2010

FINANCIAL PERFORMANCE 2010:
A Survey of Timeshare & Vacation Ownership Companies

Prepared by: Deloitte.

2010 EDITION

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FORWARD

On behalf of ARDA International Foundation, Deloitte & Touche LLP has conducted this edition of the *Financial Performance 2010: A Survey of Timeshare & Vacation Ownership 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. Accordingly, this year's Financial Performance Survey includes additional statistics that may be useful to the reader as well as results that begin to show how the industry is being impacted by the current economic environment.

Additional statistics in this year's edition:

1. **Static Pool default rate distribution by FICO score:** Survey respondents were asked to provide a distribution of static pool default percentages by FICO score range at the time the loan was made to the timeshare purchasers.
2. **Underwriting criteria:** Survey respondents were asked to indicate whether their company utilizes FICO scoring as an underwriting criterion.

These additional metrics can help provide more complete information when evaluating consumer financing and receivables. According to Federal Reserve Board Chairman Ben Bernanke, in a recent speech at the Dallas Regional Chamber:

> "During the past two and a half years, our nation has endured the worst global financial crisis since the Great Depression, a crisis that in turn helped cause a deep recession both here and abroad… Fortunately, today the financial crisis looks to be mostly behind us, and the economy seems to have stabilized and is beginning to grow again. But we are far from being out of the woods."[1]

The global conditions discussed above significantly impacted the timeshare industry. This was evidenced by a substantial decrease in net originated sales and increase in default rates when comparing 2009 with 2008. However, there are positive indicators in the results reported in 2009, as the percentage of decline in net originated sales improved throughout the year. Further, signs of improvement were noted in 2009 as close rates, upgrade down payments, and non-upgrade down payments increased. Further, average FICO scores and the distribution of FICO scores within the receivables portfolio continued to increase in 2009 when compared to 2008.

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 Bernanke, Ben. "Economic Challenges: Past, Present, and Future." Dallas Regional Chamber, Dallas, Texas. 7 April 2010.

I. SURVEY METHOD

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 results should not be compared across different years.

The following provides a summary of that guidance for reference in reading the report. Accounting Standards Codification (ASC) 978 Real Estate – *Time-Sharing Activities* (formerly known as Statement of Financial Accounting Standards Board No. 152 *Accounting for Real Estate Time-Sharing Transactions — an amendment of FASB Statements No. 66 and 67*) 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;
- Certain items previously reported as expenses be reflected as reductions of revenue, such as estimated uncollectible financed sales;
- 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 survey instrument was updated this year to reflect additional questions related to static pool performance and FICO scoring as part of the underwriting process. The changes were made based on input from:

- Previous survey respondents
- Readers of previous editions of the report
- Members of the ARDA International Foundation Research Committee and ARDA Finance Committee
- A task force commissioned by the ARDA International Foundation to help improve the survey; and
- Staff of the ARDA International Foundation and Deloitte & Touche LLP ("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 55 timeshare and vacation ownership resort development companies on January 11, 2010. The survey response deadline was extended to March 12, 2010. During the data analysis phase, Deloitte & Touche contacted some of the respondents with follow-up questions about specific answers they provided.

Respondents

As of March 12, 2010, 26 companies, or 47 percent of those surveyed, responded. This set encompassed 282 resorts in active sales during 2009.[3] 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 26 survey respondents, six companies are publicly-traded companies or subsidiaries of publicly-traded companies, and 20 are privately-held. The six public companies that provided sales information accounted for 64.6 percent of net originated U.S. sales in 2009, as reported by the 26 survey respondents.

