The procedure to cancel a reservation for accommodations or other club services and any penalties associated with cancellations; and
 - vi. The rules and regulations or standard of conduct requirements related to club members use of club services, including any restrictions on such use, and the consequences of a breach of such rules, regulations and requirements.
- c. Description of all payments due by club members to the club, including:
- i. Pricing for the membership plans offered by the destination club including the amount of the initial fee (including the refundable portion);
 - ii. The amount of annual dues associated with each membership plan and how any increases to such annual dues are determined; and
 - iii. An explanation of additional fees that may be charged to the club member.
- d. A description of the termination rights and accompanying conditions that apply to:
- (i) the club member; and
 - (ii) the club.
- e. The process and requirements for a club member to obtain the specified refund payable to the member following termination of the club membership in accordance with the club services agreement, including specification of any conditionality associated with the refund.
- f. A description of the club's refund obligation and information regarding compliance with its refund policy.
- g. A description of any rights to assign, transfer, sell, or convey membership rights to any other persons or if none, a clear explanation that membership is not transferable.
- h. A statement of whether the club leases accommodations for club member use and, if so, the percentage of leased vs. owned accommodations. "Leased" accommodations shall mean operating

leases where the lease expenses are treated as operating expenses by the club in accordance with FASB. "Owned" accommodations shall mean owned assets as reflected in the (if applicable, consolidated) audited financial statements of the club.

- i. A statement regarding whether the club reserves the right, in its sole discretion, to alter destinations and add, sell, lease, substitute, or otherwise dispose of the accommodations and other club services. The disclosure shall clearly state whether the club members have any right to force, limit, modify, curtail or halt any such actions.
- j. A statement that the club has the financial resources necessary to meet at least 66.66 % of the aggregate amount payable to members upon termination as of December 31 of each year.
- k. A statement set out in conspicuous type and placed immediately above the club member's signature line in the club services agreement that discloses, or in substantially similar language, the following:

"Purchaser's Right to Cancel During Rescission Period:

"BY SIGNING THIS CLUB SERVICES [MEMBERSHIP] AGREEMENT YOU ARE INCURRING AN OBLIGATION TO PURCHASE A MEMBERSHIP FROM [NAME OF DESTINATION CLUB]. YOU MAY, HOWEVER, CANCEL THIS AGREEMENT WITHOUT PENALTY OR OBLIGATION BEFORE MIDNIGHT OF THE SEVENTH (7TH) CALENDAR DAY AFTER THE DATE YOU SIGN THE AGREEMENT. IF YOU ELECT TO CANCEL THIS AGREEMENT DURING SUCH PERIOD, ANY MONIES PAID BY YOU TO [NAME OF DESTINATION CLUB] DURING THIS TIME WILL BE FULLY REFUNDED TO YOU.

IF YOU DECIDE TO CANCEL YOUR MEMBERSHIP DURING THIS PERIOD, YOUR NOTICE OF CANCELLATION IS EFFECTIVE UPON THE DATE SENT BY OVERNIGHT COMMERCIAL DELIVERY TO [NAME OF THE DESTINATION CLUB] AT THE ADDRESS PROVIDED IN THE MEMBERSHIP AGREEMENT.

4. Financial Responsibility. Evidence of responsible financial management practices by each DCA member shall include:

- a. The performance of an annual independent audit of the club's financial statements.

- b. An annual statement by the club’s chief executive officer or chief financial officer indicating that it has assets in excess of 66.66 % of its aggregate amount payable to members upon termination obligation (Net Asset Test). The calculation for the Net Asset Test is as follows:

Net Asset Test

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|---|---------------------------------------|
| (A) Club Assets | <u>plus</u> |
| (B) Cash and Marketable Securities | <u>minus</u> |
| (C) Debt Secured by Club Assets | <u>must be greater than 66.66% of</u> |
| (D) Aggregate Amount Payable to Members Upon Termination. | |

Definitions

- (A) Club Assets: Fair value of all real estate, investment in real estate ventures, other related assets, and deposits or other instruments used to acquire real estate (purchase or develop), owned or controlled by the club as of December 31 of the year prior to when the certification is made. The fair value shall be the appraised value of such assets (with appraisals for real property conducted by unrelated licensed appraisers in accordance with Uniform Standards of Professional Appraisal Practice issued by the Appraisal Standards Board for domestic properties, or equal standards for foreign properties) that were conducted not more than 24 months before the date of the certification, with appraisals for other assets based on generally recognized standards, or, if appraisals have not been performed for certain real assets, the cost for such assets may be used provided that such assets have not been available for club member use for more than 24 months.
- (B) Cash and Marketable Securities. As reflected on the audited consolidated financial statements of the club as of December 31 of the year prior to when the certification is made.
- (C) Debt Secured by Club Assets. As reflected on the audited consolidated financial statements of the club as of December 31 of the year prior to when the certification is made.
- (D) Aggregate Amount Payable to Members Upon Termination. The refundable portion payable to the member following membership termination as described in the definition of “destination club” above and as reflected on the audited consolidated financial statements of the club as of December 31 of the year prior to when the certification is made.

