Financial Performance

2014

A SURVEY OF TIMESHARE & VACATION OWNERSHIP COMPANIES

2014 EDITION

PREPARED BY Deloitte.

AIF

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FORWARD

On behalf of ARDA International Foundation, Deloitte & Touche LLP (Deloitte & Touche) has conducted this edition of the F*inancial Performance 2014: A Survey of Timeshare & Vacation Ownership Resort Companies* ("Financial Performance Survey").

ARDA International Foundation has collected similar timeshare data since 1991. Through the years, the survey tool and breadth of analysis have evolved in consideration of industry trends, interest in new topics, regulatory changes, and other factors impacting the vacation timeshare industry. This year's Financial Performance Survey does not include additional statistics from those presented in the 2013 Financial Performance Survey. The results show how the industry is being impacted by the current economic environment.

> **According to the Federal Open Market Committee press release dated April 30, 2014:**
>
> "Information received since the Federal Open Market Committee met in March indicates that growth in economic activity has picked up recently, after having slowed sharply during the winter in part because of adverse weather conditions. Labor market indicators were mixed but on balance showed further improvement. The unemployment rate, however, remains elevated. Household spending appears to be rising more quickly. Business fixed investment edged down, while the recovery in the housing sector remained slow. Fiscal policy is restraining economic growth, although the extent of restraint is diminishing. Inflation has been running below the Committee's longer-run objective, but longer-term inflation expectations have remained stable."[1]

The economic growth discussed above significantly impacted the timeshare industry during the year. This was evidenced by an increase in net originated sales when comparing 2013 with 2012. Further, there are additional positive indicators in the results reported in 2013 as increases were reported in resorts open and in active sales, number of equivalent weeks sold, volume per guest, average transaction value, and capital expenditures related to timeshare inventory. Further, average Fair Isaac Corporation (FICO) scores within the receivables portfolio continued to increase in 2013 when compared to 2012.

This study is an estimate of key metrics that provide an overview of the vacation timeshare industry in the United States. It is not a comment on any individual company, whose performance may vary from the information included in this study.

1 *Federal Open Market Committee (FOMC) Press Releases (2014, April 30)* http://www.federalreserve.gov/newsevents/press/monetary/20140430a.htm

Survey Method

CHAPTER ONE

Survey purpose

The goal of the survey is to compile accurate historical data and to provide a comprehensive perspective on the timeshare industry's financial performance. By conducting the Financial Performance Survey annually, the ARDA International Foundation provides:

1. Timely information that permits companies to compare operations to industry benchmarks;
2. A reference for tracking industry trends; and
3. A resource for potential entrants to the industry and others seeking to better understand the vacation timeshare industry.

Consistency with current financial accounting standards

The effects of important changes to accounting standards for companies developing and selling vacation ownership interests were first included in the 2007 edition of the Financial Performance Survey. This year's report continues the form of questions established in the previous years. It is important to recognize that the set of companies responding to the survey in each edition of the Financial Performance Survey also changes, and therefore, results from this edition should not be compared to the results of previous editions.

The following provides a summary of that guidance for reference in reading the report.

Accounting Standards Codification (ASC) 978 Real Estate — Time-Sharing Activities, is the authoritative literature for accounting for time-sharing transactions.

ASC 978 instructs that[2]:

- Costs incurred to sell timeshare units generally be charged to expense as incurred, including indirect sales and marketing expenses;
- Estimated uncollectible financed sales be presented as reductions of revenue;
- Uncollectible financed sales be estimated based on actual receivables collection experience and other considerations;
- The fair value of certain incentives provided to the timeshare buyer be considered when assessing the adequacy of the buyer's initial investment;
- Changes to inventory cost estimates be reflected in each period on a retrospective basis using a current period adjustment; and,
- Rental and other operations during holding periods should be accounted for as incidental operations, which requires that any excess of revenue over costs be recorded as a reduction of inventory costs.

2 *This summary, and other statements related to accounting standards and company practices, in this report are general observations based on publicly available information, information reported in the survey responses, and conversations with representatives of selected companies. They do not represent accounting guidance of Deloitte & Touche LLP.*

Survey design and administration

The Financial Performance Survey reflects a broad base of respondents and provides information in a consistent format, maintaining benchmarks that may be easily referenced. The questions within the survey were developed based on input from:

- Previous and current survey respondents
- Readers of previous editions of the report
- Members of the ARDA International Foundation Research Committee and CFO Council
- A task force commissioned by the ARDA International Foundation to help improve the survey
- Staff of the ARDA International Foundation and Deloitte & Touche

Continuing the format established in the Financial Performance Survey 2004 Edition, the survey focuses on timeshare sales activity and excludes sales of fractional ownership interests including private residence clubs and non-equity destination clubs from all results. A copy of the survey form used in this edition is included in the Appendix.

Deloitte & Touche distributed the survey directly to 216 timeshare and vacation ownership resort development companies on January 13, 2014. The survey response deadline was extended to March 24, 2014. During the data analysis phase, Deloitte & Touche contacted some of the respondents with follow-up questions regarding specific responses provided.

Respondents

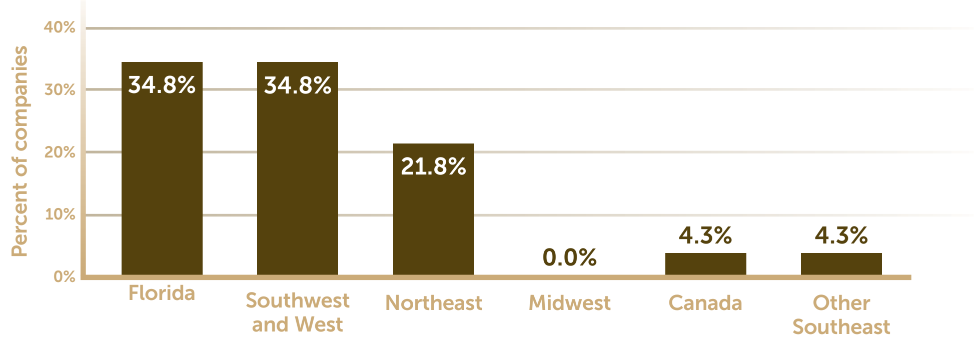
As of March 24, 2014, 23 companies, or eleven percent of those surveyed, had responded. This set encompassed 347 resorts that were open and in active sales during 2013. The source line under each graph in the report shows the number of respondents to the related question. In those graphs in which the companies are segmented into groups by product offering, ownership, company size by sales volume, and weighted average yield per timeshare week, there are, in some instances, fewer respondents in one particular category than the total respondents shown in the source line. This is because some companies did not provide sufficient information to segment them within that category.

Of the 23 survey respondents, six companies are publicly-traded companies and 17 are privately-held. The six public companies that provided sales information accounted for 61.5 percent of net originated U.S. sales in 2013, as reported by the 21 survey respondents that reported net originated U.S. sales data.

The survey is focused on the United States due to the location of the companies' headquarters, which provides an indication of the geographic regions represented by the response base. By the location of their headquarters, 22 of the respondents are U.S. companies and one is Canadian. Many of the U.S. respondents are based in the Southeast, including eight in Florida and one in another Southeastern U.S. location, though companies in the Northeast, and Southwest and West regions also responded.[3] No respondents were based in the Midwest.

FIGURE 1

DISTRIBUTION OF COMPANIES BY HEADQUARTERS LOCATION, 2013



Source: Deloitte & Touche LLP based on 23 company survey responses.

3 *Regional definitions: Florida; Northeast (CT, DC, DE, MA, MD, ME, NH, NJ, NY, PA, RI, VA, VT); Midwest (IA, IL, IN, KS, KY, MI, MN, MO, ND, NE, OH, SD, WI, WV); Other Southeast (AL, AR, GA, LA, MS, NC, SC, TN); and Southwest and West (AK, AZ, CA, CO, HI, ID, MT, NM, NV, OK, OR, TX, UT, WA, WY).*

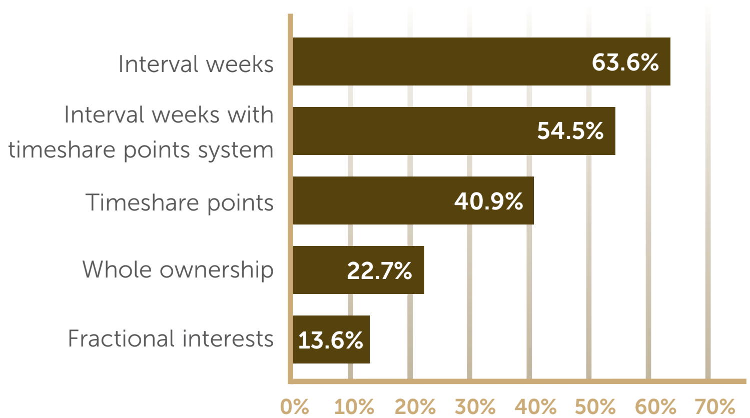
Product offering

The timeshare industry model is fundamentally based on the sale and use of time based resort real estate interests. Within the shared ownership umbrella, there are a variety of product types, the most popular of which may be organized in five categories:

1. **Interval weeks**
   The consumer has purchased a specific type of week at a specific resort. This week may then be exchanged through internal or external exchange systems, either for an interval week-based vacation or in some cases redeemed for points, such as in a hotel brand frequent guest program.
2. **Interval weeks with the ability to use through a timeshare points system**
   The consumer has purchased into a points system or vacation club backed by an interval weeks interest. The legal structure of the consumer's purchase is supported by a deeded week or other week-based interest (including right-to-use, beneficial interest associated with trust based vehicles, or other non-deeded week-based interest), but the consumer has the ability to use the interest at its "home resort" or directly through a points-based system.
3. **Timeshare points**
   The consumer has purchased points or credits backed by a usage right to a resort or a system supporting an internal network of resorts.
4. **Fractional interests**
   An ownership interest system that is either a shared equity or club interest representing a time period of not fewer than two weeks, but usually three weeks or more.
5. **Whole ownership**
   Vacation product in which each unit has one owner.

The first of these offerings, interval weeks, was offered by 63.6 percent of respondents, making it the most frequently offered product type in the response set, as shown in Figure 2. Many of these respondents reported also offering other types of products, for example, by offering an interval weeks product at some resorts and a timeshare points product at other resorts, so the totals in Figure 2 sum to more than 100 percent. Three respondents reported offering fractional interest products, and five respondents also reported offering whole ownership products. Net originated sales reported in this study include any type of timeshare interest in the first three categories and exclude the last two categories (fractional interests and whole ownership).[4]

FIGURE 2
PRODUCT OFFERING BY % OF COMPANIES, 2013

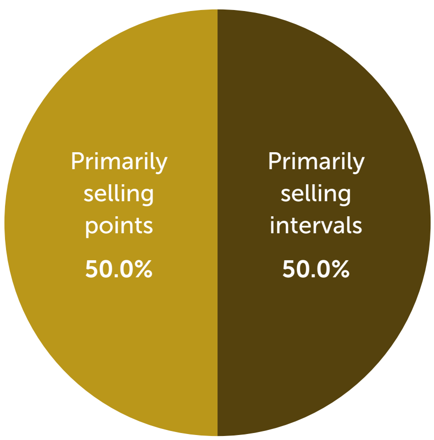


Note: Some respondents offer multiple product types.
Source: Deloitte & Touche LLP based on 22 company survey responses.

4 *Information on the share of respondents offering fractional interests and whole ownership interests was collected as background information to help show the different types of products being offered. The survey focuses on timeshare sales activity and excludes sales of fractional ownership and whole ownership interests from all other results. Non-equity club programs, such as destination clubs, are excluded from the shared ownership concepts covered in this study.*

For the purpose of comparisons in this report, Deloitte & Touche has categorized each company as either primarily an interval company or primarily a points company. Of the 22 respondents, eleven reported selling only intervals, nine companies reported selling only points, and the remaining two companies reported selling a mixture of both interval weeks and points. Both of these companies primarily sold points, and were therefore categorized as points companies. As a result of this categorization process, as shown in Figure 3, 50.0 percent of the respondents were categorized as interval companies and 50.0 percent of the respondents were categorized as points companies.[5]

FIGURE 3
SEGMENTATION OF COMPANIES BY PRODUCT OFFERING



Source: Deloitte & Touche LLP based on 22 company survey responses.

Interpretation of results

To effectively interpret the survey results, it is important to understand that the survey is not a projection as it is not based on a random sample of companies, nor is it a census of all companies. That said, the survey is based on responses from participating companies that account for a predominance of industry sales, and this is one of the reasons it is seen as a valuable resource.

The companies that participated in this edition are not identical to those that participated in prior editions. Due to the relatively large size of some of the companies participating, the changing composition of the response base can materially impact the results reported from one year to another. It is not accurate to compare the 2012 and 2013 results presented in this edition with results shown in reports of earlier years without understanding that the response base has changed.

Wherever results are shown in this study for both 2012 and 2013, a consistent set of respondents was used for both years. Nevertheless, some changes from year to year may be the result of acquisitions or divestitures.

Because the focus of this report is on the U.S., only the U.S. geographic region is analyzed in this report.

Unless otherwise noted specifically as simple averages, all averages in this report are weighted averages. For example, responses to questions related to sales topics, such as sales costs as a percentage of sales, are weighted by net originated sales volume.

Core company set

A core group of 17 companies reported detailed information from 2009 to 2013, providing year-in and year-out results that yield a stable perspective on industry trends. Wherever appropriate, information reported by this "core company set" has been presented to benchmark year-to-year trends from 2012 to 2013, based on a consistent set of respondents. The *core company set* exhibits the following characteristics:

- Represents 73.9 percent of the survey respondents, 86.5 percent of the open and active resorts, and 90.1 percent of U.S. net originated sales in 2013, as reported by survey respondents.
- Six are publicly-traded companies.
- Seven reported net originated sales of $250 million or more in 2013.

The *core company set* has been kept as a broad set of companies by limiting the time period from 2009 to 2013.

5 *The percentage distributions shown here are for respondent companies, as categorized by primarily selling interval or points product. This distribution is different from the distribution of intervals and points product sales by dollar volume among respondent companies, which is reported on page 14.*

Summary of Results

CHAPTER TWO

The following summarizes key results of the study.

Sales activity

- **Net originated sales excluding fee-for-service increased 6.9 percent, while net originated sales including fee-for-service increased 10.8 percent.**

  In total, the 20 respondents that provided sales information reported $5.298 billion in net originated timeshare sales (excluding fee-for-service) in 2013 (Page 13). The overall percentage change in net originated sales between 2012 and 2013 was an increase of 6.9 percent, based on comparable information for 2012 and 2013 provided by the 20 respondents. For the *core company set* in aggregate, net originated sales (excluding fee-for-service) were 4.8 percent higher in 2013 than in 2012 (Page 16) and net originated sales including fee-for-service arrangements were 9.3 percent higher in 2013 than in 2012. Total net originated sales including fee-for-service arrangements increased 10.8 percent from 2012 to 2013, increasing from $5.286 billion to $5.859 billion (Page 13).

- **Points sales represented 63.9 percent of the $5.298 billion of net originated sales excluding fee-for-service.** Of the $5.298 billion of net originated sales reported by 20 companies in 2013, $3.386 billion (63.9 percent) was classified as point sales, while $1.912 billion (36.1 percent) was classified as interval sales (Page 14).
- **The amount of U.S. net originated sales that were sold on behalf of others under fee-for-service arrangements increased from $328.1 million in 2012 to $561.8 million in 2013** (Page 15).
- **Quarterly net originated sales compared to the previous year were greater in total for all quarters except Q1.** For the *core company set* in aggregate, net originated sales were higher in each quarter compared to the same quarter of 2012 except for the first quarter (Page 16).
- **Net originated sales at U.S. locations averaged $32.4 million per resort in active sales** (Page 20).
- **Unsold weeks held in inventory remained consistent at 1.6 years from 2012 to 2013 for the *core company set*.** The *core company set* reported that the number of unsold weeks held in inventory at year-end 2013 was equivalent to 1.6 years of sales which is consistent with 2012, on a weighted average basis (Page 23).
- **Capital expenditures related to the development of timeshare inventory increased by 53.1 percent from 2012 to 2013** (Page 25). Total capital expenditures related to the development of timeshare inventory increased from $446 million in 2012 to $683 million in 2013 (Page 24). Capital expenditures related to the development of new timeshare inventory decreased while capital expenditures related to the development of existing projects and capital expenditures related to completed inventory increased. The largest percentage increase in capital expenditures came from completed inventory.
- **The average yield per week increased 11.9 percent in 2013, with a weighted average yield of $27,298** (Page 26). The *core company set* reported an average increase in the weighted average yield of a timeshare week of 13.6 percent from 2012 to 2013, increasing from $24,454 to $27,781 (Page 28).[6]
- **Sales tours, average transaction value, volume per guest, and net close rate all increased from 2012 to 2013.** In 2013, respondents reported hosting 2.27 million sales tours, compared to 2.12 million sales tours in the previous year (Page 29). Respondents achieved a weighted average net closing rate of 15.5 percent, which was 0.2 percentage points higher than the 15.3 percent reported for 2012 (Page 30). During the year, weighted average volume per guest increased from $2,601 in 2012 to $2,699 in 2013 (Page 31), and weighted average transaction value increased from $17,359 to $17,637, respectively (Page 31). The *core company set* also reported a weighted average increase in net close rates from 15.2 percent in 2012 to 15.5 percent in 2013 (Page 30).
- **A greater share of net originated sales, by dollar value, was attributable to upgrade sales than in 2012.** Upgrade sales accounted for 42.0 percent of sales volume at U.S. locations in 2013, compared to 39.3 percent in 2012. Respondents reported that the average transaction value for non-upgrade sales was $18,102, and for upgrade sales was $17,418, in 2013[7] (Page 32).
- **Rescissions, as a portion of gross sales, increased 0.5 percentage points in 2013.** Respondents reported a greater reduction of revenue for rescissions, which averaged 14.3 percent in 2012 compared to 14.8 percent in 2013 (Page 35). There was a decrease in rescission rates for upgrade sales and an increase in rescission rates for non-upgrade sales for the *core company set* from 2012 to 2013.

6 *The average yield per week measure is calculated as net originated sales revenue divided by the number of weeks sold.*

7 *Note: The average transaction values for upgrade and non-upgrade sales are based on figures provided by respondents who provided detailed information on upgrade and non-upgrade sales and may not correspond to weighted average figures provided in other sections.*

Key ratios

- **Estimated uncollectible sales, as a portion of net originated sales, averaged 14.5 percent in 2013** (Page 40).
- **Product costs, as a portion of net originated sales, averaged 17.4 percent in 2013** (Page 41).
- **Costs related to sales and marketing increased, averaging 41.2 percent of net originated sales** (Page 44).

  Total sales and marketing costs, as a portion of net originated sales, averaged 41.2 percent in 2013 (Page 44). Total sales and marketing costs reported by the *core company set* increased from 37.5 percent in 2012 to 40.0 percent in 2013 (Page 45).
- **General and administrative costs, as a portion of net originated sales, averaged 8.0 percent in 2013** (Page 46). General and administrative costs reported by the *core company set* increased from 6.0 percent in 2012 to 6.7 percent in 2013 (Page 46).
- **Home owner association (HOA) subsidies and maintenance fees for unsold units net of rental revenues, as a portion of net originated sales, averaged 2.8 percent in 2013** (Page 47).
- **Operating profit margin on timeshare sales operations decreased from 16.8 percent to 16.1 percent.** The pre-tax margin, or operating profit margin, on timeshare sales operations as a portion of net originated sales, averaged 16.1 percent in 2013 (Page 48). This margin represents only timeshare sales operations, and excludes profit generated by the consumer financing and resort management components. Approximately twenty percent of respondents reported negative pre-tax margins, which may reflect short term timing impacts, the impact of slowing sales pace, or other factors that do not represent the long-term stabilized profit margin of the business (Page 48). The operating profit margin reported by the *core company set* increased from 18.2 percent in 2012 to 18.3 percent in 2013 (Page 49).
- **Respondents reported that 51.0 percent of timeshare sales, by dollar value, in 2013 were to buyers who already owned at least one timeshare interest at the company** (Page 50). The percent of timeshare sales, by dollar value, that were to buyers who already owned a timeshare interest at the company reported by the *core company set* increased from 49.1 percent in 2012 to 49.3 percent in 2013 (Page 50).

Hypothecation of receivables

- **The average interest rate decreased and the average advance rate increased when compared to 2012.**

  Eleven respondents provided information on hypothecations of receivables that occurred during 2013, totaling $565 million (Page 51). The average interest rate decreased by 0.7 percentage points from 5.9 percent to 5.2 percent. The average advance rate has increased 1.6 percentage points from 78.8 percent to 80.4 percent (Page 51).

Portfolio sales and securitizations

- **For respondents that reported securitizations in both 2012 and 2013, the average transaction size of securitizations and advance rates increased, while average interest rates decreased.**

  For those respondents that reported securitizations in both 2012 and 2013, the average transaction size of reported securitizations increased 0.4 percent from $230.1 million to $231.0 million; the average interest rate decreased 2.0 percentage points from 4.0 percent to 2.0 percent (Page 53); and the average advance rate increased 5.5 percentage points from 86.5 percent to 92.0 percent (Page 53). The seven separate securitization transactions reported by survey respondents in 2013 represented a total value of $1.6 billion, measured as the gross value of the sales contracts securitized (Page 53).

Consumer financing and receivables portfolio performance

- **Of the $4.726 billion of net originated timeshare sales in which respondents provided financing information, $2.522 billion was financed by respondents.**

  Approximately 53.4 percent of the dollar value of net originated timeshare sales were financed in 2013 (Page 54). Respondents reported that in 2013, the average interest rate on new loans to consumers was 13.8 percent, the average down payment associated with non-upgrade sales was 17.3 percent of the contract price (Page 57), and the average down payment associated with upgrade sales, including the equity in their existing vacation ownership interest, was 49.5 percent of the contract price (Page 58).
- **Average down payments on non-upgrade sales and interest rates decreased in 2013, and down payments on upgrade sales and term increased for the *core company set*.** For the *core company set*, the interest rate on new consumer loans in 2013 was 13.8 percent, down from the 13.9 percent reported in 2012, on a weighted average basis (Page 58). As a percentage of contract prices, average down payments on non-upgrade sales in the *core company set* decreased from 19.5 percent in 2012 to 17.1 percent in 2013 (Page 58) while average down payments on upgrade sales in the *core company set* increased from 46.9 percent in 2012 to 51.3 percent in 2013 (Page 59). The average term on new consumer loans increased from 113.9 months in 2012 to 117.3 months in 2013, on a weighted average basis (Page 59).
- **Current receivables decreased 0.6 percentage points, while those more than 120 days delinquent increased by 0.7 percentage points.** The share of current receivables (current or fewer than 31 days delinquent) was 89.8 percent in 2013 (Page 59), while the share of receivables more than 60 days delinquent was 8.3 percent (Page 60).
- **Gross defaults, as a portion of the gross outstanding portfolio balance at year-end, averaged 6.9 percent in 2013, which is a decrease of 0.9 percentage points from 2012** (Page 61).
- **The weighted average allowance for uncollectible accounts, as a portion of gross outstanding portfolio balance at year-end, was 15.1 percent in 2013** (Page 62). This was an increase of 2.0 percentage points from 2012.
- **The average interest rate on loans held in portfolios decreased 0.1 percentage points, while the average remaining term decreased by 0.4 months.**

  The weighted average interest rate on timeshare consumer loans held in portfolios at year-end was 13.9 percent in 2013 (Page 62); and the weighted average term to maturity for loans held was 99.3 months (Page 63).
- **The weighted average general and administrative costs of financing operations, as a portion of outstanding portfolio balance, was 1.5 percent in 2013** (Page 64).

FICO scores

- **The use of FICO scoring as an underwriting component remained consistent in 2013.** A majority of the respondents, 80.0 percent, reported that they utilize FICO scoring in their underwriting criteria, which remained consistent with the 80.0 percent in 2012 as reported by the same survey respondents (Page 65).
- **Average FICO scores on loans held in receivable portfolios improved in 2013.** The weighted average FICO score on loans held in receivables portfolios at year-end, as reported by respondents, increased 1 point from 697 in 2012 to 698 in 2013 (Page 66). The weighted average FICO score on loans held in receivables portfolios at year-end, as reported by the *core company set*, remained consistent at 699 (Page 67).
- **The weighted average FICO scores on new financings decreased in 2013.** FICO scores on new financings ranged from 656 to 756 in 2013. Additionally, the weighted average FICO score on new financings decreased from 722 in 2012 to 720 in 2013. (Page 67)
- **The static pool default rate[8] by FICO score (the static pool default percentages by FICO score range at the time the loan was made to purchasers) decreased slightly across several bands from 2012 to 2013** (Page 68). The static pool default rate by FICO score decreased for each band from 600 to 749 from 2012 to 2013, while default rates below 600 increased from 2012 to 2013.
- **The weighted average static pool default rate remained consistent at 19.2 percent in 2013, as reported by seventeen respondents** (Page 68).

8 *Static pool analysis is used to measure the performance of a grouping, or pool, of receivables. For this survey, the static pool default rate is calculated as cumulative actual and projected future capital losses net of reinstatements, divided by the original principal balance.*

Sales Activity[9]

Companies were asked to provide data on major financial indicators for 2012 and 2013. Information on sales has been analyzed in two ways.

The first approach is an analysis of net originated timeshare sales, the operational or managerial measure that is generally used in the industry. The second is an analysis of sales revenue in accordance with accounting principles generally accepted in the United States of America (GAAP), which is addressed in the section titled "Revenue Recognition."

Net originated timeshare sales

The concept of net originated timeshare sales as reported in this survey is gross sales revenues net of rescissions, but before reduction of revenue for uncollectible accounts and deferrals. Therefore, net originated timeshare sales is an operational or managerial measure of sales volume and does not reflect certain adjustments required for financial reporting according to GAAP. For example, it is not impacted by percentage-of-completion accounting, which reflects construction timing rather than sales pace. The survey reports net originated sales inclusive of timeshare inventory sold under fee-for-service arrangements, as well as net originated sales exclusive of these arrangements. Unless specifically stated, the term net originated sales within this report refers to sales of owned inventory which excludes fee-for-service arrangements.

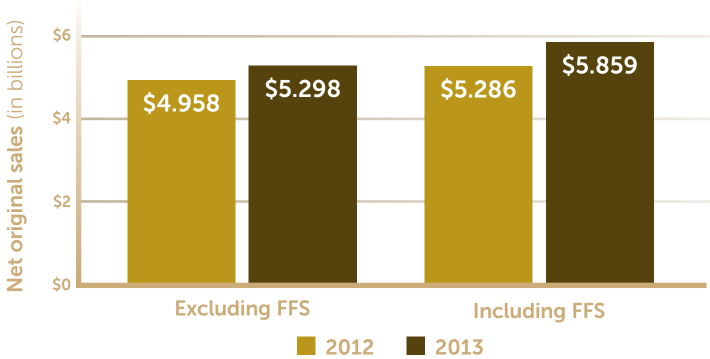
In total, the 20 respondents that provided sales information reported $5.298 billion in net originated timeshare sales in 2013. The overall percentage change in net originated timeshare sales between 2012 and 2013 was an increase of 6.9 percent as shown in Figure 4.[10] Net originated sales inclusive of inventory sold under fee-for-service arrangements increased by 10.8 percent to $5.859 billion as reported by 21 respondents. This year-over-year change in sales includes the impact of sales at newly opened or acquired resorts. For this analysis, sales volume is reported by location at which the sale occurred rather than the location of the inventory. The increase in U.S. net originated sales from 2012 to 2013 can be attributed to the continued economic recovery from the recession in 2008. Starting in the second half of 2008 and through 2013, timeshare companies had to react to these broader economic constraints by immediately changing the manner in which they marketed, sold, and financed their timeshare properties. Further, the economic recession diminished access to capital and spurred many timeshare companies to evaluate their current marketing channels, as well as seek to eliminate their least successful and inefficient sales personnel and sales sites. It appears that the industry has continued to expand since the recession, as evidenced by the fact that the U.S. net originated sales excluding fee-for-service increased by 6.9 percent from 2012 to 2013. Note one respondent reported only net originated sales under fee-for-service arrangements, and zero net originated sales of owned timeshare inventory.

9 *Sales of fractional ownership interests and whole ownership are not included in the Financial Performance Survey.*

10 *Net originated sales represent completed or closed sales where all documentation has been executed and includes contracts whereby the rescission period, on a look-back method, has expired and for which the developer has received good cash funds of at least 10 percent of the sales price. Sales may be included in net originated sales even if the unit has not yet been fully constructed. Temporary sales such as trial memberships, exit programs, and sample programs are not included in net originated sales.*

FIGURE 4

NET ORIGINATED TIMESHARE SALES 2012 AND 2013



Source: Deloitte & Touche LLP based on a minimum of 20 company survey responses for net originated sales and 6 company survey responses for fee-for-service.

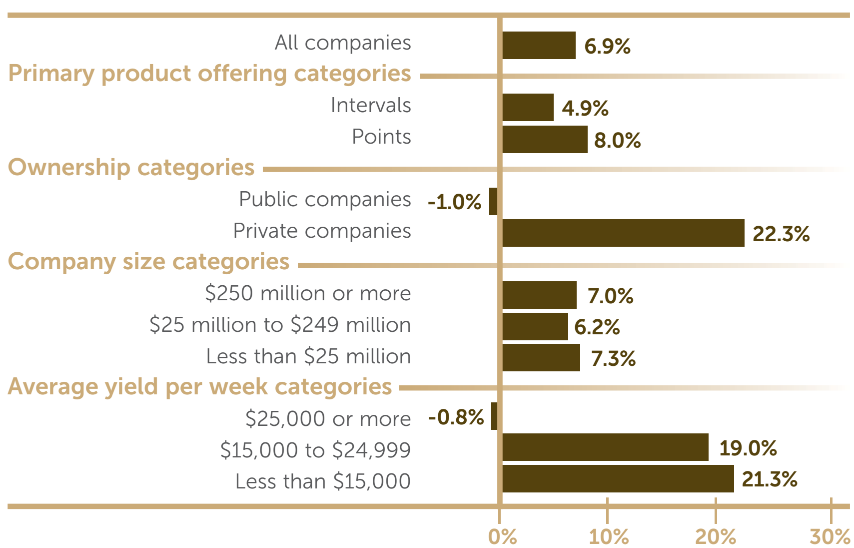
Of the 20 companies that reported net originated sales information, fourteen companies or 70.0 percent of the respondents reported sales increases, while the remaining six companies or 30.0 percent reported sales decreases. Public companies experienced a simple average decrease of 1.0 percent and private companies experienced a simple average increase of 22.3 percent. Companies with more than $250 million in net originated sales experienced a simple average increase of 7.0 percent, companies with between $25 million and $249 million in net originated sales experienced a simple average increase of 6.2 percent, and companies with less than $25 million in net originated sales experienced a 7.3 percent simple average increase (Figure 5). At least 50.0 percent of respondents in each size category reported an increase in net originated sales from 2012 to 2013.

Points companies reported a simple average increase of 8.0 percent from 2012 to 2013, compared to a 4.9 percent increase for interval companies. Among these respondent companies that provided sales information, 55.0 percent were categorized as interval companies and 45.0 percent were categorized as points companies. Note these percentages differ from Figure 3 due to the fact that two point companies did not provide sales information. Of the $5.298 billion of net originated U.S. timeshare sales in 2013, $1.912 billion (36.1 percent) was classified as interval sales, while $3.386 billion (63.9 percent) was classified as points sales.[11]

In this report, averages are typically presented as weighted by net originated sales volume. However, the percentages in the graph to the right are not calculated using a weighted average. The weighted average increase based on current year sales is 9.3 percent compared to 2012.