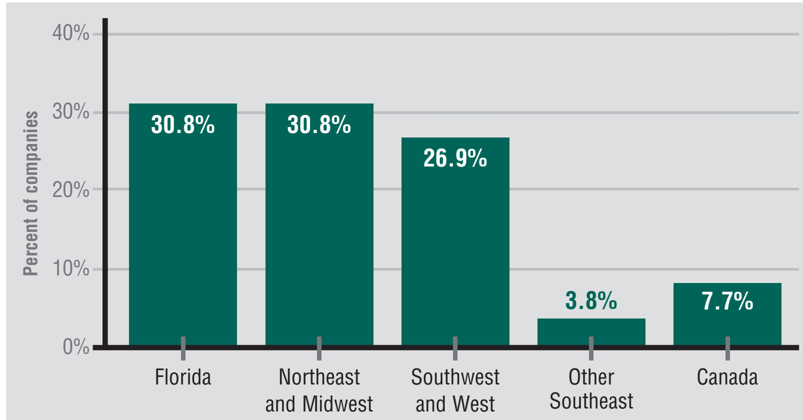
The survey is focused on the U.S. due to the location of the companies' headquarters, which provides an indication of the geographic regions represented by the response base. By the location of their headquarters, 24 of the respondents are U.S. companies and two are Canadian. Many of the U.S. respondents are based in the Southeast, including eight in Florida and one in another Southeastern U.S. location, though companies in the Northeast and Midwest, and Southwest and West regions also responded.[4]

3 One of the companies contacted chose to provide separate responses for subsidiary development entities. These entities, which operate in separate geographic areas and exhibit the same operating characteristics, have been consolidated and reported as one entity.

4 Regional definitions: Florida; Northeast and Midwest (CT, DC, DE, IA, IL, IN, KS, KY, MA, MD, ME, MI, MN, MO, ND, NE, NH, NJ, NY, OH, PA, RI, SD, VA, VT, 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).

Within the survey, certain questions collected information separately for two geographic regions: U.S. and non-U.S. These questions related to sales, operational, and consumer financing metrics. Other questions were not geographic specific, and were collected for each respondent in aggregate. These questions related to general company characteristics, receivables portfolios, and timeshare company funding metrics.[5] Allowing respondents to complete these questions in aggregate reduced the level of effort required to complete the survey form by limiting the number of geographic-specific questions.

Figure 1 **Distribution of companies by headquarters location, 2009**



Source: Deloitte & Touche LLP based on 26 company survey responses.

Eleven respondents provided information on sales occurring in geographic regions outside the U.S. However, because the focus of this report is on the U.S., and the regional breakout of the questions was not sufficient to support accurate analysis, the information collected by geography has been analyzed for the U.S. region only.

Product offering

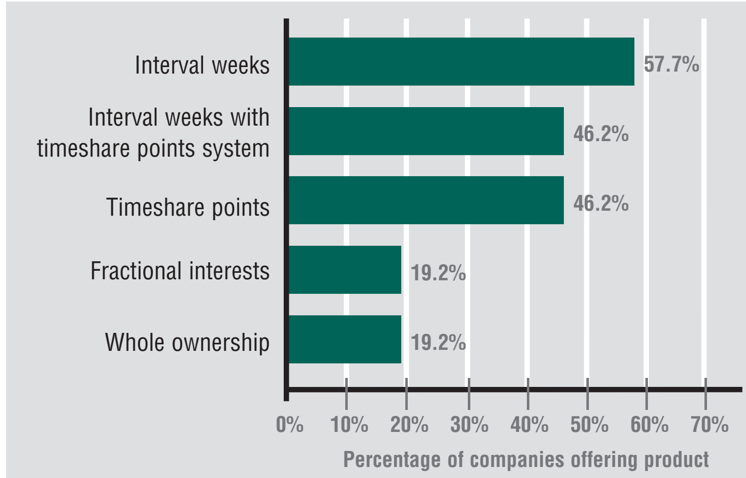
The timeshare industry model is fundamentally based on the sale and use of interests in time. Within the shared ownership umbrella there are a variety of product types, the most popular of which may be organized in five categories:

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**
   Refers to 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.

