



August 2, 2010

Ms. Elizabeth M. Murphy, Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: Asset-Backed Securities
Release Nos. 33-9117; 34-61858
File No. S7-08-10 (May 3, 2010)

Dear Ms. Murphy:

We appreciate the opportunity to comment on the proposed rules regarding asset-backed securities (the "Proposed Rules") issued by the Securities and Exchange Commission (the "SEC") in the above-referenced release (the "Release").

Introduction

The American Resort Development Association ("ARDA") is the Washington D.C.-based professional association representing the vacation ownership/timeshare and resort development industries. Established in 1969, ARDA today has nearly 1,000 members ranging from privately held firms to publicly traded companies and international corporations with expertise in shared ownership interests in leisure real estate. Publicly traded member companies include: The Walt Disney Company, Marriott International, Inc., Wyndham Worldwide Corporation, Starwood Hotels & Resorts Worldwide, Inc., Bluegreen Corporation, ILX Resorts Incorporated, and Hyatt Hotels Corporation, and privately held timeshare companies include: Hilton Worldwide, Diamond Resorts International, Welk Resort Group, Central Florida Investments, Inc., Berkley Group, Inc., Shell Vacations LLC, Four Seasons Hotels and Resorts, Fairmont Resort Properties Ltd., InterContinental Hotels Group, and Grand Pacific Resorts, Inc. The aforementioned companies represent the largest industry participants and are complimented by dozens of single site and small independent resort development companies.

The US timeshare industry collectively recorded sales of \$6.3 billion in 2009. A 2010 independent study of the US industry indicated that it provides 465,800 full- and part-time jobs and contributes \$69 billion to the US economy through direct and indirect economic output, and generated \$8.4 billion in tax revenue in 2009.

Timeshare is essentially a real estate based use-product that provides a lifetime of vacations to customers through their purchase of a prepaid fractional interest in leisure real estate (usually not in a specific unit but in a unit type), generally equivalent to one or two weeks per year. Approximately 54% of sales are financed with a timeshare purchase loan, typically made by the developer or an affiliate. The average timeshare purchase loan is \$19,564 with a down payment of \$2,470 (>10% of purchase price), a monthly payment of \$391 and a term of 10 years or less. These loans have fixed interest rates with fixed monthly payments, and no up front points are paid to the lender.

The timeshare business is relatively capital intensive as construction and financing comprise significant components of the business. As such, established means of liquidity to timeshare companies, including the monetization of loan assets, are essential to the ongoing operations of a timeshare business. To meet the capital needs of most timeshare operators, the timeshare industry has cultivated and relied on the 144A market, together with banking facilities, as established sources of liquidity provided by private investors willing to either lend against the timeshare loan assets or, more significantly, purchase asset-backed securities (“ABS”) supported by the timeshare loan assets using well established transaction structures and documentation.

Scope of Comment Letter

Our member companies have issued (and we expect they will in the foreseeable future issue) ABS solely on a private, exempt basis, the majority being 144A eligible. Consequently, this comment letter will only address the Proposed Rules relating to Privately Issued Structured Finance Products (the “Proposed Private Issuance Rules”). The Proposed Private Issuance Rules would require the issuers of certain privately-issued ABS to adopt certain of the revised standards for public ABS issued under Regulation AB set forth in the balance of the Proposed Rules (the “Proposed Public Issuance Rules”). We will be specifically commenting on the following:

We request comment on the proposed definition of “structured finance products” for purposes of our proposed revisions to Rule 144A, Regulation D and other rules. Is the proposed definition appropriate? Should other types of securities be included that are not included? Should any types of included securities not be?¹

Proposed Private Issuance Rules Should be More Narrowly Drafted to Apply Only to the Types of ABS that Caused Abuses

As stated in the first sentence of the Executive Summary of the Release, the “recent financial crisis highlighted that investors and other participants in the securitization market did not have the necessary tools to be able to fully understand the risk underlying those securities and did not value those securities properly or accurately.”²

We believe that this language and the Proposed Private Issuance Rules are overbroad in that they apply to all privately-issued ABS, including both structured securities such as CDOs, which the SEC states in the Release were central to the recent financial crisis, and more traditional ABS of the type offered by our member companies, which we believe were not a cause of the financial crisis.

