

(H. B. 2416)

**(No. 204-2016)**

(Approved December 28, 2016)

## **AN ACT**

To adopt a law to be known as the “Puerto Rico Vacation Ownership Act,” and repeal Act No. 252-1995, better known as the “Puerto Rico Timeshare and Vacation Club Act,” in order to adjust the provisions governing the vacation ownership industry, also known as the timeshare and vacation club industry, to the current reality while safeguarding the rights of Puerto Rican consumers at all times.

### **STATEMENT OF MOTIVES**

Tourism is a key element for the continuous economic development of Puerto Rico. In the Island, as in other jurisdictions, the vacation ownership industry—also known as the timeshare industry—has become an important segment of the tourism industry. For such reason, this Legislative Assembly approved in 1995 the “Puerto Rico Timeshare and Vacation Club Act” in order to achieve two objectives, namely: (1) to protect the purchaser of the vacation ownership; and (2) to promote the development of said industry by establishing the rules that shall govern the operations thereof. However, 19 years have elapsed since the approval of said Act; the vacation ownership industry has evolved significantly and new products have been created, such as fractional ownership and point-based products, as well as others that were not available when the Act was originally approved. In this sense, this Legislative Assembly recognizes that the concept of “timeshare” as used in the Spanish version of this Act is now obsolete, given that it does not conform to the current reality of the product. For instance, most of the current modalities of this

product do not necessarily entail a real property right; hence, the term “vacation ownership” is more appropriate. Likewise, we recognize that the proliferation of vacation ownership products has created a secondary sales market where various aggressive and deceitful practices have been employed. This Act seeks to eliminate these practices by implementing measures such as the disclosure beforehand of all the details of the sales deal to the seller, as well as the prohibition of advanced payments for the transfer of the vacation ownership, among others. The intent pursued with the establishment of these basic rules is to allow for a predictable experience in the secondary market and end the abuse that has been detrimental to both owners and the industry.

Furthermore, the vacation ownership industry has benefited from the efforts made by the Puerto Rico Tourism Company throughout the years to promote Puerto Rico as a tourist destination. The Company has made such efforts using mainly the revenues collected on account of the room occupancy rate imposed on lodgings and short-term rentals in accordance with Act No. 272-2003, as amended. This Legislative Assembly recognizes the importance of promoting the development of the vacation ownership industry in Puerto Rico. Moreover, it recognizes that it is essential to reinforce the media exposure of this tourist segment with efforts geared to promoting, marketing, and advertising the different alternatives available and the benefits offered through the acquisition of vacation ownership rights in Puerto Rico.

The contribution of the vacation ownership industry to the efforts of the Company is not proportional to the benefits it receives when compared to other tourist industry segments in Puerto Rico such as guest houses, bed and breakfasts, tourist apartments, and small inns. Vacation ownership rights are not subject to the room occupancy tax imposed on the aforementioned lodgings, which tax ranges from five percent (5%) to eleven percent (11%) of the room rate, thus causing said situation. For such reason, and to strengthen efforts toward promoting and

advertising the vacation ownership segment, it is necessary to procure more funds by implementing a promotion and marketing fee. The revenues thus collected shall be used by the Puerto Rico Tourism Company to include, as part of the plan to promote and advertise Puerto Rico as a tourist destination, elements aimed at promoting and advertising the island's vacation ownership industry.

For all of the foregoing, and recognizing the experience acquired by the Puerto Rico Tourist Company as the entity in charge of implementing the Act, we deem it necessary to update the vacation ownership regulatory system to adjust its provisions to the reality of the industry. In doing so, the legal framework to continue promoting the development of this industry shall be established, while the rights of Puerto Rican consumers and of those who acquire this type of product located in Puerto Rico are thus guaranteed at all times.

***BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF PUERTO RICO:***

## ARTICLE I

### GENERAL PROVISIONS

Section 1-101.- Short Title.-

This Act shall be known as the "Puerto Rico Vacation Ownership Act."

Section 1-102.- Legislative Intent; Scope.-

The purpose of this Act is to recognize that the sale and promotion of vacation ownership plans continue to be an emerging dynamic segment of the international tourism industry; that this segment continues to grow, both in volume of sales and in complexity and variety of product structure; and that a uniform and consistent regulatory method is necessary in order to safeguard Puerto Rico's tourism industry; offer a framework to conduct transactions safely and foster consumers' trust in Puerto Rico, including consumers from Puerto Rico, the United States, and abroad, and ensure Puerto Rico's economic wellbeing. In order to protect the quality of Puerto Rico's vacation ownership plans and the consumers who purchase them, it is

necessary to update the statute whereby the procedures for the creation, sale, exchange, promotion, and operation of vacation ownership plans are established; and to require that every plan of this kind located or offered for sale in Puerto Rico, created or existing, with respect to accommodations and facilities that are located or offered for sale in Puerto Rico be subject to the provisions of this Act.

All vacation ownership plans offered for sale exclusively outside of Puerto Rico and that have accommodations or facilities located in Puerto Rico that, first, have met the requirements for the creation of a vacation ownership plan pursuant to this Act for the purpose of devoting a real property or the portion of a real property where accommodations or facilities are located, to the vacation ownership regime, have filed with the Company a permit application for a vacation ownership plan; have paid the appropriate filing fees under Section 2-105 of this Act, and that are offered for sale in other jurisdictions where the offering of vacation ownership rights is regulated, shall not be subject to the other provisions of this Act to the extent that such activity is regulated in the other jurisdiction, but only after the Company has received satisfactory evidence that the vacation ownership plan has met the requirements of the other jurisdiction. The Company may also require that the disclosures required under Section 2-102 be included, in whole or in part, in the offerings made in the other jurisdiction.

**Section 1-103.- Formal Requirements; Nature of Vacation Ownership.-**

A vacation ownership plan consisting of real property or a portion thereof located in Puerto Rico shall be established by means of a public instrument and recorded in the Property Registry in accordance with the provisions of Act No. 210-2015, known as the “Commonwealth of Puerto Rico Real Property Act,” and Article XII of this Act. Vacation ownership plans that consist solely of accommodations and facilities located outside of Puerto Rico shall be established in accordance with the

laws and regulations of the jurisdictions where said accommodations and facilities are located.

A vacation ownership regime may be structured in such manner that, at the option of the declarer, vacation ownership rights are either: (a) a contractual right to use and occupy ownership accommodation or accommodations, or (b) a special type of property right (*sui generis*) with respect to one or more particular accommodations, coupled with the right to use and occupy such accommodation or accommodations, which shall be governed by the provisions of this Act, and supplementary, by the provisions of the Civil Code of Puerto Rico relating to common ownership of property, except that: (i) regulations on the use and enjoyment of accommodations and facilities under a vacation ownership regime shall be binding on all initial and subsequent vacation ownership right owners, and may only be amended as provided in this Act; (ii) the provisions of Article 334 of the Civil Code of Puerto Rico relating to the division of the thing held in common and the provisions of Article 338 of the Civil Code of Puerto Rico relating to the forced sale of the thing held in common shall not be applicable to property under a vacation ownership regime; (iii) there shall be no right of redemption upon the sale or other alienation of a vacation ownership right, except as otherwise provided in the deed of dedication referred to in Section 12-113 of this Act. Only accommodations may be the object of this special property right; however, other similar structures may be made available for supplemental use.

The vacation ownership regime may also include, within the vacation ownership plan, the possibility, subject to the provisions of this Act, of granting through a contract the right to use, convey, or alienate the special property right with respect to: (i) individual accommodations as a unit and, (ii) individual commercial units. Regarding the latter, the operation thereof is restricted to the offering of goods

and services reasonably of interest to the occupants of the other existing accommodations in the property.

#### Section 1-104.- Definitions

For purposes of this Act, the following terms shall have the meaning stated below:

1. “Nondisturbance Agreement.”- means a document whereby the holder of a lien with respect to one or more particular accommodations or facilities agrees that his rights in the property shall be subordinate to the rights of owners. Every nondisturbance agreement shall contain a covenant by the lienholder that the lienholder, its successors, and legal heirs, as well as anyone who acquires the real property through the blanket lien shall not use, or cause or permit the real property to be used in a manner which prevents the owners from using the accommodations in the manner contemplated by the vacation ownership plan.

2. “Subordination Agreement.”- Means a document or instrument whereby the rights or claims of a lienholder with respect to two particular accommodations or facilities are irrevocably subordinated to the use and occupancy rights granted to owners in the vacation ownership plan. Each such subordination agreement shall expressly and effectively provide that: (a) the lienholder’s right, lien or encumbrance upon the applicable accommodation or facility shall not adversely affect, and shall be subordinate to, the rights of any owners of vacation ownership rights, regardless of their respective dates of acquisition, from and after the effective date of said document or instrument, whether through recordation or otherwise, and (b) said lienholder, together with its successors and assignees, and any person that acquires the vacation ownership property and/or the facilities thereof through foreclosure, by deed in lieu of foreclosure, or other legal means (i) shall hold title to such property subject to the rights of the owners of vacation ownership therein; and (ii) shall not use, cause, or allow such property to be used in a manner that prevents

or materially impedes owners of vacation ownership from using and occupying the accommodations and facilities in the manner represented to them by or on behalf of the developer and as set forth and described in the vacation ownership plan documents.

3. “Affiliate.”- Means any person that controls, is controlled by, or is under common control with another person. A person shall be deemed to “control” a developer if said person: (a) is a partner, officer, director, or employee of the developer; (b) either directly or indirectly, acting through intermediaries or in concert with other persons, owns, controls, or has more than twenty percent (20%) of the voting rights, including by proxy, of any class of shares or beneficial rights in the developer; (c) determines in any manner the election or appointment of a majority of the directors of the developer; or (d) has contributed more than twenty percent (20%) of the capital of the developer. A person “is controlled by” a developer if the developer: (a) is a partner, officer, director, or employer of the person; (b) either directly or indirectly, acting through intermediaries or in concert with other persons, or through one or more subsidiaries, owns, controls, or has more than twenty percent (20%) of the voting rights, including by proxy, of any class of shares or beneficial rights in the person; (c) determines in any manner the election or appointment of a majority of the directors of the person, or (d) has contributed more than twenty percent (20%) of the capital of the person.

4. “Accommodation.”- Means any apartment, hotel room, or other structure that includes toilet facilities therein which is affixed to real property and has direct or indirect access to public streets, and designed and available for independent use and occupancy as part of a vacation ownership plan and may include apartments subject to the horizontal property regime in accordance with Act No. 104 of June 25, 1958, as amended, better known as the “Condominium Act.” An accommodation that is part of a vacation ownership plan shall be that which is (a)

owned, free of claims of any lienholder, by an owner of a vacation ownership; or (b) with respect to which the developer has executed or procured a subordination agreement and/or nondisturbance agreement, a release, or provided or established a financial assurance in compliance with Article IV of this Act in order to guarantee the continuous availability of such accommodation for use and occupancy by the owners of vacation ownership. In the event that any accommodation has yet to be completed, the Developer shall provide a financial assurance to guarantee that said accommodation shall be finished for the use and occupancy of the owners of vacation ownership. Subject to the provisions of Section 5-102(4) of this Act, only an accommodation that is completed and available for use and occupancy by owners for the entire term of the ownership thereof may be included when calculating whether the one-to-one purchaser-to-accommodation ratio requirement has been satisfied.

5. “Advertisement.”- Means any written, oral, or electronic communication which either contains or describes an offer or incentive for prospective purchasers of vacation ownership, such as brochures, pamphlets, radio and television scripts, direct mail offers, and other means of promotion.

6. “Association.”- Means the owners’ association referred to in Section 6-101, which shall include all of the owners of the vacation ownership plan.

7. “Incidental Benefit.”- Means any attraction, structure, or service that is continuously available for the use and enjoyment of the owners during the time they are the owners of the vacation ownership is not by any means financially guaranteed, or as provided by the Company, during the full term of the ownership right in accordance with the provisions of Section 4-101 of this Act. Said benefits shall be excluded from the vacation ownership plan, and if not completed, shall be identified as such in any representation made to prospective purchaser.



8. “Company.”- Means the Puerto Rico Tourism Company or any successor entity thereto.

9. “Exchange Company.”- Means any person owning or operating an exchange program.

10. “Purchaser.”- Means any person, other than a developer, who by means of the execution of a purchase contract becomes legally bound to acquire any legal right with respect to vacation ownership from a seller, but who has not yet closed on said transaction. A “prospective purchaser” is a person who receives advertising regarding vacation ownership or a sales pitch to acquire vacation ownership, and who has not yet executed a purchase contract.

11. “Purchase Contract.”- Means the document pursuant to which a developer sells and/or transfers, and a purchaser buys and/or acquires, any legal right with respect to, a vacation ownership.

12. “Resale Broker.”- Means any person, agent, or employee thereof who, for compensation or commission, offers or uses telemarketing, direct mail, Internet, or any other means of communication in connection with the offering of resale brokerage or resale advertising services. A resale broker shall keep a valid real estate broker or salesperson license, or a real estate company license, as defined in Act No. 10-1994, as amended, known as an “Act to Regulate the Real Estate Business and the Profession of Real Estate Broker, Salesperson or Companies in Puerto Rico,” in order to offer vacation ownership resale brokerage services. The term does not include:

a. developers or managing entities that offer resale brokerage services to the owners of vacation ownership as part of the vacation ownership plan; and

b. consumers who acquire vacation ownership for their own use and who, in turn, offer the vacation ownership right for rent or resale, or offer for sale a

portion of the vacation ownership for not less than seven (7) days for every calendar year.

13. “Assessment.”- Means a common expense assessment or a special assessment.

14. “Common Expense Assessment.”- Means an amount imposed from time to time by the developer, the managing entity, or a component site managing entity on each owner of a vacation ownership right to cover such owner’s proportionate share of the vacation ownership plan’s common expenses.

15. “Special Assessment.”- Means an amount imposed from time to time by the developer, the managing entity, or a component site managing entity on each owner of vacation ownership rights in the event that the total of all common expense assessments collected from such owners and the amount of any reserves established is not sufficient to meet the common expenses or to cover any special or unbudgeted expenses.

16. “Vacation Ownership Right.”- Means the property right (by itself or coupled with the special property right described in Section 1-103) or personal right, whether based on an interval, fractional ownership or trust system or a point-based system, or any other system acceptable to the Company, however evidenced or documented, and regardless of the term used to denominate it including, but not limited to, timeshare or vacation ownership rights, to periodically use and occupy accommodations in a component site or multi-site project through a reservations system, for a period longer than three (3) years according to an arrangement allocating such use and occupancy rights among similar users, which meets the one-to-one purchaser-to-accommodation ratio requirement.

“Vacation Ownership Right” includes:

a. A “specific vacation ownership right,” which is the right to use (by itself or together with the special property right described in Section 1-103 of

this Act, as applicable) an accommodation or a specific class of accommodation or facilities, if any, at a property within a vacation ownership plan during the remaining term of the plan; and

b. A “nonspecific vacation ownership right,” which is the right to use (by itself or together with the special property right described in Section 1-103 of this Act, as applicable) all the accommodations and facilities, if any, at a project created by or acquired through a reservation system; but including no specific right to use any specific accommodation or accommodations or facilities for the remaining term of the vacation ownership plan. The term “nonspecific vacation ownership right” shall not mean an exchange program, as such term is defined in subsection 34 of Section 1-104 of this Act. Vacation ownership rights may only be sold as part of a vacation ownership plan.

17. “Resale Vacation Ownership.”- Means a vacation ownership right that has been previously acquired by an owner, which is now offered for sale by such owner. The term includes the owner’s sales offer of more than one right to use and occupy in connection with a vacation ownership right, as well as the sales offer made by an owner of rights to use and occupy, which are available through an exchange program of which the owner is a member.

18. “Developer.”- Means and includes:

a. A “creating developer,” which means any person who creates the vacation ownership plan;

b. A “successor developer,” which means any person who succeeds to the interests of a creating developer or a concurrent developer by sale, lease, assignment, mortgage, or other transfer, but the term includes only those persons who offer vacation ownership rights for disposition in the ordinary course of business and does not include the owner of vacation ownership rights who has acquired such property for his own personal use; or

c. A “concurrent developer,” which means any person acting concurrently with a creating developer or a successor developer for the purpose of creating or disposing of vacation ownership rights in the ordinary course of business, but the term does not include any person who has acquired a vacation ownership right for his own personal use.

However, the term “developer” does not include a managing entity, not otherwise a developer of a vacation ownership plan in its own right and that offers or disposes of vacation ownership rights on its own behalf to owners of said plan. Moreover, the term does not include a person to whom is conveyed, assigned, or transferred any number of vacation ownership rights from a developer in a single voluntary or involuntary transaction including, but not limited to, a purchase money lender that acquires vacation ownership rights by foreclosure or other legal means, and subsequently conveys, assigns, or transfers all of such of vacation ownership rights to a single owner in a single transaction or in stages other than in the ordinary course of such person’s business.

19. “Dispose or Disposition.”- Means a voluntary transfer or assignment, however evidenced or documented, of any legal right with respect to a vacation ownership, other than the transfer, assignment, or release of a security interest.

20. “Vacation Ownership Plan Instrument.”- Means any document or instrument, by whatever name or title denominated, whether vacation club or timeshare, as well as any amendments thereto, establishing the vacation ownership plan, creating or governing owners’ right and relationships, and governing the use and operation of the vacation ownership plan. Said documents include, but are not limited to, the deed of dedication, bylaws, the articles of incorporation and bylaws of the association, and the rules and regulations of the vacation ownership plan. The term “vacation ownership plan instrument” is intended to be broadly construed to incorporate all terms and conditions of the purchase of a vacation ownership right,

the incorporation of accommodations and facilities located in the component sites of the vacation ownership plan, but not limited to any documents governing the creation and administration of a trust under Section 4-101(c) of this Act, the management and operation of the vacation ownership plan component sites, and the administration and operation of the reservation system including, but not limited to, the reservation system's rules and regulations.

21. "Managing Entity"- Means the person responsible for the operation, maintenance, and administration of a vacation ownership plan or a component site, and their respective properties including, but not limited to, responsibility for the operation and maintenance of the reservation system.

22. "Component Site Managing Entity."- Means the person responsible for the operations and maintenance of a component site of a multi-site vacation ownership plan.

23. "State."- Means a state of the United States of America, its territories and possessions, and the District of Columbia.

24. "Fractional Ownership."- Means the ownership interest in a specific share of an accommodation located in a luxury project that offers personalized services, however evidenced or documented, along with the right to use and occupy periodically the accommodation and any facilities related thereto for a term or interval of more than three (3) weeks a year.

25. "Financial Assurance."- Means cash, a surety bond, irrevocable letter of credit, escrow account, trust, subordination, or nondisturbance agreement, or other means, or any combination thereof, acceptable to the Company to guarantee that any accommodation or facility shall be, subject to the provisions of this Act, effectively available to an owner under such conditions and during the period of time so represented or as set forth in the vacation ownership instrument.

26. “Common Expenses.”- Means those expenses incurred for the maintenance, operation, repair, improvement, and redecoration of the accommodations, facilities, and reservation system of the vacation ownership plan, including real property taxes, utility charges, insurance premiums, management fees, expenses relating to service or other contracts entered into from time to time by the managing entity or a component site managing entity, the amount of any reserves established for the replacement of any components of the accommodations, facilities, or reservation system of the vacation ownership plan, debt service for capital expenditures or improvements (excluding debt service for construction of any accommodations or facilities represented to purchasers by the developer), any other expense reasonably designated as a common expense in the vacation ownership plan instrument, and all other operating and administrative and operating costs in connection with the property under the vacation ownership plan.

27. “Blanket Lien.”- Means any mortgage, deed of trust, option to purchase, mechanic’s lien, vendor’s lien or interest under a contract or agreement of sale, judgment lien, federal or state tax lien, lease or any other lien or encumbrance that (i) affects more than two (2) vacation ownership rights or accommodations owned by different owners, either directly or by reason of affecting the property under the vacation ownership plan, in whole or in part, in which such rights are owned, including the accommodations and facilities thereof; and (ii) secures or evidences the obligation to pay money or to sell or convey the property under the vacation ownership plan, or any part thereof including, but not limited to, the accommodations and facilities thereof; and (iii) authorizes, permits, or requires the foreclosure and sale or other disposition of the vacation ownership property, facilities, and other assets affected. For purposes of this Act, the following shall not be considered blanket liens:

- a. A lien for taxes and assessments levied by a public authority and that are not yet due and payable;
- b. A lien for common expenses and assessments in favor of a homeowners or community association that are not yet due and payable;
- c. Any lien for costs or trustee's fees charged by a trustee pursuant to a trust created under Section 4-101 of this Act, which costs or trustee's fees are not yet due and payable.
- d. A lien or encumbrance incurred by the owner of the accommodation as a result of the financing for the acquisition of the vacation ownership rights.

28. "Facilities."- Means any attraction, structure, furniture, furnishing, equipment, or other real or personal property, developed or to be developed, other than an exchange program or the reservation system of a vacation ownership plan, which is made available for use and enjoyment by every owner of vacation ownership right, in consideration for the payment by such owner of the purchase price of his vacation ownership right and any assessments levied from time to time upon such owner by the developer, the managing entity, or a component site managing entity, but excluding routine services that a managing entity typically provides or arranges such as housekeeping, maintenance, repair, and replacement services as well as services provided by government entities or instrumentalities. Facilities that are part of a vacation ownership plan constitute those: (a) that are owned, free and clear of the claims of any lienholder, by an owner of vacation ownership rights, a vacation ownership association or trust in favor of the owners of vacation ownership rights; or (b) with respect to which the developer has executed or procured a subordination and/or nondisturbance agreement, a release, or has provided or established a financial assurance in compliance with Article IV of this Act. If the facilities are not developed and/or completed, the developer must provide

a financial assurance to guarantee the completion of said facilities for the use and enjoyment of the owners of vacation ownership rights. The term “facilities” does not include any incidental benefits, as such term is defined in Section 1-104 of this Act.