5 More detail is provided in the Interpretation of Results section on page 10.

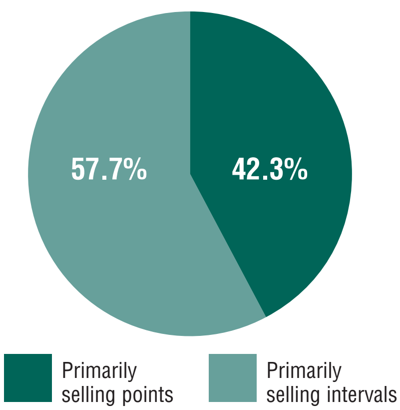
The first of these offerings, interval weeks, was offered by 57.7 percent of respondents, making it the most frequently offered product type in the response set, as shown in Figure 2. Many of these respondents reported also offering other types of products, for example by offering an interval weeks product at some resorts and a timeshare points product at other resorts, so the totals in Figure 2 sum to more than 100 percent. Five respondents reported offering fractional interest products, and a slightly different group of five respondents also reported offering whole ownership products. Company 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).[6]

Figure 2 **Product offering by percentage of companies, 2009**



Note: Some respondents offer multiple product types.
Source: Deloitte & Touche LLP based on 26 company survey responses.

Figure 3 **Segmentation of companies by product offering**



Source: Deloitte & Touche LLP based on 26 company survey responses.

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. This categorization is described as follows. In the survey form, each company was asked to report sales volume in two categories, intervals and points. In this portion of the survey, products that were sold as interval weeks but which could be exchanged for points (category two above) were counted as interval weeks sales to reflect the base structure of the product. Of the 26 respondents, 14 reported selling only intervals, and eight companies reported selling only points. The remaining four companies reported selling a mixture of both interval weeks and points. Of these four, three companies primarily sold points, and were therefore categorized as points companies, and one primarily sold intervals and was categorized as an interval company. As a result of this categorization process, as shown in Figure 3, 57.7 percent of the respondents were categorized as interval companies and 42.3 percent were categorized as points companies.[7]

6 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.

7 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 15.

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 2008 and 2009 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 2008 and 2009, 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 the “Sales Activity”, “Revenue Recognition”, and “Key Ratios” sections of this report. Figures in these sections include the label “U.S.”. The sections on “Hypothecation of Receivables, Portfolio Sales, and Securitizations,” and “Consumer Financing and Receivables Portfolio Performance” present information that is not limited to sales that occurred in the U.S. geographic region, and therefore, figures in these sections include the label “All geographies.” The exceptions are the subsection “Consumer Financing,” Figure 93 (Static pool default rate by original FICO score, 2009, U.S.), and Figure 95 (Distribution of new loans by FICO score, 2009, U.S.), which show measures based on consumer financing provided for U.S.-originated sales only.

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 20 companies reported detailed information for both 2008 and 2009, 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 2008 to 2009, based on a consistent set of respondents. The *core company set* exhibits the following characteristics:

- Represents 76.9 percent of the survey respondents, 91.5 percent of the active resorts, and 93.8 percent of U.S. net originated sales in 2009, as reported by survey respondents.
- Six are publicly-traded companies.
- Seven reported net originated sales of $250 million or more in 2009.

The *core company set* has been kept as a broad set of companies by limiting the time period to 2008 and 2009.

II. SUMMARY OF RESULTS

The following summarizes key results of the study:

