

EXIT, SAMPLER, OR SHORT TERM PRODUCTS

Time-share developers may choose to offer to prospective purchasers, who do not initially purchase a time-share interest, an opportunity to purchase a short term right to use the time-share project with the understanding that all payments can be credited towards the future purchase of a time-share interval. These types of marketing programs are often referred to as *exit programs*, *sampler programs*, or *short term programs*.

A short-term product is defined in Section 11212(v) as the right to use accommodations on a one-time or recurring basis for a period or periods not to exceed 30 days per stay and for a term of 3 years or less, and that includes an agreement that all or a portion of the proceeds paid by the purchaser for the short-term product will be applied or credited against the price of the future purchase of a time-share interest and that the price will be locked-in at that time.

Code Section 11235 establishes the specific regulatory requirements for short-term products. They include the requirement that there be in the purchase contract for a short-term product, a disclosure that the purchaser has the right to rescind the contract within 7 days following the date the contract was first made, or a later date as provided for in the contract. The developer is also required to disclose to the purchaser, clearly and conspicuously, in writing, specific information about the short-term product described in that code section. The developer may impound purchase money in escrow until the rescission period ends, post a bond to secure the return of purchase monies in an amount determined by the commissioner or make alternative arrangements satisfactory to the commissioner to secure the obligation to return purchase money funds.

POINTS-BASED TIME-SHARE PLANS – SECTIONS 11233 AND 11250

Point systems are structures for flexible use whereby the value of the use right of a time-share interest owner is expressed in terms of points rather than in increments of time.

The product sold to a purchaser may consist of a time-share estate or time-share use not coupled with an estate in real property. The value of the reservation right is entirely a function of the number of points the purchaser receives at the time of purchase. The number of points conveyed to a purchaser is typically shown in the purchase agreement. Sometimes, they may be denoted in the Grant Deed, if the offering is an estate offering. Regardless of the number of points purchased, that number does not change unless the time-share owner purchases more points at a later time.

Point valuations for each unit-type, season or portion of the year, and each resort, if the offering is a multi-site time-share project, should be established in the recorded Declaration for the project. Section 11250 requires the timeshare plan maintain a one-to-one purchaser to accommodation ratio. The Deputy should inquire about how point values are calculated, whether additional points may be purchased in the future and how those additional points may be purchased. The Deputy should be certain that the number of points to be offered for sale is consistent with the total number of points assigned by the developer to the property as shown in the Declaration. The Deputy should also ascertain whether the number of points assigned by the developer to each element of the offering (type of unit, time of year, resort, etc.) works logically in the context of the total offering.

The developer is required by Section 11233 to provide the following information and assurances on timeshare point systems:

(a) Whether additional points may be acquired by purchase or otherwise, in the future and the manner in which future purchases of points may be made.