GENERAL GUIDELINES

FOR

THE BOARD OF DIRECTORS

OF

WORLDMARK, THE CLUB

I. INTRODUCTION.

These Guidelines are designed to provide new and current members of the Board of Directors of WorldMark, The Club (the "Club") with a general overview and summary of state law and provisions of the governing documents relating to the rights, duties and powers of the Board of Directors as a whole, of individual directors, and of the basic procedures followed by the Board of Directors. When specific issues or questions arise directors should refer directly to the governing documents and/or seek advice from counsel.

II. GENERAL POWERS AND COMPOSITION OF THE BOARD.

The Club is organized as a California Nonprofit Mutual Benefit Corporation with its principal place of business in Redmond, Washington. Its organization and the conduct of its affairs are governed primarily by applicable California law, the Articles of Incorporation, the Declaration of Vacation Owner Program, the Bylaws, and the Club's Guidelines. The Board of Directors (the "Board") constitutes the highest level of corporate governance. In general, the business, affairs, and all of the Club's corporate powers are exercised by or under the ultimate direction and control of the Board.

The Club's Board is composed of five directors who serve two year terms. To give continuity to the Club's management, the terms of two directors expire in even-numbered years and the terms of three directors expire in odd-numbered years. Directors are elected at each annual meeting of the Members and serve until the expiration of their terms *and* their successors are elected by the final vote count approved by the Board.

A. SPECIFIC POWERS AND DUTIES OF THE BOARD.

The specific powers and duties of the Board are provided for by law and in the Club's governing documents. These powers and duties include:

1. Appoint and remove the Club's officers, agents and employees and prescribe their powers and duties.

2. Delegate authority to a managing agent to carry out the duties and obligations set forth in a written management agreement.

3. Conduct, manage and control the affairs and business of the Club, including contracting for such insurance, goods, services, professional management, legal and accounting services as required.

4. Promulgate rules and regulations regarding conduct of Club business, behavior of members and guests, and use of the Club's resorts.

5. Prescribe the location of the Club's principal office for the transaction of business and designate the place to hold member meetings.

6. Enforce the governing documents, rules, and any other instruments affecting membership, management and control of the Club's resorts, and initiate and execute disciplinary proceedings against members for violation of the governing documents and rules.

7. Pay any taxes, assessments or charges which are or could become a lien on Club property.

8. Provide for the maintenance of the Club's resorts.

9. Appoint committees as needed to assist the Board in its duties.

10. Set reasonable monetary fees for the use of specific Club property.

11. Remove any director who has been declared of unsound mind by a final court order or convicted of a felony while in office and fill Board vacancies, provided, however, that vacancies created by the removal of a director may only be filled by a majority vote of the members.

12. Prescribe reasonable nomination procedures and opportunities for nomination of directors, communication by nominees with the members as to qualifications and reasons for candidacy and solicitation of votes, and for election.

13. On at least a quarterly basis review or caused to be reviewed:

    (i) A current reconciliation of the Club's operating accounts.

    (ii) A current reconciliation of the Club's reserve accounts.

    (iii) The current year's actual reserve revenues and expenses compared to the current year's budget.

    (iv) The latest account statements prepared by the financial institutions where the Club has its operating and reserve accounts.

    (v) An income and expense statement for the Club's operating and reserve accounts.

14. Prepare a study of the Club’s reserve account requirements for the major components of the Club’s property which it is obligated to repair, replace, restore or maintain. The Board shall review this study annually, or cause it to be reviewed, and shall consider and implement necessary adjustments to the Board's analysis of the reserve account requirements as a result of that review.

15. As part of the study of the Club’s reserve account requirements *and* if the cost of the major components to be replaced is equal to or greater than one-half of the Club’s annual gross budget which excludes the Club's reserve account for that period, at least once every three years conduct a visual inspection of the accessible areas of the major components which the Club is obligated to repair, replace, restore, or maintain.

16. Determine and prepare the Club’s annual budget.

17. Levy annual and special assessments.

18. Obtain and maintain insurance as provided in the Bylaws.

19. Keep and maintain adequate books and records of account and minutes of the proceedings of its members, the board and committees of the board.

20. Establish reasonable rules regarding notice given to the custodian of records by a member desiring to make an inspection of the Club’s records.

21. Cause to be prepared accountings and reports to the Club’s members as required by the Bylaws.

22. Cause an annual statement of the Club’s policies and practices to enforce it remedies against members for defaults in the payment of assessments, including the foreclosure of liens against memberships, to be distributed to the Club’s members.

23. Cause the Club’s annual report to be reviewed annually by an independent public accountant.

The Board has the power to delegate to a managing agent to carry out its duties and obligations as set forth in a written management agreement.