29. “Component Site.”- Means a specific geographic location where certain accommodations and facilities are located. If permitted under applicable law, separate units that are operated as a single project in a specific geographic location and under common management shall be considered a single component site.

30. “Offer.”- Means any inducement, solicitation, or other attempt, whether by means of advertisement, oral or written presentation, or other means, to encourage a person to acquire any legal right with respect to a vacation ownership or to upgrade an already acquired vacation ownership right, in a manner which entitles the owner thereof to any additional use or occupancy rights or benefits, other than as security for an obligation. However, an advertisement and/or a promotion in any public broadcast medium shall not be deemed to be an offer if such advertisement and/or promotion clearly states that it is not an offer in any jurisdiction where any applicable registration requirements or other legal prerequisites to make such an offer have not been fully satisfied.

31. “Use Period.”- Means the time during which an owner of a vacation ownership right may use and occupy an accommodation that is part of a vacation ownership plan.

32. “Person.”- Means a natural person, corporation, limited liability company, partnership, joint venture, government subdivision or government entity, or any other form legal entity or combination thereof.

33. “Vacation Ownership Plan.”- Means the rights, obligations and program created in connection with the periodic use and occupancy of the accommodations and those facilities related thereto, in one or more component sites, for a period longer than three (3) years according to an arrangement allocating such



use and occupancy rights among similar users, whether based on an interval, fractional ownership, trust system, or a point-based system, or any other system acceptable by the Company under the provisions of this Act, however denominated, whether timeshare, vacation club, fractional ownership, or any other term. Moreover, the term “vacation ownership plan” shall exclude any system or program, rights or benefits, with respect to which there is incurred (a) a contractual financial obligation in an amount not to exceed one thousand five hundred dollars (\$1,500), or any other amount as provided by the Company through regulations, excluding the amount of common expenses assessments and the special assessments levied by an owners’ association or other person not affiliated to the seller or the developer, provided that any assessment obligations of such nature are fully and specifically described in the purchase contract of the owner, but including all other amounts paid by such owner for any purposes, regardless of the term of such rights to use and occupy. The “Vacation Ownership Plan” may consist of:

a. A “single-site plan” which is a plan with specific vacation ownership rights in an accommodation or specific type of accommodation and facilities, if any, in a single project. The vacation ownership rights offered in a single-site vacation ownership plan may include fixed or floating schedule. Owners with a fixed schedule are not required to use the reservation system in order to occupy the accommodations. Owners with a floating schedule may be required to use the reservations system to occupy the accommodations of the vacation ownership plan.

b. A “multi-site plan” which is a plan with nonspecific vacation ownership rights in connection with all the accommodations and facilities, if any, of multiple component sites of a vacation ownership plan. Vacation ownership rights acquired in multi-site plans may include preferential reservations right whereby the

owner is able to reserve accommodations in a specific component site in advance of other owners of vacation ownership rights.

34. “Exchange Program.”- Means any method, arrangement, or procedure for the voluntary exchange of the rights to use and occupy accommodations and facilities between owners of vacation ownership and other rights on real or personal property. The term does not include the assignment of the right to use and occupy accommodations and facilities to owners of vacation ownership rights within a single-site timeshare plan. Any method, arrangement, or procedure that meets this definition, wherein the purchaser’s total contractual financial obligation exceeds three thousand dollars (\$3,000) or any other amount established from time to time by the Company through regulations, for any individual recurring use period, shall be regulated as a vacation ownership plan under the provisions of this Act.

35. “Promotion.”- Means an advertising plan or device, including one involving the possibility of a prospective purchaser receiving a gift or prize, used by a developer in connection with the offering and disposition of vacation ownership rights.

36. “Vacation Ownership Plan Property.”- Means those accommodations together with any common areas or any other real estate, or rights therein, appurtenant to those accommodations and together with any facilities of the vacation ownership plan. A vacation ownership plan property may consist of one or more apartments subject to the horizontal property regime in accordance with Act No. 104 of June 25, 1958, as amended, better known as the “Condominium Act,” if so expressly allowed in the appropriate horizontal property regime instrument, in which case, the apartment or apartments to be subject to said plan shall be deemed to be the principal property for purposes of the vacation ownership plan.

37. “Project.”- Means real property that has one (1) or more commercial or residential units. A project may include units not deemed accommodations and/or facilities, as defined in this Section 1-104 of this Act.

38. “Bylaws.”- Means the vacation ownership regulations referred to in Section 12-128 of this Act.

39. “Bylaws of the Association.”- Means the bylaws that may be adopted by any owners’ association which may be constituted for the administration of the vacation ownership regime, or a portion thereof, as opposed to the vacation ownership regime bylaws referred to in Section 12-128 of this Act.

40. “One-to-One Purchaser-to-Accommodation Ratio Requirement”.- Means that at any time in a period of twelve (12) months, the maximum number of use periods to which owners shall be entitled may not exceed the number of accommodations available in the vacation ownership plan for that same period of twelve (12) months. In accordance with this requirement, each accommodation constitutes a maximum number of three hundred sixty-five (365) nights of use per each twelve (12)-month period, and three hundred sixty-six (366) nights of use per each twelve (12)-month period including a leap day. For purposes of this requirement, the use period of each owner shall be included in the computation, regardless of the suspension thereof by reason of default on maintenance fees.

41. “Resale Brokerage Services.”- Means any activity carried out directly or indirectly for the purpose of offering or providing services related to the resale of vacation ownership located or offered within Puerto Rico’s geographic demarcation, including:

a. the sale, lease, promotion, or offer to sell and/or lease resale vacation ownership property;

b. the transfer or offering of assistance for the transfer of resale vacation ownership property;

c. the sale or offering to buy or lease resale vacation ownership property.

42. “Point-based System.”- Means any system whereby the use periods of vacation ownership rights acquired are represented by points or any other term used therefor in the vacation ownership plan instrument. Accommodations of a vacation ownership plan that uses a point-based system are assigned a points value per night, calculated based on the occupancy cost of the accommodation. The owner’s vacation ownership right is represented in points, which the owner uses to have access to accommodations and those facilities related thereto, using a reservations system. The number of points needed to use the accommodation may vary according to the size of the accommodation, location, and time of the year in which it is intended to be used, among other factors, as described in the vacation ownership plan instrument.

43. “Reservations System.”- Means the method, arrangement, or procedure that owners in the same vacation ownership plan concurrently access to reserve the use and occupancy of an accommodation of the vacation ownership plan for one or more use periods, regardless of whether such reservation system is operated and maintained by the managing entity of the vacation ownership plan, an exchange company, or any other person or entity. In the event that an owner is required to use an exchange program as the owner’s principal means of obtaining the right to use and occupy the vacation ownership plan’s accommodations and facilities, such arrangement shall be deemed a reservation system for purposes of this Act.

44. “Lienholder.”- Means:

- a. a developer, and
- b. an owner or holder of any real or personal property right that affects two (2) or more vacation ownership rights of different owners, either directly or by reason of affecting all or any portion of the vacation ownership plan, including

any accommodations or facilities thereof, including a mortgagee, the beneficiary of a deed of trust, a judgment creditor, a mechanics' lienholder, or a lessor.

45. "Conspicuous Type."- Means

a. a font of at least two (2) point sizes larger than the largest type, exclusive of headings, on the page on which it appears, but in all cases at least a ten (10)-point type; or

b. where the use of a ten (10)-point type would be impractical or impossible with respect to a particular written material, then the type font the Company specifically approves shall be used, provided that the print remains conspicuous.

46. "Owner."- Means any person who owns or co-owns a vacation ownership right and any person identified as a "member" or any other similar term.

47. "Resale Owner."- An owner of a vacation ownership right who has acquired it for his or her own use and occupancy and who later offers it for resale or lease.

48. "Commercial Unit."- Means any apartment, room or series of rooms forming an integrated unit located in a property devoted to the vacation ownership regime, with direct or indirect access to the public street, devoted to commercial purposes restricted to the offering of goods or services as may reasonably be in the interest of the occupants of the other accommodations in the property.

49. "Seller."- Means the developer or any other person, or an employee or independent contractor thereof, that offers vacation ownership rights to the public in the ordinary course of business. The term "seller" does not include a person who has acquired vacation ownership for his own personal use and later offers it for resale, or a person to whom is assigned or transferred various vacation ownership rights in a single voluntary or involuntary transaction including, but not limited to, a purchase money lender that has partially financed the property and that acquires vacation

ownership rights by foreclosure or other legal means, and that subsequently assigns, or transfers all of such of vacation ownership rights to a single person in a single transaction or in stages other than in the ordinary course of such person's business.

#### Section 1-105.- General Exemptions

This Act shall not apply to any offer or disposition of vacation ownership insofar as it is not made with the intent or for the purpose of evading compliance with the provisions of this Act, which constitutes:

1) An offer or disposition, other than in the ordinary course of business, by a holder of a purchase money lien or refinancing lien including any assignee thereof, who acquires a vacation ownership right as a result of the corresponding owner's default with respect to his purchase money financing or refinancing obligations, whether such vacation ownership property is acquired by foreclosure, the acceptance of a deed in lieu thereof, or other legal means;

2) A gratuitous disposition;

3) A disposition by testate or intestate succession in favor of an *inter vivos* trust;

4) The offer, sale, or disposition of a membership in an exchange program or an exchange company's operation of its exchange program, except to the extent that such exchange program constitutes a vacation ownership plan or as otherwise provided in Article VIII of this Act; or

5) An offer or disposition of vacation ownership property by an owner other than a developer, unless such owner makes such offer or disposition in the ordinary course of his business or through the use of an intermediary other than a licensed real estate broker or salesperson.

6) The disposition of vacation ownership rights in a vacation ownership plan comprising not more than twenty (20) rights, unless the developer offers or intends to offer additional vacation ownership rights in the same vacation ownership

plan. This exemption may only be effective provided, that the developer notifies the Company indicating an intention to exercise this right and setting forth the facts upon which the exemption is based.

## ARTICLE II

### PERMITS AND LICENSES TO OPERATE VACATION OWNERSHIP PLANS; REQUIREMENTS TO SELL VACATION OWNERSHIP RIGHTS

#### Section 2-101.- Vacation Ownership Plan Permit

It shall be unlawful for any developer or seller to offer or dispose of vacation ownership to a prospective purchaser in Puerto Rico or to offer or to dispose of any vacation ownership right in any vacation ownership property located in Puerto Rico to a prospective purchaser located in other jurisdiction, unless the Company has issued a vacation ownership plan permit, as the case may be, to such person prior to such offer or disposition, and said permit remains in effect.

#### Section 2-102.- Vacation Ownership Plan Permit Application

1. Any person may file with the Company a permit application for a vacation ownership plan. The application form shall be prescribed or established from time to time by the Company, by regulation or otherwise, and shall be enclosed with the appropriate filing fee as required in Section 2-105 of this Act. Such application shall attach all such documents and information as the Company may, by regulation or otherwise, require from time to time, but shall at least include the following:

a) A current title report or a title insurance commitment by a title company of recognized good standing in the industry and acceptable to the Company for the real property included in a vacation ownership plan, which report or commitment shall evidence, inter alia, that fee simple title to such property is vested in the developer, or that the right to use and occupy the property is vested in the developer, and copies of the documents described as liens or exceptions in the title

report or commitment and, if applicable, copies of the documents reported as the recorded lease, surface right or usufruct pursuant to which the developer holds the real property on which the vacation ownership regime is or is proposed to be established, and in the case of a condominium, a copy of the deed dedicating the property to the horizontal property regime, including its bylaws, if applicable, and the bylaws and certificate of incorporation of the tenant's association, if any. The fee simple title or right to use or occupy the property on which the regime is or shall be established, shall be included in the title report or title insurance commitment as recorded or filed and pending recording in the corresponding Property Registry.

b) Copies of all vacation ownership instruments.

c) A copy of the developer's proposed public offering statement as required by Article V of this Act.

d) Copies of any financial assurances with respect to the accommodations and other facilities comprising the vacation ownership plan as required under Article IV of this Act.

e) Evidence of property tax payment compliance.

f) A statement of how property taxes on vacation ownership property shall be paid and if such payment shall be included in the annual common expenses assessment.

g) Evidence that vacation ownership plan use complies with the applicable zoning laws and regulations of the place where the vacation ownership plan property is located.

h) The common expenses budget.

i) Copies of the materials relating to any exchange program or programs with which the vacation property plan may be affiliated and which material is required or intended to be delivered to prospective purchasers pursuant to Article V of this Act.



j) The basis on which the filing fee was computed.

k) Such other documentation and information as the Company may require, from time to time, by regulation or otherwise, to enable it to properly evaluate the developer's permit application for a vacation ownership plan.

2. Documents described in paragraph (h) of subsection (1) of this Section need not be furnished when the application is filed, but must be furnished prior to issuance of a vacation ownership plan permit. Upon receipt of the permit application, the Company may require the developer to submit any additional information as the Company finds necessary to comply with this Act.

3. It shall be deemed unlawful and subject to the penalties provided in Section 11-106 of this Act, for any person to:

(a) Submit any documentation or information to the Company in connection with a permit application for a vacation ownership plan which such person knows or reasonably should know to be untrue or misleading; or

(b) Fail to submit information that such person knows or reasonably should know to be material to the Company's review of the developer's application.

(c) Fails to deliver to the purchaser the public offering statement or any other information required by the purchaser in order to make a determination in connection with a purchase.

Any information submitted to the Company shall be deemed disseminated to and relied upon by each purchaser to make their purchase determinations.

#### Section 2-103.- Issuance or Denial of Vacation Ownership Plan Permit.

1. Upon receipt of a permit application for vacation ownership plan, the Company shall review such application to determine whether it substantially meets all of the requirements of Section 2-102 of this Act, and any regulations promulgated

by the Company thereunder. An application that meets such criteria shall be considered a substantially complete application.

2. The Company shall determine and notify the developer within thirty (30) days following the receipt of the application, whether or not it is a substantially complete application and, if it is not, the Company shall indicate the additional documents or information that must be furnished in order to render it substantially complete. Likewise, the Company shall respond within twenty-one (21) days following the receipt of any additional information.

3. Within thirty (30) days following the mailing date of the notice to the developer indicating that the application is substantially complete, the Company shall:

- a. Issue a vacation ownership plan permit, as the case may be;
- b. Deliver to the developer an itemization of any deficiencies found and which, if corrected, would entitle the developer to the applicable permit; or
- c. Deny the application or notify the developer of its intent to deny the application. In either case, the Company shall notify the developer in writing of the specific grounds for denial.
- d. If the Company fails to issue any communication whatsoever to the developer within one hundred and twenty (120) days following the date on which the developer filed the permit application for a vacation ownership plan, or as of the date on which the developer furnished the documents requested in the most recent communication issued by the Company, said permit shall be deemed to be issued for the purposes of this Act, without impairment to the faculties of the Company under Sections 11-102, 11-103, and 11-104 of Article XI of this Act.

4. Nothing in this Section shall require the Company to issue a permit if grounds for the denial thereof exist as determined by the Company, in the reasonable

exercise of its discretion. Such grounds for permit denial include, but shall not be limited to, the following:

a. Noncompliance by the developer or the vacation ownership plan with any provision of this Act or the regulations promulgated thereunder by the Company.

b. The developer's inability to demonstrate that adequate financial assurances have been provided with respect to accommodations or facilities comprising the vacation ownership plan, as the case may be, and as required in Article IV of this Act.

c. The developer's inability to demonstrate that the one-to-one purchaser-to-accommodation ratio requirement is met and that such one-to-one purchaser-to-accommodation ratio would be met at all times during the term of the vacation ownership plan; and

d. The determination by the Company that the developer, seller, or an affiliate thereof, within the ten (10) years preceding the filing date of the permit application, or at any time thereafter:

i. Has been convicted of any a felony involving fraud, dishonesty, or misrepresentation;

ii. Has consented to or suffered a judgment in any civil or administrative action based on conduct involving an act of fraud, dishonesty, or misrepresentation;

iii. Has been permanently enjoined by order, judgment, or decree of a court of competent jurisdiction from engaging in the sale of real estate, securities, or travel plans, or entered into a consent decree or other stipulation to such effect;

iv. Has had his license to act as a real estate broker or salesperson, or as a securities salesperson, broker or dealer, revoked;

v. Has been subject to a cease and desist order issued under the provisions of this Act and the same remains in effect; or

vi. Has had his vacation ownership plan permit issued pursuant to this Act, revoked or suspended.

5. Notwithstanding the existence of sufficient grounds for the denial of a vacation ownership plan permit, the Company may issue said vacation ownership plan permit if it determines that the developer has met alternative requirements that, in the reasonable exercise of the Company's discretion, accomplish the purposes and fulfill the intent of this Act.

#### Section 2-104.- Contents of the Vacation Ownership Plan Permit

The vacation ownership plan permit shall be prepared by the Company. Said permit shall be in the form and contain such information and disclosures as the Company may, in its discretion, determine to include. The Company may require the developer to prepare and submit to the Company a proposed permit form.

#### Section 2-105.- Filing Fee

The filing fee of a permit application for a vacation ownership plan shall be five hundred dollars (\$500.00) plus three dollars (\$3.00) for each seven (7) day-interval (or fraction thereof) of annual use available to be offered to prospective purchasers of vacation ownership in Puerto Rico. If the vacation ownership plan has no accommodations in Puerto Rico, the number of seven (7) day-intervals for which the Developer requests authorization to sell in Puerto Rico shall constitute the basis for determining the total amount of filing fees that shall be paid for the permit application. In the event that the product to be sold in Puerto Rico entails interests in trusts, points program, or other program of similar nature, the Developer shall provide the Company with an acceptable conversion table for seven (7)-day intervals which the Company shall use to determine the filing fee. The Company may prescribe by regulations filing fees lower than those stated above, if the Company

determines that the costs and expenses incurred in reviewing applications warrant such lower fees; and may prescribe, by regulations, higher fees than those stated above, if the Company determines that the costs and expenses incurred in reviewing applications warrant such higher fees. The Company may conduct an inspection of the vacation ownership plan property or properties and may hire an independent consultant to review the budget of the vacation ownership plan.

#### Section 2-106.- Use of Vacation Ownership Plan Permit

Every developer shall place a copy of the appropriate permit in a conspicuous place at the office where dispositions or offers are regularly carried out, as well as a notice stating that a copy of the appropriate permit may be obtained from the developer at any time. A developer may make copies of a permit issued and retained on file by the Company. In those cases where the permit is issued in accordance with the provisions of subsection 3(d) of Section 2-103 of this Act, the developer shall display a copy of the receipt of permit application filing and a sworn certification of the developer stating in detail the specific circumstances for the issuance of such permit. Both the receipt of permit application filing and the certification of the developer shall comply with the format approved, from time to time, by the Company through regulations or any other means.

#### Section 2-107.- Material Adverse Changes

1. A material adverse change to a vacation ownership plan shall include, but shall not be limited to, the following:
  - a. Any change to vacation ownership plan instruments which is likely to have a material adverse effect on the owners of vacation ownership rights;
  - b. If a trust is established as a means of financially assuring the availability of accommodations and/or facilities pursuant to Article IV of this Act, any resignation or proposed resignation of a trustee or any material change in the trust agreement creating such trust;

c. Any change in the financial condition of the developer, the association, the managing entity, or any component site managing entity, but only if such change is likely to have a material adverse effect on the vacation ownership plan or the owners of timeshare or vacation ownership;

d. Any governmental action or proposed governmental action which is likely to have a material adverse effect on the vacation ownership plan, the owners, or the developer;

e. Any action or proposed action by the developer or any other person which would likely have an adverse effect on the vacation ownership plan, the owners, the reservation system of the plan, or any of the accommodations or facilities comprising the vacation ownership plan;

f. The addition to, substitution of, or elimination of the vacation ownership plan, of any accommodations or facilities if such occurrence is likely to have a material adverse effect on the owners;

g. The termination of any affiliation between a vacation ownership plan and an exchange program. However, the Company may establish through regulations that the termination by substitution of a specific exchange program with another specific exchange program under circumstances wherein the rights of the members of the terminated exchange program are recognized and safeguarded in the substitute exchange program, and subject to such additional conditions as the Company in its sound discretion may establish in such regulations shall not be deemed to be a material adverse change; and

h. Any other change which would render the information included in the permit application for a vacation ownership plan filed by the developer, or the approved public offering statement, materially inaccurate, incomplete, or misleading, and which is likely to have a material adverse effect on the vacation

ownership plan, vacation ownership rights, the reservation system, or any of the accommodations or facilities comprising the vacation ownership plan.

2. As long as a developer is engaged in the offering or disposition of vacation ownership, it shall be unlawful for such developer to fail to notify the Company in writing of any material adverse change in the plan within thirty (30) days following the date on which the developer first knew or reasonably should have known of such change.

3. Upon the occurrence of a material adverse change to a vacation ownership plan, the Company may:

a. Request that the offers and sales of the vacation ownership plan be suspended by the developer pending a determination of the effect of the material adverse change on the vacation ownership plan and the owners' vacation ownership rights therein, or pending the Company's approval of the appropriate amendments to the developer's permit or public offering statement approved for the plan; and

b. If the material adverse change is not resolved within sixty (60) days following the date of notice to the developer, invoke any of the remedies or initiate any of the procedures provided for in Articles X and XI of this Act.

4. Upon approval of an amended vacation ownership plan permit, the developer shall place a copy of the permit in a conspicuous place at the office where dispositions or offers are regularly carried out, as well as a notice stating that a copy of said amended permit may be obtained from the developer at any time, in accordance with the provisions of Section 2-106, above.

#### Section 2-108.- Existing Vacation Ownership Plan Property

As used in this Act, the term "existing vacation ownership plan property" includes vacation ownership plan property located in Puerto Rico with respect to which, on the original effective date of this Act, at least twenty-one (21) persons who are not affiliates have either purchased a vacation ownership right therein or

have executed a purchase contract for vacation ownership property with respect to such plan.