5. Prohibited Acts. A DCA member shall not:

- (a) Misrepresent a material fact with respect to the contents of the membership agreement or the rights, privileges, benefits, or obligations of the member or prospective member under the club services agreement or this Code.
- (b) Fail to perform its refund obligation in accordance with the terms and conditions of the club services agreement and this Code;
- (c) Sell or offer for sale destination club memberships unless the club has the accommodations and nights available to meet the total number of nights committed to all current club members, across all membership plans, for use during the year;
- (d) Promote in its advertising materials or elsewhere:
 - (i) Any destination, accommodation or other club service that is advertised as available to members in the future but is currently unavailable for member use unless the future accommodation or other club service is labeled “PROPOSED,” “FUTURE,” “PLANNED,” “IN DEVELOPMENT” or the like.
 - (ii) Any accommodations or other club services for which the club does not have rights to provide to its club members;
 - (iii) A misrepresentation of a material fact regarding the offered accommodations or other club services;
- (e) Fail to operate in accordance with all applicable federal, state, and local laws and regulations governing advertising, marketing practices and the operation of destination clubs; or
- (f) Misrepresent facts or information regarding any other destination club or other person or entity participating in the destination club industry.

6. Local Operating Requirements. DCA members shall strive to foster strong relationships with resort and vacation communities where destination club properties are located, including locating club properties in communities only when the club is in compliance with all applicable private restrictions, including applicable covenants, conditions and restrictions, and home owner association bylaws.

ATTACHMENT

DCA INDUSTRY BEST PRACTICES

(Revised – Adopted 7-26-2006)

The Destination Club Association's (DCA) Industry Best Practices reflect DCA's commitment to providing the best possible consumer experience while fostering the responsible growth of the destination club industry. These standards also provide a general statement to the public of the industry's efforts to incorporate fundamental principles of conduct that apply to DCA member relationships with consumers as well as other industry participants. The Industry Best Practices are to be honored in light of their aims and principles. Although each DCA member voluntarily agrees to adhere to these standards as a condition of membership, these Industry Best Practices should serve as a guide to all engaged in the provision of destination club services.

I. Comprehensive Consumer Disclosures. Clear and comprehensive disclosures are a necessity in order to ensure consumers gain access to important information that will facilitate appropriate assessment of destination club offerings and informed purchase decisions.

Best Practice: DCA members shall ensure that prospective and current members receive updated club information that enables them to understand the key component areas and obligations associated with club membership. This information shall include, but not be limited to, the following: (1) comprehensive club information covering all club operations and rules; (2) a complete description of the club's use of accommodations and services policy; and (3) a thorough explanation of the club's resignation, termination and membership deposit refund policies.

II. Accurate, Truthful and Appropriate Marketing and Sales Practices. Effective and appropriate marketing and sales practices are important elements in conveying to consumers an accurate description of the destination club model and service offerings as well as reflecting a positive image of the industry to the general public.

Best Practice: DCA members shall ensure that all marketing and sales activities comply with applicable laws, are accurate and truthful, do not involve deceptive or coercive acts and adhere to high standards that reflect positively on the destination club industry.

III. Financial Responsibility. The well being of the industry is dependent on each destination club adopting appropriate fiscal policies, practices and procedures that foster growth and ensure the club's ability to meet its financial obligations.

Best Practice: DCA members shall have adequate financial resources available to meet their membership deposit refunds, when due, as well as to deliver the services promised to consumers in accordance with each club's membership agreement. In addition, DCA members shall maintain internal record keeping and financial controls that ensure appropriate financial oversight and fiscal accountability.

IV. Responsible Industry Growth. The long-term success of the destination club industry is dependent on each participant's commitment to responsible industry growth.

Best Practice: DCA members shall actively support and promote: (1) efforts to educate consumers, the media, policy leaders, and others in the hospitality industry on the benefits and contributions of the destination club industry; (2) the building of strong relationships with resort

and vacation communities where destination club properties are located, including efforts to locate club properties only in communities structured to permit the operation of destination clubs; (3) a commitment to honoring all promises and obligations made by each club to consumers and others; (4) the development and adoption of appropriate industry regulation that provides important consumer protections and facilitates the responsible, long-term growth of the destination club industry.