FIGURE 5

NET ORIGINATED SALES GROWTH FROM 2012 TO 2013 BY COMPANY CATEGORY



Source: Deloitte & Touche LLP based on a minimum of 20 company survey responses.

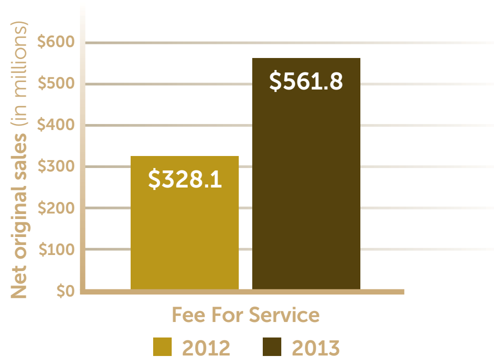
11 *In considering this split of sales volume, it is useful to consider that interval week programs that offer a timeshare points system that is backed by a deeded week or other week-based interest are classified as interval week sales.*

Fee-for-service arrangements

Services related to sales and marketing arrangements in the form of sale of timeshare interests on behalf of other developers have become an established feature within the industry over the last several years. Several questions within the 2014 survey were asked related to fee-for-service arrangements. Of the 23 respondents, six companies are selling and marketing timeshare on behalf of other developers while one of the respondent companies is outsourcing their selling and marketing of timeshare. Of the six respondents providing fee-for-service, four companies increased fee-for-service operations and two companies decreased fee-for-service operations compared to 2012. The overall percentage change in net originated sales under fee-for-service arrangements between 2012 and 2013 was an increase of 71.2 percent. The below chart reflects the amount of timeshare sold on the behalf of others for the six respondents.

FIGURE 6

NET ORIGINATED SALES UNDER FEE-FOR-SERVICE ARRANGEMENTS



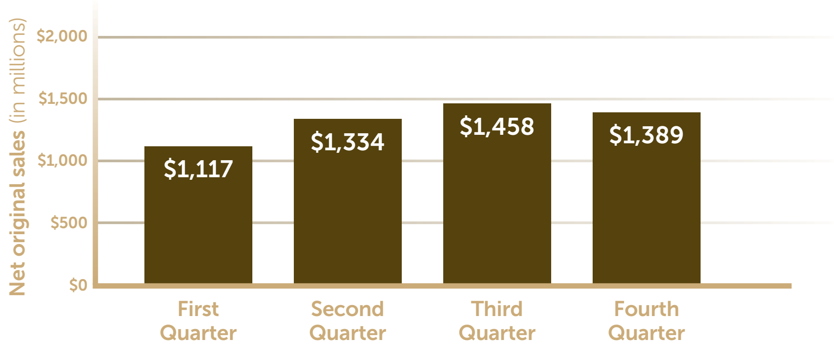
Source: Deloitte & Touche LLP based on 6 company survey responses.

Quarterly timeshare sales

Timeshare sales in many locations exhibit seasonal patterns, as popular vacation periods correspond to heightened sales activity. During 2013, timeshare sales were highest in the third quarter of the year and lowest in the first quarter, based on the responses of 20 companies (Figure 7).

FIGURE 7

QUARTERLY NET ORIGINATED TIMESHARE SALES, 2013, U.S.

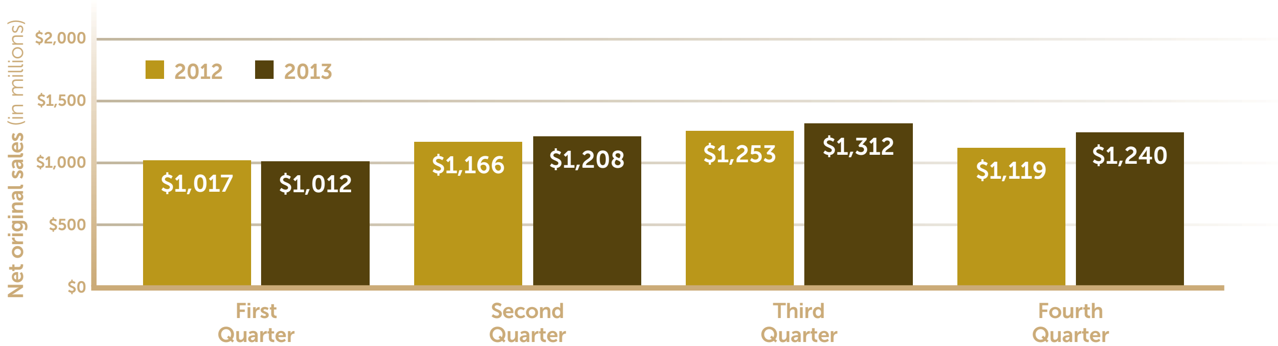


Source: Deloitte & Touche LLP based on 20 company survey responses.

For the *core company set* in aggregate, net originated sales were higher, on average, for each quarter of 2013 compared to the same quarter in 2012 with the exception of the first quarter (Figure 8). The quarterly increase resulted in an overall increase from 2012 to 2013 of 4.8 percent. Net originated sales including fee-for-service arrangements were 9.3 percent higher in 2013 than in 2012 for the *core company set*.

FIGURE 8

QUARTERLY NET ORIGINATED TIMESHARE SALES, 2012 AND 2013, U.S., *CORE COMPANY SET*



Source: Deloitte & Touche LLP based on 15 company survey responses.

Number of locations

The Financial Performance Survey is conducted at the company level, with most companies representing multiple resorts. Of the 469 U.S. resorts represented by respondents in 2013, 347 were open and in active sales (Figure 9). Active sales resorts include resorts that did not have an on-site sales office, but which were actively sold from other sales centers. The remaining resorts were either not open but in active pre-sales or considered resorts not in active sales (122 resorts).

FIGURE 9

DISTRIBUTION OF RESORTS AND SALES CENTERS BY TYPE, U.S.

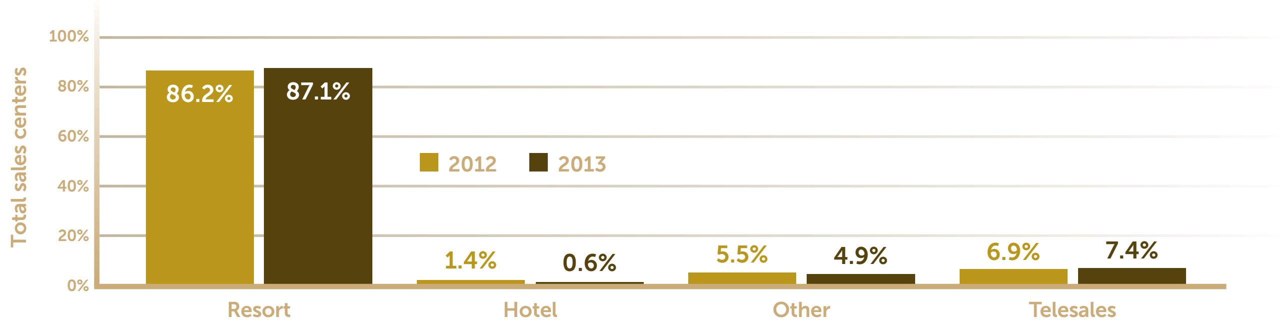
	2012	2013	Percent change
Resorts			
Open, in active sales	322	347	7.8%
In active pre-sales	4	4	0.0%
Not in active sales	86	118	37.2%
Total resorts	412	469	13.8%
Sales centers			
At a resort	249	269	8.0%
At a hotel	4	2	(50.0%)
Not at a resort or a hotel	16	15	(6.3%)
Telesales	20	23	15.0%
Total sales centers	289	309	6.9%

Source: Deloitte & Touche LLP based on 21 company survey responses.

Respondents to the survey were asked to provide counts of sales locations in four categories: at a resort (also referred to as on-site), at a hotel, at an off-site location not at a resort or a hotel, or at a telesales center. While most sales centers were located at a resort (269 sales centers), respondents also reported two sales centers at a hotel, fifteen off-site sales centers that were neither at a resort nor at a hotel, and twenty-three telesales centers.

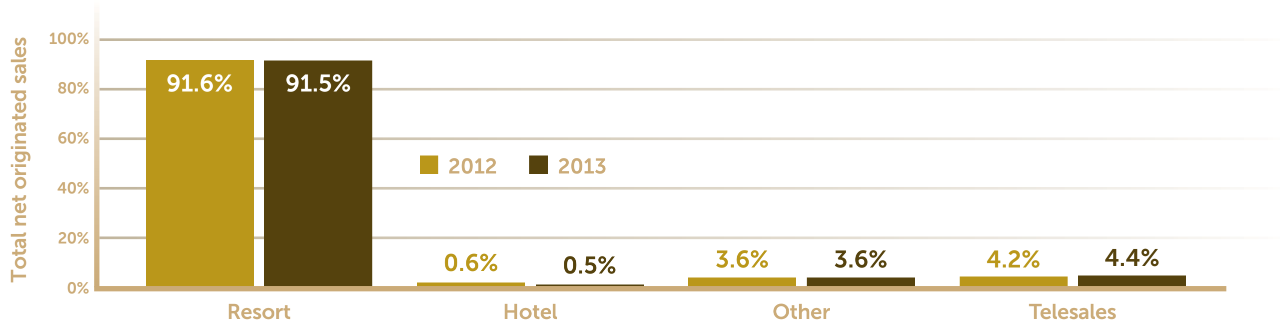
Sales centers at resorts accounted for 87.1 percent of the overall sales centers reported in 2013 and 91.5 percent of net originated sales among the respondent companies (Figure 10 and Figure 11). Conversely, sales centers not located at a resort accounted for 12.9 percent of total sales centers, but only 8.5 percent of net originated sales in 2013.

FIGURE 10
DISTRIBUTION OF SALES CENTERS BY TYPE: 2012 AND 2013, U.S.



Source: Deloitte & Touche LLP based on 21 company survey responses.

FIGURE 11
NET ORIGINATED SALES DISTRIBUTION BY SALES CENTER TYPE: 2012 AND 2013, U.S.

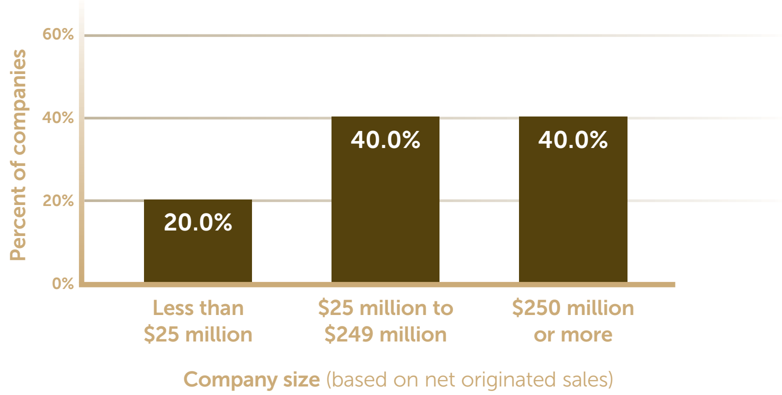


Source: Deloitte & Touche LLP based on 20 company survey responses.

Company size

Annual net originated sales for the respondent companies ranged from less than $1 million to more than $1.5 billion per company. Given this wide range of company sizes, this report provides breakouts by company size (based on net sales volume) to give more accurate measures of small, medium, and large companies. The percentage of the total number of respondents in each size category (determined by 2013 net originated sales at U.S. locations) is shown in Figure 12. This gives an indication that the survey included respondents that were broadly distributed by company size.

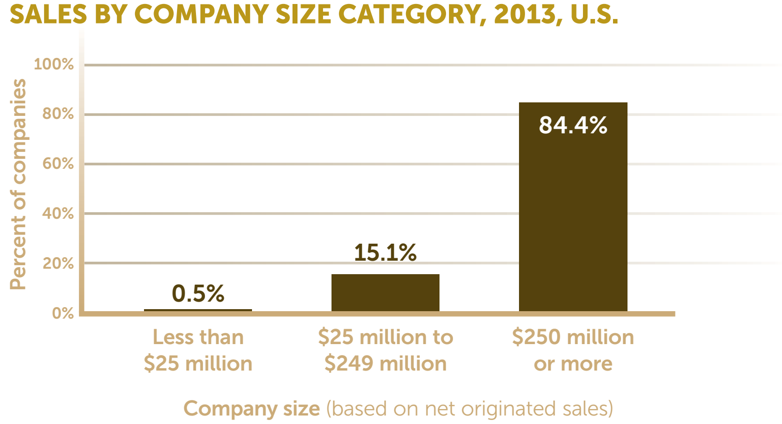
FIGURE 12
DISTRIBUTION OF COMPANIES BY COMPANY SIZE CATEGORY, 2013



Source: Deloitte & Touche LLP based on 20 company survey responses.

Because the larger companies have substantial operations, the eight companies in the largest size category ($250 million or more) accounted for 84.4 percent of total net originated sales (Figure 13). In 2013, companies with sales above $25 million represented 80.0 percent of the response base, yet accounted for 99.5 percent of net originated sales. **Since many of the figures presented later in this study are calculated as weighted averages, it is important to keep in mind that the results of larger companies heavily influence the aggregate results presented.** Of the 15 core company respondents that reported sales information, two reported sales of less than $25 million, six reported sales between $25 million and $249 million, and seven reported sales of $250 million or greater. The distribution table in Figure 13 below includes all respondents (i.e. is not limited to the core company respondents).

FIGURE 13
DISTRIBUTION OF TOTAL NET ORIGINATED SALES BY COMPANY SIZE CATEGORY, 2013, U.S.

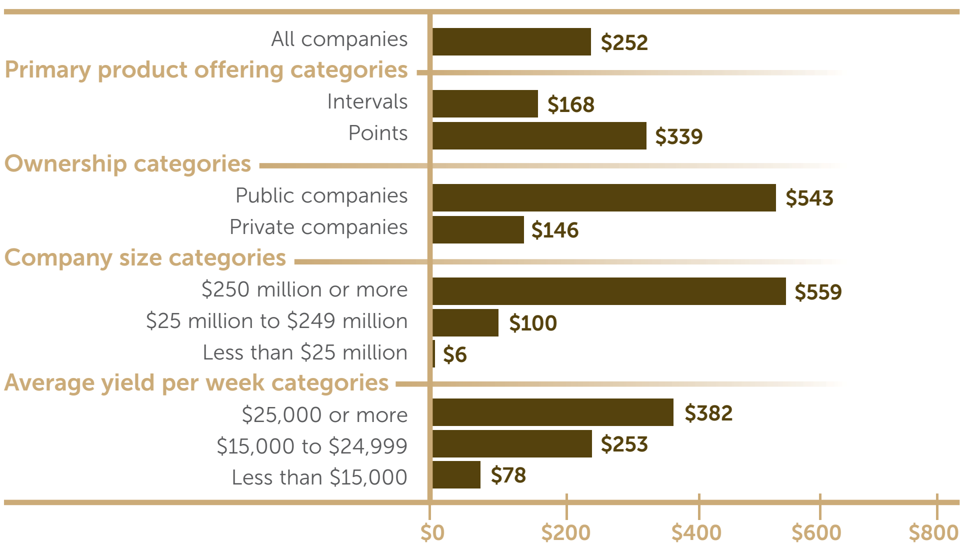


Source: Deloitte & Touche LLP based on 20 company survey responses.

Figure 14 shows the simple average of net originated sales per company (average company size) for the different company categories. Point companies averaged higher net originated sales compared to interval companies. Public companies were, on average, significantly larger than private companies. Companies that have an average yield per week of less than $15,000 make up less than nine percent of the total net originated sales. The average net originated sales for each of the company size categories is also provided as background information on the companies in each of those categories.

FIGURE 14

AVERAGE NET ORIGINATED SALES IN MILLIONS PER COMPANY BY COMPANY CATEGORY, 2013, U.S.

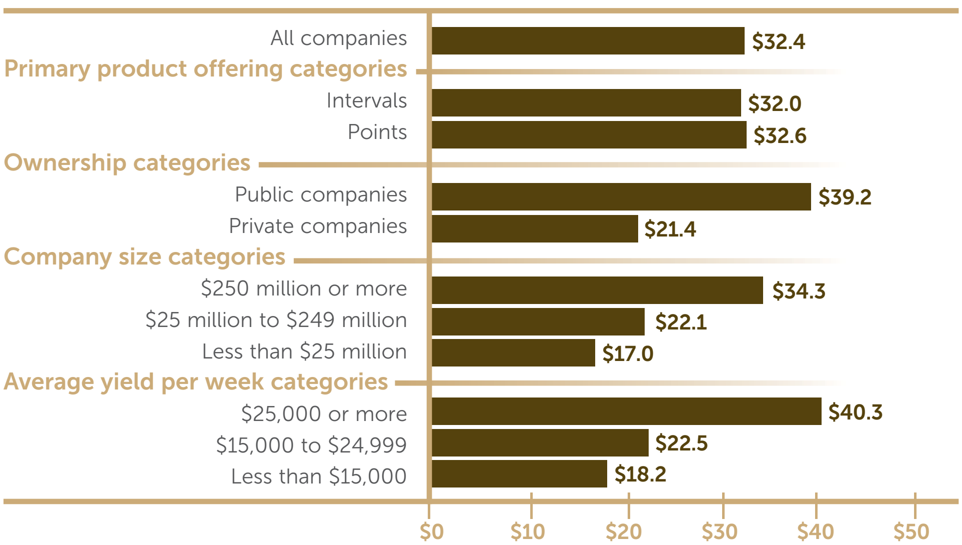


Source: Deloitte & Touche LLP based on a minimum of 20 company survey responses.

Another way to evaluate company size and sales activity is to consider the weighted average annual net originated sales per resort in active sales. Net originated sales per resort in active sales averaged $32.4 million in 2013 (Figure 15). Companies primarily selling intervals reported average sales of $32.0 million per resort in active sales, while points companies reported average sales of $32.6 million per resort in active sales. Companies with average yields per week of $25,000 or more achieved the highest results with an average of $40.3 million per resort in active sales.

FIGURE 15

AVERAGE NET ORIGINATED SALES PER RESORT IN ACTIVE SALES BY COMPANY CATEGORY (IN MILLIONS), 2013, U.S.



Source: Deloitte & Touche LLP based on a minimum of 20 company survey responses.

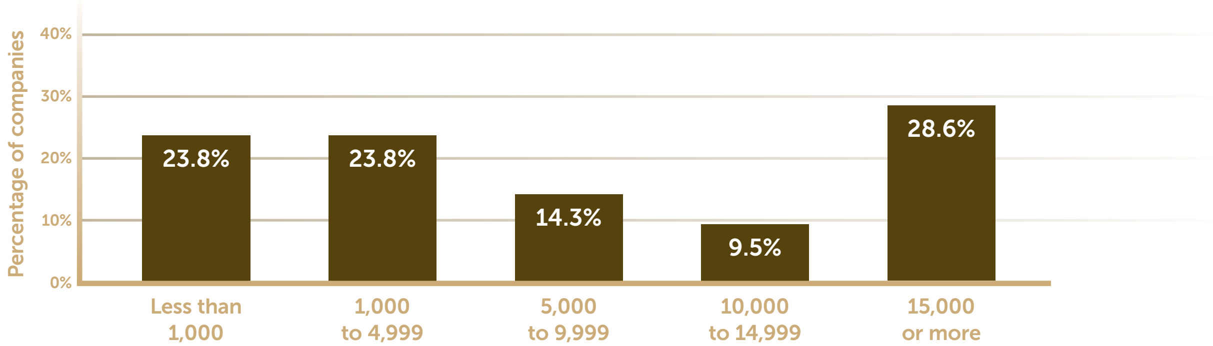
Timeshare sales measured in weeks

For the purpose of this study, respondent companies were asked to provide sales volume, measured in weeks of annual use, in order to create a common measurement of the amount of interests in time that were sold. On the survey form, it was suggested that companies with points-based programs calculate equivalent weeks sold using an implied interval week conversion factor based on internal measures.

In total, approximately 250,913 weeks of annual use were sold at U.S. sales locations in 2013 by the 21 companies that responded to this question. Approximately 52.4 percent of the respondents sold 5,000 or more timeshare weeks during 2013 (Figure 16).

FIGURE 16

DISTRIBUTION OF COMPANIES BY ANNUAL NUMBER OF WEEKS SOLD, 2013, U.S.

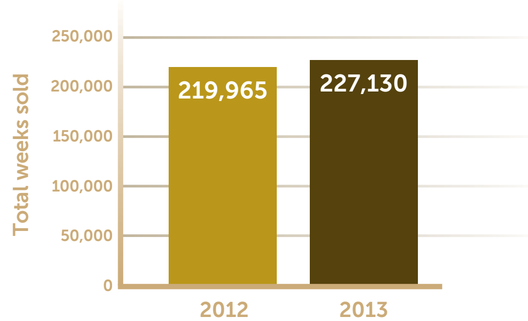


Source: Deloitte & Touche LLP based on 21 company survey responses.

The *core company set*, which consists of sixteen companies for this question, reported sales of approximately 227,130 timeshare weeks in 2013, which was a 3.3 percent increase in the number of weeks sold in 2012 (Figure 17).

FIGURE 17

NUMBER OF WEEKS SOLD, 2012 AND 2013, U.S., *CORE COMPANY SET*



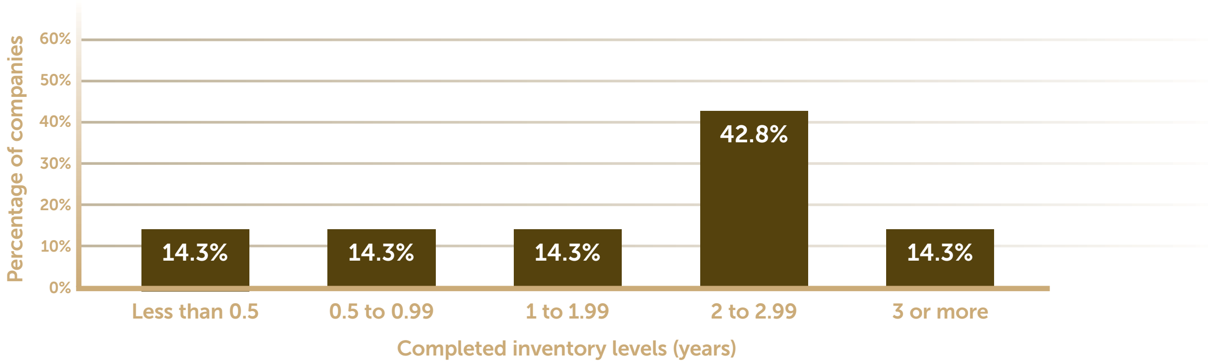
Source: Deloitte & Touche LLP based on 16 company survey responses.

Inventory levels

Timeshare completed inventory, for the purpose of this study, is defined as unsold completed weeks of inventory available for sale at resorts, including developer reacquired weeks. Based on 21 respondent companies, there were a total of 407,314 weeks of completed inventory as of December 31, 2013. Inventory levels can be evaluated by considering the amount of inventory in relation to the company's current sales pace. From the inventories indicated by respondent companies, inventory levels (measured in years) were calculated. This reflects the number of years that the company would need to sell its entire unsold, completed inventory if it were to maintain its 2013 sales pace. Completed inventory levels are calculated by taking the reported inventory and dividing it by the total number of weeks sold in 2013. For example, a company that had 5,000 unsold weeks of inventory at year-end 2013 after selling 2,500 weeks during 2013 would be counted as having an inventory level of two years (5,000 divided by 2,500).

In 2013, 57.1 percent of the 21 companies that responded to this question held at least two years of completed inventory (Figure 18). Years of completed inventory ranged from less than one year to more than 23 years. Removing the respondent who reported over 23 years of completed inventory would not impact the weighted average calculation. The weighted average inventory levels of all respondents decreased by 0.2 years from 1.8 years to 1.6 years from 2012 to 2013. Note that one respondent within the survey identified their completed inventory level as 23.18 years. The weighted average inventory level for 2013 would not change if this outlier were removed, as there is only a (.0279%) impact on the weighted average inventory level of 1.6 years.

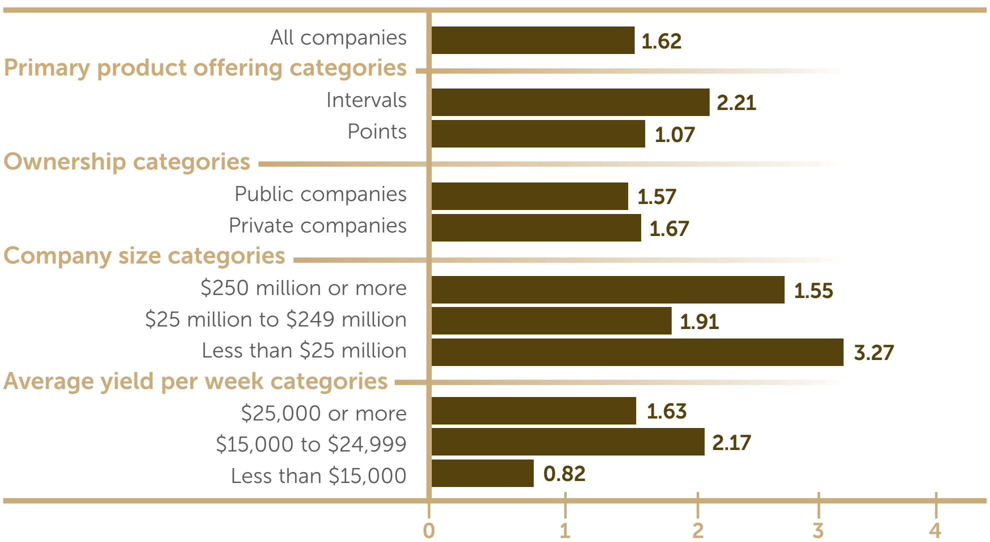
FIGURE 18
DISTRIBUTION OF COMPANIES BY COMPLETED INVENTORY LEVELS, 2013, U.S.



Source: Deloitte & Touche LLP based on 21 company survey responses.

Overall, the 21 companies that provided information showed an average of 1.62 years of completed inventory available for sale, on a weighted average basis.[12] Completed inventory levels varied across categories (Figure 19). Companies with net sales less than $25 million held approximately an additional 1.65 years' worth of completed inventory with the category reporting an average of 3.27 years (Figure 19).

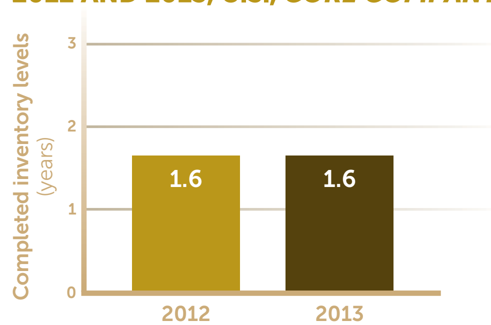
FIGURE 19
COMPLETED INVENTORY LEVELS BY COMPANY CATEGORY, 2013, (IN YEARS)



Source: Deloitte & Touche LLP based on 21 company survey responses.

Information from the *core company set* shows years of completed inventory remained consistent from 2012 to 2013 at approximately 1.6 years (Figure 20). The calculation for the analysis presented below utilizes equivalent weeks sold in 2013. The sales pace increased from 2012 to 2013 while the inventory levels remained consistent for the *core company set*.

FIGURE 20
COMPLETED INVENTORY LEVELS, 2012 AND 2013, U.S., *CORE COMPANY SET*



Source: Deloitte & Touche LLP based on 16 company survey responses.

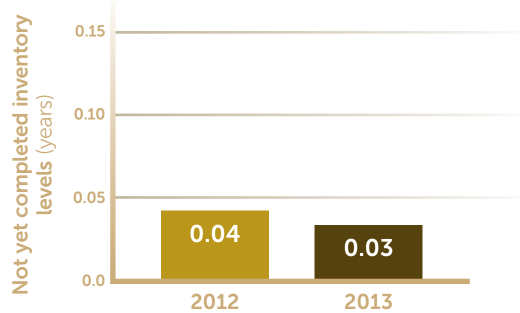
12 *The weighted average inventory level is based on the average 2013 sales pace reported by respondents. Changes in sales pace would cause years of inventory levels to change. For example, a sales pace 15 percent below the 2013 sales pace would imply an average inventory level equal to 1.9 years of sales; similarly a sales pace 30 percent below the 2013 sales pace would imply an average inventory level equal to 2.3 years of sales (calculations reflect rounding).*

Respondents were also asked to provide the number of unsold weeks of inventory that was available for sale but not yet complete. In other words, this reflected unsold inventory in phases that were in pre-sales at year-end. In total, five respondent companies provided information indicating a total of nearly 7,103 weeks of unsold, not yet completed inventory available for sale as of December 31, 2013.

Information from the *core company set*, representing five respondent companies, shows years of inventory that was available for sale, but not yet completed, decreased by 25.0 percent from 2012 to 2013 (Figure 21). The calculation presented below was determined using inventory held for sale but not yet complete and equivalent weeks sold in 2013.

FIGURE 21

NOT YET COMPLETED INVENTORY LEVELS, 2012 AND 2013, U.S., *CORE COMPANY SET*

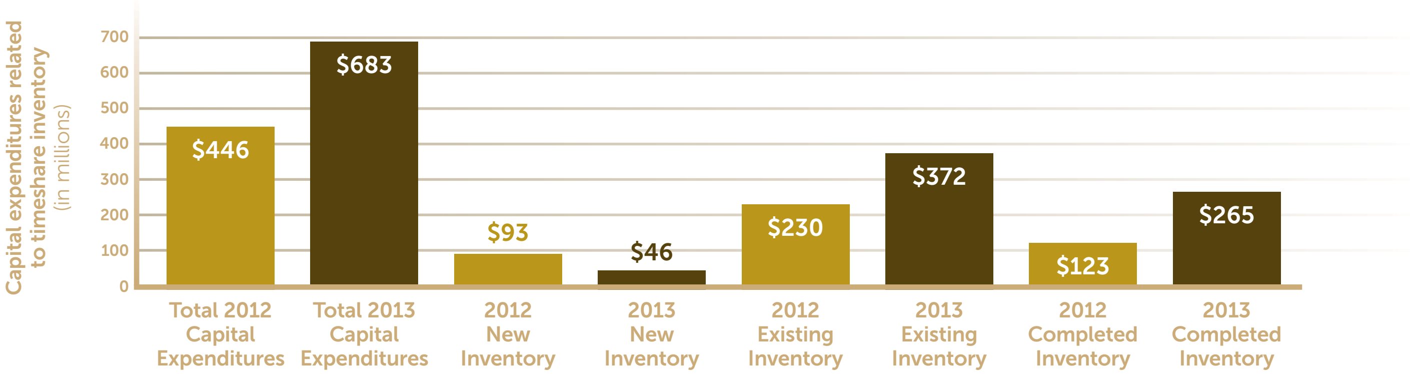


Source: Deloitte & Touche LLP based on five company survey responses.

Respondents were asked a question in the 2014 survey regarding capital expenditures related to the development of timeshare inventory for both 2012 and 2013. Of the seventeen respondents, twelve, or over 70 percent, increased capital expenditures related to the development of timeshare inventory, and five respondents, or less than 30 percent, decreased capital expenditures related to the development of time share inventory. Capital expenditures related to the development of new timeshare inventory decreased from $93 million in 2012 to $46 million in 2013. Capital expenditures related to the development of timeshare inventory that began construction in prior years increased from $230 million in 2012 to $372 million in 2013 (Figure 22).