Sales activity

- **Net originated sales for all geographic regions declined 27.8 percent, with U.S. locations reporting a 28.3 percent decline.** In total, the 26 respondents that provided sales information reported $5.09 billion in net originated timeshare sales for all geographic regions combined in 2009. The overall percentage change in net originated sales between 2008 and 2009 for all geographic regions combined was a decrease of 27.8 percent, based on comparable information for 2008 and 2009 provided by the 26 respondents. Of the $5.09 billion of net originated timeshare sales in 2009, $4.64 billion — or 91.1 percent of such sales — occurred at U.S. locations and 8.9 percent occurred at non-U.S. locations (Page 14). Net originated sales at U.S. locations decreased 28.3 percent from 2008 to 2009 (Page 14).
- **Interval sales represented 55.0 percent of the $4.64 billion of net originated sales reported by U.S. locations.** Of the $4.64 billion of net originated sales at U.S. locations in 2009, $2.55 billion (55.0 percent) was classified as interval sales, while $2.09 billion (45.0 percent) was classified as points sales (Page 15).
- **The significant decrease in U.S. net originated sales from 2008 to 2009 can be attributed to the economic recession and credit crisis over the past two years.** During the second half of 2008 and into 2009, 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 and diminished access to capital spurred many timeshare companies to evaluate their current marketing channels, as well as to eliminate their least successful and efficient sales personnel and sales sites (Page 14).
- **Quarterly net originated sales compared to the previous year were significantly less.** For the *core company set* in aggregate, net originated sales were considerably less than the same quarter of 2008 (Page 16). However, throughout the year, there was a reduction in the percentage of decline from 37.0 percent in the first quarter to 14.5 percent in the fourth quarter (Page 16).
- **Net originated sales at U.S. locations averaged $31.9 million per resort in active sales** (Page 19).
- **Unsold weeks held in inventory increased 0.8 years to an equivalent of 2.2 years in 2009 for the *core company set*.** The *core company set* reported that the number of unsold weeks held in inventory at year-end 2009 was equivalent to 2.2 years of sales; a 0.8 years increase compared to 2008, on a weighted average basis. The sales pace decreased substantially in 2009, as discussed above, as such the amount of inventory on hand increased because the equivalent years of inventory calculation assumes the same sales pace for future years (Page 22).
- **The average yield per week increased in 2009, with a weighted average yield of $25,589.** The weighted average yield of a timeshare week sold during 2009 was $25,589 (Page 23).[8] The *core company set* reported an average increase in the weighted average yield of a timeshare week of 8.6 percent from 2008 to 2009 (Page 25).
- **Sales tours and average transaction value decreased, while net close rates improved.** In 2009, respondents reported hosting 2 million sales tours, compared to 3 million sales tours in the previous year (Page 26). Respondents achieved an average net closing rate of 15.8 percent, which was 1.0 percentage point higher than the 14.8 percent reported for 2008 (Page 27). During the year, average volume per guest increased from $2,448 in 2008 to $2,501 in 2009 (Page 28), while average transaction value decreased from $17,756 to $16,431, respectively (Page 28). The *core company set* reported an increase in net close rates from 14.6 percent in 2008 to 15.5 percent in 2009 (Page 27).
- **A greater share of net originated sales, by dollar value, was attributable to upgrade sales than in 2008.** Upgrade sales accounted for 30.8 percent of sales volume at U.S. locations in 2009, compared to 27.0 percent in 2008. Respondents reported that average transaction value for non-upgrade sales was $17,091 and for upgrade sales was $16,391 in 2009[9] (Page 29).
- **Rescissions, as a portion of gross sales, increased 1.6 percentage points in 2009.** Respondents reported a greater reduction of revenue for rescissions, which averaged 11.8 percent in 2008 compared to 13.4 percent in 2009 (Page 32).

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

9 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 17.3 percent in 2009** (Page 36).
- **Product costs, as a portion of net originated sales, averaged 23.8 percent in 2009** (Page 37).
- **Costs related to sales and marketing decreased, averaging 41.8 percent of net originated sales** Total sales and marketing costs, as a portion of net originated sales, averaged 41.8 percent in 2009 (Page 41). Total sales and marketing costs reported by the *core company set* decreased from 44.0 percent in 2008 to 41.8 percent in 2009 (Page 41).
- **General and administrative costs, as a portion of net originated sales, averaged 7.4 percent in 2009** (Page 42).
- **Home owner association (HOA) subsidies and maintenance fees for unsold units net of rental revenues, as a portion of net originated sales, averaged 1.2 percent in 2009** (Page 43).
- **Operating profit margin on timeshare sales operations decreased, averaging 8.5 percent.** The pre-tax margin or operating profit margin, on timeshare sales operations, as a portion of net originated sales, averaged 8.5 percent in 2009 (Page 44). This margin represents only timeshare sales operations, and excludes profit generated by the consumer financing and resort management components of many timeshare development companies. Twenty-five 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 44).
- **Respondents reported that 43.3 percent of timeshare sales, by dollar value, in 2009 were to buyers who already owned at least one timeshare interest at the company** (Page 45).