Insofar as the provisions of Article IV of this Act are complied with, if the developer of an existing vacation ownership plan property files with the Company a permit application for a vacation ownership plan enclosing the documents and information specified in subsection 1 of Section 2-102 and, if by the first anniversary of the effective date of this Act, the Company has promulgated regulations requiring additional information to be furnished under Section 2-102, and such additional information and items are filed by the first day of the next month following such anniversary, vacation ownership rights in existing vacation ownership plan property may be offered for sale and sold without a vacation ownership plan permit until the Company denies the permit application, if at all. The Company shall not deny a permit application for vacation ownership plan of an existing vacation ownership plan property without first providing the developer with written notice of intent to deny the application and a statement of the specific grounds for the Company's intended denial.

The notice shall advise the developer that, unless the Company receives the developer's written objection to the notice of intention to deny within sixty (60) days following the date of actual delivery of the notice to the developer, the denial shall become effective upon the expiration of the sixty (60) day-period. The notice shall also specify the time, place, and date (not earlier than ninety (90) days following the date of actual delivery to the developer of the notice) on which a hearing to show cause shall be held, if the developer files an objection to the notice. The developer shall have the right to present evidence, to cross examine, and to be represented by counsel. Upon the expiration of the sixty (60)-day period, the developer must immediately cease and desist from entering into any additional purchase contracts unless the developer delivers a written objection to the Company enclosed with a



copy of the written disclosure to be provided by the developer to each prospective purchaser, thereafter, until a decision is made following the hearing and said decision becomes final, binding, and unappealable. The disclosure document must inform the prospective purchaser, in writing, that the Company has issued a notice of intention to deny developer's permit application for a vacation ownership plan; that developer has requested a hearing on the denial; and that if, following a hearing, the order of denial is issued and the order becomes final, binding, and unappealable, any monies deposited by the prospective purchaser shall be promptly returned to the prospective purchaser without deductions, and the purchase contract executed by the prospective purchaser shall cease to have further force or effect.

The provisions of Article XII of this Act shall not apply to existing timeshare property which has been organized under Act No. 104 of June 25, 1958, as amended, better known as the "Condominiums Act," or any other similar successor Act, which shall also be exempt from compliance with the following provisions of this Act, insofar as compliance with said provisions would be in conflict with such vacation ownership regime's organizational documents or with the provisions of Act No. 104, *supra*: (i) the provisions of the first paragraph of Section 1-103, and (ii) the provisions of Sections 5-103(c)(i) and (ii) of this Act.

The Company may accept a vacation ownership plan for an existing timeshare property that fails to comply with all of the applicable provisions of this Act if it complies with Article IV and if the Company determines that it would be impossible or impractical to modify the vacation ownership plan in order to comply with other provisions of this Act and that the basic rights of the purchasers and of the owners of rights in the existing timeshare property shall be adequately protected by the vacation ownership plan (subject to modification of the vacation ownership plan as required by the Company).

#### Section 2-109.- Right to Hearing

Any developer whose application for a vacation ownership plan has been denied may, within thirty (30) days after receipt of the order of denial, file a written request with the Company for a hearing on such denial. If such an application is denied, a hearing shall be called and held in accordance with the laws applicable to administrative adjudications.

#### Section 2-110.- Sales Intermediaries

It shall be unlawful for any person other than a licensed real estate broker or salesperson under Act No. 10-1994, as amended, better known as the “Act to Regulate the Real Estate Business and the Profession of Real Estate Broker, Salesperson or Companies in Puerto Rico,” or any successor statute thereto, to sell or lease, or offer for sale or lease, vacation ownership property, unless such person is the developer, an entity related to the developer, or an employee or an independent contractor of any of the foregoing, of the vacation ownership plan to which the vacation ownership property belongs. The developer’s exemption under this Section shall extend to the initial and any subsequent sale of the vacation ownership property, as well as to any lease of vacation ownership property whether or not sold in Puerto Rico.

#### Section 2-111.- Additional Fees

The Company may establish through regulations such additional fees it deems reasonably necessary for the administration of this Act.

### ARTICLE III

#### CANCELLATION; REQUIREMENTS FOR ESCROW ACCOUNT DEPOSIT

#### Section 3-101.- Cancellation Rights of Purchasers

1. A purchaser shall be entitled to cancel his purchase contract until the seventh (7<sup>th</sup>) calendar day following the date on which the purchaser executed such purchase contract or received the public offering statement, whichever occurs later.

The purchaser shall also be entitled to cancel his purchase contract if the developer has not completed the accommodations which are the object of the vacation ownership purchase contract within the term established in Section 4-103 of this Act. The following notice of the purchaser's right of cancellation shall be stated in conspicuous type in the immediate proximity of the place reserved for the purchaser's signature in the purchase contract:

You may cancel this purchase contract and receive a refund of any monies paid to the seller, minus the value of any benefit received pursuant to this purchase contract, within seven (7) days following the date of execution of this purchase contract or the date of receipt of the public offering statement, whichever occurs later. In the event that the developer has not completed the accommodations object of the purchase contract within eighteen (18) months following the estimated date of completion established by the developer and published on the public offering statement, you may also be entitled to cancel this purchase contract within seven (7) days following said date.

Should you decide to cancel this contract for any other reason within seven (7) days following the date of execution of this purchase contract or the date of receipt of the public offering statement, whichever occurs later, or should you decide to cancel this contract due to failure of the developer to complete the accommodations within the time allowed, you shall provide written notice of your decision to (name of the seller) at (seller's address) by mail, not later than the seventh (7<sup>th</sup>) calendar day following the dates established herein, or deliver the written notice in person at the same address not later than the seventh (7<sup>th</sup>) calendar day following the dates established herein, provided that it is not Saturday,

Sunday, or a holiday, in which case, such term shall be extended to the next business day.

The purchaser's right of cancellation, as provided in this subsection, shall not be subject to waiver by the purchaser, and any provision of the purchase contract or any other document related to the vacation ownership plan purporting to constitute such a waiver shall be deemed null and void. Any written notice of cancellation served by mail, postage prepaid, shall be effective on the date postmarked. Any written notice of cancellation delivered other than by mail shall be effective at the time of its delivery at the place of business of the seller designated in the public offering statement or any other address that the developer has notified to the purchasers.

2. It shall be a violation of this Act for a developer to misrepresent in any manner a purchaser's right to cancel his purchase contract or to fail or refuse to refund any and all payments made by the purchaser of a vacation ownership and return any negotiable instruments (other than checks) executed by the purchaser as partial consideration for his purchase, minus the value of any benefits received by the purchaser pursuant to his purchase contract, within ten (10) calendar days following the developer's receipt of the purchaser's written notice of cancellation.

#### Section 3-102.- Deposits in Escrow

1. All funds and negotiable instruments received from or on behalf of purchasers shall be held in an escrow account identified and designated solely for that purpose. Such escrow account shall be established in a financial institution insured by an instrumentality of the Federal Government and located in Puerto Rico. However, in connection with offers and dispositions of vacation ownership occurring outside Puerto Rico, funds held in escrow as well as any negotiable instruments and the escrow agent thereof may be located in the jurisdiction where

the offer and disposition is made, if the law of such jurisdiction requires it. In such case, the out-of-state escrow agent shall be subject to the Company's approval; provided, however, that if such escrow agent is approved by the jurisdiction where the offer and disposition is made outside of Puerto Rico, such agent shall be deemed approved by the Company upon submittal of proof attesting to the approval of such escrow account in said other jurisdiction. The escrow agent shall not be the developer or any affiliate thereof.

2. The escrow agent shall owe a fiduciary duty to each purchaser to maintain the escrow account in accordance with generally accepted accounting principles and to release the purchasers' funds only pursuant to this Section.

3. All funds and negotiable instruments of purchasers shall be held in escrow, and shall only be delivered to the developer, until:

a. The escrow agent receives a sworn statement or declaration under affirmation, subject to the penalties for perjury under the Penal Code of Puerto Rico, as amended, from the developer to the effect that (i) the purchaser's seven (7)-day cancellation period has expired without having been properly exercised; (ii) the property(ies) object of the purchase contract in question is(are) accommodation(s), as defined in Section 1-104 of this Act; and (iii) the project or phase thereof to which said accommodation(s) belong has been completed; or

b. The developer has furnished to the escrow agent a sworn statement requesting the release of the escrowed funds and negotiable instruments due to the purchaser's breach of purchase contract, a copy of which shall be also furnished to the purchaser. Such sworn statement shall include:

i. A statement that the purchaser has breached the purchase contract, but the developer has not breached the purchase contract;

ii. A brief explanation of the nature of the breach and the date of its occurrence;

iii. A statement that pursuant to the terms of the purchase contract, the developer is entitled to the purchaser's funds and negotiable instruments held in escrow; and

iv. A statement that the developer has not received from the purchaser any written notice of a dispute between the purchaser and the developer or a claim by the purchaser to the funds and negotiable instruments held in escrow.

4. Purchaser's funds held in escrow shall be refunded to the purchaser in the event that such purchaser properly exercises his right to cancel his purchase contract as provided in Section 3-101 of this Article. Such refund shall be made within twenty (20) days after demand therefor by the purchaser or within five (5) days following receipt of funds from the purchaser's cleared check, whichever occurs later. If the purchaser has received any benefits under his purchase contract prior to the effective date of cancellation, the purchaser's refund may be reduced by the value of the contract benefits so received.

5. For purposes of this Section, the vacation ownership property subject to the vacation ownership plan or the phase thereof which is sought to be included as vacation ownership property, shall not be considered completed unless and until all physical improvements intended for the property (or the phase) are installed, any refurbishment or remodeling of existing improvements intended for the property (or the phase) are installed and completed, and the common property (or such phase) is available.

6. Failure to establish the escrow account, to make the deposits required by this Section, or to otherwise fail to comply with the provisions thereof shall constitute a felony punishable by imprisonment for a fixed term of three (3) years. Said imprisonment may be increased to five (5) years should there be aggravating circumstances, or reduced to a minimum term of six (6) months and one (1) day should there be extenuating circumstances. In its discretion, the court may impose

the fixed imprisonment term, a fine that shall not exceed twenty-five thousand dollars (\$25,000) nor be less than one thousand dollars (\$1,000), or both penalties. Each of such violations with respect to each individual purchaser shall be deemed a separate offense.

7. In the event that the escrow agent receives conflicting claims for any funds or negotiable instruments held in escrow, the escrow agent shall immediately notify the Company of such dispute and either promptly submit the matter to arbitration or, by interpleader, or otherwise seek a judicial resolution of the dispute.

8. In lieu of the escrow account required to be established by this Section, the Company shall have discretion to accept other financial assurances including, but not limited to, a surety bond or irrevocable letter of credit. Any such bond shall be issued by a surety or insurance company authorized to do business in Puerto Rico and having a sufficient net worth to be acceptable to the Company. Any such letter of credit shall be issued by a bank, savings and loan association, or other federally insured financial institution authorized to do business in Puerto Rico and having a sufficient net worth to be acceptable to the Company. Such bond or letter of credit shall be issued in an amount as may be determined by the Company to be sufficient to afford the purchasers, under the purchase contracts, a reasonable protection against the loss of the refund that may be due to such purchasers in accordance with Section 3-101(2) of this Act.

9. Any interest accrued with respect to the funds held in escrow shall inure to the benefit of the party to whom the funds held in escrow are paid unless otherwise provided in the purchase contract.

#### ARTICLE IV

#### SUBORDINATION OF RIGHTS OF LIENHOLDER;

#### INCIDENTAL BENEFITS

#### Section 4-101.- Lienholder Rights Subordination and/or Nondisturbance

1. In order to demonstrate that a particular property is an accommodation and/or a facility, as such terms are defined in Section 1-104 of this Act, the developer shall provide the Company with satisfactory evidence that such facility and/or accommodation is owned, free and clear of claims of any lienholder, or if there is a lien, the lienholder has executed and recorded, in the appropriate public records of the jurisdiction where the accommodation or facility is located, a subordination or nondisturbance agreement providing that:

a. The subordination or nondisturbance agreement shall be effective between each owner and the lienholder, notwithstanding any rejection or cancellation of any such owner's purchase contract with the seller as a result of any bankruptcy proceedings with respect to the seller;

b. Insofar as an owner remains in good standing with respect to his obligations under the vacation ownership plan instrument including, but not limited to, paying all assessments on his vacation ownership property, the lienholder shall honor all rights of such owner relating to the accommodation or facility in question, as granted by the documents governing the vacation ownership plan; and

c. The subordination or nondisturbance agreement contains language sufficient to provide subsequent creditors of the developer and the lienholder with information of the existence of the vacation ownership plan and of the rights of the owners of the vacation ownership therein and protects such owners from the claims of any such subsequent creditors.

2. In lieu of satisfying the requirements of Section 4-101(1) of this Article IV, and in recognition of the impossibility or impracticability of a developer's satisfying some of such requirements as a result of circumstances over which the developer has little or no control, the Company may accept, at its full discretion, other financial assurances from the developer with respect to a particular accommodation or facility including, but not limited to, a surety bond, an irrevocable



letter of credit, or a trust agreement. Any such alternative financial assurance or arrangement shall, in the judgment of the Company, provide the owners of vacation ownership property with benefits and protection that are comparable in scope but not necessarily in nature to those set forth in Section 4-101(1) of this Article IV.

Section 4-102.- Incidental Benefits

1. Any facility whose continuing availability for the use and enjoyment of owners during their term of ownership of vacation ownership property is not financially assured or in the manner prescribed by the Company, for the entire duration of their ownership right in accordance with the provisions of Section 4-101 of this Article, shall be deemed an incidental benefit. A developer shall not represent to a purchaser of a vacation ownership property that any of the incidental benefits of the vacation ownership plan shall definitely be available for the use and enjoyment of said purchasers for the entire duration of his vacation ownership property.

2. Incidental benefits may only be offered if:

a. The continuing availability of any incidental benefit for the use and enjoyment of owners of vacation ownership shall not be necessary in order for any accommodation or facility to be used, occupied, or enjoyed by the owners in a manner that is consistent in all material respects with the manner set forth in the vacation ownership plan instrument or represented by or on behalf of the developer, whether in the purchase contract, in the public offering statement, in any advertisement or promotion, or otherwise.

b. The use of or participation in the incidental benefit by an owner is completely voluntary, and payment of any assessment or fee associated with the incidental benefit is required only upon such use or participation.

c. No operating, maintenance, or repair costs related to the incidental benefit shall be passed on to owners as common expenses.

### Section 4-103.- Completion of Accommodations and Facilities

1. A developer shall complete all accommodations and facilities not later than eighteen (18) months after the estimated date for the completion thereof, as disclosed by the developer or on his behalf to the Company during the application process for a vacation ownership right sales permit.

2. In connection with any such accommodation or facility not yet completed as of the date on which it was disclosed to the Company during the above permit application process, a developer shall file with the Company:

a. A written statement disclosing all costs involved in completing the accommodation or facilities in question;

b. A written statement of the estimated time of completion of such accommodation or facility;

c. A copy of the executed construction contract and any other contracts for the completion of the accommodation or facilities;

d. Documents attesting to the satisfaction of the Company the availability of sufficient funds to complete such accommodation or facilities which shall consist of:

i. Evidence of cash reserve in an amount sufficient to complete the project or financing available for the construction;

ii. Payment and performance bond in an amount equal to one hundred percent (100%) of the anticipated cost of completion of the accommodation or facilities in question. Any such bond shall be issued by a surety or insurance company authorized to do business in Puerto Rico and having a sufficient net worth to be acceptable to the Company;

iii. A letter of credit in the amount specified in subparagraph (ii) above issued by a bank, savings and loan association, or other financial institution authorized to do business in Puerto Rico secured by a U.S. Government entity and having a sufficient net worth to be acceptable to the Company; or

iv. One hundred percent (100%) of the funds received from purchasers deposited in an escrow account in accordance with Section 3-102 of this Act.

3. Any such bond or letter of credit shall be irrevocable pending the developer's completion of the promised accommodation or facility. Should it become necessary for the Company to call upon the bond or letter of credit in order to assure the completion of such accommodation or facility, or the reimbursement of the funds received from purchasers, the Company shall have the authority to petition a court of competent jurisdiction to appoint a receiver to direct and administer such completion.

4. The Company may, at its full discretion, accept from the developer any other assurances in connection with a specific accommodation or facility, and extend the period for the completion of the construction of the accommodations or facilities, at its full discretion.

## ARTICLE V

### REQUIRED DISCLOSURES FOR PROSPECTIVE PURCHASERS

#### Section 5-101.- Public Offering Statement

Prior to offering or disposing of any vacation ownership in Puerto Rico, a developer shall file a public offering statement with the Company for approval. The developer shall furnish each prospective purchaser with a physical or electronic copy of the approved public offering statement prior to such prospective purchaser's execution of any purchase contract. The approval of the public offering statement shall be governed by the procedures set forth in Article II of this Act.

### Section 5-102.- Disclosures to prospective purchasers

Every public offering statement filed with the Company, together with any amendments thereof, shall disclose fully and accurately all material characteristics of the vacation ownership plan. At a minimum, it shall contain the following components and current information, effective as of the date of issuance of a vacation ownership plan permit by the Company, in accordance with Article II of this Act.

1. A cover page stating only:

a. The name and principal address of the developer and the vacation ownership plan; and

b. The following statement in conspicuous type:

This public offering statement includes important information to be considered when you buy a vacation ownership. You should review it before signing any purchase contract. You may cancel your purchase contract and receive a refund for any amounts paid to the seller, minus the value of any benefits received in accordance with the purchase contract, within seven (7) days after the date of the execution of said purchase contract or the date of receipt of the public offering statement, whichever occurs later. If the developer has not completed the accommodations object of the purchase contract within eighteen (18) months following the estimated date of completion set by the developer, and published in the public offering statement, you may also cancel the purchase contract within seven (7) days following said date.

If you should decide to cancel the purchase contract within seven (7) days following the date on which you executed the purchase contract or received this public offering statement, whichever occurs later, or if you should cancel this contract because the developer did not

complete the accommodations within the term allowed, you should notify your decision in writing to (name of the seller) at (seller's address) by mail postmarked no later than on the seventh (7<sup>th</sup>) calendar day following the dates herein set forth, or deliver in person a written notice to the same address not later than the seventh (7<sup>th</sup>) calendar day following the dates herein set forth, provided that it is not a Saturday, Sunday or holiday, in which case, such term shall be extended to the following business day.

2. The number of years that the developer has been in business generally, and in the tourism and leisure industry specifically.

3. The property management experience of the developer and of the managing entity selected by the developer.

4. The term of each owner's vacation ownership rights. It shall constitute a violation of this Act to represent to a prospective purchaser of a vacation ownership right that the term of his vacation ownership right is any longer than the shorter of: (i) the period of availability for use and occupancy of the component site of the project or of the accommodations thereat, in which said purchaser has a vacation ownership right; or (ii) the term of the vacation ownership plan. The developer shall also disclose the term of availability of each component site within the vacation ownership plan. Under no circumstances shall an owner be entitled to any use or occupancy rights with respect to accommodations or facilities of a vacation ownership plan following the expiration of such owner's term of ownership, as such term may be represented to the owner, in accordance with the provisions of Section 5-102(4).

5. Notwithstanding the foregoing, a developer shall be permitted to represent to prospective purchasers that shorter term accommodations are included as part of the vacation ownership plan; provided that:

a. The period of availability of any such accommodation is clearly and conspicuously disclosed to the prospective purchaser in the public offering statement and in all advertising and promotional materials published or otherwise disseminated with respect to the vacation ownership plan; and

b. No accommodation which is available for use and occupancy for a shorter period of time is included when calculating whether the one-to-one purchaser-to-accommodation ratio requirement has been satisfied.

6. A description of the reservation system and the rules and regulations adopted by the developer or the managing entity that governs the request, confirmation, and cancellation of reservations. However, if the vacation ownership plan has less than one year's operating experience, the public offering statement shall include a description of the projected demand at each component site or state that no such projection has been made and that it may be difficult for owners to obtain reservations of accommodations of their choice.

7. A brief description of each component site and of the protected accommodations and facilities comprising the vacation ownership plan, that for each component site includes:

a. The number of accommodations existing at the component site and the total number of seven (7)-day intervals that they represent;

b. The legal right with respect to each accommodation held by the vacation ownership plan (i.e., property, leasehold, etc.);

c. For each component site, a description of each type of accommodation available in terms of their room number, capacity of occupancy, and area measurements in square feet. It shall include also the total number of seven (7)-day intervals for each type of unit;

d. A list of any special or recreational facilities, if any, on each component site, identifying the owner or operator of said facilities, and whether such facilities may be modified or eliminated in the future;

e. If construction of any of the accommodations or facilities is not yet completed, the estimated date of availability;

f. If any of the accommodations shall be unavailable for use and occupancy during certain periods of time, whether due to the performance of periodic maintenance works during such periods or otherwise; and

g. Whether or not the developer intends to offer other types of accommodations for sale at the component site.

8. If incidental benefits are offered, a description thereof shall be furnished, in a summary format, including substantially the same information as the developer is required to disclose in accordance with the provisions of Section 5-102(7) of this Article V with respect to accommodations and facilities. In addition, any description of such incidental benefits shall be preceded by the following notice in conspicuous type:

9. Incidental benefits, if any, described herein or in any separate incidental benefit disclosure may not be available during the entire duration of your vacation ownership right and there are no financial assurances that these benefits shall be available at all. You should not rely on the continued availability of these incidental benefits when deciding whether to purchase or not vacation ownership property.