FIGURE 22

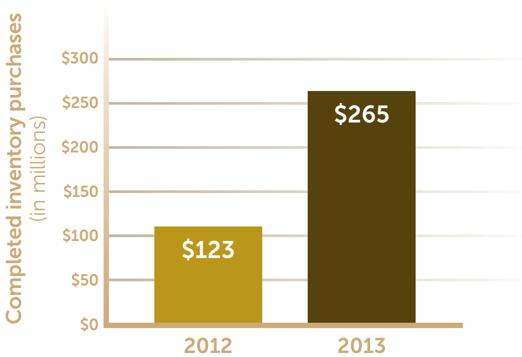
CAPITAL EXPENDITURES (IN MILLIONS)



Source: Deloitte & Touche LLP based on 17 company survey responses

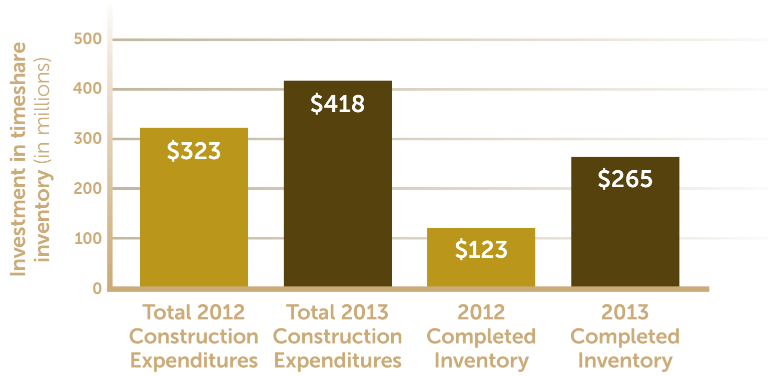
Respondents were asked to report capital expenditures for completed inventory (e.g. turn-key, just in time inventory purchases, buy-backs from Property Owner Associations). Twelve of the seventeen respondent companies reported $265 million in capital expenditures of completed inventory in 2013, which was an increase of 115.4 percent compared to the $123 million in capital expenditures of completed inventory in 2012 (Figure 23). All twelve respondent companies reported increases in capital expenditures of completed inventory. Capital expenditures of completed inventory represented approximately 38.8 percent of total capital expenditures related to timeshare inventory in 2013, compared to approximately 27.6 percent of total capital expenditures related to timeshare inventory in 2012 (Figure 22). In total, capital expenditures related to the development of timeshare inventory increased by 53.1 percent from 2012 to 2013.

FIGURE 23
CAPITAL EXPENDITURES RELATED TO COMPLETED TIMESHARE INVENTORY (IN MILLIONS)



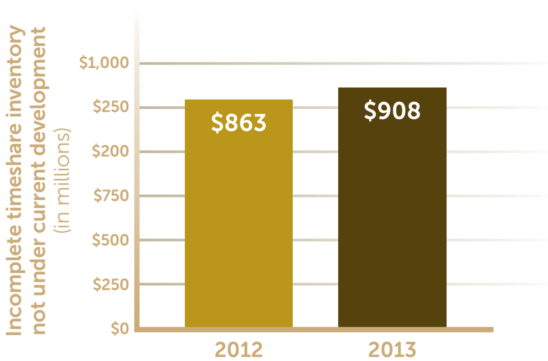
Source: Deloitte & Touche LLP based on 12 company survey responses

FIGURE 24
CAPITAL EXPENDITURES RELATED TO TIMESHARE INVENTORY (IN MILLIONS)



Source: Deloitte & Touche LLP based on 17 company survey responses

FIGURE 25
INCOMPLETE TIMESHARE INVENTORY NOT UNDER CURRENT CONSTRUCTION (IN MILLIONS)



Source: Deloitte & Touche LLP based on 9 company survey responses

Respondents were also asked to report construction costs and undeveloped land included in inventory, but not under current development (i.e. inventory developments where construction has been placed on hold or is inactive). The nine respondent companies reported $908 million and $863 million of construction costs and undeveloped land included in inventory, but not under current construction for 2013 and 2012, respectively, representing an increase of 5.2 percent (Figure 25). Three companies reported an increase, three companies reported a decrease, and three companies reported no change from 2012 to 2013.

Survey respondents were asked to report the dollar value of inventory impairments charged during the year. One respondent reported inventory impairment charges in 2013 totaling approximately $3.5 million, compared to one survey respondent who reported inventory impairment charges in 2012 totaling approximately $5.7 million, representing a decrease of 38.6 percent.

Average yield of a timeshare week

In this survey, average yield per timeshare week is used as a measure of the amount of revenue generated in relation to the amount of inventory sold. It is calculated as net originated sales volume divided by the weeks of annual use sold during the year. Yield per timeshare week can be impacted by factors other than pricing. For example, in a given year, the mix of upgrade sales or biennial sales at a company could change. Also, the mix of units sold could change, for example, as more two-bedroom units, more units in higher-priced markets, or more units in peak seasons are sold.

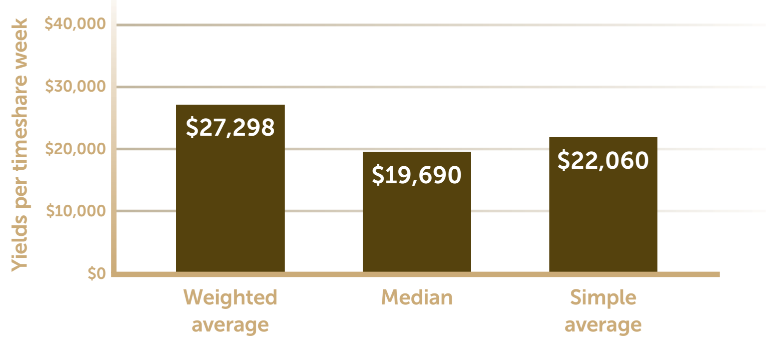
One example of the way that yield per timeshare week can be impacted by a factor other than changes in price relates to upgrade sales. An upgrade sale results in net originated sales value that is reflected in the numerator, but does not impact the denominator. This is because no additional weeks are considered sold in an upgrade, for example, of a consumer from a one-bedroom unit to a two-bedroom unit. As a result, increased upgrade sales in one year can cause a company's yield per week to increase even if prices to consumers remain stable. Also, respondents were asked to count biennial sales, or every-other-year weeks, as half a week in the calculation of weeks sold. To the extent that biennial products achieve higher average prices per annual week sold, a shift from annual products toward biennial sales would be expected to increase the average yield of a timeshare week measure in a given year, even if the pricing of specific products did not change.

There are several different ways to analyze the average yield per timeshare week across companies: i) simple average yield, ii) weighted average yield, and iii) median yield. Each measure provides different information. The simple average yield treats each company equally, regardless of a company's contribution to aggregate net originated sales reported by survey respondents. Thus, this measure of the average yield does not distinguish between larger and smaller companies (based on net originated sales). The weighted average yield gives more weight to yields of larger companies and less weight to smaller companies. Consequently, the weighted average yield reflects sales activity and represents a measure closer to the typical yield. The median yield is that average yield per week, which is in the middle of the range, i.e., 50 percent of the companies reported average yields above the median and 50 percent reported average yields below the median. Because it is less influenced by the extremes, the median is also a useful measure to consider.

Overall, the different methods of comparing yields show that the typical yield of a U.S. timeshare week in 2013 was between $19,690 to $27,298. The broadest measure of yield, the weighted average yield, was $27,298 per week sold which increased from $24,402 per week sold in 2012.

FIGURE 26

MEDIAN AND AVERAGE YIELD PER TIMESHARE WEEK, 2013, U.S.



Source: Deloitte & Touche LLP based on 20 company survey responses.

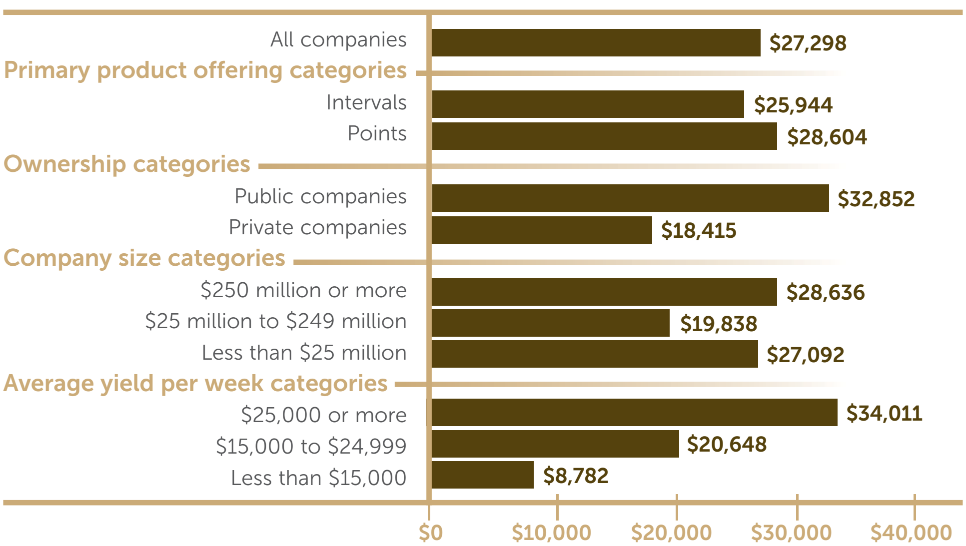
The various categories of development companies exhibit different weighted average yields per week. Overall, point companies, public companies and larger companies showed higher average yields per week, while interval companies, private companies and mid-sized companies showed lower average yields per week. Additionally, smaller companies showed higher average yields per week than mid-sized companies. Weighted averages for specific categories of companies are shown in Figure 27.

The weighted average yield per week for companies that primarily sold interval product was $25,944 in 2013, compared to $28,604 for companies that primarily sold points product. The average yield per week for points sales is based on the net originated sales for points product divided by the number of equivalent weeks sold, as reported by the respondents.

The weighted average yield per week achieved by companies in the $250 million or more company size category was $28,636 per week, which was greater than both the $25 million to $249 million and the less than $25 million categories. The average yield per week in each of the yield per week categories is also shown in Figure 28 to provide background information on the companies in each of those categories.

FIGURE 27

WEIGHTED AVERAGE YIELD PER WEEK BY COMPANY CATEGORY, 2013, U.S.

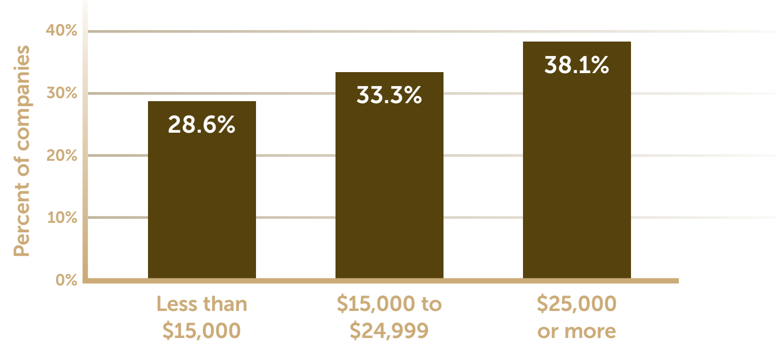


Source: Deloitte & Touche LLP based on 20 company survey responses.

The average yield per week in 2013 ranged from less than $2,000 to over $50,000. Approximately 71.4 percent of all respondents reported weighted average yields per week of $15,000 or more during 2013 (Figure 28).

FIGURE 28

DISTRIBUTION OF COMPANIES BY WEIGHTED AVERAGE YIELD PER WEEK, 2013, U.S.

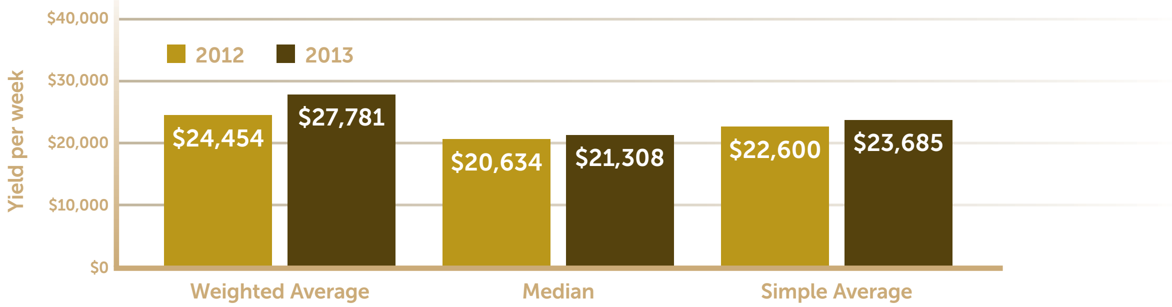


Source: Deloitte & Touche LLP based on 20 company survey responses.

Companies included in the *core company set* reported that the average yields per week increased in 2013 from 2012. The weighted average yield per week was 13.6 percent higher in 2013 than in 2012 (Figure 29). This change reflects any changes in timeshare week prices, changes in the volume of upgrade sales, or changes that may have occurred in the types of units sold. In considering these yield per week results, it is also useful to consider that the average transaction value in 2013, which is presented in the next section (page 32), increased 0.6 percent from 17,945 in 2012 to 18,046 in 2013 for the *core company set*. This indicates that the typical amount being spent per purchase was more than the previous year. As a result, the change in average yield per week may not only be the result of price changes, but may be attributable to a change in the mix of products sold. Other factors may include changes in sales at new resorts or sales of remaining inventory at nearly sold-out resorts.

FIGURE 29

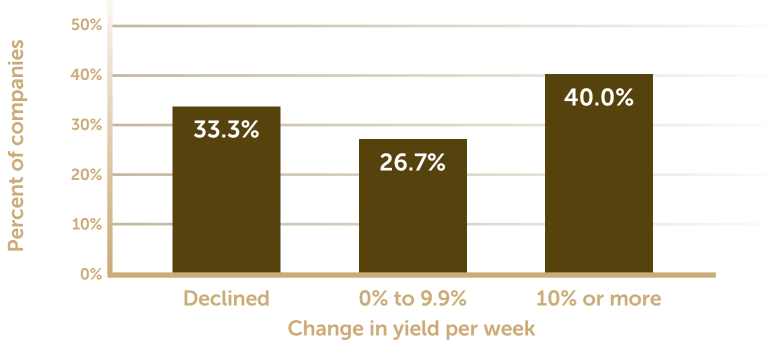
MEDIAN AND AVERAGE YIELDS PER WEEK, 2012 AND 2013, U.S., *CORE COMPANY SET*



Source: Deloitte & Touche LLP based on 15 company survey responses

FIGURE 30

DISTRIBUTION OF COMPANIES BY CHANGE IN YIELD PER WEEK, 2012 AND 2013, U.S., *CORE COMPANY SET*



Source: Deloitte & Touche LLP based on 15 company survey responses.

Approximately 66.7 percent of respondents in the *core company set* reported that the company's weighted average yield per week in 2013 was higher than in 2012 (Figure 30). Six companies reported increases in yield per week that exceeded 10 percent.

Sales tour metrics

Sales operations are a key process in the timeshare development business, and tours, which refer to sales presentations to consumers, are a fundamental step in the process. Frequently such presentations occur on-site at a resort and include a tour of the resort units and amenities. Each such sales session is counted as a tour, whether it occurs on-site at a resort or at an off-site sales center. Frequently, consumers are offered an incentive, such as a reduced-price hotel or resort stay that is contingent on completing the tour, whether or not the consumer chooses to buy. The percentage of consumers who purchase a timeshare interest, whether it is one week, two weeks, an upgrade of an existing week, or a purchase of points (excluding sampler and/or trial programs), is referred to as the net close rate or closing efficiency. The average net originated sale per transaction (purchase of a timeshare interest), not including telesales, is referred to as the average transaction value. The average net originated sale per tour is referred to as volume per guest (VPG).

In 2013, respondents reported conducting just over 2.27 million tours, compared to 2.12 million in the previous year. There were 341,799 sales transactions were reported in 2013, yielding an average net close rate of 15.5 percent (Figure 31). The average transaction value was $17,637[13] and the average volume per guest was $2,699. The net close rate, average transaction value, and volume per guest were calculated using weighted averages as opposed to simple averages to reflect the overall industry trend by survey respondent. These same respondents reported total net originated sales including telesales of $5.859 billion. The results in Figure 31 also show weighted average sales metrics for company categories by company size and average yield per week. As in other figures, the average yield per week categories refer to the overall average yield realized by the company. Consistent with the amounts throughout this report, the amounts in the sales tour metrics are calculated as weighted averages. In addition, we calculated the simple averages of the close rate, volume per guest, and average transaction value for 2013, which are 15.0 percent, $2,465 and $16,384, respectively.

FIGURE 31
SALES TOURS METRICS BY COMPANY CATEGORY, 2013, U.S.

		Company size			Average yield per week		
	All Respondents	$250 million or more	$25 million to $249 million	Less than $25 million	$25,000 or more	$15,000 to $24,999	Less than $15,000
Number of tours	2,271,346	1,835,641	420,392	15,313	1,202,131	784,834	284,381
Number of sales transactions	341,799	274,591	65,102	2,106	158,618	131,280	51,901
Net close rate	15.5%	15.4%	16.1%	14.2%	14.1%	17.2%	18.2%
Net originated sales excluding telesales (mill)	$5,600	$4,783	$790	$27	$3,263	$1,731	$606
Volume per guest ("VPG")	$2,699	$2,800	$2,119	$1,617	$2,987	$2,341	$2,168
Average transaction value	$17,637	$18,356	$13,460	$11,434	$20,821	$13,578	$12,051

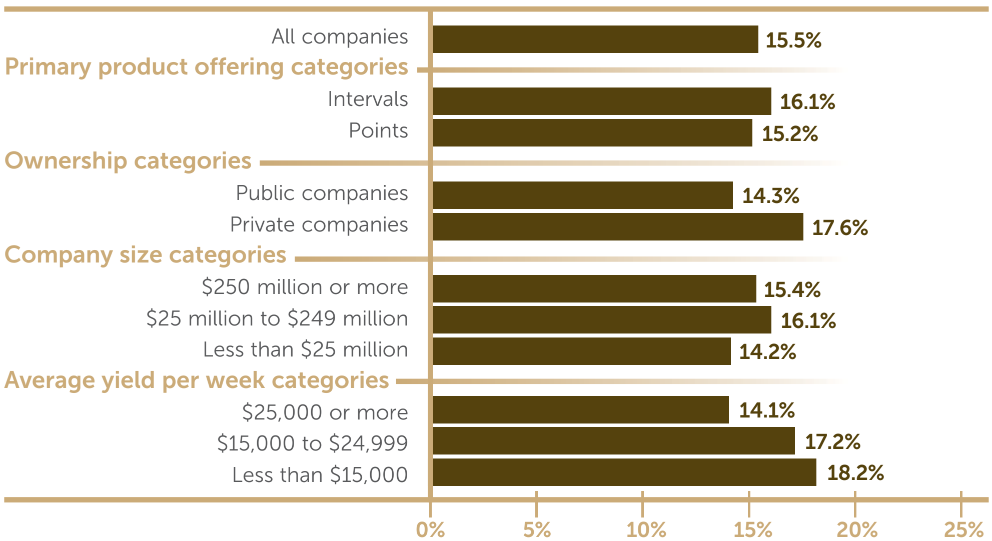
Source: Deloitte & Touche LLP based on a minimum of 19 company survey responses.

13 *The average transaction value of $17,637 (based on 19 respondents) is lower than the average yield per timeshare week of $27,298 (based on 20 responses). These measures refer to two different concepts, with average transaction value referring to net originated sales revenue per transaction, and yield per timeshare week referring to net originated sales divided by the number of weeks of annual use sold during the year. Because some transactions result in the sale of less than a full year of incremental annual use, for example, the sale of a biennial or the sale of an upgrade, there is generally a greater number of transactions than annual weeks of inventory sold.*

The net close rate, which refers to sales transactions (after removing rescissions) generated per tour, was reported to be 15.5 percent in 2013 for all respondent companies on average, which was 0.2 percentage points higher than the 15.3 percent reported in 2012 (as reported by respondents in the current survey). Private companies reported an average net close rate of 17.6 percent in 2013, compared with public companies, which reported an average net close rate of 14.3 percent (Figure 32). In addition, interval companies tended to have higher net close rates than point companies, as shown below.

FIGURE 32

NET CLOSE RATE BY COMPANY CATEGORY, 2013, U.S.

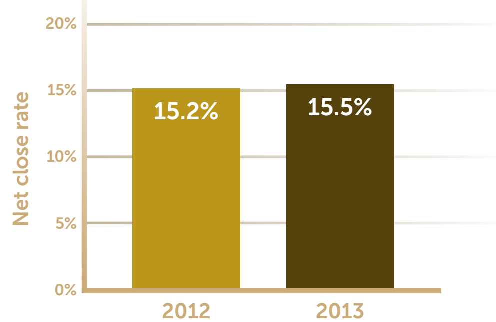


Source: Deloitte & Touche LLP based on a minimum of 19 company survey responses.

Among the *core company set*, net close rates increased from 15.2 percent in 2012 to 15.5 percent in 2013 (Figure 33).

FIGURE 33

NET CLOSE RATE, 2012 AND 2013, U.S., *CORE COMPANY SET*

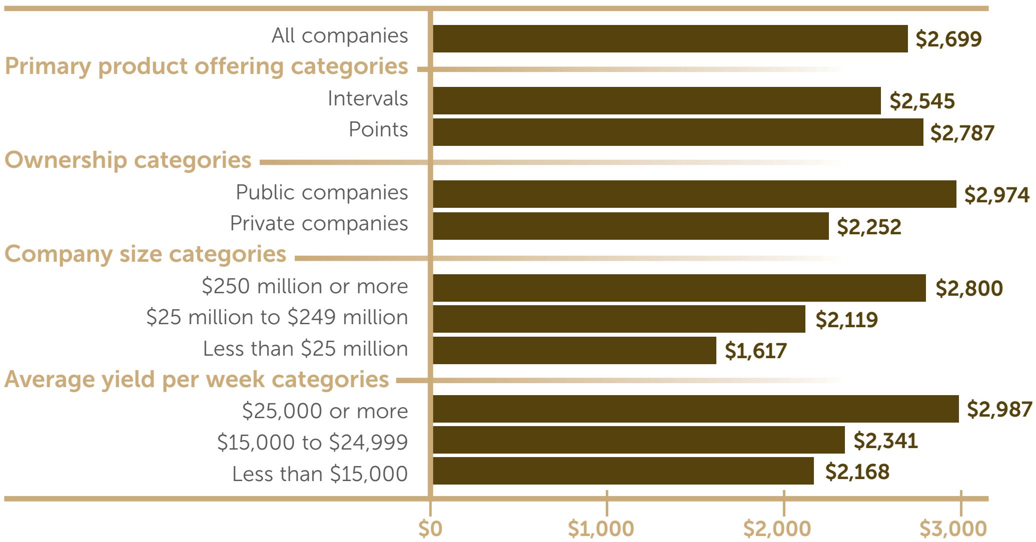


Source: Deloitte & Touche LLP based on 15 company survey responses

VPG represents timeshare sales revenue measured on a "per tour" basis and is calculated by dividing net originated sales, excluding telesales, by the number of tours hosted. In 2013, nineteen companies reported a weighted average VPG of $2,699 which increased from $2,601 as reported by the same respondents for 2012.

FIGURE 34

VOLUME PER GUEST BY COMPANY CATEGORY, 2013, U.S.

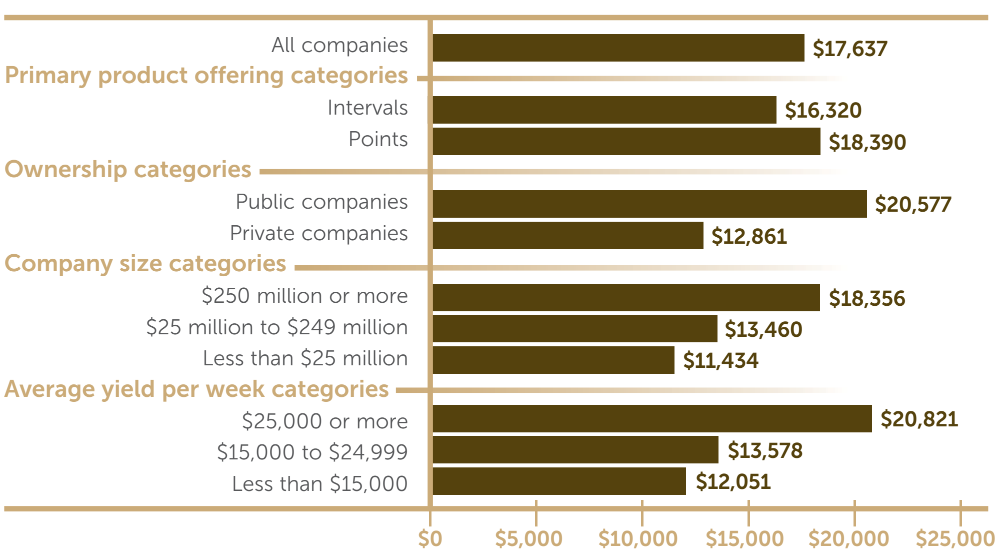


Source: Deloitte & Touche LLP based on a minimum of 19 company survey responses.

Survey respondents reported a weighted average transaction value of $17,637 in 2013, which increased from $17,359 in the previous year. In general, smaller–to-medium-size companies reported lower transaction values; companies with net originated sales of less than $25 million reported the lowest average transaction value for the company size category reporting $11,434 in 2013 (Figure 35). Public companies tended to have higher transaction values than private companies.

FIGURE 35

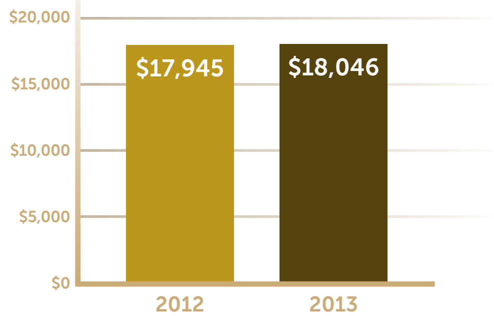
AVERAGE TRANSACTION VALUE BY COMPANY CATEGORY, 2013, U.S.



Source: Deloitte & Touche LLP based on a minimum of 19 company survey responses.

FIGURE 36

AVERAGE TRANSACTION VALUE, 2012 AND 2013, U.S., *CORE COMPANY SET*



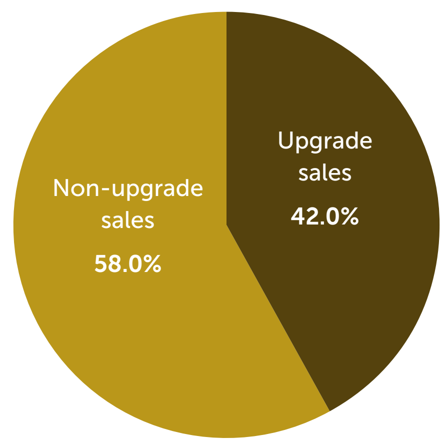
Source: Deloitte & Touche LLP based on 15 company survey responses.

Average transaction values among the *core company set* increased by 0.6 percent from 2012 to 2013, averaging $18,046 in 2013 (Figure 36).

The sales tour metrics presented in this section are based on the total number of sales transactions and total net originated sales, which include both upgrade and non-upgrade sales transactions as well as sales made for other developers under fee-for-service arrangements. In total, 21 respondent companies provided detailed information indicating that net originated sales value resulting from upgrade sales increased from 39.3 percent in 2012 to 42.0 percent in 2013. Conversely, the remainder of net originated sales value resulting from non-upgrade sales decreased from 60.7 percent in 2012 to 58.0 percent in 2013 (Figure 37). The same respondents reported that average transaction value for non-upgrade sales was $18,102 and for upgrade sales was $17,418 in 2013.

FIGURE 37

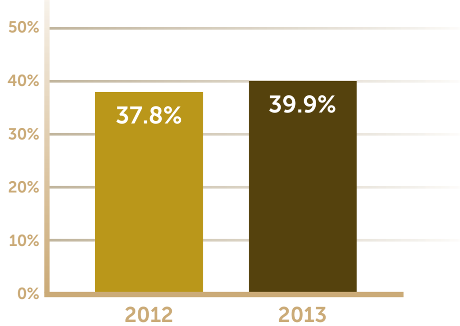
UPGRADE AND NON-UPGRADE SALES AS A SHARE OF NET ORIGINATED SALES VALUE, 2013, U.S.



Source: Deloitte & Touche LLP based on 21 company survey responses.

FIGURE 38

SHARE OF NET ORIGINATED SALES VALUE THAT WAS UPGRADE SALES, 2012 AND 2013, *CORE COMPANY SET*



Source: Deloitte & Touche LLP based on 16 company survey responses.

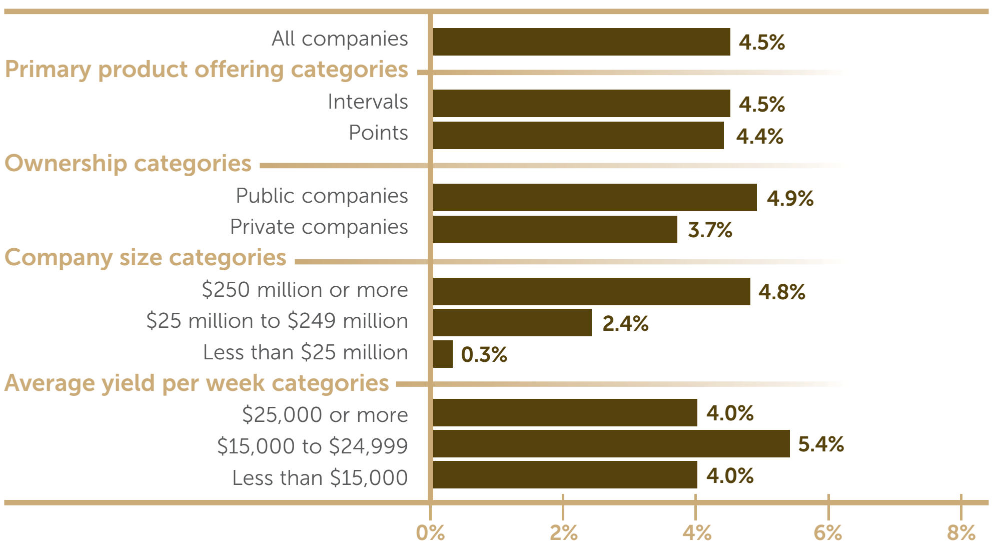
Respondents in the *core company set* reported that upgrade sales accounted for 39.9 percent of total net originated sales value in 2013, which is 2.1 percentage points higher than 2012 (Figure 38). Fifty-six percent of respondents in the *core company set* reported an increase in upgrade sales in 2013 as compared to 2012.

Sampler programs, also referred to as exit or trial programs, are marketing programs under which a consumer who has already attended a sales tour purchases a stay at one or more of the timeshare company's resorts for a fee that reflects a reduced rate. In exchange, the customer agrees to take another subsequent tour of the project selected under the sampler program during the customer's stay at that resort. In some cases, if the subsequent tour results in a sale, the developer allows the consumer to apply some or the entire amount paid for the sampler toward the purchase of the timeshare interest.

Sampler program sales are not included in net originated sales. However, as a reporting measure, sampler programs sales can be viewed in relation to net originated sales. In 2013, respondents reported that sampler program sales were equivalent to 4.5 percent of total net originated sales. Sales of sampler programs for point companies and interval companies were similar, at 4.4 percent and 4.5 percent of net originated sales, respectively. Public companies and companies with sales of $250 million or more have higher sales of sampler programs in relation to net originated sales than private companies and smaller companies, respectively. (Figure 39).