Hypothecation of receivables

- **The average interest rate and the average advance rate decreased when compared to 2008.** Sixteen respondents provided information on hypothecations of receivables that occurred during 2009, totaling $1.06 billion. Respondents that provided information on the interest rate paid reported paying a weighted average interest rate of 5.2 percent in 2009 for funds borrowed against the receivables (Page 47).

Portfolio sales and securitizations

- **The average transaction size of securitizations increased, while advance rates and average interest rates declined.** The 17 separate securitization transactions reported by survey respondents in 2009, represented a total value of $2.3 billion, measured as the gross value of the sales contracts securitized (Page 49).

Consumer financing and receivables portfolio performance

- **Of the net originated timeshare sales at U.S. locations in which respondents provided financing information on $3.9 billion of net originated sales, $2.1 billion was financed by respondents.** Approximately 53.8 percent of the dollar value of net originated timeshare sales at U.S. locations was financed in 2009 (Page 50). Respondents reported that, in 2009, the average interest rate on new loans to consumers was 13.8 percent, the average down payment associated with non-upgrade sales was 16.3 percent of the contract price, and the average down payment associated with upgrade sales, including the equity in their existing vacation ownership interest, was 49.0 percent of the contract price (Page 52).
- **Higher average down payments countered the slight increase in the interest rate on new consumer loans.** For the *core company set*, the interest rate on new consumer loans in 2009 was 13.7 percent, slightly above the interest rate of 13.4 percent reported in 2008, on a weighted average basis (Page 55). As a percentage of contract prices, average down payments on non-upgrade sales in the *core company set* increased from 14.6 percent in 2008 to 16.5 percent in 2009 (Page 55) and average down payments on upgrade sales in the *core company set* increased from 45.8 percent in 2008 to 51.1 percent in 2009 (Page 55).
- **Current receivables decreased 1.5 percentage points, while those more than 60 days delinquent increased by 1.8 percentage points.** The share of current receivables (current or fewer than 31 days delinquent) was 87.9 percent in 2009 (Page 56), while the share of receivables more than 60 days delinquent was 9.7 percent (Page 56).
- **Gross defaults, as a portion of the gross outstanding portfolio balance at year-end, averaged 8.9 percent in 2009** (Page 58).
- **The weighted average allowance for uncollectible accounts, as a portion of gross outstanding portfolio balance at year-end, was 13.5 percent in 2009** (Page 58).
- **The average interest rate on loans held in portfolios increased by 0.1 percentage points, while the average term decreased by 2 months.** The weighted average interest rate on timeshare consumer loans held in portfolios at year-end was 13.9 percent in 2009 (Page 59); and the weighted average term to maturity for loans held was 99.0 months (Page 59).
- **The weighted average general and administrative costs of financing operations, as a portion of outstanding portfolio balance, was 1.1 percent in 2009** (Page 60).
- **The weighted average static pool default rate, as reported by 19 respondents, was 19.3 percent in 2009** (Page 62).
- **The static pool default rate distribution by FICO score (the static pool default percentages sorted by FICO score range at the time the loan was made to purchasers) shifted from lower FICO scores to higher FICO scores in 2009.** In 2009 and 2008 31.5 percent and 40.0 percent, respectively, of the static pool default rate was for purchasers that had FICO scores below 600 at the time of their purchase (Page 63).