It is clear from the text of the Release that the driving force behind the Proposed Rules is the desire to better regulate “structured finance products,” in particular, collateralized debt obligations or CDOs.³ We

¹Page 23397– all page references are to the Federal Register/Vol. 75, No. 84/Monday, May 3, 2010.

²Page 23329.

³ “Many of the problems giving rise to the financial crisis involved structured finance products.” (page 23330). “CDOs were noted, in particular, to have contributed to the collapse in liquidity during the financial crisis.” (page 23330). “Some have concluded that the events of the financial crisis have demonstrated that a lack of understanding of CDOs and other privately offered structured finance products by investors, rating agencies and other market participants may have significant consequences to the entire financial system.” (page 23332). “In particular, the CDO market has been cited as central to the crisis. While the CDO market comprised a large part of the capital market at the time of the financial crisis, many have asserted that the lack of information about CDOs and other

note that the SEC is concerned with the lack of clear disclosure relating to the complex structure of CDOs and similar ABS contained in private offering documents: “[i]n the private market, we believe that, in many cases, investors did not have the information necessary to understand and properly analyze structured products, such as CDOs, that were sold in transactions in reliance on exemptions from registration.⁴ However, as discussed below, we believe there are meaningful differences in the types of privately offered ABS, and the additional disclosure required by the Proposed Private Issuance Rules is not necessary for the protection of investors with respect to traditional ABS private offerings. The investors participating in the ABS private placement market are either accredited investors or QIBS, and absent abusive practices, which we do not believe are present in traditional ABS private offerings, the additional costs and burdens of complying with the Proposed Private Issuance Rules by traditional ABS issuers outweigh the benefit of such rules. To limit the Proposed Private Offering Rules to cover only the types of ABS that caused the abuses discussed in the Release such as CDOs, we suggest that the SEC revise the definition of “structured finance products” to exclude this traditional ABS as set forth in more detail below.

Stated Intent of Proposed Private Issuance Rules

The stated intent of the Proposed Private Issuance Rules can be gleaned from the following two sentences:

In order to address concerns about the lack of information available to investors in the private market for structured finance products, we are proposing amendments to our safe harbors and new related rules regarding the information that must be made available to investors in privately-issued asset-backed securities.⁵

These proposals are designed to improve investor protection and promote more efficient asset-backed markets.⁶

As more fully set forth herein, our member companies believe that their ABS investors are not lacking for any information with respect to their investments in our member companies’ ABS and that these proposals will increase our member companies’ cost of doing business without having the expected results expressed in the second sentence above.

Burden of Proposed Private Issuance Rules is Borne Solely by Pure Private Issuers

The universe of ABS issuers that issue 144A eligible ABS can be divided into two groups: those issuers that also issue public ABS under Regulation AB (“Public/Private Issuers”) and those that do not also issue public ABS under Regulation AB (“Pure Private Issuers”).

Public/Private Issuers use virtually identical disclosures and reporting standards with respect to both public and private ABS issuances. This is driven not only by the insistence by the private investors of at least equal treatment with their public investor brethren, but also by the desire of the issuer to not incur the increased cost and expense of having different internal processes (disclosure, servicing reports, etc.) for public and private issuances of ABS backed by identical assets. The Public/Private Issuers will be

structured securities in the private market exacerbated the harm to investors and the markets as a whole during the financial crisis.” (page 23394).

⁴ Page 23330.

⁵ Page 23395.