B. LIMITATIONS ON THE POWERS OF THE BOARD.

The Board may not take any of the following actions without obtaining the approval of a majority of the Voting Power of Members other than the Declarant:

1. Enter into a contract with a third person for goods or services for a term greater than one year, except (a) contract with a public utility for the shortest possible terms and at rates regulated by a public utilities commission; or (b) contract for casualty and/or liability insurance not to exceed three years and which allows short rate cancellation by the insured; or (c) five year or shorter contracts or leases for the following (so long as the lessor or provider is not an entity in which Declarant or Manager has a direct or indirect interest of ten percent or more): (1) common furnishings; (2) laundry room fixtures and equipment; (3) cable or satellite TV equipment or services; (4) alarm services or equipment; and/or (5) access to an exchange program by Members electing to participate therein.

2. Incur during any fiscal year aggregate capital expenditures in excess of five percent of the budgeted gross expenses of the Club for that year.

3. Sell during any fiscal year property of the Club having an aggregate fair market value in excess of five percent of the budgeted gross expenses of the Club for that year.

4. Expend funds designated as reserve funds for any purpose other than the repair, restoration, replacement, or maintenance of, or litigation involving the repair, restoration, replacement, or maintenance of, major components which the association is obligated to repair, restore, replace, or maintain and for which the reserve fund was established.

5. Increase a regular assessment above that of the immediately preceding fiscal year by either (i) up to five percent, or (ii) the percentage increase in the U.S. Consumer Price Index for All Urban Consumers for the calendar year immediately preceding the year for which the increase is being made, whichever is higher.

6. Levy special assessments in the aggregate exceeding five percent of the budgeted gross expenses for that fiscal year, except for repair or rebuilding of Club property, which shall not exceed ten percent of the budgeted gross expenses.

III. SPECIFIC RIGHTS AND POWERS OF INDIVIDUAL DIRECTORS.

In addition to the collective powers exercised by the Board as a whole, individual directors also have the right to:

A. Inspect the Club's books and records.

B. Call special meetings of the Board (by any two directors).

C. At any Board meeting to:

1. Briefly respond to statements made or questions posed by a person speaking at a meeting of the Board.

2. Ask a question for clarification, make a brief announcement, or make a brief report on his or her own activities, whether in response to questions posed by a Member or based upon his or her own initiative.

3. Subject to the Board's rules and procedures, provide a reference to, or provide other resources for factual information to, its managing agent or other agents or staff.

4. Subject to the Board's rules and procedures, request its managing agent or other agents or staff to report back to the Board at a subsequent meeting concerning any matter, or take action to direct its managing agent or other agents or staff to place a matter of business on a future agenda.

IV. STANDARDS OF CONDUCT FOR DIRECTORS

A. A director shall perform his or her duties in **good faith**, in a manner such director **believes** to be in the **best interest of the Club** and with such **care**, including reasonable inquiry, as an **ordinarily prudent person in a like position** would use **under similar circumstances**. Each of the highlighted words has meaning under the law explained in general terms as follows:

1. **Good Faith**. A director should act to promote the best interests of the Club. In addition, a director should not neglect to act when a known duty to act exists or act in a manner that demonstrates an intentional disregard or gross neglect of the director's duties.

2. **Belief.** A director must base his or her beliefs upon a rational analysis of the facts and circumstances as would be understood by other rational persons.

3. **Best Interest of the Club.** A director should not act in a self-interested manner to the Club's detriment.

4. **Care.** The concept of "care" embodies the need to pay attention, to inquire, to act diligently to become and remain generally informed, and when appropriate, to bring relevant information to the attention of the other directors. In particular, these activities should include reading materials in advance of meetings, discussions with management or advisers, requesting legal and expert advice on behalf of the Club as necessary, and applying the director's own knowledge and experience as appropriate.

5. **Ordinarily Prudent Person in a Like Position.** A director should employ the basic characteristics of common sense, practical wisdom and informed judgment generally associated with the position of a corporate director.

6. **Under Similar Circumstances**. The law recognizes that the nature and scope of preparation for and deliberations leading to a decision and the Board's level of oversight will vary depending upon the circumstances, the information available, and the nature of the decision to be made.

If the Board's decision is challenged in court by a member asserting deficient conduct, judicial review of the matter will normally be governed by the **"business judgment rule"**. In general, the courts will review whether directors were disinterested in the matter, appropriately informed about the relevant facts before taking their actions, and acted in a good faith belief that the decision was in the best interest of the Club. If these general criteria are met, the courts will not substitute their judgment for the judgment of the directors and the directors will be protected from personal liability to the Club and its membership, even if the Board's decision or action are determined to be unsuccessful or wrong in hindsight.