FICO scores

- **The use of FICO scoring as an underwriting component increased in 2009.** A majority of the respondents, 76.9 percent, reported that they utilize FICO scoring in their underwriting criteria, which increased from 69.2 percent in 2008 (Page 63).
- **Average FICO scores on loans held in receivable portfolios improved in 2009.** The weighted average FICO score on loans held in receivables portfolios at year-end, as reported by respondents, was 683 (Page 65). For the *core company set*, the weighted average FICO score for loans held in the 15 respondents' receivables portfolios at calendar year end 2009 was 683, representing a slight increase from the score of 678 at calendar year end 2008, as reported by the same respondents (Page 65).

III. SALES ACTIVITY[10]

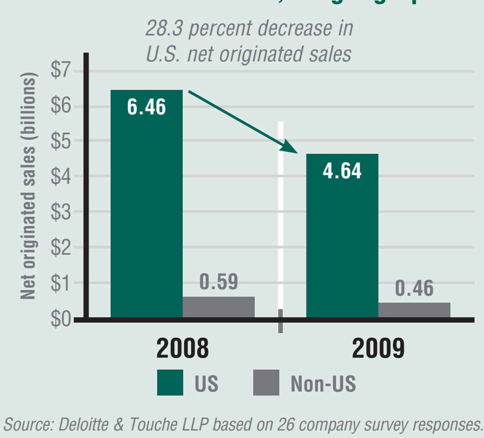
Companies were asked to provide data on major financial indicators for 2008 and 2009. Information on sales has been analyzed in two ways. The first approach is an analysis of net originated timeshare sales, the operational or managerial measure that is generally used in the industry. The second is an 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 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.

In total, the 26 respondents that provided sales information reported $5.09 billion in net originated timeshare sales for all geographic regions combined in 2009. The overall percentage change in net originated timeshare sales between 2008 and 2009 for all geographic regions combined was a decrease of 27.8 percent. Of the $5.09 billion of net originated timeshare sales in 2009, $4.64 billion — or 91.1 percent of such sales — occurred in the U.S. and 8.9 percent occurred in the non-U.S. locations category. This information refers to sales by the location at which the sale occurred, regardless of where the inventory is located. For example, a sale occurring at a sales center in Florida would count as a U.S. sale, even if the timeshare inventory is located at a resort in Mexico.

Figure 4 **Net originated timeshare sales: 2008 and 2009, all geographies**



Source: Deloitte & Touche LLP based on 26 company survey responses.

Net originated timeshare sales at U.S. sales locations decreased 28.3 percent, as shown in Figure 4.[11] 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 significant decrease in U.S. net originated sales from 2008 to 2009 can be attributed to the economic recession and credit crisis over the past two years. During the second half of 2008 and into 2009, 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 to seek to eliminate their least successful and efficient sales personnel and sales sites.

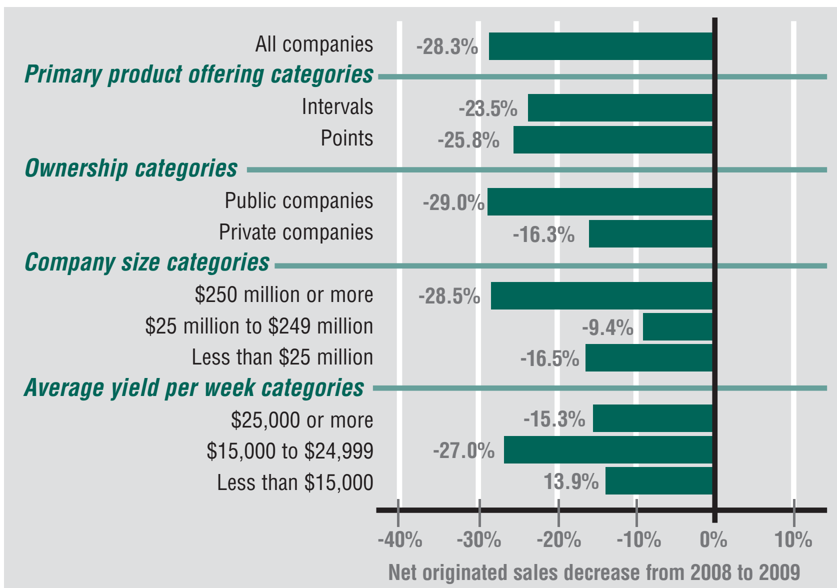
10 Sales of fractional ownership interests and whole ownership are not included in the Financial Performance Survey.