FIGURE 39

SALES OF SAMPLER PROGRAMS (AS A % OF NET ORIGINATED SALES) BY COMPANY CATEGORY, 2013, U.S.



Source: Deloitte & Touche LLP based on 20 company survey responses.

Revenue recognition

CHAPTER FOUR

The standards in ASC 978 affected how companies recognize revenue generated by the sale of timeshare interests beginning in 2007 for most companies.

In addition to rescissions, companies also deduct from revenue an estimated percentage of financed sales that are likely to become uncollectible. According to ASC 978, uncollectible sales occur when a receivable becomes either wholly uncollectible or is modified in some manner that results in less than 100-percent collection of the original note. Companies estimate the portion of financed sales that are expected to be uncollectible and deduct that amount from sales revenue. Estimates are based on actual receivables collection experience and other considerations.

This deduction for uncollectible sales, as well as three specific deferrals, affects the level of revenue recognized according to GAAP in a specific period. The deferral for rescission period results from sales that have not yet cleared the applicable statutory rescission period. The deferral for buyer commitment applies to sales on which the necessary buyer commitment has not yet been collected by the seller. Meanwhile, deferrals for percentage-of-completion occur when a portion of construction is not yet complete, as companies can only recognize sales in line with the percentage of the resort phase that has been constructed to date. For example, if the relevant resort phase is 30 percent complete, then revenues on 30 percent of the timeshare sold may be recognized, and any excess is deferred and reconsidered at the next reporting date.

Adjustments and deferrals are consistent with the principles of revenue recognition from an accounting perspective. Timeshare companies also typically use net originated sales, calculated as gross sales minus rescissions, but before reduction of revenue for uncollectible accounts and deferrals, as an important measure of the level of sales generated in a period. To provide an example of the relationship between gross sales, net originated sales, and revenue according to GAAP, the Financial Performance Survey collected relevant revenue recognition information from companies in a table format. For the purposes of discussion, these results have been calculated in relation to $100.00 of net originated sales rather than as percentages. The aggregate results, provided in Figure 40, show that after an average of $14.82 in rescissions, on a weighted average basis, $114.82 in gross sales in 2013 generated $100.00 of net originated sales.[14] From this $100.00, an average of $13.68 was deducted as a reduction of revenue for uncollectible accounts, $0.07 was deducted as net deferrals for sales that had not yet cleared the rescission period, and a net amount of $1.41 was deducted as net deferrals for buyer commitment. In total, each $100.00 in net originated sales generated $84.84 in sales for accounting purposes after these adjustments, which after an addition of $0.02 for net sales recognized for percentage-of-completion[15] (resulting from less sales that were deferred in the current period than were recognized from previous periods due to the timing of projects under construction), resulted in $84.86 in sales revenue according to GAAP (some figures may not sum due to rounding). Some of the differences between net originated sales and GAAP revenue are timing differences, rather than permanent differences, as the deferrals for the rescission period and buyer commitment will eventually be recognized as GAAP revenue.

14 *The 20 respondents shown in Figure 40 reported $5.298 billion of net originated U.S. sales excluding sales under fee-for-service arrangements.*

15 *Net deferrals for percentage-of-completion have the effect of increasing average sales revenue because respondents reported positive values, indicating less sales in the current year were deferred than those that were recognized from previous periods.*

Note in the chart below, the net deferrals for rescission period were positive for private companies due to one respondent reporting a large positive net deferral for rescission period. This can be due to less rescission deferrals in the current year as compared to rescissions recognized in the current year. One public company also reported positive net deferrals for rescission period. Also the net deferrals for buyer commitment were positive for public companies due to two respondents reporting positive net deferrals for buyer commitment. This can be due to more deferred net originated sales from prior periods recognized in the current period than net originated sales deferred in the current period. One private company also reported positive net deferrals for buyer commitment.

FIGURE 40

TIMESHARE SALES REVENUE PER $100 IN NET ORIGINATED SALES, 2013, U.S.

	All respondents	Public companies	Private companies
Gross Sales	$114.82	$116.35	$112.24
Rescissions	(14.82)	(16.35)	(12.24)
Net originated sales	$100.00	$100.00	$100.00
Reduction of revenue for uncollectible accounts	(13.68)	(12.98)	(15.15)
Net deferrals for rescission period	(0.07)	(0.19)	0.13
Net deferrals for buyer commitment	(1.41)	0.19	(3.96)
Sales after reduction for uncollectible accounts, and deferrals for rescission period and buyer commitment	$84.84	$87.02	$81.02
Net recognized for percentage-of-completion	0.02	0.04	0.00
Sales revenue according to GAAP	$84.86	$87.06	$81.02

Note: One public company reported positive net deferral for percentage-of-completion in 2013 resulting from sales that occurred earlier and were recognized as projects reached completion.

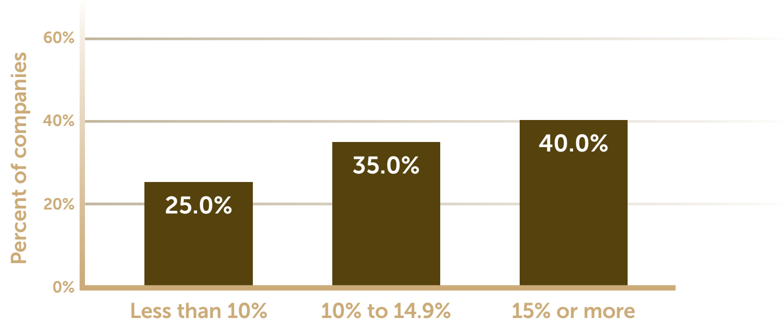
Source: Deloitte & Touche LLP based on 20 company survey responses, 6 public companies, and 14 private companies.

Rescissions[16]

For the 20 respondent companies that provided rescission information, the weighted average rescission rate (dollar value of rescissions as a percentage of gross sales) increased from 14.3 percent in 2012 to 14.8 percent in 2013. The rescission question excludes depositary rescissions. Depositary rescissions refer to situations in which the buyer has made a deposit, but has not yet provided the down payment necessary to qualify the transaction as a contract sale. These are, therefore, not counted in gross sales, and are therefore not counted as rescissions. Rescission rates reported by companies varied across a wide range. Five companies reported rescission rates below ten percent for 2013, while eight others reported rates in excess of fifteen percent (Figure 41). Note that no respondent reported a rescission rate greater than 20 percent.

FIGURE 41

DISTRIBUTION OF COMPANIES BY RESCISSION RATES, 2013, U.S.



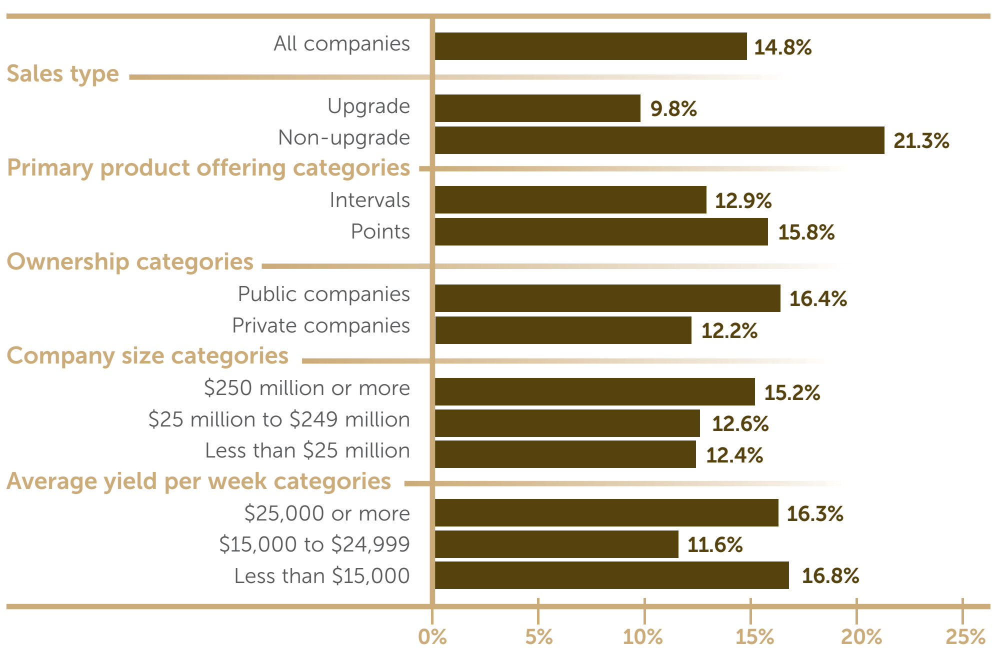
Source: Deloitte & Touche LLP based on 20 company survey responses.

16 *Rescissions here refer to the statutory right of the buyer to cancel a sales contract within a certain defined time period and obtain a return of all consideration paid to the seller.*

Variations in rescission rates were observed from one company category to another in 2013. Differences are evident between interval and points companies, with interval companies achieving lower average rescission rates (Figure 42). Differences were also noted in the company size categories as companies with less than $25 million of net originated sales reported the lowest average rescission rate of 12.4 percent within the category compared to the 15.2 percent reported by companies with $250 million or more of net originated sales and the 12.6 percent reported by companies with net originated sales of $25 million to $249 million. Upgrade sales achieved a lower average rescission rate compared to non-upgrade sales at 9.8 percent and 21.3 percent, respectively. As with other areas analyzed in this report, it is possible that differences between categories, such as differences between interval and points companies, may represent the characteristics of the specific companies responding rather than an underlying relationship based on product type.

FIGURE 42

RESCISSION RATES BY COMPANY CATEGORY (AS % OF GROSS SALES), 2013, U.S.

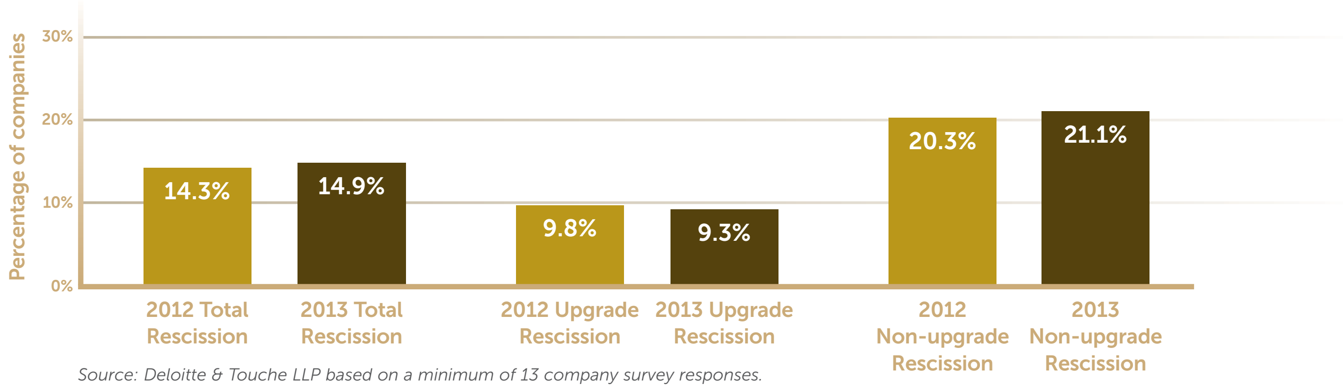


Source: Deloitte & Touche LLP based on a minimum of 20 company survey responses.

The *core company set* reported an average rescission rate in 2013 of 14.9 percent which was in line with the overall response set of 14.8 percent. The average rescission rate for the *core company set* was higher in 2013 compared to 2012 (Figure 43). A decrease was noted in upgrade rescissions while an increase was noted in non-upgrade rescissions. Two of the fifteen respondents did not provide upgrade rescission statistics, and were thus excluded from the upgrade rescission calculations in the chart below.

FIGURE 43

RESCISSION RATES, 2012 AND 2013, U.S., *CORE COMPANY SET*



Source: Deloitte & Touche LLP based on a minimum of 13 company survey responses.

Key ratios

CHAPTER FIVE

The Financial Performance Survey collects information on expenses of timeshare sales operations to report on a set of ratios that are recognized as some of the key measures in the business.

The "key ratios" question in this year's edition of the Financial Performance Survey follows the format established in previous years' editions and includes:

1. A line for estimated uncollectible sales (as a result of consistent guidance in ASC 978)
2. Guidance for respondents to report only general and administrative costs related to timeshare sales operations
3. A line for the pre-tax margin of timeshare sales operations
4. Guidance that the total of the seven key ratios lines is expected to sum to 100 percent
5. Guidance that the respondents should only report on sales related inventory owned by the developer (i.e., respondents were not to include inventory sold on behalf of others)

As in previous years, the key ratios have been calculated as percentages of net originated sales. Net originated sales was used as the denominator in calculating the ratios, rather than sales revenue according to GAAP, because it is not affected by deferrals that affect the timing of GAAP sales revenue. Key ratio results are summarized in this report in table format, with separate subsections providing more in-depth analysis of each line item.

A majority of respondents completed the key ratios section of the survey. The results show that the largest line items were other sales and marketing costs at 25.7 percent of net originated sales, product cost at 17.4 percent, and sales commissions at 15.5 percent (Figure 44). The weighted average pre-tax margin on timeshare sales operations was 16.1 percent.[17] Several differences were apparent between interval companies and points companies, as well as between public companies and private companies. In particular, relative to public companies, private companies reported higher estimated uncollectible sales, lower product costs, higher sales and marketing costs, higher general and administrative costs, and lower HOA subsidies and/or maintenance fees, resulting in a lower weighted average pre-tax margin.

FIGURE 44

KEY RATIOS AS A % OF NET ORIGINATED SALES VALUE, 2013, U.S.

	All respondents	Interval companies	Points companies	Public companies	Private companies
Estimated uncollectible sales	14.5%	14.3%	14.6%	12.7%	17.4%
Cost of sales, (product cost)	17.4%	17.4%	17.4%	18.9%	14.9%
Sales commissions	15.5%	12.7%	16.9%	14.2%	17.5%
Other sales and marketing costs to sell	25.7%	29.2%	23.9%	24.6%	27.6%
Sub-total: Sales commissions and other sales and marketing costs	**41.2%**	**41.9%**	**40.8%**	**38.8%**	**45.1%**
General and administrative costs related to timeshare sales operations	8.0%	6.7%	8.7%	6.9%	9.7%
HOA subsidies and/or maintenance fees	2.8%	0.5%	4.1%	2.9%	2.8%
Pre-tax margin of timeshare sales	16.1%	19.2%	14.4%	19.8%	10.1%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Source: Deloitte & Touche LLP based on 20 company survey responses.

17 *Several companies reported timeshare sales expenses in 2013 that were greater than revenue, resulting in a pre-tax loss in their timeshare sales operations. This reduced the weighted average profit margin in some of the categories.*

Differences were also evident in the results reported by large companies compared to small companies, including lower total sales commissions and other sales and marketing costs, resulting in higher pre-tax margins (Figure 45). The following sections provide further analysis on each line item category.

FIGURE 45

KEY RATIOS AS A % OF NET ORIGINATED SALES VALUE, 2013, U.S.

	Company size			Average yield per week		
	$250 million or more	$25 million to $249 million	Less than $25 million	$25,000 or more	$15,000 to $24,999	Less than $15,000
Estimated uncollectible sales	13.8%	18.0%	23.1%	13.7%	16.2%	13.4%
Cost of sales, also referred to as product cost	17.9%	14.3%	17.5%	19.2%	13.8%	19.1%
Sales commissions	15.0%	18.2%	16.8%	14.7%	16.0%	18.4%
Other sales and marketing costs to sell timeshare intervals or points	24.6%	31.7%	31.8%	23.7%	28.6%	27.9%
Sub-total: Sales commissions and other sales and marketing costs	**39.6%**	**49.9%**	**48.6%**	**38.4%**	**44.6%**	**46.3%**
General and administrative costs related to timeshare sales operations	7.8%	8.9%	7.0%	7.0%	10.5%	4.9%
HOA subsidies and/or maintenance fees	3.2%	1.2%	2.7%	3.2%	3.0%	0.3%
Pre-tax margin of timeshare sales operations	17.7%	7.7%	1.1%	18.5%	11.9%	16.0%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Source: Deloitte & Touche LLP based on 20 company survey responses.

Estimated uncollectible sales

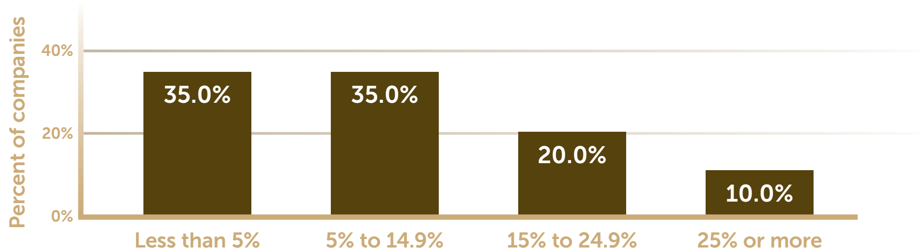
As mentioned in the section above on revenue recognition, according to ASC 978, uncollectible sales occur when a receivable becomes either wholly uncollectible or is modified in some manner that results in less than 100 percent collection of the original note. Companies estimate the portion of sales that are expected to be uncollectible and deduct that amount from sales revenue. Estimates are based on actual receivables collection experience and other considerations.

At least quarterly for public companies and annually for private companies, companies evaluate their receivables, estimate the amount they expect to ultimately collect, and evaluate the adequacy of their allowance. If necessary, companies adjust their allowance through a corresponding adjustment to current-period revenue through the estimated uncollectible sales account. As a result, the amount a company calculates as a deduction for estimated uncollectible sales during a period may not only relate to sales being recognized in that period, but may also include adjustments being made to the allowance for uncollectible sales made in previous periods. For the purpose of this analysis, companies were asked to exclude such retrospective adjustments being made for prior periods so as to provide a more stable measure of uncollectible sales.

Companies' estimates of uncollectible sales averaged 14.5 percent of net originated sales in 2013, on a weighted average basis. Companies reported estimates ranging from zero percent to over 25 percent, with 30.0 percent of companies reporting estimates equal to or greater than 15 percent (Figure 46). There was one respondent company that reported a zero percent estimate of uncollectible sales. If this one respondent was removed from the pool the weighted average of the estimates of uncollectibles would remain at 14.5 percent of net originated sales.

FIGURE 46

DISTRIBUTION OF COMPANIES BY ESTIMATED UNCOLLECTIBLE SALES (AS % OF NET ORIGINATED SALES), 2013, U.S.

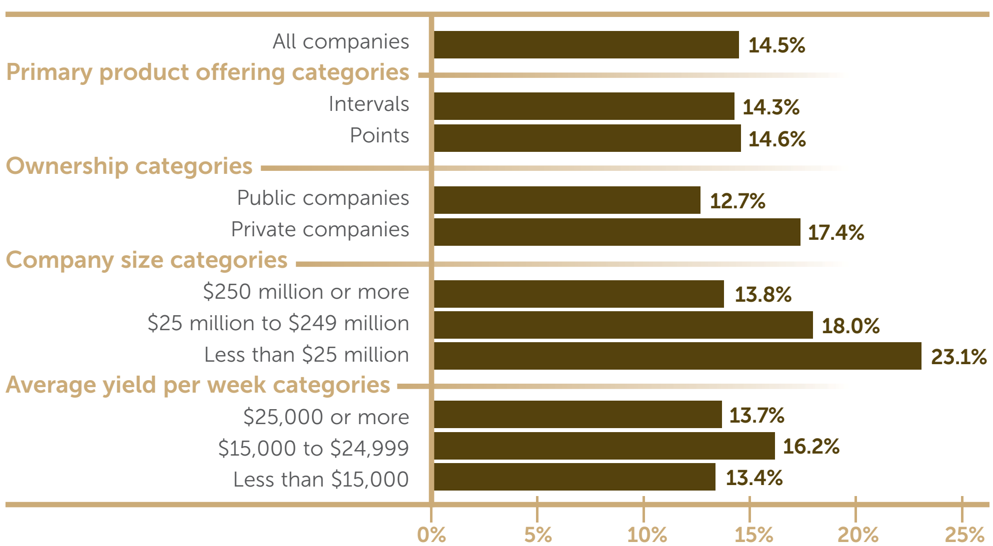


Source: Deloitte & Touche LLP based on 20 company survey responses.

The weighted average estimate of uncollectible sales was lowest for interval companies, public companies, larger companies, and companies with average yields per week of less than $15,000 (Figure 47). Differences among companies' estimates can result from factors such as contract terms, location of the timeshare interest, collection experience, and other factors.

FIGURE 47

ESTIMATED UNCOLLECTIBLE SALES (AS A % OF NET ORIGINATED SALES) BY COMPANY CATEGORY, 2013, U.S.



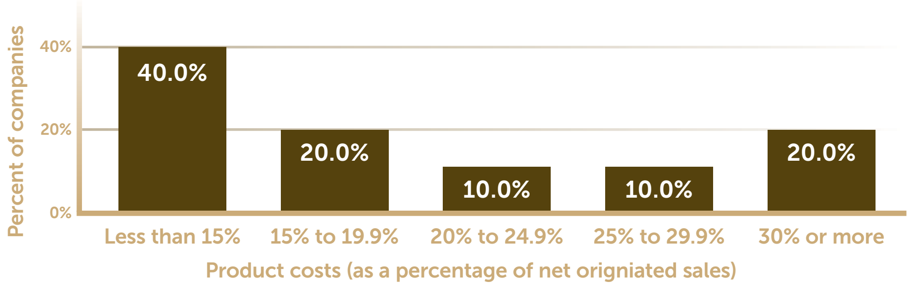
Source: Deloitte & Touche LLP based on 20 company survey responses.

Product costs

Product costs, or cost of sales, include costs such as land, infrastructure, amenities, buildings, furniture, fixtures, and equipment, as well as soft costs, and capitalized interest. In allocating product costs, companies estimate the total revenue and total costs related to the resort phase, calculate a cost of sales percentage based on total costs divided by total revenue, and then apply that percentage to sales to determine cost of sales during the period. Though changes in the estimated cost of sales are accounted for in each period by applying a current-period adjustment, companies were asked to exclude such retrospective adjustments so as to provide a more stable measure of estimated product costs.

FIGURE 48

DISTRIBUTION OF COMPANIES BY PRODUCT COSTS, 2013, U.S.

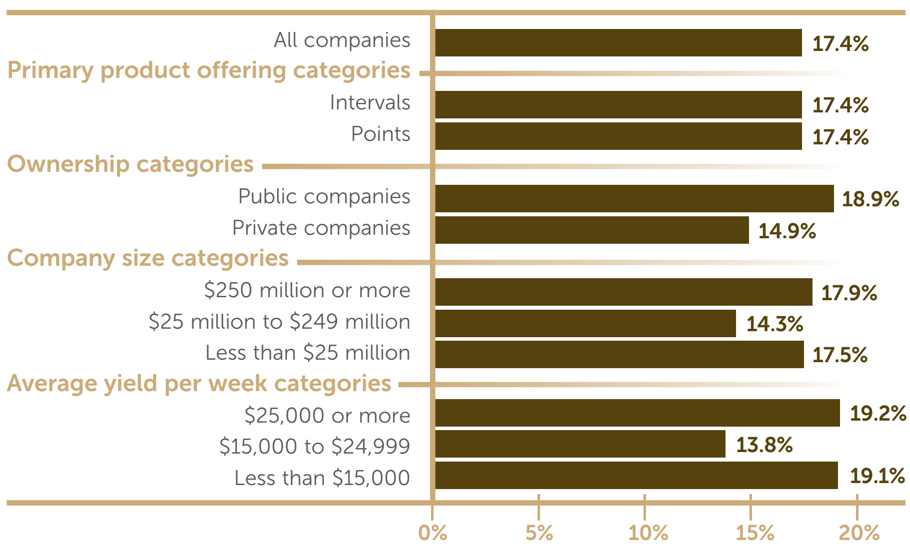


Source: Deloitte & Touche LLP based on 20 company survey responses.

The weighted average product cost, as a percentage of net originated sales, was 17.4 percent in 2013. Respondents reported product costs ranging from seven percent to 35 percent. Approximately 60.0 percent of respondents reported product costs of less than 20 percent and approximately 30.0 percent of respondents reported product costs of 25 percent and higher (Figure 48).

FIGURE 49

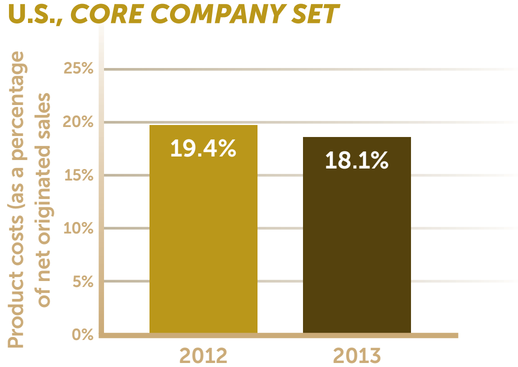
PRODUCT COSTS (AS A % OF NET ORIGINATED SALES) BY COMPANY CATEGORY, 2013, U.S.



Source: Deloitte & Touche LLP based on 20 company survey responses.

FIGURE 50

PRODUCT COSTS, 2012 AND 2013, U.S., *CORE COMPANY SET*



Source: Deloitte & Touche LLP based on 15 company survey responses.

For companies selling weeks at the upper end of the price range, product costs typically accounted for a greater percentage of the selling price. Consistent with this, the companies that reported the highest average yields per timeshare week in 2013 also reported the highest product cost for the category, of 19.2 percent (Figure 49), on a weighted average basis. Companies reporting $250 million or more in net originated sales reported product costs of 17.9 percent, which is above the average, while companies reporting net originated sales between $25 million and $249 million reported 14.3 percent, which is well below the average (Figure 49).

For the *core company set*, total product costs averaged 18.1 percent in 2013, down from 19.4 percent in 2012 (Figure 50).

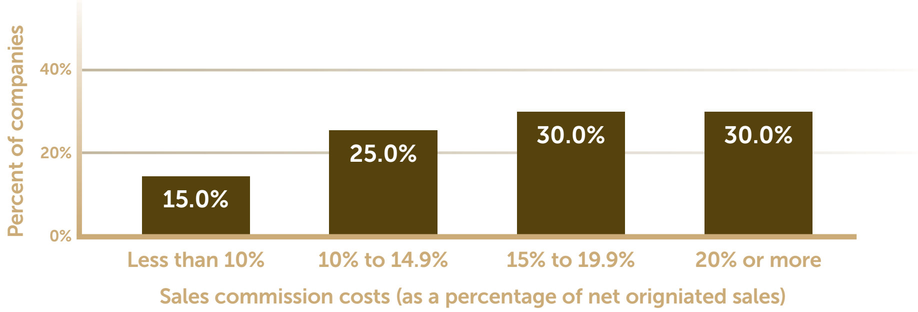
Sales and marketing costs

In 2013, sales commissions averaged 15.5 percent of net originated sales (Figure 52), while other sales and marketing costs averaged 25.7 percent (Figure 54), for a total of 41.2 percent (Figure 56). Other sales and marketing costs typically include, but are not limited to, the cost of marketing programs, as well as sales and marketing department-specific general and administrative expenses. The following pages provide detail on sales commissions and other sales and marketing costs, followed by summary information on both measures combined as total sales and marketing costs.

Of the 20 respondents, twelve, or 60.0 percent, reported sales commissions of 15 percent or more of net originated sales (Figure 51).

FIGURE 51

DISTRIBUTION OF COMPANIES BY SALES COMMISSIONS COSTS, 2013, U.S.

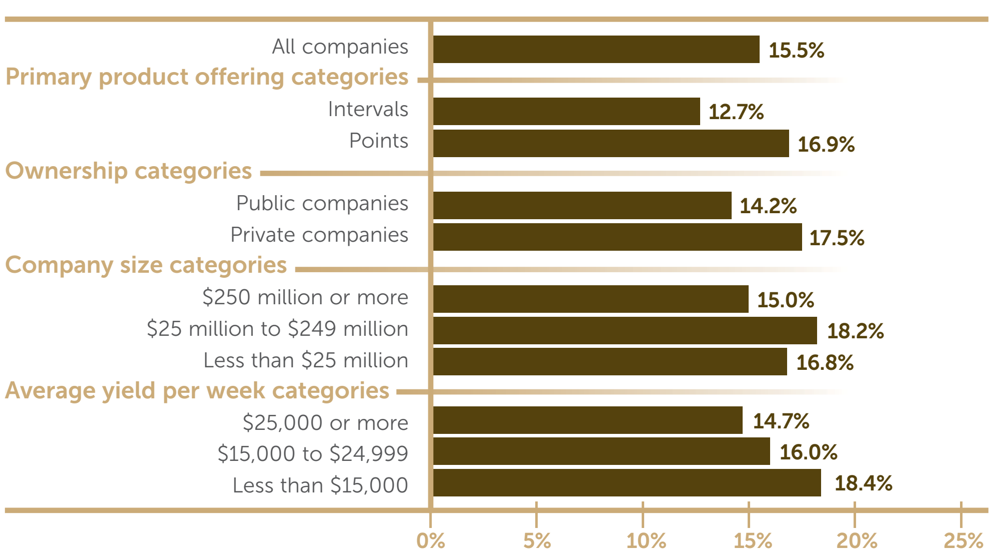


Source: Deloitte & Touche LLP based on 20 company survey responses.

Respondents with net originated sales of $250 million or more reported lower weighted average sales commissions than companies with net originated sales of less than $250 million (Figure 52). Interval companies reported sales commissions 4.2 percentage points lower than point companies.

FIGURE 52

SALES COMMISSIONS COSTS (AS A % OF NET ORIGINATED SALES) BY COMPANY CATEGORY, 2013, U.S.

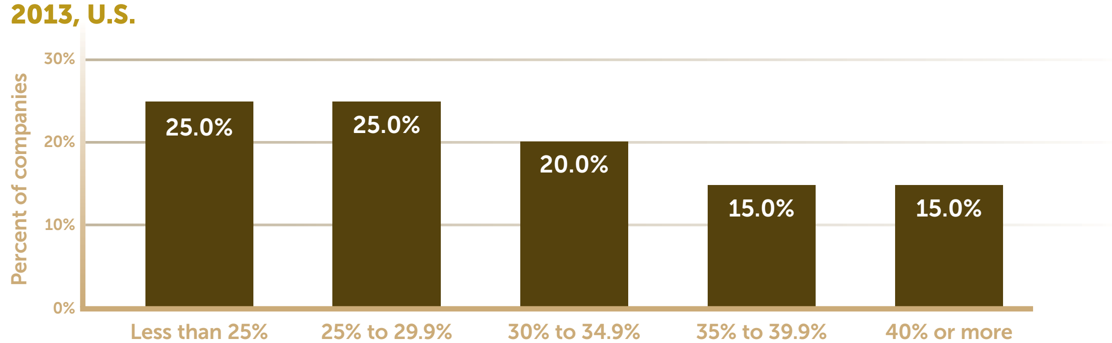


Source: Deloitte & Touche LLP based on 20 company survey responses.

Approximately 50.0 percent of respondents reported other sales and marketing costs of less than 30 percent of net originated sales (Figure 53).

FIGURE 53

DISTRIBUTION OF COMPANIES BY OTHER SALES AND MARKETING COSTS, 2013, U.S.