B. **Reliance on Others.** In performing his or her duties, a director is entitled to rely on information, opinions, reports and statements, including financial statements and other financial data, in each case prepared or presented by:

1. One or more officers or employees of the Club whom the director believes to be reliable and competent in the matters presented;

2. Counsel, independent accountants or other persons as to matters which the director believes to be within such persons' professional or expert competence; or

3. A committee of the Board upon which the director does not serve, as to matters within its designated authority, which committee the director believes should merit confidence.

This reliance upon others may not be exercised blindly. Such reliance is justified so long as the director acts in good faith, after reasonable inquiry as indicated by the circumstances and without knowledge that would cause such reliance to be unwarrranted.

C. **Conflicts of Interest.** A director must act in the best interest of the Club. Directors must avoid conflicts between his or her personal interests and the best interests of the Club. A director may be required to recuse himself or herself from participation in Board decisions if a conflict exists. The law does not and cannot identify or define every instance where a conflict of interest may or does exist. As to contracts or other transactions between the Club and one or more of its directors, or between the Club and any business entity in which a director has a **material financial interest**, the law provides some guidance. In such cases, a director must disclose the material facts of the contract or transaction and allow the disinterested directors the opportunity to determine whether to authorize, approve or ratify the contract or transaction. In making their decision the disinterested directors should determine (i) whether the terms of the proposed transaction are at least as favorable to the Club and its members as might be available from unrelated persons or entities, (ii) whether the proposed transaction is reasonably likely to further the Club's goals, and (iii) whether the process by which the decision is approved or ratified is fair.

D. **Corporate Opportunity.** A director's duty of loyalty is implicated when a business opportunity related to the business of the Club becomes available to a director. A director typically must make the opportunity available to the Club before he or she may pursue it for the director's personal benefit. Whether this opportunity must first be offered to the Club may depend upon factors such as whether the opportunity is similar to the Club's existing or contemplated business, the circumstances in which the director learned about the opportunity, and whether the Club has an interest or expectancy in the opportunity. If a director has reason to believe that a contemplated transaction may be a Club opportunity, the director should bring it to the attention of the Board and disclose material information the director knows about the opportunity. If the Board, acting through its disinterested directors, disclaims interest in the opportunity on behalf of the Club, the director is free to pursue it.

E. **Confidentiality.** A director's right to information is accompanied by the duty to keep Club information confidential and not misuse the information for personal benefit, for the benefit of others, or for purposes adverse to the interests of the Club.

V. BASIC BOARD PROCEDURES.

1. **Regular Meetings**. The Board shall hold an annual regular meeting immediately following each annual meeting of Members for the purpose of organization, election of officers, and the transaction of other business. The Board shall hold an additional regular meeting approximately six months from the annual meeting and more often if deemed necessary. Regular meetings of the Board may be called by the chair of the Board or the president, any vice president, the secretary, or any two directors.

2. **Special Meetings**. The Board may hold special meetings at any time. Special meetings are designed to address issues that arise upon short notice or emergency, were not contemplated at the time the previous regular meeting was held, and cannot wait until the next regular meeting. Special meetings of the Board may be called by the president, any vice president, the secretary, or by any two directors.

3. **Quorum Requirement.** In order to meet and transact business a quorum of the Board must be present. The Club’s bylaws authorize five directors. A majority of the authorized number of directors constitutes a quorum.

4. **Member Attendance and Participation**. Members may attend any meeting of the Board, except when the Board adjourns to executive session. Any Member shall be permitted to speak and the Board shall establish a reasonable time limit for all Members who wish to speak at any Board meeting.

5. **Executive Session**. At any regular or special meeting the Board may adjourn the meeting and reconvene in executive session to discuss and vote on personnel matters, contracts with third parties, discipline of Members, litigation or similar matters. Members are not permitted to attend executive sessions of the Board, unless the session concerns the discipline of the Member present. At the time the Board adjourns to convene an executive session the minutes of the regular or special

meeting shall indicate the general nature of the business to be addressed in executive session.

6. **Action Without A Meeting.** Any action the Board is required or permitted to take may be taken without a meeting if all members of the Board, individually or collectively, consent in writing to that action. The action by unanimous written consent has the same force and effect as a unanimous vote of the directors at a regular or special board meeting.

7. **Board Decisions.** An act or decision done or made by a majority of the directors present at a meeting duly held at which a quorum is present is the act of the Board. Individual directors have no authority to act on behalf of the Board or the Club. A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of one or more directors, so long as any action taken is approved by at least a majority of the required quorum for that meeting.