⁶ Page 23329.

required to follow the Proposed Public Issuance Rules for their issuance of public ABS under Regulation AB (once implemented) and based on the above, will adopt the applicable Proposed Public Issuance Rules for their privately-issued ABS as well. As a result, (a) the investors in offerings of privately-issued ABS issued by Public/Private Issuers will generally receive the information required by the Proposed Public Issuance Rules, and do not need the protections of the Proposed Private Issuance Rules and (b) the Public/Private Issuers will not bear any additional burden to fully comply with the Proposed Private Issuance Rules. Therefore, it is the Pure Private Issuers which will bear the entire burden of compliance with the Proposed Private Issuance Rules.

Our member companies are Pure Private Issuers and will therefore be significantly impacted by the burdens imposed by the Proposed Private Issuance Rules. However, we believe that the traditional ABS issued by Pure Private Issuers which include our member companies (and other issuers as well) can be readily distinguished from the ABS which the Proposed Rules specifically seek to regulate.

Distinctions Between Traditional ABS and ABS Sought to be Regulated by Proposed Rules

The ABS issued by Pure Private Issuers can be divided into two major categories: ABS which would otherwise qualify as “asset-backed securities” under Regulation AB and ABS which would not otherwise qualify as “asset-backed securities” under Regulation AB. Our member companies only issue ABS which would otherwise qualify as “asset-backed securities” under Regulation AB.

In adopting Regulation AB, the SEC determined which types of securities were worthy of being granted the preferred status of qualifying to be issued and sold to public investors using the procedures set forth therein, defining those securities as “asset-backed securities.” The definition (the salient text of which is set forth below) reflects the qualities of the assets which are backing these securities.

Asset-backed security means a security that is primarily serviced by the cash flows of a discrete pool of receivables or other financial assets, either fixed or revolving, that by their terms convert into cash within a finite time period, plus any rights or other assets designed to assure the servicing or timely distributions of proceeds to the security holders; provided that in the case of financial assets that are leases, those assets may convert to cash partially by the cash proceeds from the disposition of the physical property underlying such leases.⁷

Our member companies would otherwise be permitted to issue public ABS under Regulation AB (because their ABS is deemed suitable for public investors by the SEC), but do not want to incur the cost and expense of doing so due to the small transaction size and relative infrequency of their ABS issuances.

By contrast, the issuers of the ABS sought to be regulated by the Proposed Rules, while having the size and frequency of issuances to justify the expense of public issuance of ABS under Regulation AB, do not issue public ABS under Regulation AB because they are not permitted to do so (their ABS is not deemed suitable for public investors by the SEC).

It is clear from the language of the Release that the Proposed Private Issuance Rules were intended to address the private issuance of securities that did not qualify to be issued publicly under Regulation AB

⁷ Full definition is at 17 CFR 229.1101(c)

because they didn't meet the definition of "asset-backed security" under Regulation AB.⁸ We believe that this major distinction between the traditional ABS issued by our member companies (and others) and the ABS which the Proposed Rules specifically seek to regulate, is a distinction upon which the SEC could solely rely in excluding this traditional ABS from the application of the Proposed Private Issuance Rules.

If the SEC was concerned about relying solely upon this major distinction to limit the Proposed Private Issuance Rules as suggested above, the SEC could limit the application of the Proposed Private Issuance Rules based on some or all of the additional distinguishing characteristics set forth in the chart below.

Although the chart below sets forth a number of distinctions between the traditional ABS issued by our member companies ("Traditional ABS") and the ABS which the Proposed Rules specifically seek to regulate ("Non-Traditional ABS"), we believe the most significant differences to be found in the relative importance to the essential operations of the core business of the sponsor/issuer of maintaining its relationships with both (a) the underlying obligors and (b) the investors in the ABS to ensure the ability to fund these operations in the private ABS market. When it is critical to the underlying business operations of the sponsor/issuer to maintain long-term mutually beneficial relationships with both its customers and its investors, the sponsor/issuer does not need additional incentives (or additional statutory requirements) to act in a manner to maintain those relationships.