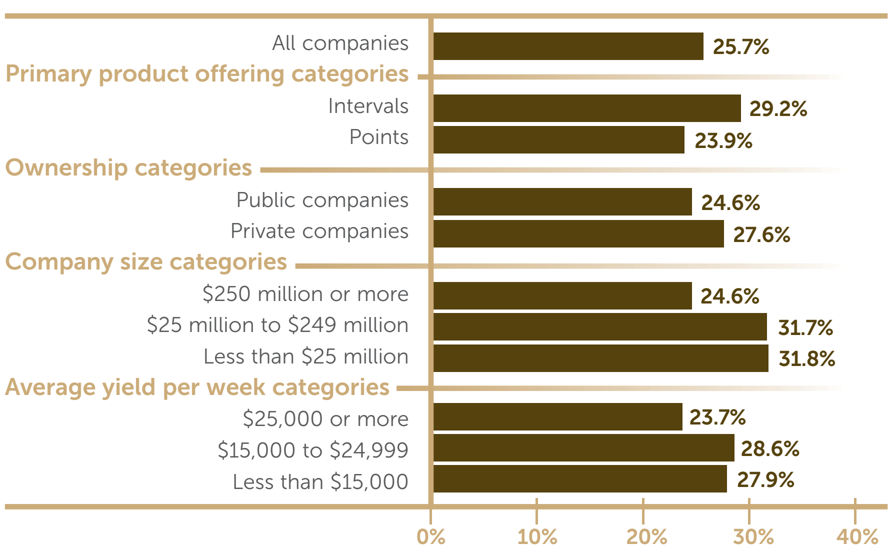


Source: Deloitte & Touche LLP based on 20 company survey responses.

Interval companies reported higher other sales and marketing costs than points companies. Public companies reported other sales and marketing costs of 24.6 percent as compared to private companies other sales and marketing costs of 27.6 percent. Companies with net originated sales of $250 million or more reported lower other sales and marketing costs than companies with net originated sales of less than $250 million (Figure 54).

FIGURE 54

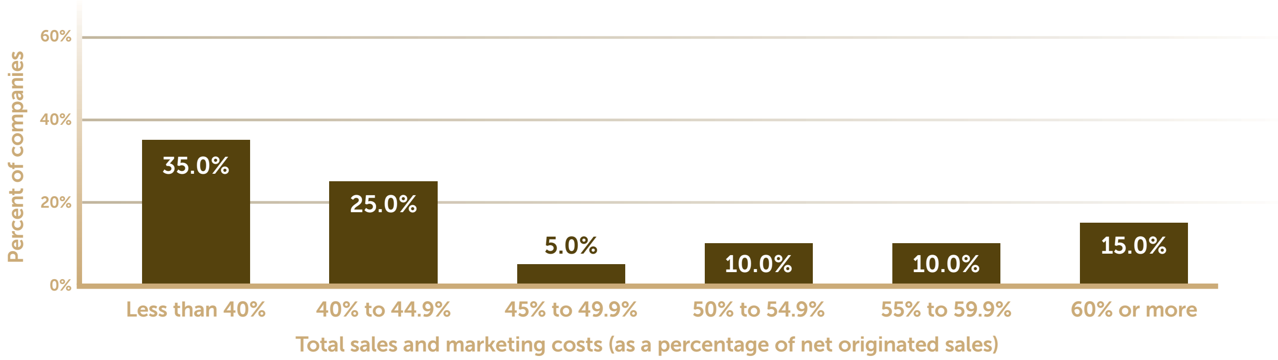
OTHER SALES AND MARKETING COSTS (AS A % OF NET ORIGINATED SALES) BY COMPANY CATEGORY, 2013, U.S.



Source: Deloitte & Touche LLP based on 20 company survey responses.

Total sales and marketing costs vary across development companies. Approximately 60.0 percent of companies reported total sales and marketing costs of less than 45 percent of net originated sales (Figure 55).

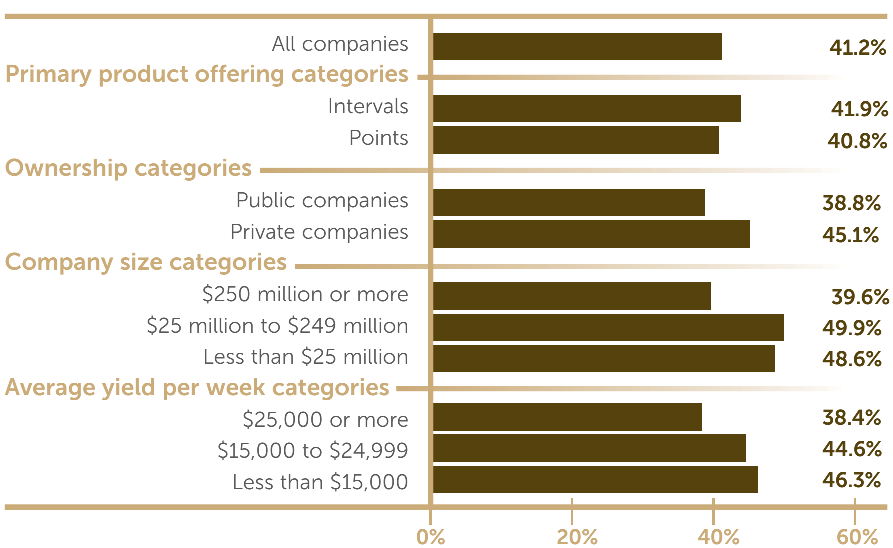
FIGURE 55
DISTRIBUTION OF COMPANIES BY TOTAL SALES AND MARKETING COSTS, 2013, U.S.



Source: Deloitte & Touche LLP based on 20 company survey responses.

The weighted average total sales and marketing costs for the respondent companies was 41.2 percent in 2013 which was higher than the 38.9 percent reported in 2012. Companies with net originated sales of $250 million or more reported lower sales and marketing costs compared to companies with net originated sales of less than $250 million (Figure 56). Public companies generally reported lower sales and marketing costs than private companies.

FIGURE 56
TOTAL SALES AND MARKETING COSTS (AS A % OF NET ORIGINATED SALES) BY COMPANY CATEGORY, 2013, U.S.



Source: Deloitte & Touche LLP based on 20 company survey responses.

FIGURE 57

SALES AND MARKETING COSTS AS A % OF NET ORIGINATED SALES VALUE, 2012 AND 2013, U.S., *CORE COMPANY SET*

	2012	2013
Sales commissions	13.3%	14.9%
Other sales and marketing costs	24.2%	25.1%
Total sales and marketing costs	37.5%	40.0%

Source: Deloitte & Touche LLP based on 15 company survey responses.

Total sales and marketing costs reported by the *core company set* increased from 37.5 percent in 2012 to 40.0 percent in 2013 (Figure 57).

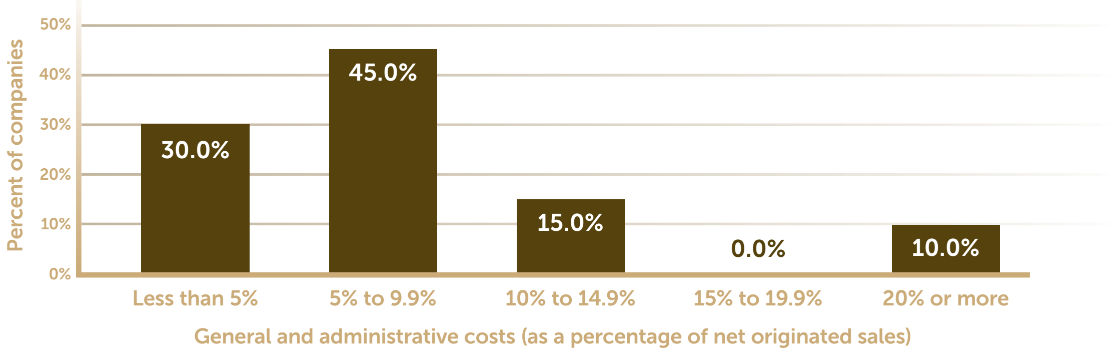
General and administrative costs

General and administrative costs include the salaries and wages of administrative personnel related to timeshare sales operations, but not directly associated with a particular department. Expense items related to the management and operation of the individual properties are also allocated to this category. General and administrative costs related to financing activities, marketing costs, bad debt expenses, and HOA subsidies are excluded.

General and administrative costs, as a percentage of net originated sales, were 8.0 percent in 2013, on a weighted average basis. Overall, these costs vary widely from company to company. Approximately 60.0 percent of respondents reported costs between 5.0 and 14.9 percent (Figure 58).

FIGURE 58

DISTRIBUTION OF COMPANIES BY GENERAL AND ADMINISTRATIVE COSTS, 2013, U.S.

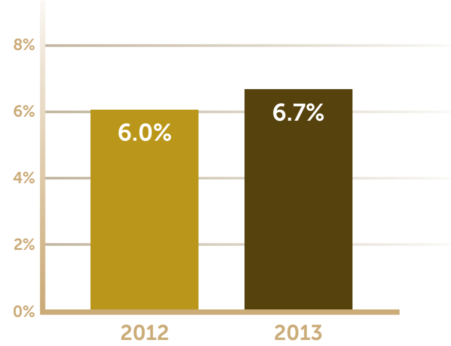


Source: Deloitte & Touche LLP based on 20 company survey responses.

The *core company set* reported general and administrative costs of 6.7 percent in 2013, which increased from 6.0 percent in 2012 (Figure 59).

FIGURE 59

GENERAL AND ADMINISTRATIVE COSTS (AS % OF NET ORIGINATED SALES), *CORE COMPANY SET*

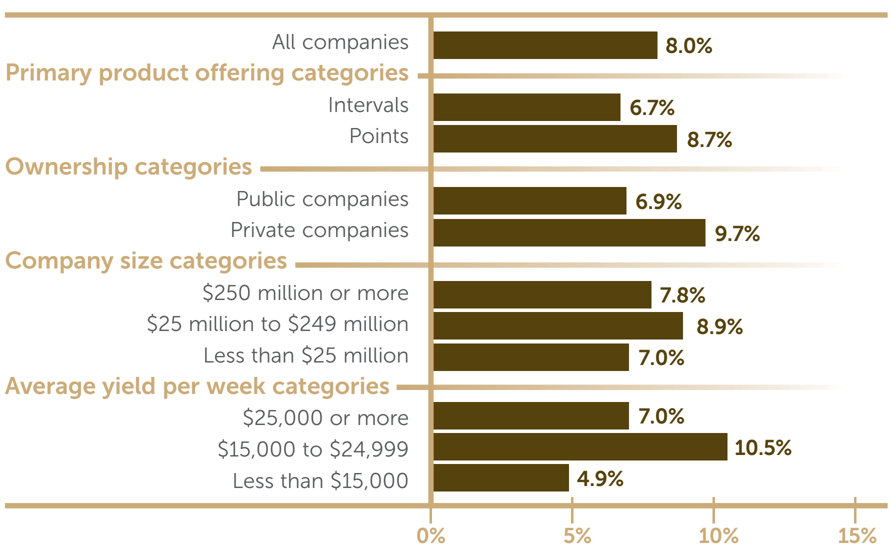


Source: Deloitte & Touche LLP based on 15 company survey responses

Several categories of companies reported general and administrative costs lower than the average. However, points companies, private companies, companies with net originated sales of $25 million to $249 million, and companies with average yields per week of $15,000 to $24,999 reported costs above the average (Figure 60), on a weighted average basis.

FIGURE 60

GENERAL AND ADMINISTRATIVE COSTS (AS % OF NET ORIGINATED SALES), 2013, U.S.



Source: Deloitte & Touche LLP based on 20 company survey responses.

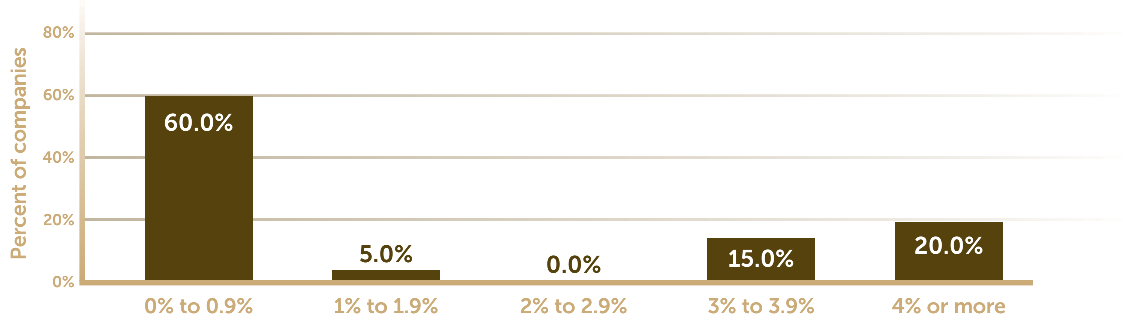
Home owners association subsidies and maintenance fees

HOA subsidies and maintenance fees incurred by development companies include costs (such as operating, replacement reserve, and property taxes) paid by the resort development company for units that have not sold by a specified date and, in some cases, costs on sold units that a development company may choose to pay in lieu of passing these costs on to owners. Resort development companies may generate revenue from the units that they hold by renting them to potential timeshare buyers, such that HOA subsidies and maintenance fees may be mitigated. Therefore, these HOA subsidies and maintenance fees are net of realized rental revenue.

HOA subsidies and maintenance fees as a percentage of net originated sales averaged 2.8 percent in 2013, on a weighted average basis. Overall, HOA subsidies and maintenance fees vary from company to company. In 2013, 60.0 percent of respondents reported HOA subsidies and maintenance fees of less than 1.0 percent (Figure 61).

FIGURE 61

DISTRIBUTION OF COMPANIES BY HOA SUBSIDIES AND MAINTENANCE FEES, 2013, U.S.

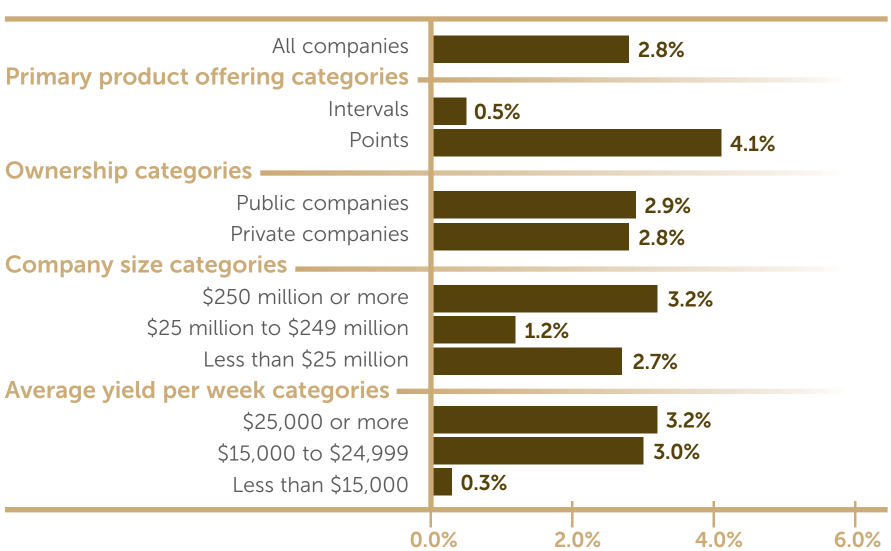


Source: Deloitte & Touche LLP based on 20 company survey responses.

Private companies, companies that primarily sell intervals, companies with average yields per week of less than $15,000, and companies generating between $25 million and $249 million in net originated sales reported the lowest average HOA subsidies and maintenance fees, on a weighted average basis (Figure 62).

FIGURE 62

HOA SUBSIDIES AND MAINTENANCE FEES (AS A % OF NET ORIGINATED SALES) BY COMPANY CATEGORY, 2013, U.S.



Source: Deloitte & Touche LLP based on 20 company survey responses.

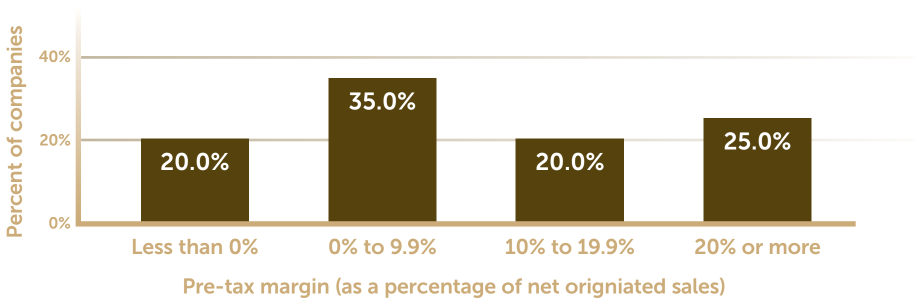
Pre-tax margin on timeshare sales operations

The key ratios section of the survey collected revenue deductions and various costs as a percentage of net originated sales, as well as an estimate of the remaining pre-tax margin. The pre-tax margin, or operating profit margin, on timeshare sales operations is calculated as pre-tax operating profit divided by net originated sales for the purpose of this analysis. This margin represents only timeshare sales operations, and excludes profit generated by the consumer financing and resort management components of many timeshare development companies.

For respondent companies, pre-tax margins were 16.1 percent in 2013, on a weighted average basis, a decrease of 0.7 percentage points from the 16.8 percent reported in 2012. In 2013, 55.0 percent of respondents reported pre-tax margins between zero and 19.9 percent (Figure 63). As a measure, pre-tax margin is a snapshot of one year, so for smaller companies it may be significantly impacted by the particular timing of sales at particular resorts. Twenty percent of respondents reported negative pre-tax margins, which may reflect short-term timing impacts, the impact of slowing sales pace, or other factors that do not represent the long-term stabilized pre-tax margin of the business.

FIGURE 63

DISTRIBUTION OF COMPANIES BY PRE-TAX MARGINS, 2013, U.S.

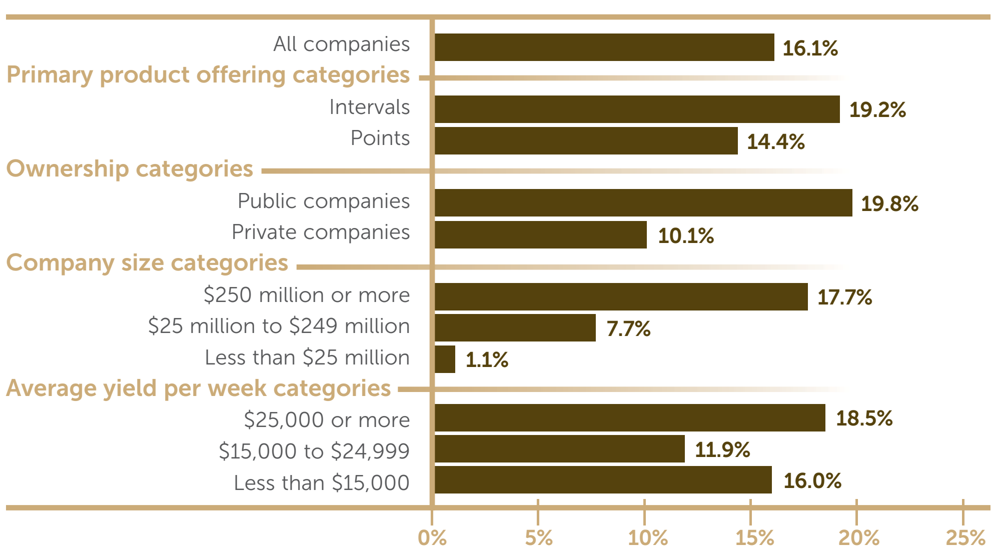


Source: Deloitte & Touche LLP based on 20 company survey responses.

Interval companies, public companies, larger companies, and companies with average yield per week of $25,000 or more reported higher pre-tax margins, on a weighted average basis (Figure 64).

FIGURE 64

PRE-TAX MARGINS (AS A % OF NET ORIGINATED SALES) BY COMPANY CATEGORY, 2013, U.S.

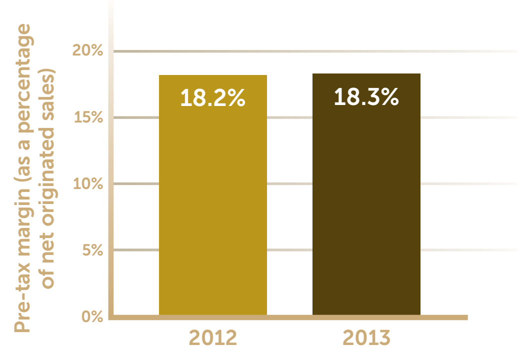


Source: Deloitte & Touche LLP based on 20 company survey responses.

Among the *core company set,* total pre-tax margin averaged 18.3 percent in 2013, up from 18.2 percent in 2012 (Figure 65).

FIGURE 65

PRE-TAX MARGIN, 2012 AND 2013, U.S., *CORE COMPANY SET*



Source: Deloitte & Touche LLP based on 15 company survey responses

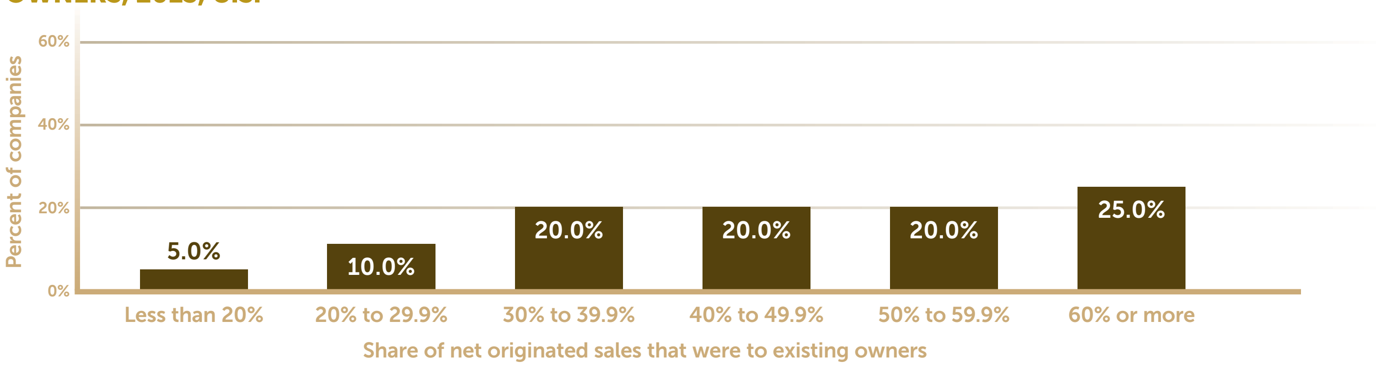
Sales to existing owners

Timeshare companies have traditionally recognized that existing owners who understand timeshare and who are satisfied with their timeshare purchase have a higher likelihood to purchase additional timeshare products. As a measure to track such sales, respondents provided information on the percentage of net originated sales in which the buyer was already an existing owner of one or more timeshare interests at the company. Each respondent calculated the percentage as the net originated sales to existing owners (including upgrade sales and reloads) divided by the company's total net originated sales.

Respondents reported that 51.0 percent of net originated sales were to existing owners, on a weighted average basis. This reflects the success that companies have in selling to existing owners, and included a range of responses (Figure 66), from eleven percent to over 90 percent. Approximately 65.0 percent of respondents reported that sales to existing owners were 40 percent or more of total net originated sales.

FIGURE 66

DISTRIBUTION OF COMPANIES BY SHARE OF NET ORIGINATED SALES THAT WERE TO EXISTING OWNERS, 2013, U.S.

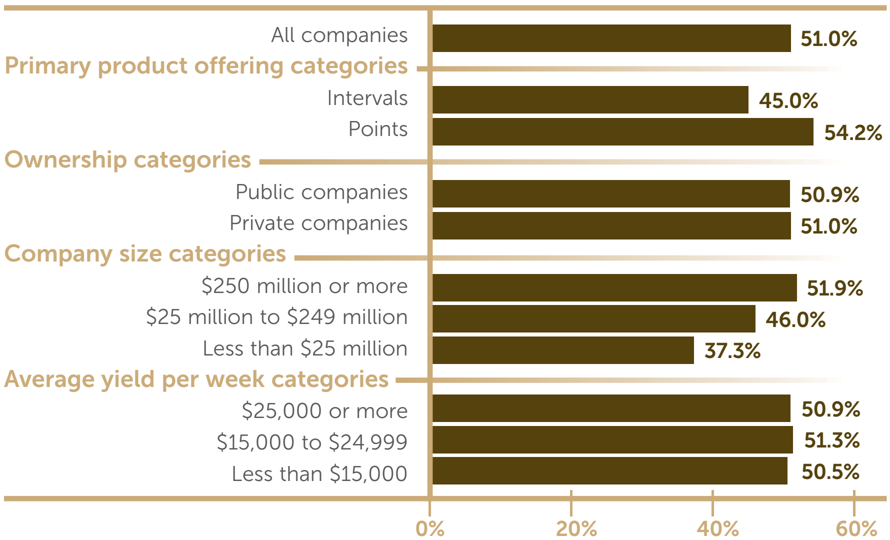


Source: Deloitte & Touche LLP based on 20 company survey responses.

Points companies, private companies and larger companies reported a higher percentage of net originated sales that were to existing owners, on a weighted average (Figure 67).

FIGURE 67

SHARE OF NET ORIGINATED SALES THAT WERE TO EXISTING OWNERS BY COMPANY CATEGORY, 2013, U.S.

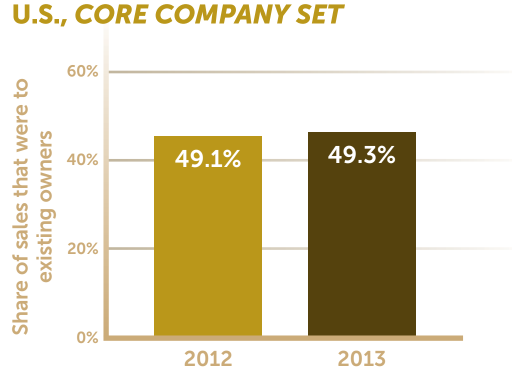


Source: Deloitte & Touche LLP based on 20 company survey responses.

Information provided by the *core company set* shows that the share of net originated sales that were made to existing owners increased by 0.2 percentage points from 2012 to 2013 (Figure 68).

FIGURE 68

SHARE OF SALES THAT WERE TO EXISTING OWNERS, 2012 AND 2013, U.S., *CORE COMPANY SET*



Source: Deloitte & Touche LLP based on 15 company survey responses

Hypothecated receivables represent the installment sales contracts that are pledged as collateral for debt.

Eleven respondents provided information on hypothecations of receivables that occurred during 2013, totaling $565 million, compared to $574 million in 2012, as reported by twelve respondents. Respondents that provided information on the interest rate paid reported paying a weighted average interest rate of 5.2 percent in 2013 for funds borrowed against these receivables. This compares to an average interest rate of 5.9 percent paid for hypothecated receivables during 2012 by twelve respondents, representing a 0.7 percentage point decrease in the average interest rate. For comparison, the prime rate averaged 3.25 percent in both 2012 and 2013.[18] Respondents reported a weighted average advance rate of 80.4 percent in 2013, compared to 78.8 percent in 2012, representing a 1.6 percentage point increase.

FIGURE 69

HYPOTHECATIONS, 2012 AND 2013, ALL GEOGRAPHIES

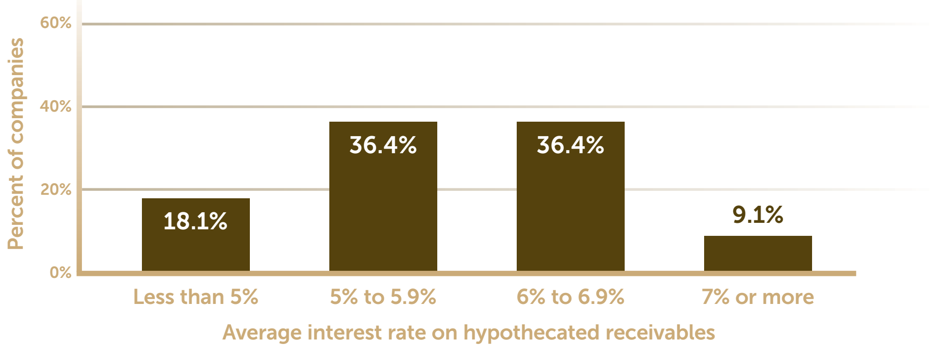
	2012	2013
Average interest rate paid	5.9%	5.2%
Average advance rate	78.8%	80.4%

Source: Deloitte & Touche LLP based on a minimum of 11 company survey responses.

In 2013, 72.8 percent of respondents reported an average interest rate between 5.0 and 6.9 percent paid for funds borrowed by hypothecating receivables (Figure 70).

FIGURE 70

DISTRIBUTION OF COMPANIES BY AVERAGE INTEREST RATE ON HYPOTHECATED RECEIVABLES, 2013, ALL GEOGRAPHIES



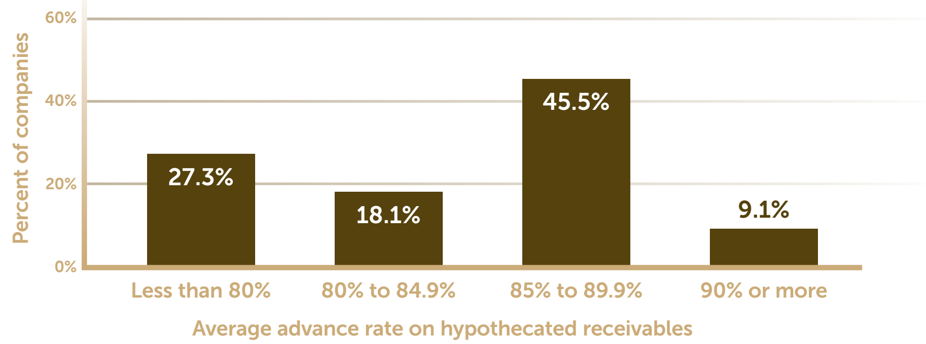
Source: Deloitte & Touche LLP based on 11 company survey responses.

18 *Average majority prime rate charged by banks on short-term loans to business, quoted on an investment basis. Bank prime loan rate historical data obtained from the Board of Governors of the Federal Reserve System.*

To manage risk in hypothecations, lenders typically advance only a portion of the principal balance of the portfolio. The percentage of the principal balance of the hypothecated receivables funded in cash is referred to as the advance rate. In 2013, five out of eleven respondents reported average advance rates of 85 to 89.9 percent and one respondent reported an average advance rate of over 90 percent (Figure 71). Three companies reported an average advance rate in the less than 80 percent range contributing to the 80.4 percent weighted average.

FIGURE 71

DISTRIBUTION OF COMPANIES BY AVERAGE ADVANCE RATE ON HYPOTHECATED RECEIVABLES, 2013, ALL GEOGRAPHIES

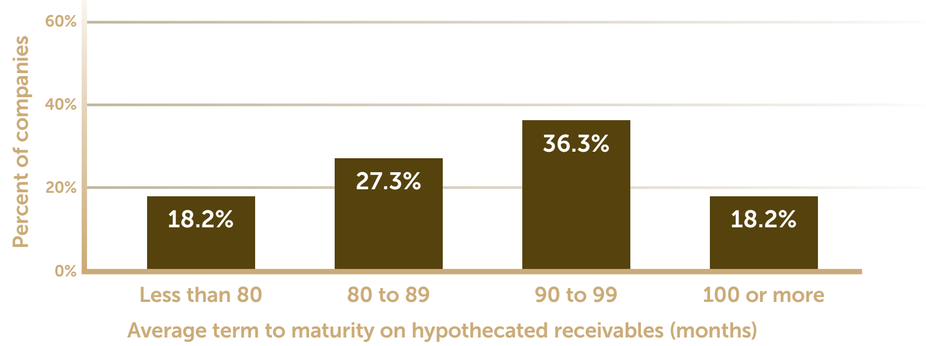


Source: Deloitte & Touche LLP based on 11 company survey responses.