10. The following information regarding management of the vacation ownership plan and of each component site:

a. The relationship, if any, between the developer, the managing entity, and the various component site managing entities;

b. Any person who has the right to alter or amend the vacation ownership plan instrument or change the terms and conditions under which assessments may be imposed on vacation ownership rights owners;

c. If the common expenses of the property of any vacation ownership plan or any component site are included within the common expenses of the vacation ownership and, if not, who shall be responsible for said expenses, the manner in which timely payment of common expenses and real estate taxes of the plan or component site shall be accomplished; and

d. Any current or expected assessments, fees, or charges to be paid by owners of vacation ownership plan rights for the use and enjoyment of any accommodations and/or facilities thereat. The developer shall also disclose the following information as applicable:

i. Any limitation on annual increases in common expenses assessments and, if none exist, a statement to such effect;

ii. The existence or nonexistence of any uncollectible debt or working capital reserve; and

iii. The existence or nonexistence of any replacement or deferred maintenance reserve.

e. The annual estimated contribution for common expenses that each owner of vacation ownership rights shall make based on the vacation ownership right to be acquired, stating in detail if such payment is different from that of other owners and the reasons therefor.

11. The legal nature of the vacation ownership right purchased and whether it includes any priority right of use of existing accommodations or facilities at a particular component site.



12. A statement in conspicuous type that the vacation ownership rights being offered by the developer are for the personal use and enjoyment of the owner and that such rights or accommodations are not suitable for investment or intended for resale for profit.

13. A description of any blanket liens that affect any accommodations or facilities of vacation ownership plan, together with a description of the means whereby such accommodations and facilities have been financially assured as required by Article IV of this Act.

14. A general description of any financing offered or arranged by the developer.

15. In case a vacation ownership plan includes component sites located in Puerto Rico, a statement in conspicuous type stating that the vacation ownership rights offered by the developer are not subject to the provisions of Act No. 104 of June 25, 1958, as amended, better known as the "Condominium Act"; therefore, owners of vacation ownership rights shall not be entitled to many of the protective measures afforded by said Act to purchasers of apartments or units in condominiums.

16. Any other information required by the Company in order to achieve full and reasonable disclosure to the prospective purchasers of the vacation ownership plan.

17. If the developer has made or intends to make in the dedication deed referred to in Section 12-113 of this Act, a reservation of the use dedication provided for in Section 12-113(2)(d) of this Act, a description of the details of such reservation and the terms and conditions for the exercise of the option to subsequently establish the ultimate use dedication by the developer, as well as an explanation of how, when exercised, the rights of the owners of vacation ownership rights may be affected, if

at all, and that the one-to-one purchaser-to-accommodation ratio requirement shall be satisfied at all times.

18. A reference to the procedures provided for Section 12-132 of this Act in the event of noncompliance by the owners of vacation ownership rights.

Section 5-103.- Additions, Substitutions, and Deletions

If the vacation ownership plan instrument allows for additions, substitutions, or deletions of accommodations and/or facilities to or from a vacation ownership plan, then the developer thereof shall, to the extent applicable, include the following explanations and disclosures in the public offering statement required to be furnished to prospective purchasers vacation ownership, in accordance with the provisions of this Article V:

1. Additions.-

a. The developer shall disclose the basis upon which new accommodations and/or facilities may be added to the vacation ownership plan, including by whom additions may be made and the anticipated effect of the addition of any new accommodations and/or facilities upon the owners probability to obtain confirmed reservations;

b. The developer shall disclose the existence of any limitation on annual increases in common expense assessments of the vacation ownership plan that would apply in the event that additional accommodations and/or facilities were made a part thereof or, alternatively, the fact that no such limitation exists; and

c. The developer shall disclose the extent to which the owners, other than the developer, shall have the right to approve any proposed additions of accommodations and/or facilities to the vacation ownership plan.

2. Substitutions.-

a. The provisions of this subsection (b)[sic] shall apply only to vacation ownership plans offering non-specific vacation ownership rights as defined in subsection (37) of Section 1-104 of this Act. There shall be no right to substitute other accommodations and/or facilities for any existing accommodations or facilities of a vacation ownership plan with respect to which specific vacation ownership rights are offered for sale.

b. The developer shall disclose the basis upon which new accommodations and/or facilities may be substituted for existing accommodations and facilities of the vacation ownership plan, including by whom such substitutions may be made, the reasons why any such substitutions may occur, and any limitations on the developer's right to make such substitutions. The developer shall also disclose the extent to which owners of vacation ownership rights in a vacation ownership plan other than the developer shall have the right to approve any proposed substitutions of accommodations and/or facilities.

c. Substitutions that are otherwise allowed hereunder may only be made to the extent that the one-to-one purchaser-to-accommodation ratio requirement is satisfied at all times. Accordingly, accommodations may be substituted only for other accommodations, as such term is defined in Section 1-104 of this Act, unless the one-to-one purchaser-to-accommodation ratio requirement can be satisfied following such substitution, notwithstanding the substitution of an accommodation for another unit.

d. Any substitute accommodations and/or facilities shall have a term of availability, vacation value, quality, and location comparable to the accommodations and/or facilities which they shall substitute.

3. Deletions.- The developer shall disclose that deletions may occur only in the following circumstances:

a. Deletion by Casualty

i. The vacation ownership plan instrument shall require that all of the accommodations and facilities comprising the plan shall be insured against all risks of direct physical loss commonly insured against with respect to accommodations and facilities of similar in construction, location, use, and occupancy to the accommodations and facilities in question, in the total amount, after application of deductibles, of the maximum insurable replacement value thereof, without deduction for depreciation. Replacement value shall be determined periodically by each managing entity. The vacation ownership plan instrument shall also provide that in the event of any casualty or other occurrence that results in accommodations and/or facilities being unavailable for use or occupancy by owners of vacation ownership, the managing entity shall notify all affected owners of such unavailability within thirty (30) days following the date of such occurrence. The vacation ownership plan instrument may also provide for the acquisition and maintenance of business interruption insurance, if available, the proceeds of which shall be used to secure substitute accommodations and/or facilities during any period of repair, reconstruction, or replacement.

ii. The vacation ownership plan instrument shall provide for the application of any insurance proceeds arising from a casualty or other occurrence, to the extent not used to repair or reconstruction of the damaged or destroyed property, to either the acquisition of substitute accommodations and/or facilities that are of comparable value, quality, and location to the damaged or destroyed accommodation and/or facility or to the removal of owners of the vacation ownership plan so that owners would not be competing for available accommodations on the basis of a greater than one-to-one owner-to-accommodation

ratio. The basis upon which owners shall be removed from the vacation ownership plan, together with any procedures necessary to implement such removals shall be set forth in the vacation ownership plan instrument and fully described in the public offering statement. The vacation ownership plan instrument shall also describe the powers of the managing entity with respect to the settlement and/or adjustment of claims arising under the insurance policies relating to the component site that is part of the vacation ownership regime and the powers of such managing entity with respect to the application of the proceeds of such insurance policies.

iii. The developer shall disclose that during a period of repair, reconstruction, or replacement of the vacation ownership plan's damaged or destroyed accommodations, or as a result of the unavailability of sufficient hazard insurance proceeds or other financial resources including, but not limited to, the proceeds of any business interruption insurance or special assessments levied on owners and the contents of any applicable reserve accounts, and pending the removal of owners from the vacation ownership plan, in accordance with the provisions of subsection (c)(i)(B) of this Section, the one-to-one purchaser-to-accommodation ratio requirement may not be satisfied temporarily, and consequently, owners of vacation ownership rights may experience greater levels of competition for the use of the accommodations of the vacation ownership plan that are available at such time.

b. Deletion by Eminent Domain

i. The vacation ownership instrument shall provide for the application of any proceeds arising from a taking or condemnation of accommodations and/or facilities at any component site, pursuant to eminent domain proceedings, to either the replacement of the accommodation and/or facility so taken with an accommodation and/or facility of comparable term of availability, vacation value, quality, and location, or to the removal of owners from the vacation ownership

plan so that owners would not be competing for available accommodations on the basis of a one-to-one purchaser-to-accommodation ratio that exceeds the one provided in this Act.

ii. The developer shall disclose that during any such period of replacement of a accommodations comprising the vacation ownership plan which have been deleted by eminent domain, or as a result of the unavailability of sufficient condemnation proceeds or other financial resources, including but not limited to the proceeds of any business interruption insurance or special assessments levied on owners and the contents of any applicable reserve accounts, and pending the removal of owners from the vacation ownership plan, in accordance with subsection (c)(ii)(A) of this Section, the one-to-one purchaser-to-accommodation ratio requirement may not be satisfied temporarily, and consequently, owners of vacation ownership rights may experience greater levels of competition for the use of the accommodations and/or facilities of the vacation ownership plan that are available at such time.

c. Automatic Deletion

The vacation ownership plan instrument may provide that a particular component site or one or more accommodations thereat shall be automatically deleted from the plan at a certain time or under certain circumstances. However, said vacation ownership plan instrument shall further provide for the removal of owners from the vacation ownership plan in a sufficient amount so that the remaining owners need not to compete for available accommodations on the basis of a one-to-one purchaser-to-accommodation ratio that exceeds the ratio provided in this Act.

#### Section 5-104.- Disclosure Summary

The developer of a vacation ownership plan may deliver the information, explanations, and disclosures required by Article V to prospective purchasers of the vacation ownership plan in a more summarized manner, including through the use of tables or charts, as authorized by the Company, by regulation or otherwise, if in the judgment of the Company such disclosures accomplish a meaningful and effective disclosure to such prospective purchasers.

#### Section 5-105.- Disclosures and Instruments of Vacation Ownership Plans Constituted Outside of Puerto Rico

In the case of vacation ownership plan disclosures, regardless of the term used to denominate it, including timeshare or vacation club, which have been approved or accepted by another State that, in the judgment of the Company, regulates vacation ownership plans with disclosure requirements and concomitant consumer protection substantially similar to, or broader than that afforded by this Act, and the laws of the Commonwealth of Puerto Rico, the Company may accept all or a portion of such disclosures which have been approved or accepted by such other state in lieu of all or a portion of the public offering statement otherwise required by Article V. The Company is hereby authorized to enter into agreements with other states for the purpose of facilitating the processing of instruments of vacation ownership plans out of Puerto Rico, and the referral of consumer complaints to the appropriate state.

### ARTICLE VI

#### VACATION OWNERSHIP MANAGEMENT;

#### COMMON EXPENSES; RESERVATION SYSTEM

#### Section 6-101.- Managing Entity

1. Prior to offering vacation ownership property for sale, the developer of the vacation ownership plan in question shall create or provide for a managing entity that shall be the developer itself, a property management firm, a hotel management

firm, an owners' association, a trust, a duly incorporated club, or a combination thereof. The managing entity of a vacation ownership plan may also be the managing entity of other component sites; however, in such event, unless the vacation ownership plan is comprised exclusively of nonspecific vacation ownership rights owners, the funds, including reserves, and the books and records of the plan or of the component site or sites shall not be commingled for longer than a thirty (30)-day period after the date the managing entity receives funds from an owner. The financial books and records of a vacation ownership plan shall be maintained by the managing entity in accordance with generally accepted accounting principles and audited annually by an independent certified public accountant in accordance with the standards of the Accounting Standards Board of the American Institute of Certified Public Accountants. A copy of the audit report to be prepared annually shall be filed with the Company upon request. All expenses associated with such audit shall be common expenses.

2. The managing entity shall fully comply with the provisions of this Act. However, with respect to a particular component site, the vacation ownership plan managing entity shall not be responsible for any wrongful actions or omissions of the applicable component site managing entity, unless the vacation ownership managing entity is also the component site managing entity.

Section 6-102.- Assessments for Common Expenses; Subsidization by Developer

Until a managing entity is created or provided for in accordance with the provisions of Section 6-101 of this Article, the developer shall pay all common expenses of a vacation ownership plan. The vacation ownership instrument shall provide for the allocation of all common expenses among all owners of vacation ownership, including vacation ownership rights owned or not yet sold by the developer and the accommodations with respect to which the developer may have



made a reservation of the use dedication as provided for in Section 12-113(2)(d) of this Act, as calculated by reference to the maximum number of vacation ownership rights which the developer may sell and continue to meet with the one-to-one purchaser-to-accommodation ratio requirement. The developer may exclude, in the case of accommodations sold or to be sold, the portion of the common expenses that is not common to all owners of the regime and do not benefit such accommodations. The vacation ownership instrument shall allocate common expenses to the developer which expenses are attributable to the vacation ownership rights he owns and has not yet sold on the same basis that common expenses are allocated to vacation ownership rights sold to owners. However, the developer may, in lieu of paying any assessments attributable to each unsold vacation ownership right, enter into a subsidy agreement with the managing entity, whereby the developer agrees to pay to the managing entity, on a monthly basis, the difference between: (1) the vacation ownership plan total common expenses and any special or unbudgeted expenses incurred in such month, and (2) the total common expenses and special assessments actually collected from the owners (other than the developer) during the applicable month. The developer of a vacation ownership plan may enter into a subsidy agreement with respect to the common expenses of other component sites, the common expenses of the vacation ownership plan, or all of them, as provided in the vacation ownership plan instrument. The developer's obligation to pay the subsidy shall be secured by a surety bond, an irrevocable letter of credit, a cash deposit, an escrow deposit, or other means or mechanism acceptable to the Company. However, the Company may prescribe by regulations any financial and other standards pursuant to which a developer may be exempt from the aforesaid security requirement.

Section 6-103.- Duties of the Managing Entity Regarding Property of a Vacation Ownership Plan and Component Sites

1. Prior to representing in any manner that an accommodation is part of a vacation ownership plan or component site, the developer or the managing entity shall determine and certify to the Company, to the best of the declarer's knowledge based on all available information, that the declarer has the capacity to finance and the adequate reserves in order to defray all of the common expenses of the vacation ownership plan together with the assessments for maintenance to be paid by owners.

2. The certification described in subsection (1) above shall be renewed at least annually. In the event that the developer or the managing entity determines that the status of any vacation ownership plan or component site has materially changed in such a manner that any component of the certification described in subsection (1) above is no longer materially accurate, the developer or managing entity shall promptly notify the Company of such change.

3. The managing entity shall owe a fiduciary duty to each owner of a vacation ownership with respect to the overall operation and management of the vacation ownership plan including, but not limited to, incurring expenditures and obligations and the contracting or subcontracting of services and supplies. In the discharge of such fiduciary duty, the managing entity shall exercise due diligence in procuring such supplies or services as may be required by the vacation ownership plan or from third parties at competitive prices, while keeping the quality standards of the vacation ownership plan in question at all times, and shall report as part of its managing fee collected, in addition to its contractually stated managing fee, any amounts or the value of any benefits received by the managing entity from any supplier of supplies or services for the vacation ownership plan.

4. The managing entity shall furnish to the owners of vacation ownership, upon written request by any interested owner, a financial statement stating the amount of assessments for maintenance collected and the common expenses items defrayed from such assessments as of the date of request.

Section 6-104.- Collection of Assessments and Payment of Common Expenses of Vacation Ownership and Component Site

1. A managing entity and a component site managing entity shall owe a fiduciary duty to each owner of vacation ownership with regard to the collection of assessments and the disbursement of funds from the vacation ownership plan to defray common expenses.

2. The vacation ownership plan managing entity shall establish an account separate from other accounts of said entity where all payments received from time to time by the vacation ownership plan managing entity from the developer and from other owners of vacation ownership rights on account of common expenses incurred in connection with any component site or portion thereof shall be deposited or caused to be deposited. The vacation ownership plan managing entity shall not be required to deposit in said account any payments received from the developer or owners relating to other common expenses of the vacation ownership plan, including those allocable to the vacation ownership plan managing entity's management fee and to the operation of the reservation system.

a. Any vacation ownership plan managing entity that intentionally fails to comply with the provisions of subsection 6-104(2) relating to the establishment of a separate account for depositing funds for the payment of common expenses shall be guilty of unlawful taking or aggravated unlawful taking, as defined in Articles 181 and 182 of the Penal Code of Puerto Rico, as amended. Noncompliance by a vacation ownership plan managing entity with the requirement to establish a separate account or to deposit funds in such account as required by this

subsection shall constitute prima facie evidence of an intentional and willful violation of this Section.

3. In lieu of meeting the separate account requirement of subsection 6-104(2) of this Section, and in recognition of the impossibility or impracticability for a vacation ownership plan managing entity to meet said requirements, the Company shall exercise discretion to accept other financial assurances that funds shall be available to pay the common expenses of each component site of a vacation ownership plan, including but not limited to a surety bond or an irrevocable letter of credit issued in such minimum amount as the Company deems reasonably necessary in order to accomplish such goal.

4. The provisions of this Section 6-104 shall not apply to any payments made directly to a component site managing entity by the owner of a vacation ownership plan.

5. The vacation ownership plan managing entity may deny the use of the accommodations and/or facilities of the plan to any owner who defaults on the payment of any assessments for common expenses. A managing entity that wishes to deny the use of accommodations and/or facilities of a vacation ownership plan to third parties receiving use rights during the period assigned to the delinquent owner of a vacation ownership plan through an affiliated exchange program shall notify the affiliated exchange company in writing of the denial of use. The receipt of such written notice by the affiliated exchange company shall be sufficient to prevent the use of accommodations and/or facilities by third parties claiming through the affiliated exchange program and shall be binding upon all third parties claiming through the affiliated exchange program until such time as the affiliated exchange company receives written notice from the managing entity that the owner is no longer delinquent. Notwithstanding the foregoing, any third party claiming through the affiliated exchange program who has received a confirmed assignment of the

delinquent owner's use rights from the affiliated exchange company at least forty-eight (48) hours in advance upon receipt by the affiliated exchange company of a written notice of the owner's default from the managing entity shall be allowed by the managing entity to use the accommodations and/or facilities of the vacation ownership plan to the same extent that the use of such accommodations and/or facilities would be allowed to the delinquent owner were he not delinquent.

#### Section 6-105.- Reservation System

1. Prior to offering vacation ownership property for sale, a developer shall create or provide a reservation system, including all appropriate computer hardware and software as necessary to satisfy the owners' reasonable expectations concerning the use and occupancy of the accommodations included in the vacation ownership plan, based on the developer's representations and the terms and conditions of the vacation ownership plan instrument, and establish rules and regulations for its operation. In establishing such rules and regulations, the developer shall take into account the anticipated demand for use and occupancy of the accommodations included in the vacation ownership plan, in view of the size and type of each accommodation, each component site location, the time of year, the projected common expenses from year to year for the vacation ownership plan, and all other relevant factors, and shall make, in good faith, its best efforts, based on all evidence reasonably available to the developer under the circumstances, to maximize the collective opportunities for all the owners of a vacation ownership plan to use and occupy the vacation ownership plan's accommodations. The rules and regulations shall also provide for periodic adjustment of the reservation system by the developer or the vacation ownership plan managing entity in order to balance the demand in the reservation system, as to accurately show actual patterns of reservation requests for the use and occupancy of the accommodations included in the vacation ownership plan presented by owners from time to time.

2. The person or persons authorized in the vacation ownership plan instrument to make additions or substitutions of accommodations to the plan, in accordance with the provisions of Section 5-103 of this Act shall owe a fiduciary duty to each owner of the vacation ownership plan to act in the collective best interests of all such owners in connection with any such addition or substitution and to adhere to the demand balancing standard set forth in subsection (1) above, in ascertaining the desirability of any proposed addition or substitution and the anticipated impact thereof on the practical ability of owners to reserve, use, and occupy the accommodations included in the vacation ownership plan.

3. Prior to offering any vacation ownership plan rights for sale, a developer shall provide the Company with satisfactory evidence of the existence of the vacation ownership plan's reservation system and shall certify to the Company that such reservation system is fully operative.

4. Any agreement entered into between a vacation ownership plan and a reservation system provider shall state that, upon termination of the provider's contract by either party, the reservation system provider shall, in the vacation ownership plan managing entity's sole discretion:

a. Allow the vacation ownership plan to use the reservation system for a transition period of up to nine (9) months in the same manner and at the same cost as the vacation ownership plan used the reservation system prior to the termination of the agreement, in order to afford the vacation ownership plan managing entity a reasonable opportunity to obtain a new reservation system and arrange for the transfer of all relevant data from the old reservation system to the new reservation system as described in subsection (b) below; or

b. Promptly transfer to the vacation ownership plan managing entity all relevant data contained in the reservation system including, but not limited to, the names, addresses, and existing reservation status of accommodations at the

vacation ownership plan component sites, the names and addresses of all owners, all outstanding confirmed reservations and reservation requests, and such other information or records of any owner and component site, as is sufficient in the reasonable discretion of the vacation ownership plan managing entity, to allow the uninterrupted operation and administration of the vacation ownership plan for the collective benefit of owners of the vacation ownership plan. All reasonable costs incurred by the reservation system provider in effecting such transfer shall be reimbursed thereto and shall constitute common expenses of the vacation ownership plan.

#### Section 6-106.- Recall of Managing Entity

1. Owners may discharge the managing entity only for cause, in the manner provided for in the vacation ownership plan instrument. For such purposes, the vacation ownership plan instrument shall include a process to settle claims filed by vacation ownership plan owners against the managing entity thereof. Such instrument shall also include the process whereby the managing entity may be discharged.

2. A managing entity discharged in accordance with the terms of the vacation ownership plan instrument shall not be entitled by reason of its discharge to any penalty or any other charge payable, directly or indirectly, in whole or in part, by any owner, except to the extent that the developer is bound under any agreement entered into with the managing entity to pay any such charge or penalty.

3. All costs and expenses incurred in connection with the managing entity's discharge process shall be defrayed by the owners.

4. For purposes of subsection 1 of this Section, the term "for cause" shall only be construed to mean the occurrence of any one, or a combination of, the following:

a. A gross violation, on the managing entity's part, of any of its material obligations under this Act; or

b. A gross violation, on the managing entity's part, of its fiduciary duty set forth in subsection (1) of Section 6-104 of this Article.

## ARTICLE VII

### PROHIBITED PRACTICES

#### Section 7-101.- In General

It shall be unlawful for any person offering vacation ownership property within Puerto Rico to intentionally authorize, use, direct, or aid in the dissemination, distribution, or circulation of any statement, advertisement, broadcast, or telecast concerning the vacation ownership plan in which such vacation ownership rights are offered, which contains any statement, characterization, or depiction, either written or graphic, that is false or misleading, including, but not limited to, showing proposed improvements or nonexistent scenes without clearly indicating that the improvements are proposed and the scenes do not exist.