<u>Traditional ABS Characteristics</u>	<u>Non-Traditional ABS Characteristics</u>
ABS would qualify as "asset backed securities" under Regulation AB	ABS would not qualify as "asset backed securities" under Regulation AB
Retention of servicing/customer relationship	No servicing of underlying obligations
Sponsor or affiliate is also originator of underlying loan – maintaining relationship with customer/obligor	Originators of underlying obligations are third parties – no relationship with obligor
Substantial risk retention by sponsor	Minimal risk retention by sponsor
Loan origination and subsequent ABS issuance backed by those loans supports core business operations	Sole purpose of ABS issuance is to create financial arbitrage
Need for ongoing/continued ABS funding (program funding) drives alignment of interest with investors resulting in long-term, symbiotic relationship	No alignment of interest, just buyer and seller
Homogenous underlying asset type	Wide variety of underlying assets

⁸ "The safe harbor [of Rule 144A] has been utilized to develop a private market for collateralized debt obligations and other asset-backed securities that may not meet the definition of an asset-backed security under Regulation AB, and, therefore, are not eligible for the particularized regulation regime of Regulation AB." (page 23394).

Static asset pool	Actively managed asset pool
Large number of underlying assets – reduces significance of any individual asset	Number of assets in pool can vary significantly – importance of individual asset may be increased
Viewed as an investment by all participants	Viewed as a trade by all participants

To maintain these important relationships, the Pure Private Issuers of Traditional ABS provide very detailed investor-driven information to their investors in offering memoranda for their ABS issuances and do not withhold any meaningful information. Because of the strong connection of the sponsor/issuer to all aspects of a securitization involving the issuance of Traditional ABS, investors are able to gather this information from a single source, helping to ensure its completeness and accuracy. This addresses the following concern contained in the Release:

Asset-backed securities are issued by single purpose issuers whose only business purpose is holding financial assets and may involve numerous parties that participate in the chain of securitization (i.e., originator, sponsor, servicer, etc.). Thus unlike the securities of other companies where information needed to value the securities might be able to be gleaned from a review of basic summary information and discussions with management, information about the assets and the parties in the securitization chain facilitates an understanding of the valuation of asset-backed securities.⁹

Investors in Traditional ABS can and do have discussions with management, in most cases performing annual due diligence through face-to-face meetings with the sponsor/issuer, as well as conducting visits to actual sales offices and servicing operation locations.

By contrast, investors in Non-Traditional ABS typically have no opportunity to conduct any meaningful diligence on the underlying originator, servicer, or assets. They are forced to rely exclusively on the information provided by the sponsor, whose interests are not aligned in any meaningful way with those of the investors. This is the “information asymmetry”¹⁰ which the Proposed Private Issuance Rules seek to remedy.

To summarize, Traditional ABS is privately issued ABS that qualifies as an “asset-backed security” under Regulation AB and:

- Is sponsored by an entity that, together with any affiliates thereof, has originated **all** of the underlying assets and has retained a substantial continuing economic interest in the assets;
- The underlying assets of which are serviced by the sponsor or an affiliated entity; and
- Is backed by a static pool of a single type of underlying asset.

Performance of Traditional ABS Issued by Pure Private Issuers

Our member companies have issued more than \$10 billion in 144A-eligible Traditional ABS over the past 10 years. During that period, investors in our member companies’ ABS have suffered **zero losses**. We believe there is a direct correlation between the performance of our member companies’ ABS and the

⁹ Page 23394.

¹⁰ Page 23394.

characteristics set forth above. Although we do not have the ABS performance statistics of other Pure Private Issuers of Traditional ABS, if the SEC were to gather that information, we would be not be surprised to discover a similar outstanding performance result for their ABS.