Of the eleven companies that reported average remaining term to maturity on hypothecated receivables at the point of hypothecation for 2013, 63.6 percent reported average remaining terms to maturity of 80 to 99 months in 2013 (Figure 72). The weighted average remaining term to maturity, as reported by twelve company survey responses for 2012 and eleven company survey responses for 2013, increased from 94.1 months in 2012 to 97.2 months in 2013.

FIGURE 72

DISTRIBUTION OF COMPANIES BY AVERAGE TERM TO MATURITY ON HYPOTHECATED RECEIVABLES, 2013, ALL GEOGRAPHIES



Source: Deloitte & Touche LLP based on 11 company survey responses.

Portfolio sales and securitizations

CHAPTER SEVEN

Companies can raise cash by selling or securitizing consumer receivables. For the purpose of this study, information was collected on two categories of receivables transactions: portfolio sales in which the transaction occurs with recourse and securitizations in which the transaction occurs without recourse. The data collected related to portfolio sales was not sufficient for accurate analysis; therefore, this section will focus on the analysis of securitization information reported. The nine separate securitization transactions reported by seven survey respondents in 2013 represented a total value of $2.04 billion, measured as the gross value of the sales contracts securitized.[19] This compares to twelve separate transactions in 2012 reported by six survey respondents in 2013, with a total value of $2.69 billion.

Among the securitization transactions reported by the survey respondents, several key changes were evident between 2012 and 2013.

- The total value of funding decreased from 2012 to 2013 by approximately 24.2 percent.
- One company conducted a securitization in 2012 but not in 2013, while two companies conducted securitizations in 2013 that did not report securitizations in 2012.
- Average transaction size of securitizations increased from 2012 to 2013 by approximately 1.0 percent for all respondents.
- Average advance rates for all respondents increased from 2012 to 2013 by 6.1 percentage points.
- The interest rate paid by the development company decreased by 1.6 percentage points[20] for all securitization transactions, on a weighted average basis.

For comparison purposes, the companies that reported securitizations in both 2012 and 2013 have been analyzed below. The seven securitizations in 2013, conducted by five of the seven respondents, represented a total value of $1.6 billion, compared to eleven securitizations in 2012 with a total value of $2.5 billion conducted by the same five respondents.[21] The weighted average advance rate on securitizations which occurred in 2013, as reported by the same respondents, was 92.0 percent, up from 86.5 percent as reported by the same five respondents in 2012.[22] The weighted average interest rate paid by the seller, the timeshare company, was 2.0 percent in 2013, down from 4.0 percent in 2012.

FIGURE 73

SECURITIZATIONS, 2012 AND 2013, ALL GEOGRAPHIES

	2012	2013
Total value of securitizations (millions)	$2,531	$1,617
Number of transactions	11	7
Average transaction size (millions)	$230.1	$231.0
Average advance rate	86.5%	92.0%
Average interest rate paid	4.0%	2.0%

Source: Deloitte & Touche LLP based on 5 company survey responses.

19 *The gross value of the contracts sold or securitized was further defined as the collateral value or outstanding principal balance on the survey form.*

20 *Change in interest rates may not be comparable to changes in market interest rate indexes, such as LIBOR, since information was not available indicating when in the year each portfolio transaction occurred.*

21 *Respondents were asked to report on original sales only, thereby excluding securities that had been previously sold, repurchased, and sold again.*

22 *Weighted average advance rate calculated as net value of sales or proceeds received for sale divided by gross value of sales contracts sold.*

Consumer financing and receivables portfolio performance

CHAPTER EIGHT

Companies typically provide financing to a majority of consumers purchasing vacation ownership interests. The survey collected information on the characteristics of new loans (mortgages) and on the performance of companies' outstanding consumer receivables portfolios.

Consumer financing

Companies reported providing financing for 53.4 percent of the $4.726 billion in net originated sales in 2013, as reported by 19 respondents. The remainder of sales represents cash or cash-out within the first 90 days,[23] plus cash down payments. The financed value represents the face value of consumer loans written and is presented as a share of net originated sales.

FIGURE 74

PORTION OF NET ORIGINATED SALES THAT WERE FINANCED BY CONSUMERS, 2013, U.S.

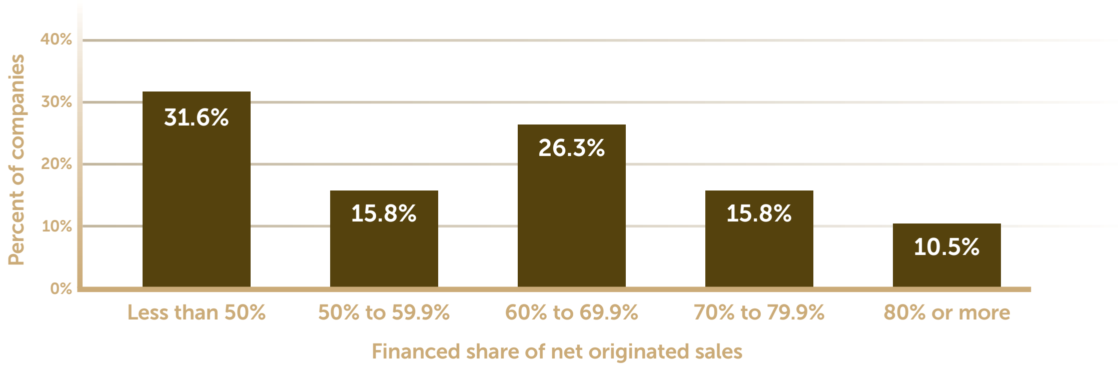
	2013
Cash or cash-out within first 90 days	29.4%
Cash down payment	17.2%
Financed value	53.4%
Total	100.0%

Source: Deloitte & Touche LLP based on a minimum of 19 company survey responses.

A majority of respondents (73.7 percent) reported that their financed share of net originated sales was less than 70.0 percent in 2013 (Figure 75). The amount financed in 2013 by the nineteen respondents totaled $2.522 billion.

FIGURE 75

DISTRIBUTION OF COMPANIES BY FINANCED SHARE OF NET ORIGINATED SALES, 2013, U.S.



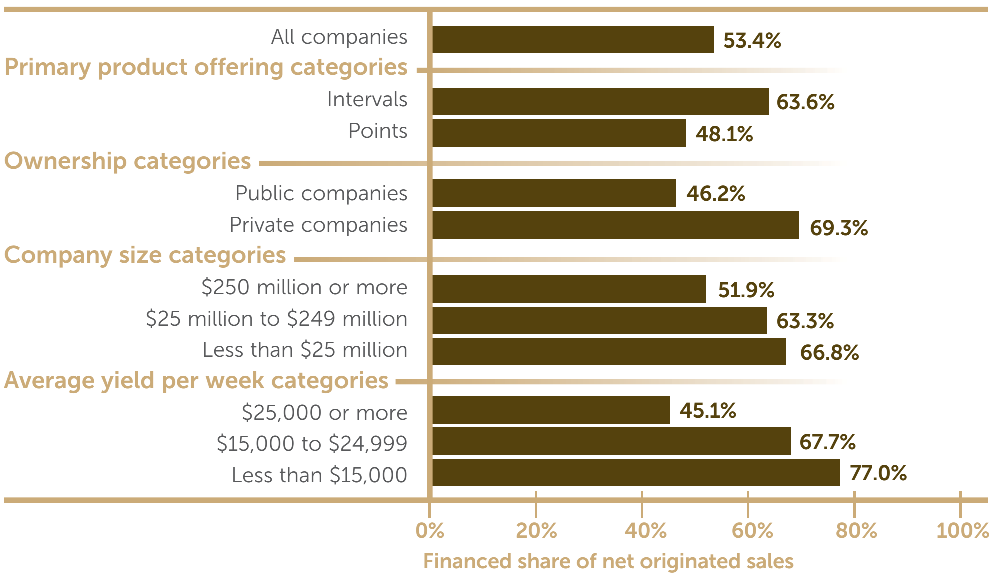
Source: Deloitte & Touche LLP based on 19 company survey responses.

23 *Industry participants report that a share of consumers pay off timeshare loans within the first 90 days, using financing as a short-term option. This share is not included in the financed share of net originated sales because it is considered near cash equivalent.*

As shown in Figure 76, points companies reported a lower financed share of net originated sales than interval companies. In addition, companies with revenue of less than $25 million reported a higher (66.8 percent) financed share than companies in the other revenue categories.

FIGURE 76

FINANCED SHARE OF NET ORIGINATED SALES BY COMPANY CATEGORY, 2013, U.S.

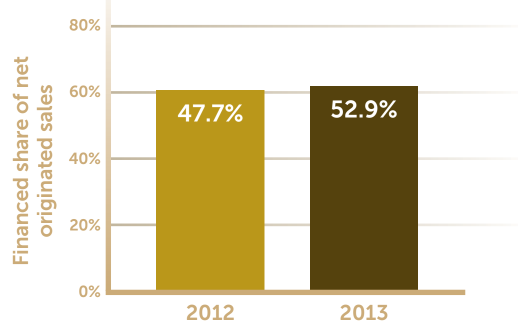


Source: Deloitte & Touche LLP based on a minimum of 19 company survey responses.

Respondents in the *core company set* reported a financed share of net originated sales in 2013 of 52.9 percent, compared to 47.7 percent in 2012 (Figure 77).

FIGURE 77

FINANCED SHARE OF NET ORIGINATED SALES, 2012 AND 2013, U.S., *CORE COMPANY SET*



Source: Deloitte & Touche LLP based on 14 company survey responses.

Survey respondents provided information about the characteristics of new consumer loans; the averages, weighted by net originated sales, are shown in Figure 78. The average consumer loan terms reported ranged from a low of 81.2 months to a high of 128.8 months in 2013, for an overall weighted average term of 117.0 months. The average consumer loan interest rates reported ranged from 11.1 percent to 17.4 percent, for an overall weighted average of 13.8 percent. Average down payments associated with non-upgrade financed sales reported by respondents ranged from 7.0 percent to 27.8 percent, for an overall weighted average of 17.3 percent in 2013.

Respondents were asked to provide the average down payment on upgrade sales separate from non-upgrade sales. This is because purchasers of upgrades can frequently count the equity in their existing vacation ownership interest toward the down payment that they are making on the upgrade interest. As a result, down payments on upgrade sales are typically higher than on non-upgrade sales. The average down payment associated with upgrade financed sales reported by respondents ranged from 9.1 percent to 63.8 percent, for an overall weighted average of 49.5 percent in 2013.

FIGURE 78

CHARACTERISTICS OF NEW CONSUMER LOANS, 2013, U.S.

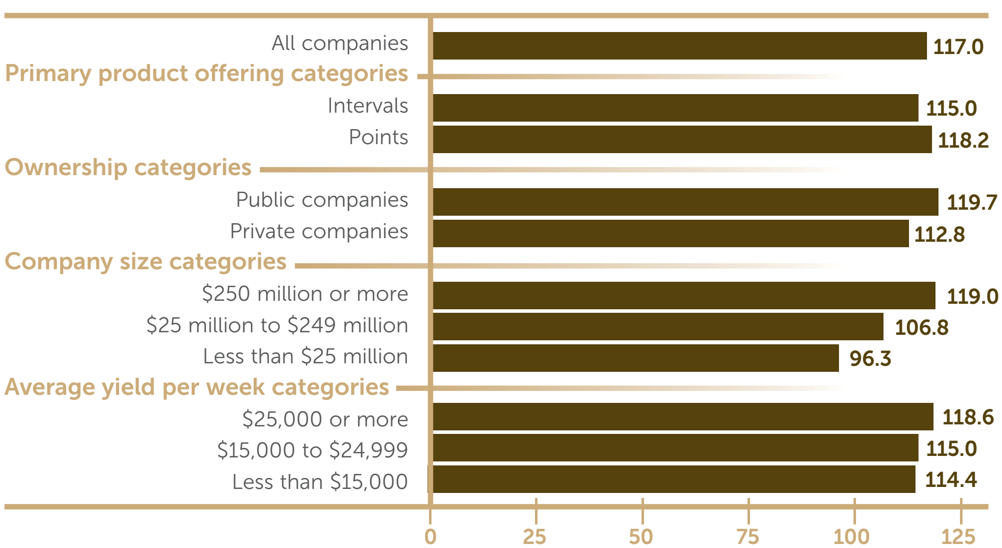
	2013
Term (in months)	117.0
Interest rate	13.8%
Down payment (as a percent of contract price)	
non-upgrade sales	17.3%
upgrade sales	49.5%

Source: Deloitte & Touche LLP based on a minimum of 18 company survey responses.

The weighted average term on new consumer loans, measured in months, was fairly consistent across company categories (Figure 79). Points companies, public companies, larger companies, and companies with higher average yields per week showed longer average terms.

FIGURE 79

AVERAGE TERM ON NEW CONSUMER LOANS (IN MONTHS) BY COMPANY CATEGORY, 2013, U.S.

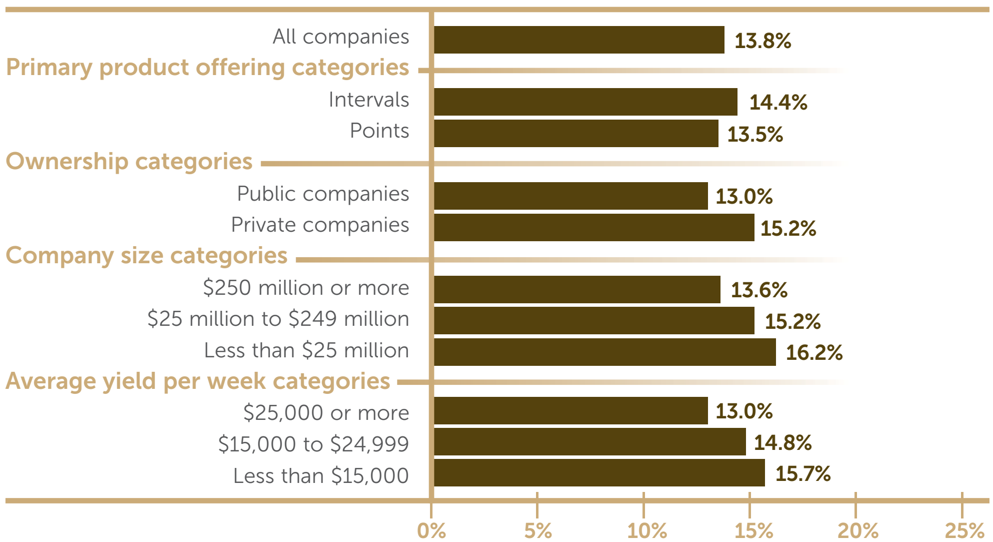


Source: Deloitte & Touche LLP based on a minimum of 20 company survey responses.

Companies reported that weighted average interest rates on new consumer loans are lower for public as compared to private companies, and are higher for interval as compared to point companies (Figure 80). Further, companies with higher average yields per week tended to offer lower average interest rates on consumer loans.

FIGURE 80

AVERAGE INTEREST RATE ON NEW CONSUMER LOANS BY COMPANY CATEGORY, 2013, U.S.

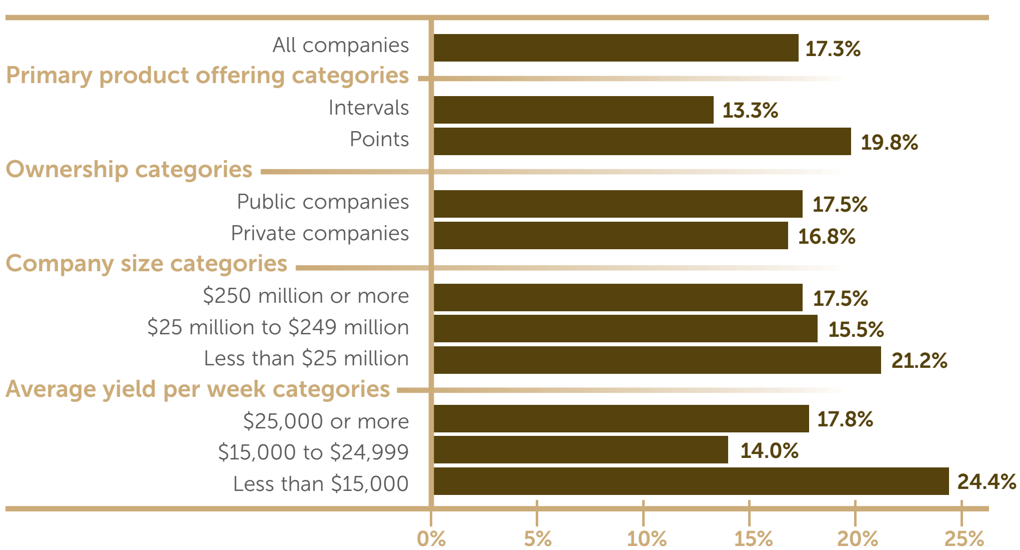


Source: Deloitte & Touche LLP based on a minimum of 20 company survey responses.

The survey results showed higher weighted average down payments for both upgrade sales and non-upgrade sales for point companies and public companies, while the company size category showed mixed results (Figure 81 and Figure 82).

FIGURE 81

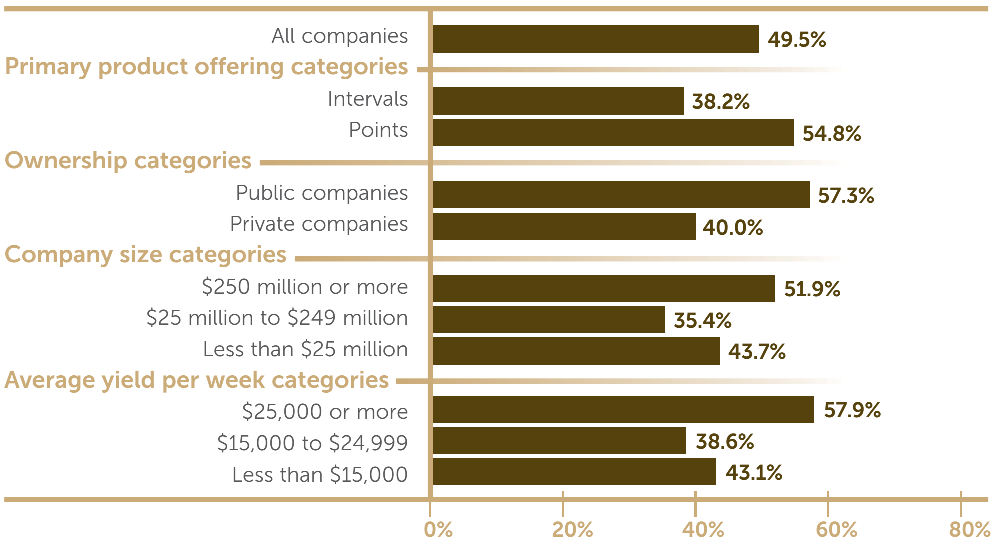
AVERAGE DOWN PAYMENT ON NON-UPGRADE SALES BY COMPANY CATEGORY, 2013, U.S.



Source: Deloitte & Touche LLP based on a minimum of 20 company survey responses.

FIGURE 82

AVERAGE DOWN PAYMENT ON UPGRADE SALES BY COMPANY CATEGORY, 2013, U.S.

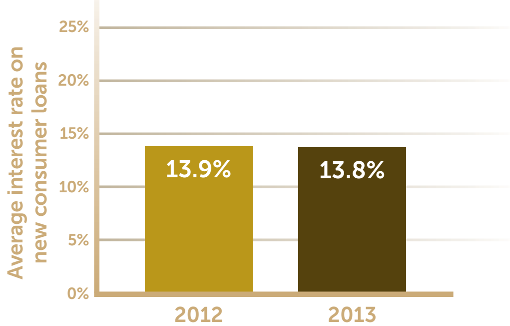


Source: Deloitte & Touche LLP based on a minimum of 18 company survey responses.

For the *core company set*, the interest rate on new consumer loans in 2013 was 13.8 percent, which was 0.1 percentage point less than the 13.9 percent reported in 2012 (Figure 83), on a weighted average basis. Approximately 75 percent of the companies in the *core company set* reported receiving the same or lower average interest rate in 2013 than in 2012. As a percentage of contract prices, average down payments on non-upgrade sales in the *core company set* decreased from 19.5 percent in 2012 to 17.1 percent in 2013 (Figure 84). Conversely, the average down payments on upgrade sales in the *core company set* increased from 46.9 percent in 2012 to 51.3 percent in 2013 (Figure 85). The average term reported by respondents in the *core company set* increased from 113.9 months in 2012 to 117.3 months in 2013 (Figure 86).

FIGURE 83

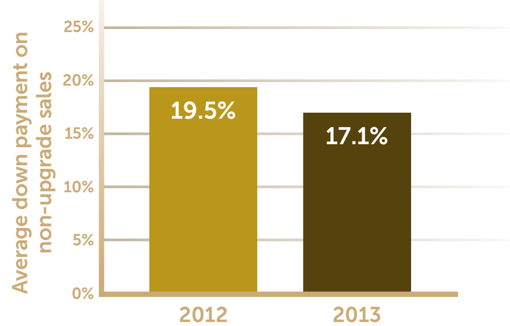
AVERAGE INTEREST RATE ON NEW CONSUMER LOANS, 2012 AND 2013, U.S., *CORE COMPANY SET*



Source: Deloitte & Touche LLP based on 16 company survey responses

FIGURE 84

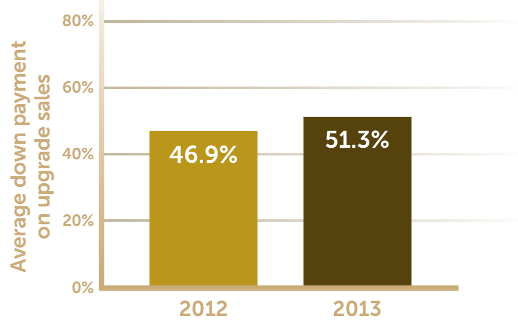
AVERAGE DOWN PAYMENT ON NON-UPGRADE SALES, 2012 AND 2013, U.S., *CORE COMPANY SET*



Source: Deloitte & Touche LLP based on 16 company survey responses

FIGURE 85

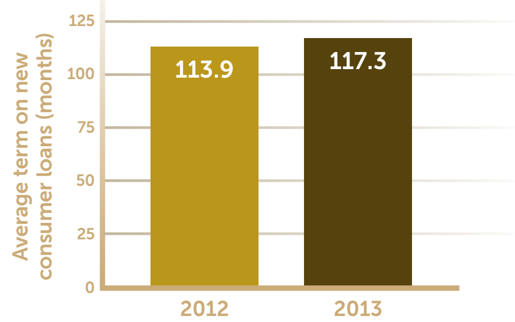
AVERAGE DOWN PAYMENT ON UPGRADE SALES, 2012 AND 2013, U.S., *CORE COMPANY SET*



Source: Deloitte & Touche LLP based on 14 company survey responses

FIGURE 86

AVERAGE TERM ON NEW CONSUMER LOANS, 2012 AND 2013, U.S., *CORE COMPANY SET*



Source: Deloitte & Touche LLP based on 16 company survey responses

Receivables portfolio performance

For the purposes of this report, the receivables portfolio has been defined as the total year-end portfolio of consumer loans held by the company, including securitized and hypothecated receivables. Companies were asked to report the percentages, by dollar value, of their total receivables portfolio that were:

a) Current (current or fewer than 31 days delinquent)
b) Between 31 and 60 days delinquent
c) Between 61 and 90 days delinquent
d) Between 91 and 120 days delinquent
e) More than 120 days delinquent

In total, 21 survey respondents reported aggregate receivables of $11.324 billion in 2013, showing a 2.7 percent increase from the aggregate receivables amount of $11.028 billion reported by the same respondents at year-end 2012. Respondents reported that payments for 89.8 percent of the dollar value of their receivables were current (current or fewer than 31 days delinquent) at year-end 2013, 0.6 percentage points lower than the year-end 2012 percentage of 90.4 percent (Figure 87). On average, 1.9 percent of the receivables were 31 to 60 days delinquent, and 8.3 percent were over 60 days delinquent at year-end 2013, on a weighted average basis.

Thirteen of nineteen respondents, or over 68 percent, reported that they write-off receivables when they reach 120 days delinquent. Assuming that all respondents write-off receivables at over 120 days delinquent, it would be appropriate to look at receivables currency excluding receivables that are over 120 days delinquent. This would result in both the 2013 and 2012 currency of receivables to be 95.6 percent. This would indicate that the overall 2013 currency rate for the receivables is consistent with 2012. As not all companies responded to this question, and only 68 percent of the respondents had the same write-off criteria, the currency amounts in this report do not exclude receivables over 120 days delinquent.

FIGURE 87

PERFORMANCE OF CONSUMER RECEIVABLES PORTFOLIOS AT YEAR-END, 2012 AND 2013, ALL GEOGRAPHIES

	2012	2013
Current	90.4%	89.8%
31 to 60 days	2.0%	1.9%
61 to 90 days	1.2%	1.1%
91 to 120 days	1.0%	1.1%
More than 120 days	5.4%	6.1%
	100.0%	100.0%

Source: Deloitte & Touche LLP based on 21 company survey responses.

Companies in certain categories revealed trends in the performance of their receivables portfolios at year end 2013. For example, public companies reported higher average portions of their receivables portfolios as current; as well, smaller companies also reported above average currencies (Figure 88).

FIGURE 88

PERFORMANCE OF CONSUMER RECEIVABLES PORTFOLIOS AT YEAR-END BY COMPANY CATEGORY, 2013, ALL GEOGRAPHIES

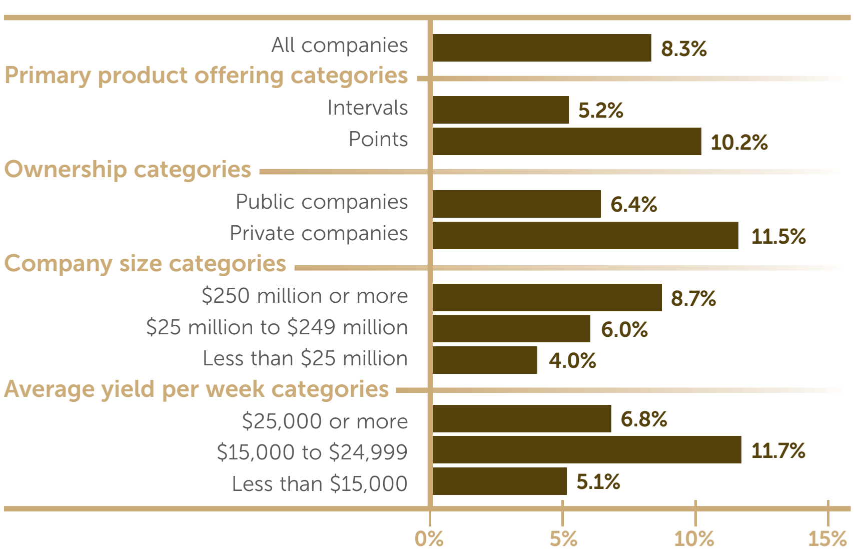
	Current	31 to 60 days	61 to 90 days	91 to 120 days	More than 120 days
All companies	89.8%	1.9%	1.1%	1.1%	6.1%
Primary product offering categories					
Intervals	92.4%	2.4%	1.3%	0.9%	3.0%
Points	88.2%	1.6%	1.0%	1.2%	8.0%
Ownership categories					
Public companies	92.0%	1.6%	0.9%	0.8%	4.7%
Private companies	86.0%	2.5%	1.5%	1.5%	8.5%
Company size categories					
$250 million or more	89.5%	1.8%	1.0%	0.9%	6.8%
$25 million to $249 million	91.2%	2.8%	1.5%	1.9%	2.6%
Less than $25 million	92.9%	3.1%	0.7%	0.8%	2.5%
Average yield per week categories					
$25,000 or more	91.6%	1.6%	0.9%	0.8%	5.1%
$15,000 to $24,999	85.7%	2.6%	1.5%	1.0%	9.2%
Less than $15,000	93.5%	1.4%	1.0%	3.2%	0.9%

Source: Deloitte & Touche LLP based on 21 company survey responses.

Another measure of receivables portfolios' performance is the share of the portfolio that is more than 60 days delinquent. Of the portfolios held by survey respondents, 8.3 percent of receivables were more than 60 days delinquent at year-end 2013 (Figure 89). This represents an increase of 0.7 percentage points as compared to the 7.6 percent reported in 2012. Public companies showed a lower percentage of receivables over 60 days delinquent (6.4 percent) than private companies (11.5 percent). Points companies and larger companies showed higher percentages compared to interval companies and smaller companies, respectively. Companies with average yields per week of less than $15,000 reported the lowest percentage of receivables portfolio that was over 60 days delinquent (5.1 percent) within the yield categories.

FIGURE 89

PORTION OF RECEIVABLES PORTFOLIO THAT WAS OVER 60 DAYS DELINQUENT BY COMPANY CATEGORY, 2013, ALL GEOGRAPHIES

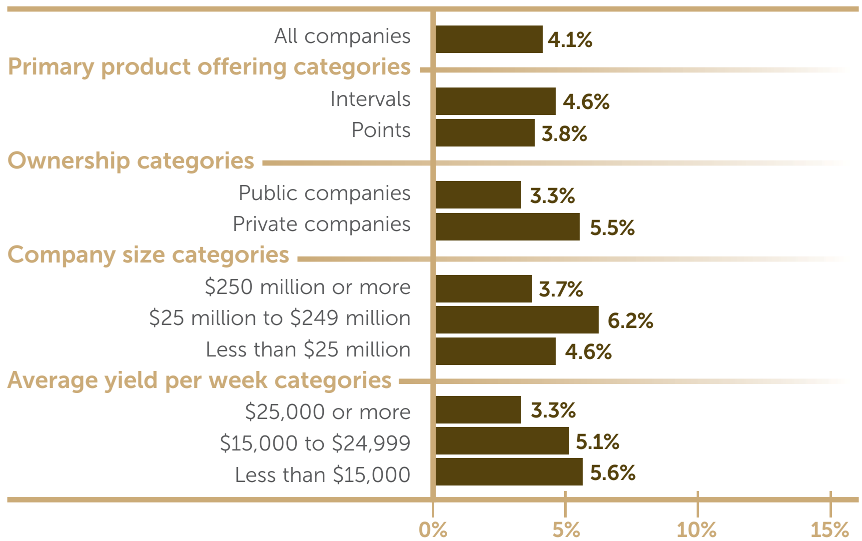


Source: Deloitte & Touche LLP based on a minimum of 21 company survey responses.

Another measure of receivables portfolios' performance may be calculated by looking at the share of receivables between 31 and 120 days delinquent. This measure is useful because it is largely free of the specific charge-off policies within many companies. Among the respondents, the weighted average share of receivables portfolios that was between 31 and 120 days delinquent at year-end 2013 was 4.1 percent (Figure 90), which is 0.1 percentage points less than the 4.2 percent as reported in 2012.