Nothing in this Section shall be construed to hold the publisher of any newspaper, any job printer, any broadcaster or telecaster, any magazine publisher, or any employee thereof, liable for any publication, dissemination, distribution, or circulation herein prohibited unless such person had actual knowledge of the falsity thereof.

#### Section 7-102.- Prohibited Advertising

No advertisement, promotion, or offer of a vacation ownership plan shall:

1. Contain any representation as to the availability of a resale or rental program offered by or on behalf of the developer or its affiliate unless such resale or rental program has been fully described in the developer's vacation ownership plan permit application submitted to the Company and in the public offering statement furnished to all prospective purchasers;



2. Contain an offer or inducement to purchase a vacation ownership right which purports to be limited as to quantity or restricted as to time unless the quantity or time applicable to the offer or inducement is clearly and conspicuously disclosed;

3. Contain a statement concerning the availability of vacation ownership rights at a particular minimum price if the number of such vacation ownership rights available at such price comprises less than ten percent (10%) of the remaining unsold inventory of the developer, unless the number of vacation ownership rights available then for sale at the minimum price is set forth in the advertisement;

4. Contain a statement that the vacation ownership being offered for sale may be further divided;

5. Contain any asterisk or other reference symbol as a means of contradicting or changing the ordinary meaning of any previously made statement in the advertisement, promotion, or offering;

6. Misrepresent the size, nature, scope, extent, term of availability, qualities, or characteristics of the accommodations, facilities, incidental benefits, or component sites of a vacation ownership plan;

7. Misrepresent or imply that a facility or incidental benefit is available for the exclusive use of owners if a public right of access or of use thereof exists;

8. Make any misleading or deceptive representation with respect to the contents or nature of the developer's permit to operate a vacation ownership plan or the purchasers' or owners' rights, privileges, benefits, or obligations under the purchase contract or this Act;

9. Misrepresent the conditions under which an owner may participate in an exchange program;

10. Purport that a person's name resulted through a referral unless the name of the person making the referral may be obtained upon request of the Company;

11. Describe any proposed or incomplete accommodation, facility, incidental benefit, or component site, unless the estimated date of completion, availability, or legal right of access thereto is set forth, and evidence has been presented to the Company that the completion and availability thereof, or the legal access thereto, are financially assured within the time frame represented as required in Section 4-103 of this Act;

12. Describe or portray any accommodation or facility of a vacation ownership plan which is not required to be built, unless such description or portrayal is conspicuously labeled or identified as “MAY NOT BE BUILT” or “PROPOSED”;

13. Contain a statement that the developer is affiliated with an exchange program if, in fact, no such affiliation exists; or

14. Use any exchange company’s materials, brochures, directories, video tapes, or other literature, advertisements, or promotions when the developer is not affiliated with such exchange company.

#### Section 7-103.- Disclosure of Intent to Make Sales Presentations

1. It shall be unlawful for any person to use an advertisement or other promotional mechanism, including but not limited to raffles, sweepstakes, gifts, or lodging certificates, with the intent to offer vacation ownership rights for sale without disclosing in a clear and unequivocal manner a statement substantially similar to the following: “THIS ADVERTISEMENT IS TO OFFER VACATION OWNERSHIP RIGHTS FOR SALE.” A similar disclosure statement required by a state’s laws governing vacation ownership plans shall be an acceptable alternative, in the reasonable discretion of the Company. It shall also be unlawful for any person to offer vacation ownership rights located inside or outside of Puerto Rico by means of telephone communication without first disclosing in a clear and unequivocal manner that the purpose of the telephone communication is to offer vacation

ownership rights for sale and requesting the consent from the person receiving the communication to proceed.

2. The following unfair acts or practices or omissions of any person intentionally promoting the sale of vacation ownership rights are prohibited:

a. Failing to disclose clearly and conspicuously all rules, regulations, terms, and conditions of the developer's promotional program; the exact nature and approximate retail value of gifts or similar items when offered or, if the item is not available for sale on a retail basis, the cost to the developer of the item; the date or dates on or before which the offer shall end or expire; and the odds of receiving any particular gift or similar item;

b. Failing to obtain the express written consent of individuals before their names are used for promotional purposes in connection with a vacation ownership plan;

c. Failing to award and deliver items promised in a promotion by the date and year specified in the promotion;

d. Misrepresenting in any manner the odds or likelihood of a person's receiving any item or gift; and

e. Misrepresenting or deceptively representing any material facts concerning:

i. the accommodations, facilities, incidental benefits, or reservation system of a vacation ownership plan, including when such plan components shall be available to owners;

ii. the nature or extent of any services incidental to such accommodations or facilities;

iii. the contents of any of the vacation ownership plan instruments or documents related thereto;

iv. the rights, privileges, benefits, and obligations of owners or purchasers in accordance with the vacation ownership plan instrument or documents related thereto; and

v. the purchaser's right to cancel his purchase contract in accordance with the provisions of Section 3-101 of this Act.

## ARTICLE VIII

### EXCHANGE PROGRAMS

#### Section 8-101.- Disclosures in Relation to the Exchange Program

If a prospective purchaser is offered the opportunity to become a member of an exchange program, the seller shall deliver to such prospective purchaser, the public offering statement and any other materials required to be furnished hereunder and together with the offering or execution of any contract between the prospective purchaser and the exchange company offering membership in the exchange program; or, if the exchange company is dealing directly with the prospective purchaser; the seller or the exchange company (as appropriate) shall deliver to the prospective purchaser, together with the initial offering or execution of any contract between the prospective purchaser and the exchange company, the following written information, whether printed or in electronic format, regarding such exchange program:

1. The name and address of the exchange company;
2. Whether the exchange company or any of its officers or directors have any legal or beneficial interest in any developer, seller, or managing entity for any vacation ownership plan participating in the exchange program and, if so, the name and location of the vacation ownership plan and the nature of the participation;

3. Unless otherwise stated, a statement that the contract executed between the exchange company and the purchaser is a contract separate and distinct from the contract executed between the purchaser and the seller of the vacation ownership rights;

4. Whether the purchaser's participation in the exchange program is dependent on the continued affiliation of the pertinent vacation ownership plan with the exchange program;

5. A statement that the purchaser's participation in the exchange program is either voluntary or mandatory;

6. A complete and accurate description of the terms and conditions of the purchaser's contractual relationship with the exchange program and the procedure whereby changes thereto may be made;

7. A complete and accurate description of the procedures necessary to qualify for and effectuate exchanges;

8. A complete and accurate description of all limitations, restrictions, and priorities employed in the operation of the exchange program including, but not limited to, limitations on exchanges based on seasonality, accommodation size, or levels of occupancy, expressed in conspicuous type and, in the event that such limitations, restrictions, or priorities are not uniformly applied by the exchange program, a clear description of the manner whereby they are applied;

9. Whether exchanges are arranged on a space-available basis and whether any guarantees of fulfillment of specific requests for exchanges are made by the exchange program;

10. Whether and under what circumstances an owner, in dealing with the exchange program, may lose the right to use and occupy an accommodation of the vacation ownership plan during a reserved use period in any properly applied for

exchange without his being provided with substitute accommodations by the exchange program;

11. The participation fees or range fees for payable by owners in the exchange program, a statement of whether any such fees may be altered by the exchange company, and the circumstances under which said alterations may be made;

12. The name and address of the site of each accommodation or facility included within a vacation ownership plan participating in the exchange program;

13. The number of accommodations in each vacation ownership plan which are available for occupancy and which qualify for participation in the exchange program, expressed within the following numerical groups: 1-5; 6-10; 11-20; 21-50; and 51 and over;

14. The number of currently enrolled owners for each vacation ownership plan participating in the exchange program, expressed within the following numerical groups: 1-100; 101-249; 250-499; 530 [sic]-999; and 1,000 and over; and a statement of the criteria used to determine those owners who are currently enrolled in the exchange program;

15. The following information as of the end of the immediately preceding calendar or fiscal year, as the case may be, which shall be independently audited by a certified public accountant in accordance with the standards of the Accounting Standards Board of the American Institute of Certified Public Accountants and reported annually not later than one hundred eighty-three (183) days after the end of the calendar or fiscal year, as the case may be:

a. The number of owners currently enrolled in the exchange program.

b. The number of accommodations and facilities that have current affiliation agreements with the exchange program.

c. The percentage of confirmed exchanges, which is the number of exchanges confirmed by the exchange program divided by the number of exchanges properly applied for, together with a complete and accurate statement of the criteria used to determine whether an exchange request was properly applied for.

d. The number of timeshare rights periods for which the exchange program has an outstanding obligation to provide an exchange to an owner who relinquished a timeshare right period during the year in exchange for a timeshare right period in any future year.

e. The number of exchanges confirmed by the exchange program during the year.

#### Section 8-102.- Company Registration

Every exchange company offering an exchange program in Puerto Rico shall register the exchange program within at least twenty (20) days prior to the date on which such membership in an exchange program is offered to any prospective purchaser, purchaser or owner in Puerto Rico. Said registration shall be carried out by filing with the Company the information required in Section 8-101, together with a registration fee in the amount of five hundred dollars (\$500.00). On or before August first (1<sup>st</sup>) of every year, the exchange company shall file with the Company the information required in Section 8-101, together with the annual renewal fee in the amount of two hundred and fifty dollars (\$250.00).

#### Section 8-103.- Hold Harmless Clause

No developer shall be held liable with respect to any violation of this Act arising out of the publication by the developer of information provided thereto by an exchange company in accordance with this Article VIII. No exchange company shall be held liable with respect to any violation of this Act arising out of the use by a developer of information relating to an exchange program other than the information provided to the developer by the exchange company.

### Section 8-104.- Denial of Exchange Privileges

An exchange company may elect to deny exchange privileges to any member whose use of the accommodations and facilities of a vacation ownership plan is unauthorized, and no exchange program or exchange company shall be liable to any of its members or any third parties on account of any such denial of exchange privileges.

## ARTICLE IX REFERRAL PROGRAM

### Section 9-101.- Referral Programs

Any referral program implemented by a developer, pursuant to which an owner, for valuable consideration, is requested to provide the developer or its agent with a list of names of persons who might be interested in purchasing or otherwise acquiring a vacation ownership, shall not be deemed to be an act of brokerage which requires such owner to have a real estate broker or salesperson's license in Puerto Rico; provided, that such program is not implemented by a developer in order to circumvent any provision of this Act, Act No. 10-1994, better known as the "Act to Regulate the Real Estate Business and the Profession of Real Estate Broker, Salesperson or Companies in Puerto Rico," as amended, or any rules or regulations promulgated thereunder.

## ARTICLE X REMEDIES

### Section 10-101.- Unconscionability

A court of competent jurisdiction, upon finding, as a matter of law, that a contract or contract clause was unconscionable at the time the contract was executed, may refuse to enforce the contract, refuse to enforce the remainder of the contract without the unconscionable clause, or limit the application of any unconscionable clause in order to avoid an unconscionable result.



### Section 10-102.- Obligation of Good Faith

Every contract or duty governed by this Act imposes an obligation of good faith which shall mean honesty in fact and the observance of reasonable standards of fair dealing in its performance or enforcement.

### Section 10-103.- Remedies to be Liberally Administered

1. Remedies provided by this Act shall be liberally administered to the end that the aggrieved party is placed in as good a position as if the other party had fully performed his obligation. However, consequential, special, or punitive damages shall not be awarded, except as specifically provided in this or any other Act.

2. Any right or obligation established or imposed by this Act shall be enforceable by judicial proceeding.

### Section 10-104.- Conflicts

Subject to the provisions of Sections 2-108 and 13-102 of this Act, in the event of any conflict between the provisions of this Act and any provision of another statute or regulation pertaining to vacation ownership rights, condominiums, securities, the advertisement, promotion, or offering or recordation thereof, or consumer protection in general, the provisions of this Act shall prevail with respect to all matters herein.

### Section 10-105.- Effect of Violations on Rights of Action; Attorney's Fees

If a developer or any other person subject to this Act fails to comply with any provision thereof, any person adversely affected thereby shall be entitled to file a complaint with a court of competent jurisdiction to seek appropriate relief. The court may also award reasonable attorney's fees to the prevailing party.

### Section 10-106.- Disposition Voidable

In addition to any other remedies provided for in this Act, any deed or instrument of assignment or disposition and any purchase contract shall be voidable, at the sole option of the grantee or purchaser, his heirs, personal representative, or trustee in an insolvency or bankruptcy proceeding, within two (2) years following the later of: (1) the execution date of the applicable purchase contract; (2) execution date of the instrument of assignment or disposition; or (3) the date on which the disposition occurred, if such disposition was not conducted by deed or other instrument of assignment, if on any such date, no currently effective vacation ownership plan permit was issued to the developer.

The provisions of this Section shall not be applicable to transactions allowable for developers of existing timeshare property which file their permit application within the first year of the effectiveness of this Act in compliance with the provisions of Section 2-108. The provisions of this Section shall neither apply to deeds or instruments, or to purchase contracts, executed by developers of existing timeshare property prior to applying for their permit, provided that they do so on or before July 1, 2017.

### Section 10-107.- Limitation of Actions

An action or proceeding to enforce any provision of this Act shall begin within three (3) years following the date on which the claim on which such action or proceeding is based arises.

### Section 10-108.- Applicable Law

Any provision in a deed, instrument of assignment or other disposition or purchase contract with respect to a vacation ownership property, which establishes that the same shall be governed by or interpreted in accordance with the laws of a particular jurisdiction, or that any dispute arising thereunder shall be heard in the courts of a specific jurisdiction which does not have a substantial relation to the

domicile of the parties thereto or to the place where the properties which are the object thereof are located, shall be null.

Any referral program implemented by a developer, pursuant to which an owner, for valuable consideration, is requested to provide the developer or its agent with a list of names of persons who might be interested in purchasing or otherwise acquiring a vacation ownership right, shall not be deemed to be an act of brokerage which requires such owner to have a real estate broker or salesperson's license in Puerto Rico; provided, that such program is not implemented by a developer in order to circumvent any provision of this Act, Act No. 10-1994, better known as the "Act to Regulate the Real Estate Business and the Profession of Real Estate Broker, Salesperson or Companies in Puerto Rico," as amended, or any rules or regulations promulgated thereunder.

## ARTICLE XI COMPANY POWERS

### Section 11-101.- Regulations and Forms

1. Except as provided in Section 11-109, the Company shall be the sole and exclusive government agency responsible for the implementation and enforcement of the provisions of this Act. For such purposes, the Company may from time to time promulgate, amend, repeal, or suspend any regulations, forms, and orders deemed necessary or appropriate to carry out the provisions of this Act, including regulations and forms that govern the applications and reports, and that define any term, whether or not used in this Act, insofar as any such definitions are not inconsistent with the provisions of this Act.

2. The Company may intervene in any action or suit involving the rights or responsibilities of a developer in connection with any vacation ownership plan with respect to which an application for a vacation ownership plan permit is pending.

### Section 11-102.- Investigative Powers

1. The Company may initiate such public or private investigations as deemed necessary, either within or outside Puerto Rico, in order to determine whether any person has violated or is about to violate any provision of this Act or any regulation promulgated thereunder, or to aid in the enforcement thereof. In addition, the Company may conduct hearings to determine whether any representation contained in any document filed with or information furnished to the Company is false or misleading or whether any person has engaged, is engaging, or is about to engage in any unlawful act or practice.

2. For purposes of any investigation or proceeding pursuant to this Act, the director of the Company or any official designated by the director may administer oaths, take sworn statements, subpoena witnesses, compel their attendance, gather evidence, and require the production of any books, papers, correspondence, memoranda, agreements, or other documents or records that the Company deems relevant or material to its inquiry. If any person in any proceedings before the Company disobeys or resists any lawful order or refuses to respond to a subpoena or to take the oath or affirmation as a witness, or thereafter refuses to be examined or is guilty of misconduct during a hearing or so near the place of a hearing as to obstruct the proceeding, the Company shall certify the relevant facts to an appropriate court of competent jurisdiction. Such court may thereupon issue an order directing the person to appear before the court and show cause why he should not be punished as for contempt. The order and a copy of the certified statement shall be served on the person. Thereafter, the court shall have jurisdiction of the matter. The same proceeding shall be had, the same penalties may be imposed, and the person charged may purge himself of the contempt in the same way, as in the case of a person who has committed contempt in the hearing of a civil action before a court in the Commonwealth of Puerto Rico.

3. The Company may require or allow any person to file a statement in writing, under oath or otherwise, as to all facts and circumstances concerning a matter being or to be investigated.

#### Section 11-103.- Cease and Desist Orders

1. The Company may issue an order requiring a person to cease and desist from any action or practice in violation of this Act or any regulations promulgated thereunder by the Company, and to take such affirmative action as, in the judgment of the Company, shall fulfill the purposes and intent of this Act. Whenever the Company determines from evidence available thereto that a person has engaged or is about to engage in any action or practice constituting a violation of this Act or any regulation promulgated or order issued thereunder by the Company, the Company, with or without prior administrative proceedings, may bring an action in an appropriate court of competent jurisdiction to enjoin such action or practice, or to enforce compliance with this Act or any regulation promulgated or order issued hereunder.

2. If, in the opinion of the director of the Company, the offering or disposition of any vacation ownership property within Puerto Rico requires a vacation ownership plan permit under this Act, and such vacation ownership is being, or has been offered or disposed of, without the developer's holding a valid vacation ownership plan permit, the Company may order the developer and the agents thereof to cease and desist from the further offering or disposition of vacation ownership in Puerto Rico, unless or until a vacation ownership plan permit has been duly issued by the Company under this Act. Any person to whom such order is directed may, within thirty (30) days after its service, file with the Company a written request for a hearing to contest the order. If such a request is filed, a hearing shall be held in accordance with the laws of Puerto Rico applicable to administrative adjudications, and the Company shall have all the powers granted thereunder.

3. Whenever the Company determines from evidence available thereto that a developer is directly, or through the agents or representatives thereof, violating or failing to comply with any of the provisions of this Act or any regulations of the Company promulgated thereunder, or that any representations or assurances provided by the developer upon which the Company relied in issuing a vacation ownership plan permit were materially false or misleading or that conditions or circumstances existing with respect to the developer's vacation ownership plan would have resulted in the denial of a vacation ownership plan permit had they been known to the Company, even if such permit was deemed to be issued in accordance with the provisions of subsection (d) of Section 2-103 of this Act; then, the Company may order the developer to cease and desist from such violations, or it may order the cessation of offerings and dispositions of vacation ownership in Puerto Rico. Upon receipt of such an order, the person or persons to whom the order is directed shall immediately discontinue their activities in accordance with the terms of the order. Any person to whom such an order is directed may, within thirty (30) days after service of the order upon the person, file with the Company a written request for a hearing to contest the order. If such a request is filed, a hearing shall be held in accordance with the laws applicable to administrative adjudications, and the Company shall have all of the powers granted thereunder.

4. Whenever the Company determines from evidence available thereto that a person is violating or failing to comply with any of the provisions of this Act or the regulations of the Company promulgated thereunder, that any representations or assurances provided by the person upon which the Company has relied were untrue or have not been carried out, or that conditions or circumstances existing would have caused the denial of any entitlement granted by the Company, then the Company may order the person to cease and desist from such violations. Upon receipt of such an order, the person or persons to whom the order is directed shall

immediately discontinue their activities in accordance with the terms of the order. Any person to whom such an order is directed may, within thirty (30) days after service of the order upon the person, file with the Company a written request for a hearing to contest the order. If such a request is filed, a hearing shall be held in accordance with the laws applicable to administrative adjudications, and the Company shall have all of the powers granted thereunder.

5. When the Company has the authority to issue a cease and desist order in accordance with the provisions of Article XI, the Company may accept, in lieu thereof or as part thereof, an assurance of discontinuance of any unlawful practice. Such an assurance may include a stipulation for the voluntary payment by the alleged violator of the costs of the investigation conducted by the Company, including the cost of initiating and prosecuting any action or proceeding by the Company and any amount necessary to restore to any person money or property acquired by means of the violation. Any assurance of discontinuance accepted by the Company and any stipulation filed with a court in connection with any action or proceeding shall be confidential to the parties to the action or proceeding and to the court and the employees thereof. If, on the contrary, an accepted assurance of discontinuance is violated, or if a person engages in the same unlawful practice which he previously agreed to discontinue, then the assurance of discontinuance or stipulation shall become a public record and open to inspection by any person.

#### Section 11-104.- Permit or Suspension of Vacation Ownership Plan Permit

Following the issuance of a cease and desist order in accordance with Section 11-103 of this Article XI, and if no hearing has been requested to contest the order within the timeframe allowed, or if the developer has unsuccessfully exhausted all administrative remedies available to contest the order, the Company may revoke or suspend a vacation ownership plan permit through an order. After exhausting all administrative remedies available, the developer may petition for judicial review

consistent with the regulations to be issued hereunder in accordance with the provisions of Act No. 170 of August 12, 1988, as amended, better known as the “Puerto Rico Uniform Administrative Procedures Act.”

Section 11-105.- Judicial Review of Company Actions

Every final order, decision, or other official action of the Company is subject to judicial review in accordance with the laws of the Commonwealth of Puerto Rico.

Section 11-106.- Penalties

1. Except as otherwise expressly provided herein, any person who willfully violates any of the provisions of this Act or any regulation promulgated or order issued thereunder shall be guilty of a violation punishable as a misdemeanor. Each such violation shall be deemed a separate offense. For purposes of this Section, a willful violation shall be deemed to have occurred when the person committing or responsible for the violation knew or reasonably should have known that his conduct constituted a violation of any provision of this Act or any applicable regulation or order.

