

**CHARTER
OF THE
AUDIT AND COMPLIANCE COMMITTEE
OF THE
BOARD OF DIRECTORS
OF
SUNTERRA CORPORATION**

Charter

The Audit and Compliance Committee (the “Committee”) of the Board of Directors (the “Board”) of Sunterra Corporation (the “Corporation”) will have the oversight responsibility, authority and duties described in this Charter.

Purpose

The primary purpose of the Committee is to assist the Board in fulfilling its oversight responsibilities with respect to (1) the integrity of the Corporation’s financial statements, (2) the Corporation’s compliance with various legal and regulatory requirements pertaining to preparation and reporting of financial information, (3) the selection and retention of independent accountants, including, without limitation, a determination of qualifications and independence, (4) the evaluation of the performance of the Corporation’s internal audit function and independent accountants and any action to be taken in connection therewith; (5) the annual and quarterly financial information to be provided to shareholders and the Securities and Exchange Commission (the “SEC”); and (6) various communications with (the “SEC”) and other public communications pertaining to financial information. In addition, the Committee provides a point of contact for communication between the independent accountants, financial management and the Board. The Committee’s responsibility is principally one of oversight, recognizing that the Corporation’s management is responsible for preparing the Corporation’s financial statements and that the independent accountants are responsible for auditing those financial statements. The independent accountants are ultimately accountable to the Committee and the Board for such accountants’ audit of the financial statements of the Corporation.

Composition

The Committee shall be appointed annually by the Board and shall be comprised of at least three (3) directors, each of whom shall meet the independence and financial literacy requirements of the National Association of Securities Dealers (the “NASD”), the SEC and applicable law. In addition, at least one (1) member of the Committee will possess accounting or financial management expertise as defined by the NASD, the SEC and applicable law. The Board shall designate one member as Chair of the Committee.

Meetings

The Committee shall hold meetings as deemed necessary or desirable by the Chair of the Committee as may be required to perform the functions described under “Duties and Powers” below, but not less than quarterly. In addition to such meetings of the Committee, the Committee shall meet at least annually with the Chief Financial Officer of the Corporation and the independent accountants to discuss any matters that the Committee or any of these persons or firms believe should be discussed. The Committee may, at its discretion, meet in executive session with or without the presence of the independent accountants or corporate officers.

Duties and Powers

The following shall be the principal recurring functions of the Committee in carrying out its oversight responsibilities. The functions are set forth with the understanding that the Committee will regularly review and evaluate the efficacy of the prescribed duties and powers may from time to time modify or supplement them as appropriate.

A. Independent Accountants

1. Appoint, determine funding for and oversee the Corporation's independent accountants. Review the performance and audit fee arrangements of the independent accountants.
2. Review and provide prior approval of the engagement of the Corporation's independent accountants to perform non-audit services. The Chair of the Committee may represent the entire Committee for purposes of this review and approval.
3. Ensure that the independent accountants prepare and deliver at least annually a formal written statement delineating all relationships between the independent accountants and the Corporation addressing at least the matters set forth in Independence Standards Board, Standard No. 1, Independence Discussions with Audit Committees, as amended.
4. Discuss with the independent accountants any disclosed relationships or services that may impact the objectivity and independence of the independent accountants and recommend that the Board take appropriate action in response to the independent accountants' report to satisfy itself of the independent accountants' independence.
5. Obtain and review at least annually a report by the independent accountants describing: (a) the accounting firm's internal quality-control procedures, (b) any material issues raised by the most recent internal quality-control review or peer review of the accounting firm and (c) any material issues raised by any inquiry or investigation by governmental or professional authorities within the preceding five (5) years respecting one (1) or more independent audits carried out by the accounting firm and any steps taken to deal with any such issues.
6. Obtain from the independent accountant's assurance that their audit of the Corporation's financial statements was conducted in accordance with auditing standards generally accepted in the United States.
7. Pursuant to Section 10A of the Securities Exchange Act of 1934, as amended, obtain from the independent accountants a report describing (a) all critical accounting policies and practices to be used; (b) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management officials of the Corporation, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent accountants; (c) other material written communications between the independent accountants and the management of the Corporation, such as any management letter or schedule of unadjusted differences; and (d) any illegal acts that have been detected or have otherwise come to the attention of the independent accountants in the course of their audit.
8. Establish and monitor enforcement of hiring policies for employees and former employees of the independent accountants.