FIGURE 90

PORTION OF RECEIVABLES PORTFOLIO THAT WAS BETWEEN 31 AND 120 DAYS DELINQUENT BY COMPANY CATEGORY, 2013

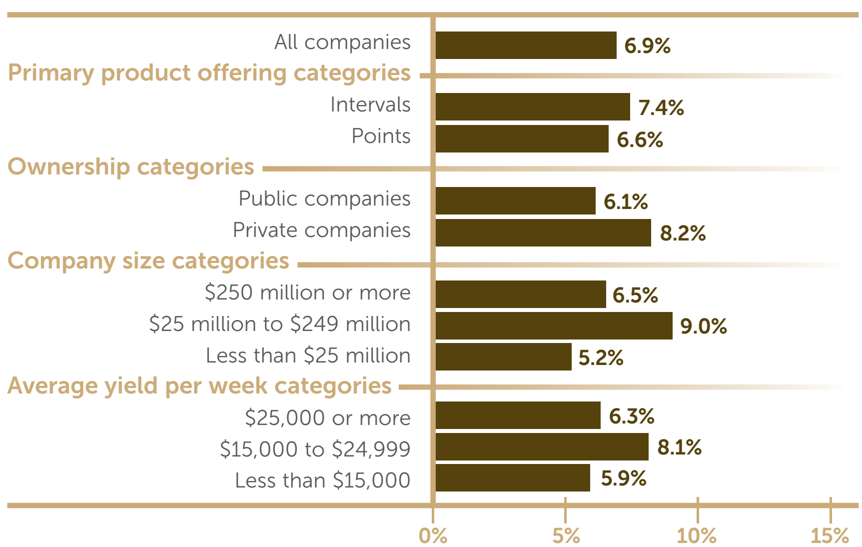


Source: Deloitte & Touche LLP based on a minimum of 21 company survey responses.

Timeshare companies have different methods of accounting for loan losses. Measuring defaults is one method of comparison, though companies with portfolios composed of relatively mature receivables may experience lower default rates than other companies. Gross defaults, defined as the total amount charged against the allowance for uncollectible accounts, as a percentage of the gross outstanding portfolio balance at year-end, averaged 6.9 percent in 2013 (Figure 91), which is a decrease of 0.9 percentage points from the 2012 average of 7.8 percent. Public companies, when compared to private companies, reported lower levels of gross defaults in 2013. Companies with net originated sales of $25 million to $249 million, companies with average yield per week of $15,000 to $24,999, and interval companies reported higher than average levels (greater than 6.9 percent) of gross defaults.

FIGURE 91

GROSS DEFAULTS AS A % OF GROSS OUTSTANDING PORTFOLIO BALANCE BY COMPANY CATEGORY, 2013

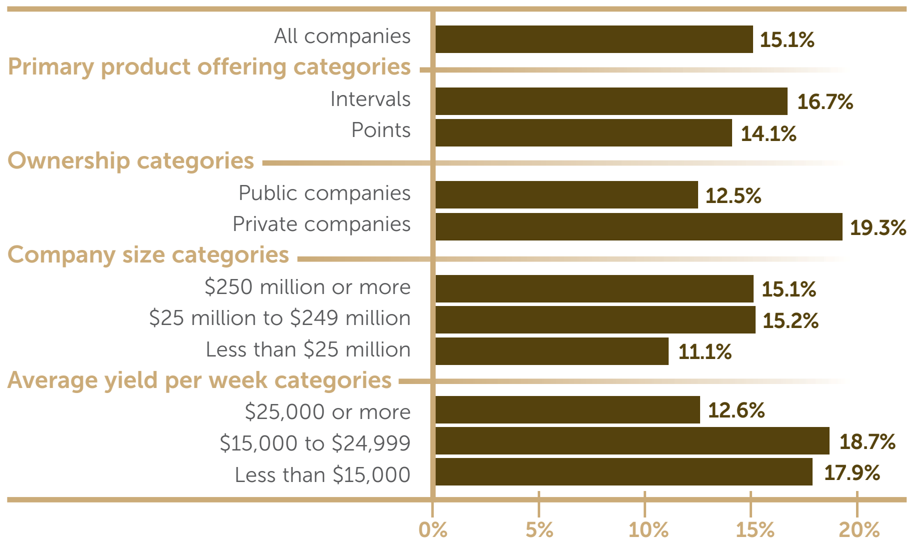


Source: Deloitte & Touche LLP based on a minimum of 20 company survey responses.

The weighted average allowance for uncollectible accounts as a share of gross outstanding portfolio balance at year-end averaged 15.1 percent in 2013 (Figure 92), which was an increase of 2.0 percentage points from 2012. Individual responses ranged from 4.5 percent to 35.8 percent. Companies primarily selling intervals reported higher allowances than companies primarily selling points. Private companies, companies with between $25 million and $249 million in net originated sales and companies with average yield per week of less than $25,000 also reported higher allowances for uncollectible accounts than the average.

FIGURE 92

ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS AS A % OF GROSS OUTSTANDING PORTFOLIO BALANCE BY COMPANY CATEGORY, 2013

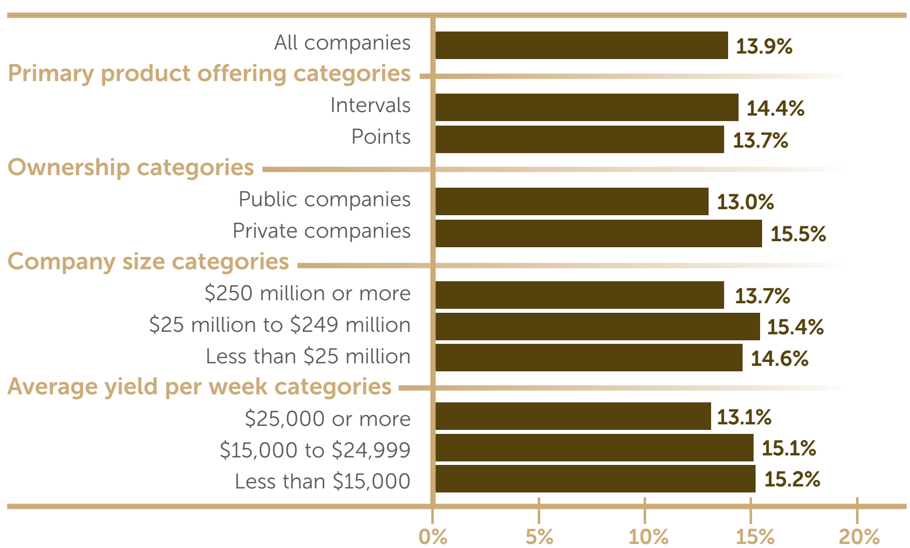


Source: Deloitte & Touche LLP based on a minimum of 21 company survey responses.

The weighted average interest rate on the loans held in the receivables portfolio at year-end was 13.9 percent in 2013, which is a decrease of 0.1 percentage points from the previous year (Figure 95). Public companies showed a lower average interest rate (13.0 percent) than private companies (15.5 percent). Additionally, companies with lower average yields per week tended to have higher average interest rates on the loans held in their receivables portfolios.

FIGURE 93

AVERAGE INTEREST RATE ON RECEIVABLES PORTFOLIO BY COMPANY CATEGORY, 2013, ALL GEOGRAPHIES

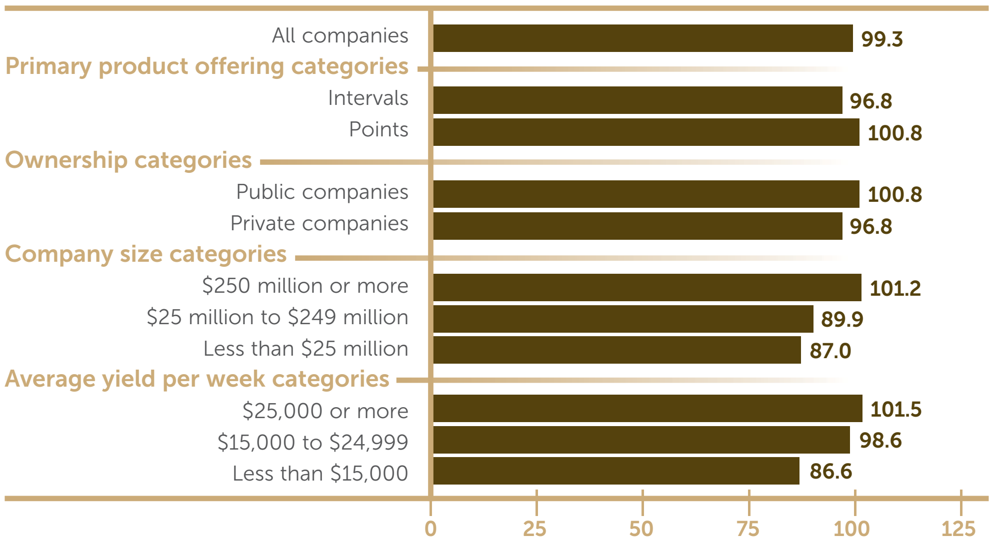


Source: Deloitte & Touche LLP based on a minimum of 20 company survey responses.

The weighted average term to maturity on loans held in the receivables portfolios was 99.3 months among the 21 respondents in 2013, which is 0.4 months shorter than the previous year (Figure 95). Smaller companies had lower weighted average terms on receivables held in their portfolios. Among all responses, average terms ranged from 38.0 months to 120.0 months.

FIGURE 94

AVERAGE TERM ON RECEIVABLES PORTFOLIO BY COMPANY CATEGORY, 2013, ALL GEOGRAPHIES (IN MONTHS)



Source: Deloitte & Touche LLP based on a minimum of 20 company survey responses.

FIGURE 95

CHARACTERISTICS OF RECEIVABLES PORTFOLIO, 2012 AND 2013

	2012	2013	Change
Gross defaults	7.8%	6.9%	(0.9%)
Allowance for uncollectible accounts	13.1%	15.1%	2.0%
Average interest rate	14.0%	13.9%	(0.1%)
Average term (months)	99.7	99.3	(0.4) months

Source: Deloitte & Touche LLP based on a minimum of 21 company survey responses.

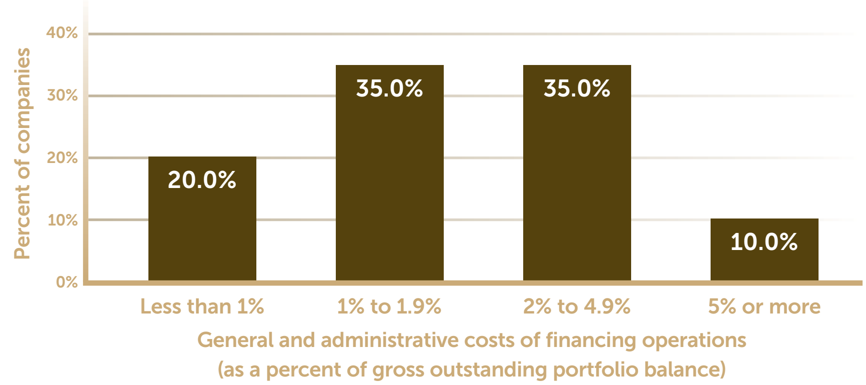
General and administrative costs of financing operations

General and administrative costs of financing operations include costs, such as treasury, consumer loan servicing, and collection costs, which are directly related to managing the company's receivables portfolio. Company receivable balances, referred to as portfolio balances, varied widely among the respondents, ranging from less than $5 million to over $3 billion at calendar year-end 2013.

The weighted average general and administrative costs of financing operations for all companies in 2013 was 1.5 percent of gross outstanding portfolio balance, which was 0.1 percentage points higher than 2012. Responses showed that such costs vary across companies, with 20.0 percent of companies reporting costs less than one percent of gross outstanding portfolio balance, and 70.0 percent reporting costs between one percent and 4.9 percent (Figure 96).

FIGURE 96

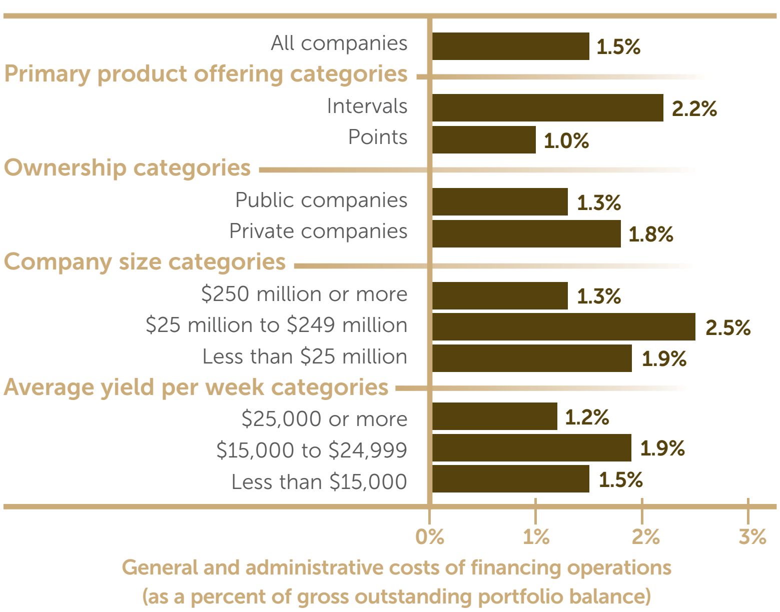
DISTRIBUTION OF COMPANIES BY GENERAL AND ADMINISTRATIVE COSTS OF FINANCING OPERATIONS, 2013



Source: Deloitte & Touche LLP based on 20 company survey responses.

FIGURE 97

GENERAL AND ADMINISTRATIVE COSTS OF FINANCING OPERATIONS, 2013, U.S.



Source: Deloitte & Touche LLP based on 19 company survey responses.

Points companies reported smaller general and administrative costs of financing operations as compared to interval companies (Figure 97). Public companies reported lower costs than private companies and companies with revenues greater than $250 million reported lower costs than smaller companies. Larger portfolios tended to have lower general and administrative costs of financing operations as a percentage of gross outstanding portfolio balance (average portfolio balances are provided in Figure 98).

FIGURE 98

AVERAGE PORTFOLIO BALANCE, 2013, ALL GEOGRAPHIES

	Average portfolio balance (in millions)
All companies	$539.2
Primary product offering categories	
Intervals	421.7
Points	646.0
Ownership categories	
Public companies	1,179.7
Private companies	283.0
Company size categories	
$250 million or more	1,178.4
$25 million to $249 million	223.5
Less than $25 million	21.7
Average yield per week categories	
$25,000 or more	833.8
$15,000 to $24,999	534.9
Less than $15,000	180.0

Source: Deloitte & Touche LLP based on a minimum of 20 company survey responses.
The results above were calculated using a simple average.

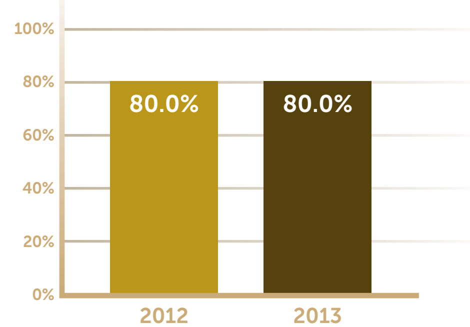
FICO scores

Credit risk scores are widely used by major financial service and credit issuing organizations, such as mortgage and auto loan originators and timeshare companies, as one input in making consumer credit decisions. The most widely used credit risk score is the FICO score, which is a three-digit score calculated on a consumer's credit history to rank that consumer on the likelihood that their credit obligations will be paid as expected.

Participants of the survey were asked to indicate whether FICO scoring is a component of their underwriting criteria. A majority of the respondents, 80.0 percent, reported that they utilize FICO scoring, which is consistent with 2012 (Figure 99).

FIGURE 99

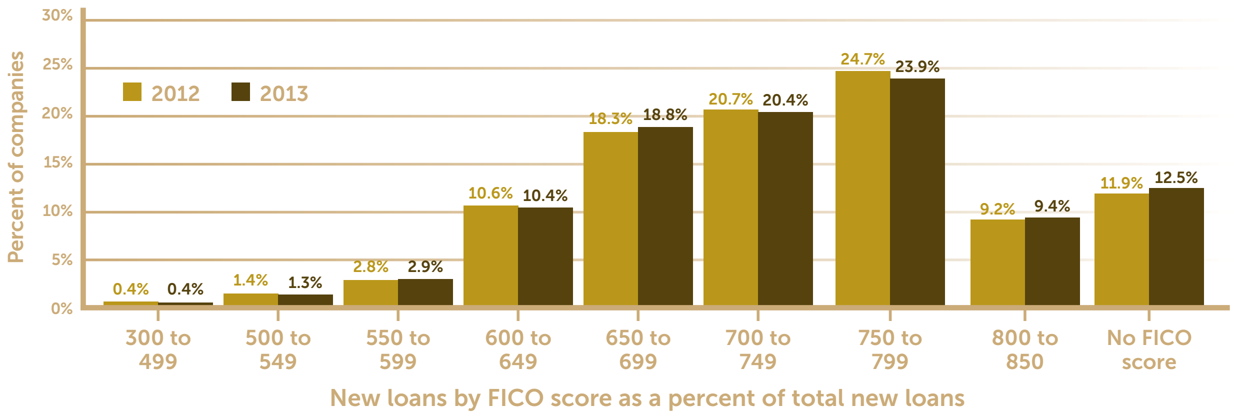
UTILIZATION OF FICO SCORING, 2013



Source: Deloitte & Touche LLP based on 20 company survey responses.

FICO scores are calculated in a range from 300 to 850, with higher scores calculated to represent lower risk. Approximately 63.1 percent of loans issued by respondent companies were reported to be offered to consumers with FICO scores between 650 and 799 in 2013. Increases were seen in the 550 to 599 category, the 650 to 699 category, the 800 to 850 category, and the No FICO score category.

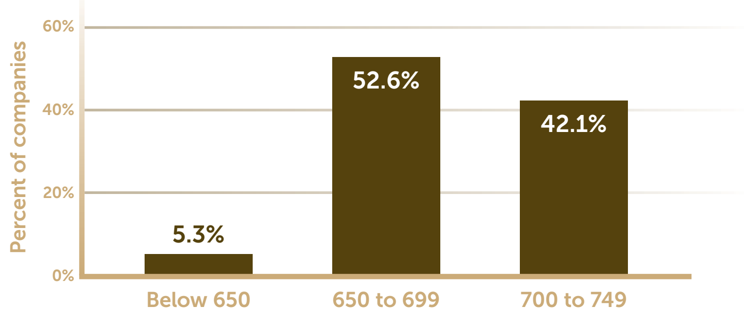
FIGURE 100
DISTRIBUTION OF NEW LOANS BY FICO SCORE, 2013, U.S.



Source: Deloitte & Touche LLP based on 20 company survey responses.

Approximately 94.7 percent of survey respondents reported a weighted average FICO score between 650 and 749 on loans held in their receivables portfolios at calendar year end 2013 (Figure 101).[24] At the portfolio level, high FICO scores average against low FICO scores, and only one of the nineteen respondents reported holding a portfolio with a weighted average FICO score that was below 650. Overall, weighted average FICO scores increased from 2012 to 2013 by one point from 697 to 698. No respondent reported an average portfolio FICO score over 749.

FIGURE 101
DISTRIBUTION OF COMPANIES BY AVERAGE FICO SCORE ON LOANS IN RECEIVABLES PORTFOLIO, 2013, U.S.



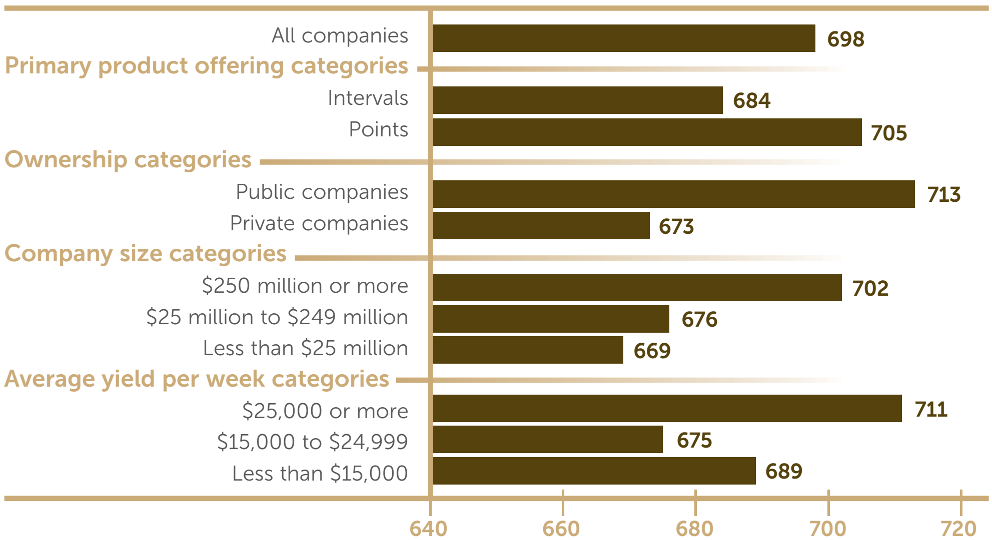
Source: Deloitte & Touche LLP based on 19 company survey responses.

24 *The FICO score information for loans in companies' receivables portfolios refers to FICO scores at the point of loan origination.*

Survey respondents revealed different average FICO scores on loans held in their receivables portfolios according to company category. Public companies, point companies, larger companies, and companies with higher average yields per week reported higher weighted average FICO scores on loans held in their receivables portfolios (Figure 102).

FIGURE 102

AVERAGE FICO SCORE ON LOANS IN RECEIVABLES PORTFOLIO BY COMPANY CATEGORY, 2013, U.S.



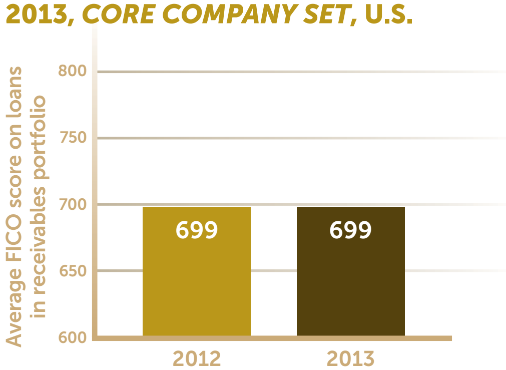
Source: Deloitte & Touche LLP based on a minimum of 19 company survey responses.

For the *core company set*, the weighted average FICO score for loans held in the fifteen respondents' receivables portfolios at calendar year-end 2013 was 699, which was consistent with calendar year-end 2012, as reported by the same respondents.

For the twenty respondent companies, the FICO score on new financings ranged from 656 to 756 in 2013, which resulted in a weighted average FICO score on new financings of 720 in 2013 (Figure 104). This was a decrease of two points compared to 2012.

FIGURE 103

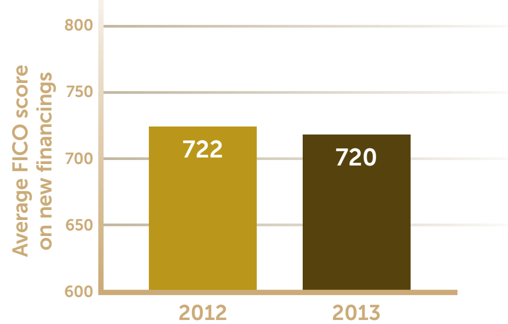
AVERAGE FICO SCORE ON LOANS IN RECEIVABLES PORTFOLIO, 2012 AND 2013, *CORE COMPANY SET*, U.S.



Source: Deloitte & Touche LLP based on 15 company survey responses

FIGURE 104

AVERAGE FICO SCORE ON NEW FINANCINGS



Source: Deloitte & Touche LLP based on 20 company survey responses

Static pool default rate

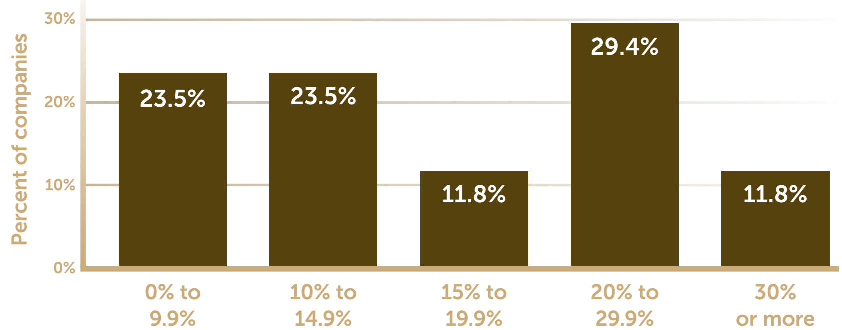
Static pool analyses assist management and underwriters to assess the quality of a company's receivables by providing historical information on default rates of consumer loans. When performing a static pool analysis, a company separates its collectibles into one or more groups or "pools," which share common traits, such as all receivables originated in a specific time period. The pools are considered "static" in the sense that the set of receivables tracked by a pool is kept constant. For example, the set of loans made during the first quarter of 2000 is tracked as a pool so that the company can measure the number of these specific loans that default in each of the quarters through the term of the loans.

Tracking historical performance in this manner can be useful in forming estimates of future default rates. In the survey, companies were asked to provide an estimate of the cumulative principal losses they expect on their receivables portfolio based on static pool analyses that they had conducted. More specifically, the survey asked companies to report the pro forma static pool default rate estimated as the cumulative actual and projected future defaults net of reinstatements, divided by the original principal balance.

In total, seventeen respondents reported static pool default rates for 2013. The reported rates ranged from 7.2 percent to 38.2 percent, with a weighted average of 19.2 percent. This amount is consistent with 2012. This indicates that respondents expected cumulative principal losses on the loans in their receivables portfolios to total approximately 19.2 percent, including losses that had already occurred and losses expected to occur in the future. A majority of companies (53.0 percent) reported static pool default rates 15 percent or greater (Figure 105).

FIGURE 105

DISTRIBUTION OF COMPANIES BY STATIC POOL DEFAULT RATE (AS A % OF ORIGINAL PRINCIPAL BALANCE), 2013

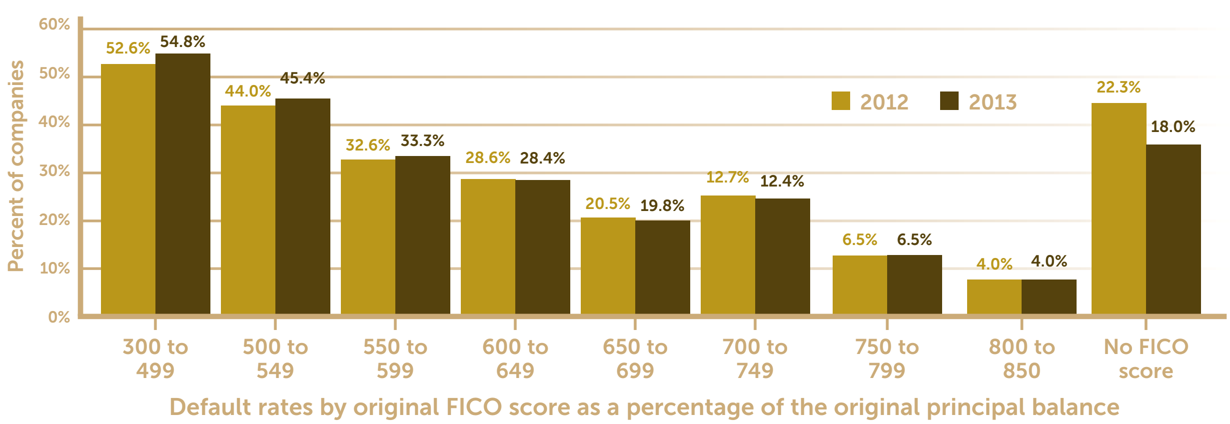


Source: Deloitte & Touche LLP based on 17 company survey responses.

Respondents were asked to provide static pool default percentages by certain FICO score range at the time the loan was made to the timeshare purchasers. The static pool default rate by FICO score decreased for each band from 600 to 749 from 2012 to 2013, while default rates below 600 increased from 2012 to 2013. As the FICO score range increases over 700, there is a significant drop in default rates.

FIGURE 106

STATIC POOL DEFAULT RATE DISTRIBUTION BY ORIGINAL FICO SCORE, 2013, U.S.



Source: Deloitte & Touche LLP based on 10 company survey responses.

Summary Results and Statistics

FIGURE 107
SELECTED SALES METRICS

	Minimum	Maximum	Simple Average	Weighted Average	Median
Close Rate	6.1%	25.9%	15.0%	15.5%	15.7%
Volume Per Guest	$359	$6,185	$2,465	$2,699	$2,328
Average Transaction Value	$5,681	$29,492	$16,384	$17,637	$14,796
Upgrade Average Transaction Value	$3,797	$23,811	$15,652	$17,418	$11,976
Non-Upgrade Average Transaction Value	$5,576	$36,046	$16,908	$18,102	$15,447

Source: Deloitte & Touche LLP based on a minimum of 19 company survey responses.

FIGURE 108
PORTFOLIO PERFORMANCE

	Minimum	Maximum	Simple Average	Weighted Average	Median
Portfolio Size	$4,452,506	$3,630,651,990	$539,233,560	N/A	$216,135,657
Currency	62.0%	97.4%	90.9%	89.8%	93.0%
Gross Defaults	0.6%	14.1%	6.6%	6.9%	6.7%
Allowance for Uncollectibles	4.5%	35.8%	14.5%	15.1%	13.8%
Interest Rate	11.0%	17.0%	14.3%	13.9%	14.2%
Term to Maturity (Months)	38.0	120.0	87.2	99.3	83.6
Weighted Average FICO Score	623	734	688	698	684
Static Pool Default Rate	7.2%	38.2%	17.2%	19.2%	16.9%

Source: Deloitte & Touche LLP based on a minimum of 17 company survey responses.

FIGURE 109
PORTFOLIO PERFORMANCE — NEW FINANCINGS

	Minimum	Maximum	Simple Average	Weighted Average	Median
Financed Value	0.0%	86.4%	56.9%	53.4%	60.7%
Term (Months)	81.2	128.8	110.8	117.0	116.5
Interest Rate	11.1%	17.4%	14.4%	13.8%	14.1%
Non-Upgrade Down Payment	7.0%	27.8%	16.7%	17.3%	15.5%
Upgrade Down Payment	9.1%	63.8%	40.8%	49.5%	41.3%
Weighted Average FICO Score	656	756	714	720	723

Source: Deloitte & Touche LLP based on a minimum of 18 company survey responses.

SURVEY

Part I - 2014

ARDA International Foundation - Financial Performance Survey

Timeshare company:

Address:

Person coordinating survey response:

Name:

Title:

Phone:

E-mail:

Please return completed survey to: ARDASurvey@deloitte.com

This is Part I of a two-part survey form. Part II is on the next tab of this workbook. The following questions refer to the entire timeshare organization, including all resorts, without separating by geographic region. Please answer all monetary questions in U.S. dollars. Provide data for calendar years 2012 and 2013 in the columns provided. Exclude fractionals, private residence clubs ("PRC's") and whole-ownership units from all parts of the survey. Definitions are provided on the last tab in this workbook. Note: Many questions require answers to be based on financial statements prepared in accordance with Accounting Standards Codification 978 (formerly known as Statement of Financial Accounting Standards No. 152 Accounting for Real Estate Time-Sharing Transactions).