Disproportionate Impact on Pure Private Issuers of Traditional ABS

The Proposed Private Issuance Rules will clearly result in significantly increased one-time and ongoing costs and expenses for the issuers of ABS to which these rules will apply. We believe that this creates an undue and disproportionate hardship on all Pure Private Issuers of Traditional ABS, including our member companies, without providing any benefit to either these issuers (in terms of better pricing or increased liquidity) or to their investors (in terms of better information). The hardship is disproportionate because Pure Private Issuers of Traditional ABS issue relatively small amounts of ABS on an infrequent basis which results in a higher increased compliance cost per dollar of issuance than either the Public/Private Issuers or the Pure Private Issuers who issue Non-Traditional ABS. The hardship is undue because Pure Private Issuers of Traditional ABS did not cause any of the problems in the ABS market sought to be addressed by the Proposed Private Issuance Rules.

Proposed Changes to Proposed Private Issuance Rules

To address the concerns of our member companies and, we suspect, of other Pure Private Issuers of Traditional ABS, we propose the following alternative changes to the Proposed Private Issuance Rules:

(1) Amend proposed paragraph (a)(8) of Section 230.144A (17 CFR 230.144A), which is the definition of “structured finance product,” to specifically exclude an “asset-backed security” as used in Item 1101(c) of Regulation AB (§229.1101(c)); or

(2) Amend proposed paragraph (a)(8) of Section 230.144A (17 CFR 230.144A), which is the definition of “structured finance product,” to specifically exclude “Traditional ABS,” as defined herein.

Although these changes would technically exclude certain ABS issued by both Public/Private Issuers and Pure Private Issuers, as discussed above, the Public/Private Issuers will adopt the applicable Proposed Public Issuance Rules for their privately-issued ABS as well, limiting the practical application of these changes to the Pure Private Issuers. To alleviate any concerns, language could be added limiting the exclusion only to issuers which, together with any affiliated entities, have not issued public ABS under Regulation AB after the effective date of the Proposed Rules backed by the same or substantially similar assets as the ABS sought to be privately-issued.

The first alternative has the appeal of simplicity. The second alternative would allow the SEC to craft a more narrow exception by selecting (in addition to the characteristic relating to its treatment as an “asset-backed security” under Regulation AB) some or all of the characteristics set forth in the above chart to determine what constitutes “Traditional ABS.”

Either of these alternatives, we believe, address the stated concerns expressed in the Release with respect to the harm caused by the issuance of “structured securities” (such as CDOs) in the private ABS market, without impacting other Pure Private Issuers which were not a stated cause of any of the harm detailed in the Release.

Our member companies strongly believe that the very detailed investor-driven information currently provided to their investors in offering memoranda for Traditional ABS issuances provides sufficient protection for their investors and that their investors are satisfied with the well-established procedures.

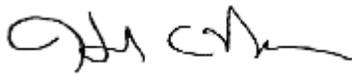
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This was amply demonstrated by the ability of our member companies to issue \$1.2 billion in 144A eligible ABS in 2009 (the depths of the recent financial upheaval) without the support of governmental programs. In addition, we are aware of no reports, studies, or scholarly articles on the recent financial crisis that have indicated that Traditional ABS was even a small contributing factor to the problems caused by Non-Traditional ABS.

The private ABS market is very important to our industry and, we suspect, to the industries comprised of other Pure Private Issuers who issue Traditional ABS. It is a predictable and reliable source of funding cultivated through years of our member companies working cooperatively with their investors in such ABS and our member companies are understandably quite sensitive to any rules or regulations that may upset these valuable relationships. Our industry, like others, is starting to turn the financial corner and our member companies are concerned that any impairment of their ability to continue to fund their operations will slow down, halt, or even reverse the progress made to date and have a negative impact on industry jobs.

We appreciate the opportunity to provide these comments and thank you for your consideration thereof.

Sincerely,

A handwritten signature in black ink, appearing to read "H. C. Nusbaum", with a stylized flourish at the end.

Howard C. Nusbaum
President and Chief Executive Officer

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