2. If, upon investigation conducted by the Company, it determines that a person has violated this Act or any of its regulations promulgated or order issued thereunder, the Company shall inform such person of the violation by certified mail, and may assess a fine which shall not exceed ten thousand dollars (\$10,000) for each violation. The Company, on behalf of the Commonwealth of Puerto Rico, may initiate legal proceedings in an appropriate court of competent jurisdiction to enforce payment of any such fine that is not paid within ten (10) calendar days following the Company’s notice thereof.



### Section 11-107.- Punishment for Violations of Other Statutes

Nothing in this Act limits the power of the Commonwealth of Puerto Rico to punish any person for any conduct that constitutes a violation under the provisions of any other statute. None of the provisions of Article XI limit the other powers of the Company expressly granted in other Articles of this Act.

### Section 11-108.- Waiver of Requirement; Agency Powers

1. The Company may waive specific requirements or may allow alternative arrangements to meet the requirements of this Act, or any regulation promulgated thereunder, if:

- a. Compliance with specific provisions are impractical or impossible;
- b. Any person shall suffer severe hardship if strict compliance is required; and
- c. Adequate protection for owners of the vacation ownership plan shall be maintained.

2. Any alternative arrangements shall comply with the policies of this Act, including the orderly development of vacation ownership plan and purchaser protection, and shall take into account the following factors:

- a. The number of owners and/or accommodations comprising the vacation ownership plan;
- b. The laws of the jurisdiction where the property comprising the vacation ownership plan is located;
- c. The number of owners and accommodations' owners who are residents of Puerto Rico in relation to the total number of owners and accommodations' owners;
- d. The number of vacation ownership rights sold before the effective date of this Act;

- e. The net worth, liquidity, and other financial capacity of the developer; and
- f. Any other factor the Company deems relevant to allow an alternative arrangement.

#### Section 11-109.- Consumer Complaints

Any purchaser or owner of a vacation ownership plan who understands that his rights under this law have been violated may file the appropriate complaint with the Department of Consumer Affairs, which shall proceed to consider the same in accordance with the authority granted thereto by law. In every proceeding commenced by a purchaser or owner of a vacation ownership plan in the Department of Consumer Affairs, the Company may be deemed an indispensable party thereto.

### ARTICLE XII

#### OWNERS' RIGHTS; CONTENT OF THE INSTRUMENT; PROVISIONS ON RECORDATION; EXTENSION; CONTRACTION AND MERGER OF REGIMES

##### Section 12-101.- Applicability of this Article

The provisions of Article XII are applicable only to the whole of accommodations and facilities whose developer is subject to the provisions of this Act, in which case, said developer shall dedicate the property that is located within the geographic demarcation of Puerto Rico to the vacation ownership property regime established herein, setting it forth in a public deed which shall be recorded in the Property Registry.

In the case of the whole of accommodations and facilities for the sale of vacation ownership rights solely arising out of a contract, whose developer is subject to the provisions of this Act, said developer may establish a vacation ownership regime through public deed with restrictive covenants on such property located within the geographic demarcation of Puerto Rico, which deed shall be recorded in the Property Registry.

Once the vacation ownership plan is established it may only be modified or terminated with the express consent of the Company, which shall ensure that the provisions of this Act with respect to such modification or termination have been complied with and that the rights of the owners are not violated by such modification or termination. Provided, however, that the Company may, by regulations, establish a list of amendments which do not fundamentally affect the nature of the vacation ownership rights sold, the share respectively assigned thereto or the definition of common expenses, and which do not entail deletion of facilities or other amenities or addition of facilities or other amenities other than at the developer's sole cost and expense. Such modifications shall be exempt from the above requirement of the express consent of the Company.

The vacation ownership plan may be established on real property located on land held by duly recorded lease, surface right, or usufruct; provided, that through a public deed to such effect, the lessor or owner in fee simple expressly consents thereto and waives any action or claim he may institute against the owners in case of nonperformance of obligations by the lessee, surface right holder, or original usufructuary.

The vacation ownership plan instrument shall, except as otherwise provided in Section 12-113(2)(d) of this Act, clearly and precisely state the use to which all of the area comprising the real property and dedicated to the plan shall be devoted and once it is established. Said use may only be changed by the developer prior to the sale of any vacation property right with the consent of the developer and the affirmative vote of fifty-one percent (51%) of the voting power of all owners.

The provisions of Section 12-102 related to recordation in the Property Registry; the provisions of Section 12-103 through Section 12-107, both inclusive; Sections 12-109, 12-110, 12-114, 12-115, and 12-117 through 12-127, both inclusive, shall not apply to vacation ownership rights arising out of a contract.

### Section 12-102.- Effect of Dedication to the Vacation Ownership Plan

Once the property is dedicated to the vacation ownership plan, the vacation ownership rights and, subject to the limitations set forth in this Act, the accommodations, may be individually conveyed and encumbered and be the object of ownership or possession, and of all types of judicial actions, *inter vivos* or *mortis causa*, entirely independent of: (i) the rest of the property of which they are a part (in the case of the accommodations), and (ii) of the accommodations (in the case of the vacation ownership rights), and the corresponding deeds may be recorded in the Property Registry according to the provisions of this Act and Act No. 198 of August 8, 1979, as amended, better known as the “Mortgage and Property Registry Act.”

### Section 12-102A.- Effect of Recordation of Subordination Agreement

Once recorded in the Property Registry, a subordination agreement shall be effective against the lienholder’s successors and assigns and any other person who acquires the accommodation or facility subject to the lienholder’s rights through foreclosure, by deed in lieu of foreclosure or by any other legal means, regardless of whether the rights of the owner with respect to the vacation ownership rights are of the type that entails a special property right or not.

### Section 12-103.- Effect of Conveyance or Encumbrance and Subrogation of Rights; Accommodations Planned and Not Begun

In the event of a conveyance or encumbrance of: (i) an accommodation that has been planned, but is not yet under construction; or (ii) a vacation ownership right with respect to such accommodation, it shall be deemed to be acquired by the new owner or encumbered, as applicable, the share corresponding to the conveyor or to the debtor, as the case may be, in the facilities, and the appropriate right to have the accommodation constructed; and the acquirer shall be understood to be subrogated in the rights and to the extent of the conveyor for all legal purposes.

#### Section 12-104.- Accommodation Under Construction

In the case of a conveyance or encumbrance of: (i) an accommodation already under construction, or (ii) a vacation ownership right with respect to such accommodation, the shares referred to in Section 12-103 shall be deemed acquired or encumbered, and the part already built of the accommodation in question shall be deemed individually acquired or encumbered, as applicable, and the acquirer becomes subrogated for all legal purposes.

#### Section 12-105.- Mortgage Credits Constituted Before and After Dedication of Property to Vacation Ownership Plan; Consent of Owners

The mortgagee of the mortgage credits constituted before the property is dedicated to the vacation ownership regime, at the time of bringing action for collection, shall direct the action simultaneously, for the total sum secured, against all the owners of the accommodations that are encumbered. If said credits are constituted after the property has been dedicated to the vacation ownership plan, the distribution thereof shall be carried out as prescribed in Section 170 of Act No. 198 of August 8, 1979, as amended, among the encumbered accommodations already constructed; and in the case of accommodations merely planned or already under construction, the credits shall be distributed among the shares or rights recorded, in accordance with Sections 12-103 and 12-104 of this Article. In the case of vacation ownership plans structured exclusively on the basis of contractual rights to use, the affirmative vote of the owners shall not be required if the mortgage to be established is to remain subordinated to the rights of these owners in accordance with the provisions of Article IV of this Act.

The facilities of a property dedicated to the vacation ownership plan may only be mortgaged with the consent of the developer and the affirmative vote of sixty-six and two-thirds percent (66 2/3%) of the voting power of all owners.

Section 12-106.- Right of Owner to his Accommodation and Share in Facilities

Owners of accommodations shall have an exclusive right (subject to use restrictions) to his accommodation and a share with the other owners of accommodations (including owners of vacation ownership rights comprising said accommodations), in the facilities of the vacation ownership plan allotted to his accommodation in the deed of dedication of the vacation ownership plan property, as the same may be subsequently amended, modified or supplemented. Provided, however, that the total of all shares allocated among all accommodations comprising the vacation ownership plan in accordance with the provisions of this Section shall add up to one hundred percent (100%).

Section 12-107.- Right of Owner of Vacation Ownership and Share in Facilities

The owner of a vacation ownership right shall have an exclusive right (subject to use restrictions) to his vacation ownership property and to a share with the other owners of vacation ownership rights in the facilities of the vacation ownership plan allotted to his vacation ownership right in the deed of dedication to the vacation ownership regime, as the same may be subsequently amended, modified or supplemented. However, the total of all of the shares allotted among all the vacation ownership rights in a particular accommodation shall always be equal to the said accommodation's share computed in accordance with Section 12-106.

Section 12-108.- Facilities of the Property Comprising the Vacation Ownership Plan

Facilities of the property comprising the vacation ownership plan, except as provided in Section 12-113(2) of this Act, shall be described in the deed dedicating the property to the vacation ownership regime, as the same may be amended or supplemented from time to time in accordance with the provisions of this Act.

### Section 12-109.- Division and Grouping of Vacation Ownership Rights

Vacation ownership rights shall not be an object of division, by segregation, to form other vacation ownership rights, nor be grouped or consolidated with others, except as provided in this Section for commercial units. Accommodations shall not be the object of material division, by segregation, to form other accommodations, nor be increased by the grouping of other adjoining accommodations or portions thereof during the term of the vacation ownership plan.

The foregoing paragraph notwithstanding, commercial units may be the object of material division by segregation to form other commercial units, or increased through the grouping of other adjoining commercial units; provided, that the developer had reserved the right to subdivide or group the commercial units of the regime in the deed of dedication referred to in Section 12-113 of this Act. In such cases, the new description of the commercial units affected and the new corresponding percentage shares in the facilities and the common expenses shall be set forth in a public deed of segregation or grouping, as the case may be, which shall not be effective until recorded in the Property Registry under the corresponding filial property numbers. A certified copy of said deed shall remain in the Property Registry attached to the deed of dedication referred to in Section 12-113 of this Act. A plan, certified by an engineer or architect duly licensed to practice his profession in Puerto Rico, graphically showing the details of the modified commercial units, shall be appended to such certified copy. Furthermore, in case of a subdivision of a commercial unit, said plan shall also be approved by the Permit Management Office, or any successor agency thereto.

### Section 12-110.- Indivisibility of Facilities

Facilities shall remain undivided and shall not be the object of an action for division of the co-ownership during the term of the vacation ownership plan. Any covenant to the contrary shall be null.

### Section 12-111.- Rules Governing Use of Facilities and Accommodations

Each owner may use the facilities held in common in accordance with the purpose for which they are intended, without hindering or encroaching on the lawful rights of the other owners. The use and enjoyment of each accommodation shall be subject to the following rules:

1. Each accommodation shall be dedicated solely to the use assigned thereto in the deed referred to in Section 12-101 of this Article XII.

2. No occupant of an accommodation shall make any noise or cause any annoyance or perform any action that may disturb the peace of the other accommodation occupants.

3. Accommodations shall not be used for purposes contrary to law, morality, good conduct, or the public order.

4. Every owner shall contribute to the payment of the assessments in accordance with the share allotted to his vacation ownership right, respectively, in the deed of dedication to the regime, as well as to any other obligations which may be set forth in said deed of dedication.

5. Every owner shall exercise due diligence in the use of the property and in his relations with the other owners, and shall be liable to them for violations committed by his relatives, visitors or employees, and, in general, by any person who occupies the accommodation in question, under any title, without prejudice to any direct action that may lie against said persons.

6. Every owner or tenant of an accommodation shall strictly comply with the provisions set forth in the deed of dedication to the regime, the provisions of Section 12-101 of this Act, as applicable, the bylaws referred to in Section 12-128 of this Article XII, and documents governing the vacation ownership plan, as the same may be subsequently amended, modified or supplemented.



### Section 12-112.- Agreements Regarding Maintenance and Use of Facilities

The necessary works for the maintenance and conservation of the property and for the adequate use of the facilities shall be carried out pursuant to the deed referred to in Section 12-101 of this Act, as the same may be subsequently amended, modified, or supplemented.

### Section 12-113.- Contents of Deed of Dedication

1. In the case of the sale of vacation ownership real property rights, the public deed dedicating the property to the vacation ownership plan shall state the name of the plan and the following particulars:

a. Legal description of the land and general description of the structures located thereon, with their respective areas and construction materials;

b. Description and number of each accommodation, stating its measurements, location, rooms, main entrance door and immediate adjoining place, and any other data necessary for its identification;

c. Description of the common areas of the property that are to be dedicated to the vacation ownership plan or, if the plan is effectively constituted in all or part of the real property on which a horizontal property regime was established, as provided in Section 1-104(36) of this Act, it shall suffice to describe these areas as they were described in the master deed of said regime;

d. Clear indication of the use and purpose to which the property and each one of the accommodations and existing common areas are dedicated;

e. All important information pertaining to the administration of the property and the plan including, without limitation, a description of the duties, responsibilities, and obligations of the plan's future managing entity;

f. Any further data related to the property or the plan which may be of interest to the developer, as well as a description of any rights that the developer may reserve for itself, specifically stating the nature of such rights, the method of

exercising such rights, and how the exercise of such rights shall affect the rights and obligations of the owners of vacation ownership rights;

g. The term of the vacation ownership plan;

h. The procedures to be followed for any amendments, modifications or supplements to the deed dedicating the property to the vacation ownership plan;

i. The terms of any right of first refusal that the developer may wish to establish with respect to the sale of any vacation ownership rights and of any right of redemption against the acquirer of any of such vacation ownership rights, as provided in Section 12-136 of this Act;

j. Description of each vacation ownership right stating the accommodation, if any, to which it is related (or allocated) and the applicable use periods thereof, duly identified by accommodation number followed by the applicable use period;

k. The corresponding share of each vacation ownership right in the facilities and the common expenses, established as set forth in this Act, and the method whereby assessments for maintenance and common expenses shall be imposed on and collected from owners, and as may be provided through regulations;

l. Provisions related to the organization of the owners' association, if any; and the allocation of voting rights attributable to each vacation ownership right, as provided in this Act and as may be provided through regulations; and

m. The events, including but not limited to, condemnation and damage or destruction of property and the procedures whereby a vacation ownership plan may or shall be terminated prior to the expiration of its full term and the consequences of such termination including, but not limited to, the manner in which the property or the proceeds from the disposition thereof shall be applied, held or

distributed among the owners, and the designation of any specific entity to represent the owners in the settlement and/or adjustment of such claims;

2. In the event that the vacation ownership rights are sold through contract, the public deed dedicating the vacation ownership plan shall state the name of the plan, the description, and the information established in paragraphs (a) through (i) of Section 12-113 of this Act.

3. If the plan is an expandable or contractible, the deed of dedication shall also include the following:

a. The explicit reservation, from the developer, of the option or options to expand or contract the plan;

b. A description of the basis on which property may be added to or subtracted from the plan, including without limitation: (i) the respective minimum or maximum ratio at which facilities would be added or subtracted from the regime; (ii) the basis on which the shares of the vacation ownership rights in common areas shall be adjusted.

4. If the plan may be merged in the future with another plan, an express reservation of such right shall also be included in the appropriate deed of dedication, and the provisions of Section 12-134 of this Article XII shall be also complied with.

#### Section 12-114.- Transfer of Vacation Ownership Real Property Rights

The deed of transfer of each vacation ownership real property right in an individual accommodation shall state, in addition to the particulars described in Section 12-113 with respect to the accommodation which is the object of the vacation ownership right, the share pertaining to said right in the facilities, as well as a full and accurate identification of the vacation ownership real property right being conveyed, as it was identified in the deed of dedication. Furthermore, said deed of transfer shall include a warning, in conspicuous type, stating that the vacation ownership real property right being transferred (as applicable) shall not be

subject to the provisions of Act No. 104, *supra*, or Act No. 249-2008, as amended, so the transferee thereof shall not be entitled to many of the protective measures afforded by the horizontal property regime or the condohotel regime under Act No. 104, *supra*, or Act No. 249-2008, *supra*, to purchasers of apartments or units in condominiums or condohotels. If the land on which the structure containing the accommodation which is object of the vacation ownership right to be transferred is held under a recorded lease, surface right, or usufruct title, the deed conveying the vacation ownership real property right in question shall so state, specifying the date on which the recorded lease, surface right or usufruct expires.

Section 12-115.- Copies of Plans to be Appended to Deed of Dedication to Vacation Ownership Plan; Authentication

The certified copy of the deed of dedication to the vacation ownership plan and the certified copy of the deed of transfer originating the first registration of a transfer of real property right over an individual accommodation or a vacation ownership right therein, for recordation in the Property Registry, shall have attached thereto copies of the plans of the property or the accommodation in question, as the case may be, so that said plans may be filed with the Property Registry. Said plans shall be certified, free of charge, by the Permit Management Office, or any successor entity, and shall indicate graphically the particulars of the property or of the accommodation, as the case may be.

When it is intended to dedicate to the vacation ownership plan an existing property whose plans are not on record in the files of the Permit Management Office, or any successor entity, it shall be so established through a certificate issued to such effect by the Director. In such case, there shall be attached to the certified copy of the deed of dedication to the vacation ownership plan and to the certified copy of the deed originating the first registration of a transfer of a vacation ownership real property right, a set of plans certified by an engineer or architect authorized to

practice his profession in Puerto Rico, showing graphically and clearly the particulars of the property or accommodation, as the case may be.

The certified copy of the deed dedicating the property to the vacation ownership plan to be recorded in the Property Registry shall also have attached an appraisal of said property certified by an appraiser authorized to practice his profession in Puerto Rico. Said appraisal shall be used to determine the registration fees to be paid in the Property Registry, for the recordation of the deeds referred to in Section 12-113 of this Act.

**Section 12-116.- Accommodations, Manner of Recordation; Generally**

In the case of vacation ownership real property rights, property dedicated to the vacation ownership plan is organized in the Property Registry by a system of property records interconnected by marginal notes in cross reference. Structures built on the land shall be recorded under the property number on which the land is recorded, and shall be known as the principal property. Each individualized accommodation shall be recorded as a separate property, by an individual record, as a filial estate of the principal property.

Each of said recordation shall be preceded by the word “Vacation Ownership Accommodation,” as applicable, and the name of the regime of which the same is part.

**Section 12-117.- Vacation Ownership Real Property Right; Manner of Recordation; Generally**

Vacation ownership real property rights which may be recorded in the Property Registry in accordance with the provisions of this Act shall be organized also by a system of property records interconnected by marginal notes in cross reference.

The recordation of vacation ownership real property rights shall be made under the property record of the individual accommodation object of the vacation ownership right. Each of said accommodations shall be the principal property of the vacation ownership right with respect to the appropriate vacation ownership rights.

Each individualized vacation ownership real property right conveyed shall be recorded as a separate property under an individual record, as a filial estate of the appropriate principal property.

Each of said recordation shall be preceded by the words “Vacation Ownership Right,” as applicable, followed by an accurate identification of the accommodation object of such right and the name of the plan of which the same is part and of the right being conveyed.

#### Section 12-118.- Specific Circumstances Regarding Principal Property Recordation

When recording the vacation ownership plan under the principal property record, there shall be set forth, as particulars of the entry, those provided for in Section 23 of Act No. 210-2015, as amended, consistent with the provisions of the regulations promulgated for the enforcement thereof, and with the provisions of Section 12-113 of this Article XII, except that with respect to the description of each accommodation contained in the property. For purposes of the entry in the principal property record, it shall be sufficient to state the number of accommodations comprising the vacation ownership plan, the number and type of accommodations in each floor, setting forth the number of each one, the area and the share pertaining to each one in the facilities, all without prejudice to the provisions of Section 12-119 of this Article for the recordation of individual accommodations. Furthermore, there shall be set forth the planned structures, those begun and those completed, as the case may be. Also, facilities shall be permanently recorded by said entry, in favor of the developer of the whole property and, thereafter, of all of the owners of vacation

ownership rights, if any, as the case may be, without stating their names and surnames, but stating their corresponding share.

#### Section 12-119.- Specific Circumstances Regarding the Recordation of Accommodations in Filial Estates

When recording accommodations in filial estates, there shall be set forth, as particulars of the entry, those provided for in Section 23 of Act No. 210-2015, as amended, consistent with the provisions of the regulations promulgated for the enforcement thereof, and the specialized requirements of this Act.

As to the share in the facilities which, in the proper case, pertains to the accommodation owner, there shall be made a pertinent and brief reference to the principal property record under which they have been entered.

Until the construction of the structures on the floor of the respective accommodation has begun, such accommodation may not be recorded as a filial or independent estate. When structures in the accommodations have been commenced but not completed, there shall be indicated those already completed and those pending construction.

#### Section 12-120.- Specific Circumstances Regarding the Recordation of Vacation Ownership Rights in Filial Estates

When recording accommodations in filial estates, there shall be set forth, as particulars of the entry, those provided for in Section 12-114 of this Article XII, as well as the following:

1. The name of the seller or assignor of the vacation ownership right conveyed;
2. The name of the purchaser or assignee of said vacation ownership right;
3. A description of any liens encumbering the vacation ownership right being conveyed and the name of the lienholders thereof;

As to the share in the facilities corresponding to each owner of the said vacation ownership rights, there shall be made a pertinent and brief reference to the corresponding vacation ownership right principal property record where they appear entered.

**Section 12-121.- Declaration by Public Deed Upon Completion of Structures; Recordation**

Planned or begun structures that have been recorded in accordance with the provisions of Section 12-118 of this Article XII, or structures already commenced in accordance with the provisions of said Section 12-118, shall be declared by public deed upon their completion. Such declaration shall be made by the developer and shall be recorded under the particular entry of the respective property. The final description of each completed accommodation may be recorded, even though only the structures planned or under construction appear recorded, and a marginal reference note shall be made under the principal property record.