B. Financial Statement and Reports

1. Receive and review an analysis of significant financial reporting issues and practices prepared by management and the independent accountants on a timely basis.
2. Discuss with the independent accountants the matters required to be discussed by Statement on Auditing Standards No. 61, Communications with Audit Committees, as amended, published by the American Institute of Certified Public Accountants, Inc.
3. Meet with management and/or the independent accountants to:
 - review the annual audit plans of the independent accountants;
 - discuss the annual consolidated financial statements;
 - discuss any significant matters arising from any audit or report or communication relating to the consolidated financial statements;
 - understand the significant judgments made and alternatives considered in the Corporation's financial reporting, including the appropriateness of the alternatives ultimately chosen;

- discuss significant proposed or contemplated changes to the Corporation’s accounting principles, policies, controls, procedures, practices and auditing plans;
 - inquire about significant risks and exposures, if any, and the steps taken to assess, monitor and manage such risks; and
 - review with the independent accountants any material audit problems or difficulties and responses by management.
4. Review the Corporation’s quarterly consolidated financial statements with management and the independent accountants prior to the filing of the Corporation’s Quarterly Reports on Form 10-Q, and review with the independent accountants any items identified by them for discussion with the Committee. The Chair of the Committee may represent the entire Committee for purposes of this review.
5. Review and discuss with management and the independent accountants Management’s Discussion and Analysis of Financial Condition and Results of Operations to be included in the Corporation’s Annual Report on Form 10-K and Quarterly Reports on Form 10-Q. The Chair of the Committee may represent the entire Committee for purposes of this review.
6. Review and discuss with management the financial information in the Corporation’s earnings press releases, including the use of “pro forma” or “adjusted” non-GAAP information, as well as financial information and earnings guidance provided to analysts and rating agencies. The Chair of the Committee may represent the entire Committee for purposes of this review.

C. Reporting and Recommendations

1. Determine, based on the reviews and discussions noted above, whether to recommend to the Board that the audited financial statements be included in the Corporation’s Annual Report on Form 10-K for filing with the SEC.
2. Prepare any report, including any recommendation of the Committee, required by the rules of the SEC to be included in the Corporation’s annual proxy statement.
3. Maintain minutes or other records of meetings and activities of the Committee.
4. Report the Committee’s activities to the Board on a regular basis and make such recommendations with respect to the above as the Committee or the Board may deem necessary or appropriate.

D. Other Responsibilities

1. As appropriate, obtain advice and assistance from outside legal, accounting or other advisors and determine funding for such advisors.
2. Establish procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls and auditing matters.
3. Establish procedures for the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.
4. Review and provide prior approval of all transactions or arrangements between the Corporation and any of its directors, officers, principal shareholders or any of their respective affiliates, associates or related parties.
5. Take such other actions as the Committee or the Board Directors may deem necessary or appropriate.
6. Review the Committee’s performance of the foregoing duties on at least an annual basis.

Resources and Authority

The Corporation shall provide the Committee with the resources and authority appropriate to discharge, in a reasonable and measured approach, its responsibilities, including the authority to engage

independent accountants for special audits, reviews and other procedures and to retain special counsel and other experts or consultants.

Annual Review

The Committee shall review, on at least an annual basis, this Charter and the scope of the responsibilities of this Committee. Such review shall take into consideration changes in laws, regulations and rules of Stock exchanges activities, of the Corporation since the last review, any recommendations of management or independent auditors, financial results since the last review and other pertinent issues. Any proposed changes, where indicated, shall be referred to the Board for review, comment and approval

Operating Procedures

Formal actions to be taken by the Committee shall be by unanimous written consent or by a majority of the persons present (in person or by conference telephone) at a meeting at which a quorum is present. A quorum shall consist of at least fifty percent (50%) of the members of the Committee. The Secretary or Assistant Secretary of the Corporation, or such other person designated by the Committee, shall take minutes of each meeting which shall be approved by the Committee.

Effective: April 27, 2004