General Characteristics

	Entire company, all geographies, calendar years 2012	2013
1. Ownership status at year-end (public or private)		
2. Location of headquarters (city, state, and country)		
3. Did you complete any acquisitions during the current year? (Business Combinations) (yes or no)		
4. What type of products did the company offer during 2012 and 2013? (Note: Interval week programs have been separated into two categories in this question, an additional description has been provided on each timeshare category.)		
Interval weeks		
a. **Traditional interval weeks** (yes or no) Refers to ownership of traditional interval weeks. The consumer has purchased a specific type of week at a specific resort. This week may then be exchanged through internal or external exchange systems, either for an interval week-based vacation or in some cases transferred for points, such as in a hotel brand frequent guest program.		
b. **Interval weeks with the ability to use through a timeshare points system** (yes or no) Refers to a points system or vacation club backed by an interval week interest. The legal structure of the consumer's purchase is supported by a deeded week or week-based ownership interest (including right-to-use, beneficial interest associated with trust based vehicles, or other non-deeded week-based interest), but the consumer has the ability to use the interest at its "home resort" or directly through a timeshare points-based system.		
c. **Timeshare points** (yes or no) Refers to pure points systems. The consumer has purchased points or credits backed by a usage right to a club's internal network of resorts.		
d. Fractionals (yes or no) Exclude fractional sales and receivables from all questions in this survey.		
e. Whole-ownership (yes or no) Exclude whole-ownership sales and receivables from all questions in this survey.		
f. Are you performing sales and marketing services on behalf of another developer for a fee ("fee-for-service")? (yes or no)		
g. Are fee-for-service activities being provided by another developer on your behalf? (yes or no)		
5. Did you have any Goodwill impairment charges during the current year? (yes or no)		
a. If yes, what was the dollar amount of the Goodwill impairment?		

Receivables Portfolio

6. The following questions refer to the portfolio of receivables (including securitized and/or hypothecated receivables), including receivables for sales made in earlier years.

Note: All responses related to receivables in the survey must relate to those receivables reported on the developer's financial statements. Do not include receivables that you are servicing for other developers.

	2012	2013
a. Gross outstanding portfolio balance, at December 31 (in dollars)		
b. At December 31, on a contractual basis what percentage of the dollar amount of this portfolio was:		
Current (current or fewer than 31 days delinquent)		
Between 31 to 60 days delinquent		
Between 61 to 90 days delinquent		
Between 91 to 120 days delinquent		
More than 120 days delinquent		
Total should equal 100%	0.0%	0.0%
c. After how many days delinquent do you write-off receivables? (i.e., 120)		
d. Gross defaults (total amount charged against the allowance for uncollectible accounts as a percentage of gross outstanding portfolio balance, at December 31. Excludes foreclosure costs, which are included in Question 6f.)		
e. Allowance for uncollectible accounts as a percentage of gross outstanding portfolio balance, at December 31.		
f. General and administrative costs of financing operations (including financial costs such as treasury and consumer loan servicing, collection costs, and foreclosure costs) (report dollar value)		
g. Pro forma static pool default rate. Calculated as cumulative actual and projected future defaults net of reinstatements, divided by original principal balance. Reinstatements refer to receivables that had previously been deemed a credit loss, but which were later deemed to be collectable. Assume no inventory recovery.		

Receivables Portfolio — *continued*

Entire company, all geographies, calendar years

	2012	2013
h. Average interest rate (on the timeshare consumer loans in the portfolio at year-end, weighted by outstanding principal balance)		
i. Weighted average maturity in months (average remaining months to maturity of loans in the portfolio at year-end, weighted by outstanding principal balance)		
j. Average FICO score (on loans in the portfolio at year-end, weighted by outstanding principal balance)		
k. Does the Company utilize FICO scoring in your receivables underwriting criteria? (yes or no)		

Hypothecation of Receivables During Year

7. The following questions refer to hypothecations of consumer receivables during 2012 and 2013.

Entire company, all geographies, calendar years

	2012	2013
a. Value of total fundings (in dollars)		
b. Weighted average advance rate (percentage advanced to developer)		
c. Weighted average interest rate paid by developer for hypothecation loan		
d. Weighted average remaining term to maturity on consumer loans (at point of hypothecation, in months)		

Receivable Portfolio Transactions with Recourse During Year (Portfolio Sales)

8. The following items refer to sales of consumer receivables during 2012 and 2013. Original sales only (exclude portfolios that had been previously sold, but repurchased, and sold again).

Entire company, all geographies, calendar years

	2012	2013
a. Number of separate sales transactions		
b. Gross value of sales contracts sold (reported as collateral value or outstanding principal balance) (in dollars)		
c. Weighted average advance rate (calculated as net value of sales or proceeds received for sale divided by gross value of sales contracts sold)		
d. Weighted average interest rate paid by seller (timeshare company)		
e. Weighted average expected annual prepayment rate (including upgrades, excluding defaults)		
f. Indicate when recourse occurs (for example, when over 60, 90, 120 days delinquent or at lender's discretion)		

Receivable Portfolio Transactions without Recourse During Year (Securitizations)

9. The following items refer to securitizations of consumer receivables during 2012 and 2013. Original sales only (exclude securities that had been previously sold, repurchased, and sold again).

Entire company, all geographies, calendar years

	2012	2013
a. Number of separate securitization transactions		
b. Gross value of sales contracts securitized (reported as collateral value or outstanding principal balance) (in dollars)		
c. Weighted average advance rate (calculated as net value of sales or proceeds received for sale divided by gross value of sales contracts sold).		
Weighted average interest rate paid by timeshare company		
d. Weighted average benchmark rate (e.g., 5.2%)		
e. Weighted average spread (e.g., 0.6%)		
f. Total weighted average interest rate (combination of d and e; e.g., 5.8%) (calculated based on formula)	0.0%	0.0%
g. Weighted average expected annual prepayment rate (including upgrades, excluding defaults)		

Part II - 2014 ARDA International Foundation - Financial Performance Survey

The following questions require information for U.S. operations only. Please answer all monetary questions in U.S. dollars. Provide data for calendar years 2012 and 2013 in the columns provided. Definitions are provided on the third tab in this workbook.

Note: Many questions require answers to be based on financial statements prepared in accordance with Accounting Standards Codification 978 (formerly known as Statement of Financial Accounting Standards No. 152 Accounting for Real Estate Time-Sharing Transactions).

Number of Resorts

10. Number of timeshare resorts. Exclude resorts that offer only fractional, private residence club, and/or whole-ownership product. It is expected that all resorts will be categorized in one of the following three categories. Multiple resort phases at a single location would typically be counted as a single resort. Note: Resorts in the survey must relate to inventory that is owned by the developer.

U.S. sales locations (50 states), calendar years

	2012	2013
a. Resorts that were open and in active sales. Include resorts that were in active sales at any point during the year, including resorts that did not have an on-site or proximate sales center, but which were actively sold from other sales centers. Proximate refers to situations in which the timeshare resort is near the sales center, such that buyers can easily visit and/or tour the resort site.		
b. Resorts that were not open but were in active pre-sales at any point during the year. Include resorts that did not have an on-site or proximate sales center, but were actively sold from other sales centers.		
c. Resorts not in active sales at any point during the year.		

Number of sales centers and sales activity by sales center type

11. Number of active sales centers and sales volume by sales center type. Exclude sales centers that sell only fractional, private residence club and/or whole-ownership product. Report the dollar value of net originated sales, which should be consistent with the total reported in Question 13c if you are not participating in fee-for-service arrangements. Enter "0" rather than "N/A" if answer is zero. Include sales to existing owners and other in-house guests.

    Note: All sales data reported in this question must relate to all inventory that is sold by the developer including inventory sold on behalf of others under fee-for-service agreements. Do not report sales data related to inventory that is sold by other developers on your behalf.

	U.S. sales locations (50 states), calendar years 2012	2013
a. Sales centers located at, or proximate to, one of the respondent company's timeshare resorts that is either open or in pre-sales. Include sales centers that were in active sales at any point during the year.		
a1. Number of centers		
a2. Net originated sales (in dollars)		
b. Sales centers that are located in a hotel but not located at, or proximate to, one of the respondent company's timeshare resorts that is either open or in pre-sales. Include sales centers that were in active sales at any point during the year.		
b1. Number of centers		
b2. Net originated sales (in dollars)		
c. Sales centers that are neither located at, or proximate to, one of the respondent company's timeshare resorts or at a hotel. Excluding telesales.		
c1. Number of centers		
c2. Net originated sales (in dollars)		
d. Centers that conduct telesales activity (completing timeshare sales without hosting customers at a sales center).		
d1. Number of centers conducting telesales		
d2. Net originated sales by telesales (in dollars)		
e. Total of four categories above (calculated based on formula)		
e1. Total number of sales centers	0	0
e2. Total net originated sales (in dollars)	$0	$0
f. Total net originated sales for non-owned timeshare inventory sold under fee-for-service agreements. (This is the total net originated sales of timeshare inventory sold on behalf of others under fee-for-service agreements)		

Selected sales metrics

12. Sales metrics. Exclude telesales from the following responses. Include sales to existing owners and other in-house guests. Note: All sales data reported in this question must relate to all inventory that is sold by the developer including inventory sold on behalf of others under fee-for-service agreements. Do not report sales data related to inventory that is sold by other developers on your behalf.

	U.S. sales locations (50 states), calendar years 2012	2013
a. Number of tours. Represents the number of tours taken by guests in the company's efforts to sell timeshares. Include all tours of sales prospects, whether they occur on-site or at an off-site sales center.		
b. Number of sales transactions (exclude rescissions) (Transactions should include: week sales, EOY sales, multiple-week sales, upgrades (that count as zero weeks), points sales, reloads (which should be part of all categories above, except upgrades). Transactions should not include sales of trial membership programs.)		
b1. Number of sales transactions that were not upgrade sales		
b2. Number of sales transactions that were upgrade sales		
c. Close rate (excludes sales that are canceled through rescission, calculated based on formula)	0.0%	0.0%
d. Net originated sales excluding telesales (expected to be the same as Question 11e2 minus telesales)	$0	$0
d1. Net originated sales that were not upgrade sales	$0	$0
d2. Net originated sales that were upgrade sales	$0	$0
e. Volume per guest ("VPG"). Represents timeshare sales revenue per guest and is calculated by dividing net originated sales, excluding telesales, by the number of tours. (calculated based on formula)	$0	$0
f. Average transaction value (this is calculated based on net originated sales and excludes any charges not reflected in net originated sales, such as closing costs)	$0	$0
g. Sales of trial membership programs, also referred to as exit program or sampler. See the definition of trial membership program on the "Definitions" tab. (Report dollar value of sales. If there were no sales of trial membership programs, enter "0".)		

Sales revenue

13. Annual timeshare sales information (in dollars). Include interval week and points sales. Show items that reduce revenue in a given period, such as rescissions, as negative values.

    Note: All sales data reported in this question must relate to all inventory that is owned by the developer. Do not include inventory sold on behalf of others.

	U.S. sales locations (50 states), calendar years 2012	2013
a. Gross sales (Sales value before rescissions. Sales value should approximate the amount at which a timeshare interest would be sold in an all-cash sale, without financing or incentives, e.g. net of the fair value of any incentives received by the buyer that are in excess of what the buyer paid. Exclude temporary sales such as trial memberships, exit programs and samplers. Include the incremental dollar value of upgrade sales and reloads, regardless whether the sale represents incremental ownership of time. For example, include the dollar value of upgrades from a biennial to an annual interval, as well as an upgrade from a shoulder season to peak season or an upgrade from a one-bedroom to a two-bedroom.)		

Sales revenue — *continued*

	U.S. sales locations (50 states), calendar years 2012	2013
b. Rescissions (Typically this is a negative number that reduces gross sales to a lower value for net originated sales. Depositary rescissions, which are situations in which the buyer has made a deposit but hasn't yet provided the down payment necessary to qualify the transaction as a contract sale, are not counted in gross sales and are therefore not counted as rescissions.)		
b1. Rescissions that were not upgrade sales		
b2. Rescissions that were upgrade sales		
c. Net originated sales (sub-total of a plus b)	$0	$0
d. Reduction of revenue for uncollectible accounts		
e. Net deferrals for rescission period		
f. Net deferrals for buyer commitment		
g. Sales after reduction for uncollectibles accounts, and deferrals for rescission period and buyer commitment (sub-total of c plus d, e, and f)	$0	$0
h. Net deferral for percentage-of-completion		
i. Sales revenue according to U.S. GAAP (total of g plus h)	$0	$0
j. Total net originated sales for owned timeshare inventory sold under fee-for-service agreements. (This is the total net originated sales of timeshare inventory owned by you and sold by others under fee-for-service agreements)		

For the following questions, please provide information on the company's interval week sales in Questions 14 to 16, and points sales in Questions 17 to 19.

- These two categories (points and interval weeks) are intended to be consistent with Question 4 in Part I, with Interval Sales referring to products that fit in categories 4a and 4b (traditional interval weeks and interval weeks with the ability to use through a timeshare points system) and Points Sales referring to products in 4c (pure timeshare points systems).
- These two categories are not intended to overlap, and the combined totals should represent the company's net originated sales reported in Question 13c.
- Exclude fractional, private residence club and whole-ownership sales.

Interval sales

	U.S. sales locations (50 states), calendar years 2012	2013
14. Annual net originated timeshare sales of intervals (in dollars). (Consistent with definition of net originated sales used for Question 13c). Note: All sales data reported in this question must relate to all inventory that is owned by the developer. Do not include inventory sold on behalf of others.		

15. Quarterly net originated timeshare sales of intervals (in dollars). The total of the four quarters of each year should match the total reported in Question 14.

Note: All sales data reported in this question must relate to all inventory that is owned by the developer. Do not include inventory sold on behalf of others.

U.S. sales locations (50 states), calendar year quarters	Q1 (Jan-Mar)	Q2 (Apr-Jun)	Q3 (Jul-Sep)	Q4 (Oct-Dec)
a. 2012				
b. 2013				

	U.S. sales locations (50 states), calendar years 2012	2013
16. Number of equivalent weeks sold as interval week product. Include reloads and the incremental annual weeks of use associated with upgrade sales that result in incremental ownership of time, such as an upgrade from a biennial to an annual interval, but exclude upgrades that are only a change in unit type, resort, or season, such as one-bedroom to a two-bedroom. For example, the sale of one upgrade from a biennial to an annual interval would count as 0.5 equivalent weeks sold, while an upgrade from a shoulder season to a peak season or an upgrade from a one-bedroom to a two-bedroom would count as zero equivalent weeks sold. The answers to this question will be used to measure sample set sales volume in weeks, and to calculate yield per interval week based on response to Question 14 above (see "Definitions" tab for explanation of yield per week). Therefore, the figure should be prior to percentage-of-completion adjustment. Note: All sales data reported in this question must relate to all inventory that is owned by the developer. Do not include inventory sold on behalf of others.		

Points sales

	U.S. sales locations (50 states), calendar years 2012	2013
17. Annual net originated timeshare sales of points product (in dollars). (Consistent with definition of net originated sales used for Question 13c). Note: All sales data reported in this question must relate to all inventory that is owned by the developer. Do not include inventory sold on behalf of others.		

18. Quarterly net originated timeshare sales of points product (in dollars). The total of the four quarters of each year should match the total reported in Question 17. Note: All sales data reported in this question must relate to all inventory that is owned by the developer. Do not include inventory sold on behalf of others.

U.S. sales locations (50 states), calendar year quarters	Q1 (Jan-Mar)	Q2 (Apr-Jun)	Q3 (Jul-Sep)	Q4 (Oct-Dec)
a. 2012				
b. 2013				

Points sales — *continued*

	U.S. sales locations (50 states), calendar years 2012	2013
19. Number of equivalent weeks sold as points product (calculate weeks sold on an implied interval week conversion factor based on internal measures, see "Definitions" tab). Include the incremental annual equivalent weeks of use associated with purchases of additional points by existing owners. The answers to this question will be used to measure sample set sales volume in weeks, and to calculate yield per equivalent week based on response to Question 16 above (see "Definitions" tab for explanation of yield per week). Therefore, the figure should be prior to percentage-of-completion adjustment.		
Note: All sales data reported in this question must relate to all inventory that is owned by the developer. Do not include inventory sold on behalf of others.		
Check on totals		
20. The following are calculations based on the answers provided above.		
a. Total net originated sales of interval weeks	$0	$0
b. Total net originated sales of points	$0	$0
c. Implied yield per week on interval week sales	no interval weeks sold	no interval weeks sold
d. Implied yield per week on points sales	no points sold	no points sold
e. Total weeks and points sales	$0	$0
f. Total net originated sales (should match the amount shown for 13c)	$0	$0
Check on totals (is the sum of Q14 and Q17 equal to Q13c)	Yes, totals match	Yes, totals match

Inventory

	U.S. sales locations (50 states), calendar years 2012	2013
21. Inventory that is currently available for sale. Defined as number of unsold weeks of inventory available for sale at resorts on December 31 (equivalent weeks of unsold inventory of units, including points and interval week products). Note: The inventory data reported in this question must relate to all inventory that is owned by the developer. Do not include inventory to be sold on behalf of others.		
a. Existing completed inventory available for sale. (Unsold inventory of completed units ready for intended use, including reacquired and unsold product. Units that are ready for intended use but do not yet have a certificate of occupancy should be included in the response to this question as completed inventory.)		
b. Inventory that is currently available for sale but not yet complete. In other words, unsold inventory in phases that are in pre-sales at year-end. Exclude sold units.		
c. Total	$0	$0
22. Capital expenditures related to timeshare inventory:		
a. Capital expenditures related to the development of timeshare inventory that began construction in prior years. (For 2012, total capital expenditures during the year ended December 31, 2012 to develop timeshare inventory started prior to January 1, 2012. For 2013, total capital expenditures during the year ended December 31, 2013 to develop timeshare inventory started prior to January 1, 2013.)		
b. Capital expenditures related to timeshare inventory that began construction in the current year (new timeshare projects). (For 2012, total capital expenditures during the year ended December 31, 2012 related to timeshare inventory that was started between January 1, 2012, and December 31, 2012. For 2013, total capital expenditures during the year ended December 31, 2013 related to timeshare inventory that was started between January 1, 2013, and December 31, 2013.)		
c. Capital expenditures related to fully completed inventory for the year ended December 31, 2012 and 2013 (e.g. turn-key, Just In Time inventory purchases, buy-backs from Property Owner Associations)		
23. Inventory Impairment charges recorded during December 31, 2012 and 2013 (dollar value of inventory impairments).		
24. Dollar value of construction costs and undeveloped land included in inventory, but not under current development as of December 31, 2012 and 2013 (i.e. inventory developments where construction has been placed on hold or is inactive).		

Key Ratios

	U.S. sales locations (50 states), calendar years 2012	2013
25. Express responses to the following items as percentages of net originated timeshare sales during the year as reported in Question 13c.		
- Because these amounts are being shown as a percentage of net originated sales, they should be before percentage-of-completion adjustment.		
- Costs should be as applied for the current period, and exclude any retrospective adjustments being made for prior periods.		
- Report the costs that correspond to sales that occurred at U.S. sales locations (e.g., sales office in the U.S.) in the U.S. sales locations columns, regardless of where the costs occurred (e.g., the product cost of inventory located in the Caribbean but sold through a sales office located in the U.S. should be reported in the U.S. sales locations columns).		
Note: All sales data reported in this question must relate to inventory that is owned by the developer. Do not include inventory sold on behalf of others for the responses to this question.		
a. Estimated uncollectable sales (expected to be consistent with the value shown in Question 13d)		
b. Cost of sales, also referred to as product cost (including land, infrastructure, amenities, buildings, FF&E, soft costs, capitalized interest, capitalized maintenance fees, etc.) using the relative sales value method. As with the other items in this question, express as a percentage of net originated sales.		
c. Sales commissions (gross, including taxes, benefits)		
d. Other sales and marketing costs to sell timeshare intervals or points. Include general and administrative costs associated with sales and marketing, and include closing cost expenses.		

Key Ratios — *continued*

U.S. sales locations (50 states), calendar years

	2012	2013
e. General and administrative costs related to timeshare sales operations (excluding marketing, bad debt, HOA subsidies and G&A costs of financing operations, which are covered in Question 6f). Overall general and administrative costs should be allocated across the various revenue centers so that only the approximate portion of general and administrative costs related to timeshare sales operations are reported in this line. The method used to allocate G&A costs should be determined by the respondent. One example would be to allocate by revenue share, so that if timeshare sales operations account for 80 percent of total revenue, 80 percent of G&A costs would be allocated to this line.		
f. HOA subsidies and/or maintenance fees (operating, replacement reserve, and property taxes) paid by development company (including costs that the development company elected not to pass on as increased costs to owners in a given year), net of realized rental revenue.		
g. Pre-tax margin of timeshare sales operations		
Total (it is expected that this total will equal 100%)	0.0%	0.0%

26. Percentage of net originated timeshare sales in which the buyer was already an existing owner of one or more timeshare interests at the company at the time of sale (do not count ownership of a trial membership as ownership of a timeshare interest at the company). Calculate as the dollar value net originated timeshare sales to existing owners (including upgrade sales and reloads) divided by the total dollar value of net originated timeshare sales reported in Question 13c.

Note: All sales data reported in this question must relate to all inventory that is owned by the developer. Do not include inventory sold on behalf of others.

Consumer Financing

27. The following items refer to new financing provided to consumers at the point of sale during the period. Include telesales in the following responses. For upgrade sales, use the characteristics of the new loan. For example, if an owner with $4,000 of equity and $6,000 principal balance outstanding on an existing loan purchases an upgrade vacation ownership interest with a stated sales price of $20,000, and uses the equity in their existing interval as the down payment, resulting in a new loan with a principal balance of $16,000, use the interest rate and term of that $16,000 loan. Note: All responses related to receivables in the survey must relate to those receivables reported on the developer's financial statements. Do not include receivables that you are servicing for other developers.

U.S. sales locations (50 states), calendar years

	2012	2013
a. Ratios to total originated sales value plus closing costs. Consider the following example: 100 sales occur at an average price of $10,000 and average closing costs of $200 ($1,020,000 of total originated sales value plus closing costs); 10 were cash or cash-out within the first 90 days ($102,000 cash), 10 were upgrade sales for incremental sales revenue of $10,000 and closing costs of $200 in which there was no cash down payment ($102,000 financed), while $9,180 was financed on each of the other 80 sales ($81,600 cash down payment, $734,400 financed). In this example, a1 would be 10.0 percent ($102,000/$1,020,000), a2 would be 8.0 percent ($81,600/$1,020,000), and a3 would be 82.0 percent (($102,000 + $734,400))/$1,020,000).		
a1. Cash or cash-out within first 90 days		
a2. Cash down payment		
Sub-total (a1+a2): Cash sales and down payments		
a3. Financed value		
Total should equal 100%	0.0%	0.0%
b. Average interest rate. Calculate as the weighted average for financing provided on financed sales each year, using the stated interest rate on the notes. For example, if 10 loans with an original principal balance of $9,000 carried a stated interest rate of 15 percent, and 20 loans with an original principal balance of $8,000 carried a stated interest rate of 13 percent, the weighted average would be 13.7 percent.		
c. Average term (in months). Calculate the weighted average on financed sales following the example for Question 27b. Exclude sales that are cash or cash-out.		
d. Average down payment (as a percentage of stated sales price on financed sales). Calculate the weighted average for financed sales only. For example, if 100 sales occurred at an average price of $10,000, and 10 were cash or cash-out within the first 90 days, 80 were financed with a $1,000 down payment ($80,000 down on $800,000 of sales) and 10 were financed with a $1,500 down payment ($15,000 down on $100,000 of sales), then the average down payment was 10.6 percent of the stated sales price on financed sales ($95,000 down on $900,000 of sales). Exclude sales that are cash or cash-out.		
d1. Average down payment on non-upgrade sales (as a percentage of stated sales price on financed sales)		
d2. Average down payment on upgrade sales (In calculating the down payment on those sales that were upgrade sales, calculate the down payment as any cash down payment plus the amount of equity in the owner's existing vacation ownership interest, as a percentage of the stated sales price of the new (upgrade) vacation ownership interest.)		

Consumer Financing — *continued*

	U.S. sales locations (50 states), calendar years 2012	2013
e. Distribution of new loans by FICO score (not weighted, simply the percentage of total new loans made to buyers in each FICO score range)		
e1. 300 to 499		
e2. 500 to 549		
e3. 550 to 599		
e4. 600 to 649		
e5. 650 to 699		
e6. 700 to 749		
e7. 750 to 799		
e8. 800 to 850		
e9. No FICO score		
Total (calculated based on formula, should equal 100%)	0.0%	0.0%
f. Weighted average FICO score (on new loans, weighted by original principal balance, exclude buyers without FICO scores)		
g. The Pro forma static pool default rate by FICO band. Calculated as cumulative actual and projected future defaults net of reinstatements, divided by original principal balance. Reinstatements refer to receivables that had previously been deemed a credit loss, but which were later deemed to be collectable. Assume no inventory recovery. The figure should NOT total to 100%.		
e1. 300 to 499		
e2. 500 to 549		
e3. 550 to 599		
e4. 600 to 649		
e5. 650 to 699		
e6. 700 to 749		
e7. 750 to 799		
e8. 800 to 850		
e9. No FICO score		
Total	0.0%	0.0%

Glossary

Terms defined in ASC 978 (SOP 04-2)

The following are terms that are used in this survey that have the same meaning as defined in the FASB Accounting Standards Codification (ASC) 978 Real Estate - Time-Sharing Activities. The definitions provided below are abbreviated from ASC 978 for the purpose of this definitions page and do not represent guidance by Deloitte for any other purpose. Readers should refer to the full ASC 978 for reference.

Downgrade

A transaction under which, as a result of credit concerns, the holder of a timeshare interval returns it to the seller in exchange for a lower-valued interval.

Full accrual method

A method of recognizing profit for timeshare transactions under which profit is recognized in full provided the applicable criteria are met.

Percentage-of-completion method

A method of recognizing profit for time-sharing transactions under which the amount of revenue recognized (based on the sales value) at the time a sale is recognized is measured by the relationship of costs already incurred to the total costs already incurred and future costs expected to be incurred.

Recourse

The right of a transferee of receivables to receive payment from the transferor of those receivables for (1) failure of debtors to pay when due, (2) the effects of prepayments, or (3) adjustments resulting from defects in the eligibility of the transferred receivables.

Reload

A transaction whereby a customer obtains a second interval from the same seller but does not relinquish the right to the first, for example, obtaining an additional unit, an additional interval, or additional points.

Rescission

Statutory right of the buyer to cancel a sales contract within a certain defined time period and obtain a return of all consideration paid to the seller.

Relative sales value method

A method of allocating inventory cost and determining cost of sales in conjunction with a timeshare sale. Cost of sales is calculated as a percentage of net sales by applying a cost of sales percentage, determined as the ratio of inventory cost to total remaining estimated timeshare revenue to be collected from sales of the inventory.

Sales value

A calculated amount that approximates the amount at which a timeshare interval would be sold in an all-cash sale, without financing or incentives. Sales value is determined by adjusting the stated sales price to the present value of the receivable, adding fees paid by the buyer that are unrelated to financing, and subtracting the value of incentives and services provided to the buyer (to the extent the fair value of the incentives or services exceeds the amount the buyer pays for the incentives or services).

Trial membership program

A marketing program under which a timeshare developer offers a customer, who has previously toured one of the development company's projects, a stay at one or more of the development company's projects for an upfront fee that reflects a reduced rate. In exchange, the customer agrees to take another, subsequent tour under the trial membership program during the customer's stay at that project. If the subsequent tour results in a sale, the developer may allow the customer to apply some or all of the amount paid for the trial membership toward the purchase of a timeshare, and/or as a part of the down payment. Also referred to as an exit program or sampler.

Upgrade

A transaction whereby a customer relinquishes the right to a currently held timeshare interval and obtains a higher-priced timeshare interval from the same seller.

Terms not defined in SOP 04-2

The following are terms that are not defined in SOP 04-2 and are provided here for reference in completing the survey.

Default

Occurs when a loan is declared in default or when payments are more than 120 days delinquent.

Delinquent receivable

Results when a defined payment has not been received as specified by the loan documents. The delinquency period is defined as the number of days subsequent to the prescribed payment due date.

Discount rate

The interest rate used as one of the key assumptions in the valuation model to value the retained interest in a securitization transaction.

FAS 152 (ASC 978)

Statement of Financial Accounting Standards No. 152, Accounting for Real Estate Time-Sharing Transactions an amendment of FASB Statements No. 66 and 67. Accounting Standards Codification (ASC) 978, Real Estate - Timesharing Activities.

Fractionals

Ownership interest that is either a shared equity or club interest representing a time period of not fewer than two weeks but usually three weeks or more. Fractional ownership typically offers additional services, amenities, and flexibility relative to timeshare, so that a bundle of timeshare weeks would not be considered a fractional interest. Fractional sales and financed notes should be excluded from totals and averages reported in this survey.

Hypothecated receivables

Represents the installment sales contracts which are pledged as collateral for debt.

Interval week conversion factor

Points-based developers may calculate weeks sold on an implied interval week conversion factor based on internal measures. For example, one approach may be to divide the number of points redeemed during the year by the number of unit weeks occupied. Or, developers that assign point values to unit inventory may calculate the implied interval week conversion factor for the system overall.

Rescissions

Sales contracts that are executed and for which the timeshare company has received valid funds in accordance with the sales contracts, but which do not close escrow within 30 days. Contracts that fail to have adequate funds should be viewed as pending contracts and should not be recognized as either gross sales or rescissions. Deeds in lieu of foreclosure and/or contracts obtained by the developer through foreclosure proceedings should not be reflected in the rescission amounts. Depositary rescissions, which are situations in which the buyer has made a deposit but hasn't yet provided the down payment necessary to qualify the transaction as a contract sale, are not counted as part of gross sales, and therefore are not counted as rescissions.

Prepayment rate

The rate at which loans are paid off before the end of the note term. This is a key assumption used in the valuation model used to value the retained interest in a securitization model.

Securitization

The obtaining of funds through the issuance of securities backed by a pool of mortgages or mortgage-related securities without recourse.

Static pool default analysis

Static pool analysis is used to measure the performance of a grouping, or pool, of receivables. This method analyzes performance by tracking credit losses or other variables throughout the duration of the pool. For this survey, the static pool default rate is calculated as cumulative actual and projected future capital losses net of reinstatements, divided by the original principal balance.

Whole ownership

Vacation product in which each unit has one owner. Whole ownership sales and financed notes should be excluded from the totals and averages reported in this survey.

Yield per week

Net originated sales divided by number of equivalent weeks sold. It is the same concept as the average price per week measure that was calculated in previous editions of the Financial Performance Survey, but has been relabeled to reflect that upgrade sales revenue is included in the numerator of the calculation even though upgrade sales do not result in the net absorption of an additional equivalent week and therefore do not impact the denominator.

Terms defined in ASC 805 (FAS 141(r))

The following are terms that are used in this survey that have the same meaning as defined in the FASB Accounting Standards Codification (ASC) 805 Business Combinations. The definitions provided below are abbreviated from ASC 805 for the purpose of this definitions page and do not represent guidance by Deloitte for any other purpose. Readers should refer to the full ASC 805 for reference.

Acquirer

The entity that obtains control of the acquiree. However, in a business combination in which a variable interest entity (VIE) is acquired, the primary beneficiary of that entity always is the acquirer.

Business

An integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs, or other economic benefits directly to investors or other owners, members, or participants.

A self-sustaining integrated set of activities and assets conducted and managed for the purpose of providing a return to investors. A business consists of all of the following:

1. Inputs
2. Processes applied to those inputs
3. Resulting outputs that are used to generate revenues

For a set of activities and assets to be a business, it must contain all of the inputs and processes necessary for it to conduct normal operations, which include the ability to sustain a revenue stream by providing its outputs to customers.

Business Combination

A transaction or other event in which an acquirer obtains control of one or more businesses. Transactions sometimes referred to as true mergers or mergers of equals also are business combinations.

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AIF
1201 15th Street NW, Suite 400
Washington, DC 20005
(202) 371-6700
(202) 289-8544 fax

www.arda.org

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