**Section 12-122.- Conveyances or Encumbrances**

The conveyance or encumbrance referred to in Section 12-103 of this Article XII shall be entered under the particular principal property record, but in cases under Section 12-104 of this Article XII, the entry shall be made under the particular filial estate record of the accommodation, to be entered as a new property, in accordance with the provisions of the last sentence of Section 12-120 of this Article XII.

**Section 12-123.- Subsequent Transactions; Entry of Proportional Share in Facilities is Unnecessary**

Subsequent transactions regarding vacation ownership rights shall be entered under the filial estate records of the respective vacation ownership rights. The proportional share or percentage in the facilities pertaining to the owner of each vacation ownership right shall be deemed conveyed or encumbered jointly with the appropriate vacation ownership right, as the case may be, without the need of



entering such conveyance or encumbrance under the principal property record, or the appropriate vacation ownership right principal property record, as the case may be.

Section 12-124.- New Floors, Acquisitions of Adjoining Land, Cancellation of Liens, Cautionary Notices

Notwithstanding the provisions of Section 12-123 of this Article XII, new floors additions, a use determination made by a developer after having made the reservation referred to in Section 12-113(3) of this Act, or new portions of adjoining land acquired by the developer and grouped with the vacation ownership property shall be recorded under the principal property record accompanied by the corresponding adjustments, if any, on each share in the facilities of each one of the vacation ownership rights. Likewise, the total or partial cancellation of liens existing prior to the dedication of the property to the vacation ownership plan and the cautionary notices or entries making express reference to the property, or to the facilities thereof as a whole, shall be entered under the principal property record, always leaving marginal notes of these operations in the filial estate entries.

Section 12-125.- Termination of Vacation Ownership Plan and Merger of Recorded Filial Estate in the Case of Vacation Ownership Plan Subject to Real Property Rights

1. Owners, including the developer of a property dedicated to a vacation ownership plan consisting of vacation ownership real property rights, by a majority of fifty-one percent (51%) of the voting power of all owners, may terminate the plan and request of the Property Registrar:

a. the regrouping or merger of the filial estates corresponding to each vacation ownership right principal property; and

b. the regrouping or merger of the filial accommodations (estate) in the principal property.

Provided, that the aforesaid filial estates referred to in paragraphs (a) and (b) are unencumbered or, in lieu thereof, that the persons in whose favor said properties are encumbered agree to substitute the security or interest they may have in said properties for the share of such owners in the principal property or vacation ownership right principal property at the time of such termination, as appropriate, within the common property plan provided in Articles 326 et seq. of the Civil Code of Puerto Rico which shall result from said termination.

2. Upon the expiration of the term for which the vacation ownership plan was established, the plan shall automatically terminate and the developer and the owners shall have a share in the totality of the real and personal property then owned by the vacation ownership plan equivalent to the proportion that their respective share in the vacation ownership plan bears, at the time of such expiration, to the aggregate of all shares in the vacation ownership plan; and any lien on any vacation ownership right shall become a lien on the undivided interest in the totality of the real and personal property corresponding to the former owner of the vacation ownership right subject to the lien. In such event, the developer or any owner may request from the Property Registrar:

- a. the regrouping or merger of the filial estates corresponding to each vacation ownership right principal property; and
- b. the regrouping or merger of the filial accommodations (estate) in the principal property, in accordance with the provisions of the preceding paragraph of this Section 12-125; and
- c. the recordation of the respectively resulting undivided common interest in the property formerly dedicated to the plan.

The maximum recordation fee to be collected for the foregoing operations shall be five hundred dollars (\$500) or such higher amount as the Company may from time to time establish by regulations.

Section 12-126.- Merger as No Bar to Subsequent Dedication of Vacation Ownership Property

The merger provided for in Section 12-125 of this Article XII shall in no way bar the subsequent dedication of the property to a vacation ownership plan whenever so desired and upon the compliance with the provisions of this Act.

Section 12-127.- Bylaws: Insertion in or Attachment to Deed; Certified Copies Filed in the Property Registry

The administration of every property dedicated to the vacation ownership plan shall be governed by the provisions of this Act and also, by bylaws which shall be inserted in or attached to the deed of dedication, and considered a part thereof. A certified copy of said deed and the bylaws as well as of any amendment thereto shall be filed with the Property Registry and the copies thereof shall be delivered to each owner, prior to the date of acquisition of their vacation ownership right, as the case may be, or shortly after the filing date with the Property Registry of the aforesaid amendment or amendments.

Section 12-128.- Contents of Bylaws; Modifications of System; Recordation

The bylaws referred to in Section 12-127 of this Act may contain all such standards and rules with respect to the use of the property, the plan, its accommodations and facilities, as well as the vacation ownership rights, exercise of rights, installations and services, expenses, administration and government, insurance, upkeep, conservation and repairs, as are not inconsistent with the provisions of this Article XII, including, without limitation, the following:

1. Form of administration, stating the powers of the plan's managing entity;
2. Definition of majority which shall govern the plan on those matters to be submitted to the consideration of the owners, as applicable;

3. Care, upkeep, and surveillance of the property, the plan, and the facilities, as applicable;

4. Manner of collecting the funds from the owners for the payment of the common expenses and any distinctions set forth in accordance with this Act, as to the method of assessing among the owners their share in said expenses or the amounts thereof, as applicable; and

5. Manner and method of recalling the managing entity, consistent with Section 6-106 of this Act.

At any time, the developer and/or the owners, as provided in the deed of dedication of the plan, may modify the bylaws referred to in Section 12-127 of this Act. No such modification shall take effect until it is set forth in public deed form and, in addition, be recorded in the appropriate entry of the principal property, with a certified copy filed in the Property Registry, as provided in Section 12-127 of Article XII.

#### Section 12-129.- Notice to Managing Entity

The developer shall notify the managing entity, within thirty (30) days following the date of disposition of a vacation ownership right, as the case may be, the name, surname, personal circumstances and address, the date and other particulars of the acquisition by the new owner of the vacation ownership, as the case may be, including copies of the documents evidencing such information, and the managing entity shall hold said documents in trust for the benefit of the owners.

In the case of a sale or other disposition of the vacation ownership rights or of a lease of an accommodation, as the case may be, the owner shall so inform the managing entity, stating the name, surname, personal circumstances and address of the purchaser or other assignee, or lessee, as the case may be. Furthermore, such owner shall require from the purchaser, assignee, or lessee, for a term exceeding thirty (30) days, a statement in the deed of transfer, purchase contract in the case of

vacation ownership real property right, or lease agreement, as the case may be, that said purchaser or lessee knows and shall fully comply with the provisions of this Act and the vacation ownership right instrument.

The owner of an accommodation, as lessor of the corresponding accommodation, shall continue to be exclusively responsible for the payment of the assessments for common expenses and shall also be responsible for the lessee's compliance with this Act and the vacation ownership right instrument.

#### Section 12-130.- Contributions for Payment of Common Expenses

Owners shall be required to contribute toward the expenses of administration, maintenance, and repair of the facilities, as well as toward any other common expenses that may have been lawfully agreed upon in accordance with their corresponding shares.

No owner may exempt himself from his obligation to contribute toward such expenses by waiver of the use or enjoyment of the facilities or by abandonment of the accommodation he owns, as the case may be. The proportionate amount with which each owner shall contribute toward the common expenses, any penalties, late charges, and interest to be paid by any owner who fails to meet the requirement of making the corresponding payment of common expenses, and any distinction to be established in the method of assessment among the owners of their share of such common expenses or the amounts thereof shall be determined, fixed, and imposed, as set forth in the deed of dedication.

#### Section 12-131.- Obligation of Owners for Common Expenses; Lien

The obligation of each owner arising out of his proportionate share in the common expenses shall constitute a statutory and tacit lien on his corresponding vacation ownership right, which lien shall be governed by the provisions herein. Furthermore, the voluntary acquirer of a vacation ownership right shall be jointly liable with the assignor thereof for the amounts owed by the latter, in accordance

with the provisions of Article XII of this Act, until the conveyance is carried out, without prejudice to the acquirer's right to recover from the other party any amounts paid by him as such joint debtor.

The aforesaid lien shall be enforceable on whomever may be the owner of the vacation ownership right, even if said ownership has not been recorded or is not required to be recorded in the Property Registry, or created in favor of any person.

Except as otherwise provided in any other statute, the lien herein constituted shall be subordinate only to: (i) the lien on real property taxes constituted pursuant to the provisions of Act No. 81-1991, as amended, known as the "Autonomous Municipalities Act of the Commonwealth of Puerto Rico of 1991," or any successor law thereto; (ii) a lien that may be constituted by any present or future statute providing for the creation of tourism improvement districts and intended to secure the collection of any assessments which may be imposed in connection with said districts; and (iii) a lien which may be constituted by any present or future statute providing for the creation of special infrastructure improvement districts and intended to secure the collection of any assessments which may be imposed in connection with said districts. The effectiveness of this lien shall not require the recordation in the Property Registry of an attachment to the property so encumbered, but the lien shall only secure against third parties an amount equal to the last five (5) annual charges on account of assessments of common expenses and the current year.

The delinquent owner shall be required by certified mail, sent to the last address on record with the managing entity, to pay all sums owed on account of his unpaid share in common expenses. The mailing of said payment requirement shall be deemed to be due notice. Said payment requirement letter shall also include a warning to the effect that if payment of the sums owed is not made within thirty (30) days, the creditor may begin a nonjudicial collection procedure as established in Article XIII of this Act.

Once said thirty (30)-day term elapses, the creditor of a debt for unpaid common expenses may obtain a cautionary notice of attachment of the vacation ownership real property right of the delinquent owner, without any requirement other than the filing in the Property Registry or the Registry of Liens on Personal Property attached to the Department of State of Puerto Rico, as the case may be, of a certificate of attachment executed by an authorized officer of the managing entity sworn before a notary public or any other official authorized to administer oaths or affirmations, subject to the penalties of perjury provided for in the Penal Code, setting forth the following:

1. Name and social security number of the delinquent owner, if such information is included in the records of the managing entity (notwithstanding, the validity of the certificate of attachment shall not be affected if the social security number therein is omitted or incorrect).

2. a. In the case of a vacation ownership right arising out of a contract, the particulars described in Section 12-113(1)(b) of this Article XII, related to the accommodation in question, as well as the share of said vacation ownership right in the facilities.

b. In the case of a vacation ownership real property right, the particulars described in Section 12-113(1)(b) of this Article XII, related the accommodation which is the object of the vacation ownership right, the share of said vacation ownership right in the facilities, as well as a full and accurate identification of the vacation ownership object of the cautionary notice of attachment, as said right was identified in the deed of dedication.

3. The recording data of the right subject to the cautionary notice.
4. The total amount of unpaid common expenses.
5. That said amount is due and payable in full.

6. A summary of the steps previously taken to demand payment and that, notwithstanding, payment has not been made.

Once the certificate of attachment is filed with the appropriate Registry, said certificate shall constitute sufficient notice of attachment after which the nonjudicial foreclosure procedure set forth under this Article XIII of this Act may be commenced. The Registrar in charge shall record and notify such recordation to the creditor on or before sixty (60) days, in which case, the required fees established in Act No. 210-2015, as amended, for filing documents in the Property Registry as well as for filing documents with the Registry of Liens on Personal Property attached to the Department of State of Puerto Rico shall be thus collected.

If a certificate of sale of a real property right subject to attachment is filed, the cautionary notice shall be rendered ineffective and may be cancelled as provided in Act No. 210-2015, as amended.

Any owner who owes payment of common expenses in excess of sixty (60) days may be temporarily deprived of the exercise of his right to vote at the meeting of owners of the plan until his debt is fully paid, and the managing entity shall have the right to suspend any services being provided to the accommodation assigned to the delinquent owner during his occupancy period, subject to the managing entity's prior compliance with the provisions of Section 6-104(5) of this Act, with respect to the denial of use of accommodations or facilities of a vacation ownership plan to third parties receiving use rights in the vacation ownership use period of the delinquent owner, through an affiliated exchange program, when such third parties are involved.



### Section 12-132.- Validity of the Vacation Ownership Plan Instrument

All the provisions of the documents dedicating a property to a vacation ownership plan shall be deemed to be severable and any unlawful provision thereof may be held to be null and void by a court of competent jurisdiction; provided, however, that the remainder of the terms of such documents shall remain in full force and effect.

### Section 12-133.- Expansion and Contraction of Regimes

No vacation ownership plan may be expanded or contracted with respect to property located in Puerto Rico except in accordance with the applicable provisions of the deed of dedication, Section 5-103 of this Act and this Article XII. Any such expansion or contraction shall be deemed to have occurred upon compliance with the aforesaid provisions, at the time of recordation in the Property Registry of the appropriate amendments to the deed of dedication duly executed by the developer and/or the owners as set forth in the deed of dedication.

Said amendments shall include a revised description of the property on which the plan is located, including the particulars of any property added to the plan, in accordance with the provisions of Section 12-113(1) or 12-113(2) of this Article, as applicable, as well as a description of the rights of the owners therein, including a readjustment of their respective shares in the facilities of the plan. In the case of an expansion to include new property, the aforesaid amendment shall enclose the appraisal referred to in Section 12-115 of this Act with respect to the new property and such appraisal shall be used to determine the recordation fees of such amendment in the Property Registry.

The aforesaid amendment shall be filed with the section of the Property Registry where the affected properties are located and shall enclose a set of plans prepared in accordance with Section 12-115 of this Act, showing the particulars of the new plan.

#### Section 12-134.- Merger of Plans

Two (2) or more vacation ownership regimes, as provided in their corresponding deeds of dedication, may merge or be consolidated into a single plan in accordance with the terms of a deed of merger of regimes to be executed by the parties having such authority under the corresponding deeds of dedication of the regimes subject of such merger (hereinafter the “Deed of Merger”). Except as otherwise provided in the Deed of Merger, the plan resulting from such merger or consolidation shall be, for all legal purposes, the legal successor of all of the preexisting regimes, and the operations and activities of all associations of the preexisting regimes, if any, shall be merged or consolidated into a single plan which shall hold all powers, rights, obligations, assets, and liabilities of the preexisting associations.

The Deed of Merger shall also provide for the readjustment of shares among the owners of the vacation ownership property in the resulting plan.

Said Deed of Merger shall constitute an amendment to the deeds of dedication of all the regimes involved in said merger or consolidation which shall be recorded as provided in Section 12-133. The maximum recording fee to be collected for the aforementioned operations shall be five hundred dollars (\$500.00) or such higher amount as the Company may from time to time establish by regulation.

#### Section 12-135.- Maximum Sales of Accommodations

Except as otherwise provided in this Act, the developer shall not have the right to sell, transfer, or otherwise dispose of any accommodation if, at any time said sale, transfer or disposition shall result in a higher number of accommodations sold, transferred, or conveyed than the number of accommodations with respect to which vacation ownership rights have been sold.

### Section 12-136.- Right of First Refusal and Right of Redemption

Any right of first refusal and/or right of redemption that the developer may wish to establish with respect to the sale of vacation ownership rights, as provided in Section 12-113 of this Act, may be recorded in the Property Registry for the term set forth in the deed of dedication, which term may extend for the whole term of the vacation ownership plan, and shall be recordable in the Property Registry, except as otherwise provided in Act No. 210-2015, as amended.

## ARTICLE XIII

### NONJUDICIAL FORECLOSURE AND SALE PROCEDURE

#### Section 13-101.- Foreclosure Procedure

The Mortgagee or the managing entity (hereinafter, the “creditor”) may foreclose the lien constituted either pursuant to public sale before a Notary Public who acts as an independent auctioneer appointed by the Mortgagee in compliance with the terms and conditions of this Act or, pursuant to a judicial proceeding before a Court of competent jurisdiction in Puerto Rico, as provided for herein.

#### Section 13-102.- Default and Notice

1. If the mortgagor or the owner (hereinafter, the “debtor”) of the vacation ownership real property right defaults on his payment obligation under Section 12-132 of Article XII, or the mortgage agreement encumbering the vacation ownership real property right, the creditor shall serve notice to the debtor, by certified mail, of a demand for payment, executed under oath before a Notary Public, which shall conform to the following:

- a. To be addressed to the debtor and, if the owner is a different person, to the titleholder as it appears in the records of the managing entity.
- b. To include the date of the demand for payment.
- c. To state the total outstanding amount.

d. To include a warning in bold, conspicuous type that if within thirty (30) days from the date of receipt of said demand for payment, the default has not been cured, the nonjudicial foreclosure and public sale proceedings of the individual accommodation, or the vacation ownership real property right encumbered by said obligation, shall commence.

2. Once said thirty (30)-day term elapses, the creditor may obtain a cautionary notice of attachment of the individual accommodation or the vacation ownership real property right of the debtor, without any further requirement than the filing with the Property Registry of a certificate of attachment executed by an authorized official of the managing entity under oath before a Notary Public stating the following:

- a. The name of the debtor, and of the current owner, if a different person, as it appears in the records of the managing entity.
- b. The information described in Section 12-113(1)(b) of Article XII.
- c. The recordation data of the right that shall be subject to the cautionary notice.
- d. The total outstanding amount.
- e. That said amount is due and payable in full.
- f. The steps taken to demand payment and that, notwithstanding, the amount owed has not been paid.

Upon filing the certificate of attachment with the Property Registry, the debtor and the current owner, if a different person, shall be served with a copy of such certificate of attachment by certified mail, which shall be deemed to be sufficient notice of the attachment. Thereafter, foreclosure proceedings as provided for in this Act may commence.

3. A copy of the certification of attachment shall also be served by certified mail, return receipt requested, to all junior lien holders and to the holders of other real property rights inferior to the right being foreclosed, whose identity appears from the Property Registry, which are those who have acquired a secured credit or real property right subsequent to the right being foreclosed and which are deemed inferior in rank.

4. Immediately after the filing of the certification of attachment, the Registrar in charge of the section of the Property Registry with which it shall be filed, shall record the certification of attachment and return it within sixty (60) days to the creditor confirming the registration thereof, and in such case shall charge a fee as established in Act No. 209-2015 and Act No. 210-2015, as applicable

5. Upon the subsequent filing of a certificate of sale of the attached right, the cautionary notice of attachment shall be rendered ineffective, and may be cancelled as provided in Section 53 of Act No. 210-2015, upon payment of a fee corresponding to a marginal notation with no value.

6. The individual accommodation or vacation ownership real property right may be sold by public sale to satisfy the debt within thirty (30) days after receipt by the debtor of the certified copy of the certificate of attachment. If no proof of delivery of the certification of attachment to the persons mentioned in subsections (2) and (3) of this Section 13-102 is received from the United States Postal Service, the creditor may only foreclose its lien pursuant to the judicial proceedings established in this Act.

#### Section 13-103.- Objection to Notice of Default and Intention to Sell

1. Upon receipt of the notice and demand for payment specified in subsection (1) of the preceding Section 13-102, the debtor or current owner, if other than the debtor, may review said notice and, if he believes that the debt has been paid or that the amount owed is less than that claimed, he may contest the demand

for payment within thirty (30) days as of the date postmarked on the envelope through a notice sent by certified mail to the creditor, enclosing therein the evidence attesting to such fact. The creditor shall have ten (10) days as of the date postmarked on the envelope to review the payment evidence submitted.

2. Any dispute between the debtor and the creditor in connection with the amounts thus claimed shall be resolved through a judicial proceeding before a Court of competent jurisdiction in Puerto Rico.

3. If the demand for payment is not contested within the term herein provided, the creditor may sell the right thus encumbered pursuant to the procedure provided for in the following sections.

#### Section 13-104.- Notice of Sale

Before conducting a nonjudicial public sale pursuant to this Section, the creditor shall publish a notice of public sale in a newspaper of general circulation in Puerto Rico once (1) a week, for two (2) consecutive weeks prior to the date of the sale. The last notice shall be published at least five (5) days prior to the date of the sale. The notice of sale shall state:

1. The name, street address, and mailing address of the creditor.
2. That all the documents pertaining to the foreclosure proceedings shall be available at the offices of the creditor and at the offices of the managing entity.
3. That it shall be understood that all bidders at the nonjudicial public sale agree to accept that the title to be conveyed pursuant thereto, and all preferential liens and encumbrances senior to the creditor's lien, if any, shall continue to encumber the vacation ownership right, and that the successful bidder at the nonjudicial public sale accepts the subrogation of all liabilities with respect thereto, and that none of the proceeds generated from the nonjudicial public sale shall be used to pay off any such senior liens. The notice shall specify the amount of each senior lien or preferential lien or encumbrance, the name or names of the holders

thereof, and the due date or dates of such obligations based on the records of the Property Registry.

4. The description of the right object of the nonjudicial public sale.
5. The minimum sales price and other complementary details regarding the nonjudicial public sale.
6. The date, time, and place where the nonjudicial public sale shall be held.
7. The notice of nonjudicial public sale shall also serve to announce the sale to creditors who have recorded or noted the deeds over the property right to be sold junior to the credit being foreclosed, or to holders of encumbrances or property rights who may have subordinated them to the credit of the foreclosing creditor, and to owners, possessors, or holders of, or parties having an interest in instruments conveyable by endorsement, or to the bearer, which are secured by a mortgage junior to the creditor's lien and on which the personal notification of the certificate of attachment would have no effect, stating in the text of the notice the names of all these interested parties, if they appear in the Property Registry, the records of the creditor, and the managing entity so that they may attend the nonjudicial public sale, if they so desire, which may be postponed without further notice, as provided in Section 13-106(4) or, before the nonjudicial public sale is held, payoff the indebtedness, together with interests, and costs incurred thus far by the foreclosing creditor, whereupon such person shall be subrogated in the rights of the foreclosing creditor.

#### Section 13-105.- Nonjudicial Public Sale

1. The nonjudicial public sale of the accommodation or the vacation ownership real property right shall be held in the municipality where said accommodation or vacation ownership real property right is located on the date, time

and place designated in the notice of public sale announcement under Section 13-104.

2. Any person, including the creditor, may bid at the nonjudicial public sale.

3. The purchaser at the nonjudicial public sale shall make payment by official check or cash on the same day of the sale in the amount for which the right was sold at the nonjudicial public sale. The creditor or holder of the lien in question may bid his credit in lieu of an official check or cash, and should the bid be awarded, the credit in question shall be extinguished.

4. The proceeds of the nonjudicial public sale shall be applied first, to the payment the expenses of the public sale, second, to the payment of the indebtedness in question, interest and penalties accrued thereon and legal fees, and finally, to the payment of junior liens. All liens that are senior to the foreclosed lien shall not be impaired by the nonjudicial public sale and the purchaser of the right in question shall assume responsibility for the payment thereof.

#### Section 13-106.- Nonjudicial Public Sale Proceedings Before Notary Public

1. The nonjudicial public sale shall be held before a Notary Public selected by the creditor to act as an independent auctioneer, before another Notary Public required by the former to witness and attest to the details of said public sale under his notarial certification. Neither of the two (2) notary publics may have intervened in the preparation of the documents whereby the credit under foreclosure was created. Notary fees shall be paid to the notary public who issues the Deed of Conveyance based on the value of the real property right to be foreclosed, as established in the "Notary Act" and the regulations thereunder.

2. Prior to the commencement of the nonjudicial public sale, the creditor shall furnish the following documents to the Notary Public:

a. True and exact copies of the documents constituting the credit.



b. True and exact copy of the demand for payment served to the debtor, with a certificate of mailing.

c. True and exact copy of the certification of attachment and evidence of the filing thereof with the Property Registry, as well as the corresponding certificates of mailing to the debtor, the current owner, if other than the debtor, and from the junior creditors, if any, as they may appear in the Property Registry.

d. True and exact copy of the notice of sale.

e. Original sworn statement document executed by the representative of the newspaper in which the notice of sale was published, attesting to the publication thereof as provided by this Act.

The creditor shall certify to the Notary Public that the documents specified in paragraphs (a) through (d) above are true and exact copies of their originals. The Notary Public shall thus state it in the deed provided for hereinafter and shall certify that the documents were reviewed and found to meet the requirements of this Section.

3. The nonjudicial public sale shall be held as follows:

a. The accommodation or vacation ownership real property right shall be sold by public sale, for the minimum bid price stated in the notice of public sale.

b. If, prior to the holding of a nonjudicial public sale, a mortgagee or other person who holds a lien or encumbrance against the property pays the secured debt with the credit object of the public sale, the money paid by such person shall be accrued to his credit and may be recovered at the same interest rate as his credit accrues.

c. If the foreclosed right is not awarded to a third party, the creditor may be awarded the vacation ownership right for an amount equal to the minimum

bid. If the amount of said minimum bid is insufficient to cover the full amount owed to the creditor, including penalties and costs, then said creditor may bring an action before a court of competent jurisdiction in Puerto Rico for the collection of the pending balance, and in such a proceeding may obtain an order to attach real and personal property of the debtor without attachment bond.

d. If the foreclosed right is awarded to a third party and the amount for the bid price is insufficient to pay the full amount owed to the creditor, including penalties and costs, then said creditor may bring an action before a court of competent jurisdiction in Puerto Rico for the collection of the pending balance, and in such a proceeding may obtain an order to attach real and personal property of the debtor without bond.

e. The person to whom the individual accommodation or vacation ownership real property right is awarded at a nonjudicial public sale shall acquire it as is without the right to file a warranty action against the creditor, the Notary Public or independent auctioneer, including, without limitation, the warranties of title and for latent defects provided for in the Civil Code of Puerto Rico.

f. If the accommodation or vacation ownership right is awarded to a third party, the creditor, upon satisfying the amount of its credit, shall distribute among the junior lienholders, if any, according to rank in the Property Registry, an amount equal to the outstanding balance of its credit, and if there is any surplus, which shall be delivered to the debtor or owner, if other than the debtor.

4. The foreclosing creditor may suspend and continue the public sale on a day-to-day basis if he deems it necessary, and due to *force majeure* or fortuitous event, may suspend the public sale for a period not to exceed thirty (30) days by means of verbal notice to the persons attending the public sale. The Notary Public shall be required to attend the continuance of any public sale and, if not available, the Notary Public shall execute a notarial certificate certifying the proceedings of

the day, including the verification of documents described in subsection (2) of this Section and the basis for the suspension of the public sale and any other details he deems necessary for such certification. The notarial certificate shall become part of the Deed of Conveyance.

5. After the sale concludes, the Notary Public shall execute a Deed of Conveyance, which shall include:

- a. Name and address of the foreclosing creditor;
- b. Name and address of the independent auctioneer;
- c. Description and recordation data of the foreclosed accommodation or vacation ownership real property right in accordance with the Property Registry;
- d. The names of all the persons who attended the public sale and the day of final award, if such date is different;
- e. The verification of the documents described in subsection (2) of this Section;
- f. The name of the successful bidder and his mailing address;
- g. The sales price;
- h. The awarding of the accommodation or vacation ownership real property right sale to the highest bidder, who shall pay to the foreclosing creditor the amount of the bid in cash or official check, the delivery of which shall be certified by the Notary;
- i. That said amount satisfied the debt claimed or rather, that the amount of the credit was not fully satisfied; and
- j. A statement attesting to the fact that the public sale was conducted in accordance with the provisions of this Act.

6. The foreclosing creditor, the independent auctioneer and the successful bidder shall execute the Deed of Conveyance and said document shall constitute evidence of the successful bidder's title to the vacation ownership real property right.

Section 13-107.- Cancellation of Lien and Title Conveyance Upon Sale

1. A nonjudicial public sale conducted in accordance with this Section excludes and extinguishes all interests in the accommodation or vacation ownership real property right of all persons and/or entities holding recorded liens in the Property Registry that are junior to the foreclosed lien.

2. On the day of the nonjudicial public sale, upon receipt of the sales price, the lien of the foreclosing creditor shall be cancelled by virtue of the payment to said creditor of the proceeds of the public sale. If said creditor is not the successful bidder, the Notary shall carry out such cancellation by means of the Deed of Conveyance or a separate deed.

3. The Deed of Conveyance shall be recordable with the Property Registry upon payment of the appropriate recordation fees.

Section 13-108.- Alternate Judicial Proceeding

1. In lieu of the nonjudicial foreclosure proceeding, the foreclosing creditor may petition a Court of competent jurisdiction in Puerto Rico to enter judgment and an order of foreclosure and public sale of the accommodation or vacation ownership real property right subject to the lien being foreclosed, in accordance with the applicable provisions of the "Commonwealth of Puerto Rico Real Property Registry Act" and the Rules of Civil Procedure of Puerto Rico, including Rule 60, the amount in dispute notwithstanding. The proceeding shall be initiated upon filing a sworn petition under penalty of perjury stating that:

a. The debtor or owner of the right has failed to pay the debt secured by the foreclosed lien;

b. The date of notice of the certificate of attachment, which shall be enclosed with a certificate of mailing of the certified letter sent in accordance with the provisions of Section 13-102;

c. That the jurisdictional term to contest the attachment has elapsed and the debtor or owner has not contested the proceeding as provided in Section 13-103;

d. That the claim is made in good faith and based on the information on the creditor's records; and

e. The amount of the debt claimed.

The petition shall include a true and correct copy of the documents described in paragraphs (a), (b) and (c) of subsection (2) of Section 13-106, which shall be certified under oath (or affirmation under penalty of perjury) in the petition.

2. The debtor or owner of the accommodation or vacation ownership real property right shall be served notice by the creditor with a copy of the petition, as provided in the Rules of Civil Procedure, upon which, said debtor may serve the creditor with a response thereto under oath or affirmation, under penalty of perjury, stating:

a. That he is the debtor or owner of the accommodation or vacation ownership real property right;

b. That he does not owe the claimed amount, either because of payment or because the amount owed is less than the amount claimed by the creditor, in which case the evidence of payment must be attached to the response;

c. Any facts or circumstances that establish that the creditor is not entitled to judgment under applicable law.

If the debtor pleads any of the aforementioned defenses, the response shall enclose an exact copy of the evidence supporting the defenses.

3. The Court shall examine the petition and the response together with the evidence submitted by the parties in support of their respective positions and, unless an actual dispute arises from a material fact, or if the creditor is not otherwise entitled to judgment as a matter of applicable law, the court shall enter judgment for the creditor.

4. Upon the judgment becoming final and binding, the creditor may move the Court for an order enjoining the public sale of the right thus attached, which shall be conducted in accordance with the provisions of the “Commonwealth of Puerto Rico Real Property Registry Act” and the appropriate Rules of Civil Procedure.

5. If from the documents before the Court it appears that an actual dispute exists with respect to a material fact, or that the creditor is not entitled to judgment as a matter of applicable law, the proceedings shall continue as any regular civil proceeding.

#### ARTICLE XIV

##### VACATION OWNERSHIP RESALE AND RENTAL; RESALE BROKERAGE SERVICES

###### Section 14-101.- Disclosure Required to Resale Owner; License.

1. A resale vacation ownership broker, before engaging in resale services, shall provide to the resale owner:

a. A description of any fees or costs related to the resale brokerage services that the resale owner, or any other person, shall be required to pay to the resale broker or any third party; and

b. A description of when said fees or costs are due.

###### Section 14-102.- Prohibitions; Representations.

As part of the resale brokerage services, a resale vacation ownership broker, as defined in Section 1-104, shall not:

1. Express or state implicitly or explicitly that he shall provide or assist in providing any type of sales or brokerage services other than the services related to the resale or lease of the vacation ownership of the resale owner.

2. Express or state implicitly or explicitly to a resale owner that the resale broker has identified a person interested in buying or renting the resale vacation ownership without providing the resale owner with the name, address, and telephone number of the interested resale purchaser or renter.

3. Express or state implicitly or explicitly to a resale owner that sales or rentals have been achieved or generated as a result of its resale brokerage services, unless the resale broker, at the time of making such representation, possesses the necessary documentation to substantiate such representation. In addition, if a resale broker states to a resale owner that he has sold or rented any specific number of vacation ownership as a result of his resale brokerage services, the resale broker must also provide the resale owner with the percentage of vacation ownership rights that have resulted in a sale versus the number of vacation ownership rights advertised for the two (2) years preceding the year of the representation. If such representation relates to the rental of vacation ownership rights, the resale broker shall likewise provide the resale owner with the percentage of vacation ownership rights that have actually resulted in a rental versus the number of vacation ownership rights advertised for rental for the two (2) years preceding the year of the representation.

4. Express or state implicitly or explicitly to a resale owner that the vacation ownership right has a specific resale or rental value.

5. Make or submit any charge to a resale owner, whether through credit card, debit card, electronic transfer of funds, or any other payment method, before the resale owner has executed a resale brokerage service contract that meets the requirements set forth in Section 14-103.

6. Fail to honor any advertising services contract cancellation notice sent by the resale owner within seven (7) days after the execution of said contract.

7. Fail to provide a full refund of all money paid by a resale owner within twenty (20) days after receipt of the cancellation notice or within five (5) days after receipt of funds from a cleared check, electronic transmission, credit card, or any other payment method used by the resale owner, whichever is later.

8. Misrepresent the origin or method employed to obtain the name, address, telephone number, or any other contact information of the resale owner.

Section 14-103.- Resale Brokerage Service Contract, Content, Cancellation.

1. Before engaging in any resale brokerage services of any kind for compensation or valuable consideration, it shall be necessary that resale owner and resale broker execute a brokerage service contract for the resale of vacation ownership rights. The contract shall be in written form and printed in at least 12-point type and shall contain:

a. The name, street address, telephone number, and web address, if any, of the resale broker and a mailing address or email address to which a contract cancellation notice may be delivered at the resale owner's election;

b. A complete description of all vacation ownership resale brokerage services to be provided, including, but not limited to, details regarding publications, Internet sites, and other advertising media that shall be used for such purpose, including the dates or time intervals for such advertising or the minimum number of times such advertising shall be run in each specific medium, and the itemized cost to the resale owner of all resale advertising services to be provided by the resale broker;

c. The following statement of the resale owner's right of cancellation shall be included conspicuously in the area immediately preceding the



space provided for the resale owner's signature in the resale brokerage service contract:

The resale broker shall provide resale brokerage services pursuant to this contract. If the resale broker represents that he has identified a person who is interested in purchasing or renting your vacation ownership right, then the resale broker must provide you with the name, address, and telephone number of such interested person.

You have the right to cancel this contract for any reason within seven (7) days after the date you sign this contract. If you decide to cancel this contract, you must notify the resale broker in writing of your intent to cancel. Your notice of cancellation shall be effective upon the date sent to the resale broker's mailing address (resale broker's address) or email address (resale broker's email address). Your refund will be made within twenty (20) days after receipt of notice of cancellation or within five (5) days after receipt, by the resale broker, of funds from a cleared check, electronic transmission, credit card, or any other payment method used to cover the required amount upon the execution of the contract, whichever is later.

Important: Before signing this contract, you should carefully review your vacation ownership purchase contract and other documents relating to your vacation ownership plan to determine whether the developer has reserved a right of first refusal or if there is other option at the developers' disposal to purchase the vacation ownership; or to determine whether there are any restrictions or special conditions applicable to the resale or rental of the vacation ownership right.

d. A statement that any resale or rental contract entered into by or on behalf of the resale owner shall meet the requirements of Section 14-103, including the provision of a seven (7)-day cancellation period for the purchaser.

- e. The legal description of the resale vacation ownership object of the contract.
- f. Termination date of the resale brokerage services.
- g. The name of any person, other than the resale owner, who shall receive economic or other benefits as a result of the transfer or rental proceeds of the resale vacation ownership.

h. The following statement in conspicuous type:

We (resale broker) shall take in good faith any and all steps as are necessary to sell or rent the resale vacation ownership within the effective term of this contract. You (resale owner) shall continue to be responsible for any expense related to the vacation ownership, including, but not limited to, assessments of common expenses, and property taxes, until the ownership thereof is transferred.

i. A statement of the resale broker of his obligation to notify the following entities in writing of the transfer of ownership of a resale vacation ownership right:

i.[sic] the owners' association, the developer, the managing entity, and any exchange company operating an exchange program to which the resale vacation ownership is enrolled at the time of the transfer or rental.

#### Section 14-104.- Resale Brokerage Service Contract, Nullity.

If a resale broker uses a contract with language that does not meet the requirements of Section 14-103 or that is inconsistent with the provisions of this Act, such contract shall be voidable at the option of the resale owner for a period of one (1) year after the date of execution thereof.

#### Section 14-105.- Obligations of the Resale Broker; Supervision, Management, and Control.

It is the duty of a resale broker to supervise, manage, and control all aspects of the offering of resale brokerage services by any agent or employee of the resale

broker. Any violation of the provisions of this Act by any agent or employee of the resale broker that occurs during such offering shall be deemed a violation by the resale broker.

Furthermore, it is the duty of a resale broker to obtain and provide a copy of the vacation ownership plan public offering statement to the prospective resale vacation ownership purchaser and of any other information relating to exchange programs required by Article VIII of this Act.

Section 14-106.- What Constitutes Engaging in Resale Brokerage Services.

Engaging in brokerage services for the resale to resale owners of vacation ownership located or offered for sale in the geographic demarcation of Puerto Rico or properties whose vacation ownership plan must be approved by the Company, whether by itself or acting as a resale broker agent, constitutes rendering resale brokerage services for resale vacation ownership by virtue of this Act, and shall constitute a contact sufficient to confer jurisdiction to the Department of Consumer Affairs over any matter, case or dispute relating to said brokerage services, in accordance with the provisions of Section 11-109 of this Act, and to the General Court of Justice, in accordance with the provisions of Rule 3.1 of the Rules of Civil Procedure of 2009 (32 L.P.R.A. Ap. V, R. 3.1)

## ARTICLE XV

### PROMOTION AND MARKETING FEES

Section 15-101.- Promotion and Marketing Fee.

The Company shall impose, charge, and collect, as part of the permit application process for reselling vacation ownership under this Act, a fifteen-dollar (\$15.00) promotion and marketing fee for each seven (7)-day interval or fraction thereof of the vacation use right authorized for sale in Puerto Rico, regardless of the location of said vacation use right.

Section 15-102.- Promotion and Marketing Fee; Obligations of the Developer and/or Managing Entity.

The developer and/or managing entity shall be responsible for remitting the promotion and marketing fee to the Company. The developer or the managing entity shall remit said payment to the Company in two installments: fifty percent (50%) of the promotion and marketing fee on or before March 1<sup>st</sup> of each year, and the remaining fifty percent (50%) on or before September 1<sup>st</sup> of each year, using the procedures and forms approved from time to time by the Company for such purposes.

Section 15-103.- Powers of the Company; Destination of Collected Funds.

The Company shall be empowered to oversee, regulate, and allocate the promotion and marketing fee. The Company may impose any sanctions it deems appropriate including, but not limited to, penalties, administrative fines, suspension or permanent revocation of promotional benefits granted by the Company, or the suspension or permanent revocation of the tax exemption decree granted by the Company in accordance with Act No. 78-1993, as amended, or Act No. 74-2010, as amended, to any managing entity or developer that violates the provisions of this Article XV of the Act.

The Company shall annually allocate ten dollars (\$10) out of the fifteen dollars (\$15) of the promotion and marketing fee for marketing and developing the vacation ownership industry as part of its general plan to advertise Puerto Rico as a tourist destination. The Company, at its discretion, shall be empowered to use said funds for similar purposes; provided, that it is for the benefit and in the best financial and social interests of Puerto Rico.

The remaining five dollars (\$5) shall be allocated for the development and maintenance of museums operated by nonprofit corporations, outside of the metropolitan area, in order to promote Cultural Tourism. The Company shall draft

and adopt special regulations in order to provide for the management and disposition of the revenues from the promotion and marketing fee for the aforementioned purpose of promoting Cultural Tourism.

Section 15-104.- Effective Term.

The imposition, charging, and collection of the promotion and marketing fee shall begin on July 1<sup>st</sup> of the year of approval of this Act.

## ARTICLE XVI

### SEVERABILITY CLAUSE; LOCAL REGULATIONS; EXCLUSIVITY; EXEMPTION FROM THE SECURITIES ACT

Section 16-101.- Severability Clause.

If any of the provisions of this Act or the application thereof to any person or circumstance is held to be void, illegal or otherwise unenforceable, the validity, legality and enforcement of all other provisions of this Act or any other application thereof shall not be thereby affected, and any provision thus held to be void, illegal, or unenforceable shall be treated as if it had never existed. To such effects, the provisions of this Act are severable.

Section 16-102.- Exclusivity.

Subject to the provisions of Section 16-104, this Act shall be the sole and exclusive law of the Commonwealth of Puerto Rico governing the creation and disposition of vacation ownership rights; no vacation ownership plan or component site thereof, the creation and operation of which, and whose offering and disposition fully complies with all of the provisions of this Act, shall be subject to any other statute which, but for the enactment of this Act, would require registration with the Company or another regulatory authority of the Commonwealth of Puerto Rico as a legal prerequisite to the offering and disposition of vacation ownership rights in Puerto Rico or the applicable jurisdiction.

Section 16-103.- Exemption from the Securities Act.

The offering and disposition of vacation ownership rights which satisfies all of the requirements of this Act shall not be deemed to constitute the offer and sale of a security under the provisions of Act No. 60 of June 18, 1963, as amended, known as the “Uniform Securities Act.”

Section 16-104.- Application of the “Act to Regulate Real Estate Business and Profession of Real Estate Broker, Salesperson or Companies in Puerto Rico.”

For purposes of Act No. 10-1994, as amended, better known as the “Act to Regulate the Real Estate Business and the Profession of Real Estate Broker, Salesperson or Companies in Puerto Rico,” the purchase and sale, promise to sell, option to buy and exchange an accommodation, or a vacation ownership right, coupled with a special property interest shall be deemed to, respectively, constitute the purchase and sale, promise to sell, option to buy and exchange real property; and the lease of an accommodation and the purchase and sale or lease or the transfer of a use right of a vacation ownership right of use, however evidenced or documented, shall be deemed to constitute the lease of real property.

No seller of accommodations or vacation ownership rights related to a component site located in Puerto Rico shall be subject to the provisions of Section 12 of Act No. 10-1994, as amended, which require that all partners or shareholders of a real estate company hold a real estate broker’s license.

No seller of vacation ownership rights or component site thereof that has a component site in Puerto Rico, regardless of having other component sites outside of Puerto Rico, shall be subject to the following provisions of Act No. 10-1994, as amended: Subsections (j), (k), (m), and (p) of Section 2; subsection (i) of Section 10; Sections 21, 23, 24, 25, 26, 27, 28, 29, 30, 32; Subsection (b) of Section 34 (except for the last paragraph of said subsection); and Subsection (b) of Section 37.

Section 16-105.- Application of Innkeepers' Act.

The property object of a vacation ownership plan shall be deemed included within the term "hotel" for purposes of applicability of Act No. 85 of June 23, 1956, as amended, known as the "Innkeepers Act of 1955."

Section 16-106.- Effectiveness.

This Act shall take effect on January 1<sup>st</sup>, 2017.

## CERTIFICATION

I hereby certify to the Secretary of State that the following **Act No. 204-2016 (H. B. 2416)** of the **4<sup>th</sup> Regular Session** of the **17<sup>th</sup> Legislative Assembly of Puerto Rico**:

**AN ACT** to adopt a law to be known as the “Puerto Rico Vacation Ownership Act,” and repeal Act No. 252-1995, better known as the “Puerto Rico Timeshare and Vacation Club Act,” in order to adjust the provisions governing the vacation ownership industry, also known as the timeshare and vacation club industry, to the current reality while safeguarding the rights of Puerto Rican consumers at all times.

has been translated from Spanish to English and that the English version is correct.

In San Juan, Puerto Rico, on this 21<sup>st</sup> day of June, 2017.

Orlando Pagán-Ramírez  
Acting Director