11 Net originated sales are equivalent to gross sales less rescissions. 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 constructed. Temporary sales such as trial memberships, exit programs, and sample programs are not included in net originated sales.

Of the 25 companies that reported net originated sales information for U.S. locations, 20 companies or 80 percent of the respondents reported sales decreases while the remaining companies reported sales growth. Public companies experienced a weighted average decrease of 29.0 percent. Companies with over $250 million in net originated sales experienced an average decrease of 28.5 percent (on a weighted average basis), companies with between $25 million and $249 million in net originated sales experienced an average decrease of 9.4 percent, and companies with less than $25 million in net originated sales experienced a 16.5 percent decrease (Figure 5). Although on average companies in the between $25 million and $249 million category and the less than $25 million category recognized decreased net originated sales, five out of the 18 total respondents in those size classes reported growth in net originated sales during 2009.

Points companies reported a weighted average decrease of 25.8 percent from 2008 to 2009, compared to a 23.5 percent decrease for interval companies. Among these respondent companies, 57.7 percent were categorized as interval companies and 42.3 percent were categorized as points companies. Of the $4.64 billion of net originated U.S. timeshare sales in 2009, $2.55 billion (55.0 percent) was classified as interval sales, while $2.09 billion (45.0 percent) was classified as points sales.[12]

Figure 5 **Net originated sales growth from 2008 to 2009 by company category, U.S. locations**



Source: Deloitte & Touche LLP based on 25 company survey responses.
Results in average yield per week categories are based on 22 company survey responses.

In this report, averages are typically presented as weighted by net originated sales volume. In most cases, to permit more detailed comparisons, a graph similar to Figure 5 is presented, which shows the weighted averages for categories including primary product offering, ownership, company size, and average yield per week.

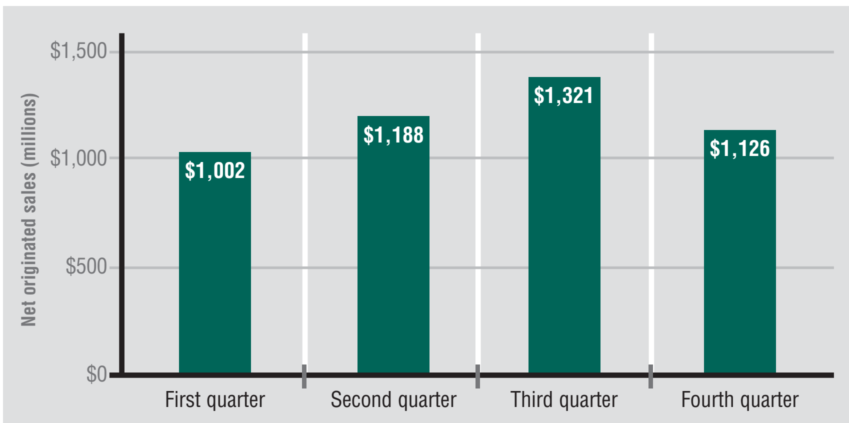
12 In considering this split of sales volume, it is useful to consider that interval week programs that offer a timeshare points system that is backed by a deeded week or other week-based interest are classified as interval week sales.

Quarterly timeshare sales

Timeshare sales in many locations exhibit seasonal patterns, as popular vacation periods correspond to heightened sales activity. During 2009, timeshare sales were highest in the third quarter of the year and lowest in the first quarter, based on the responses of 24 companies (Figure 6).

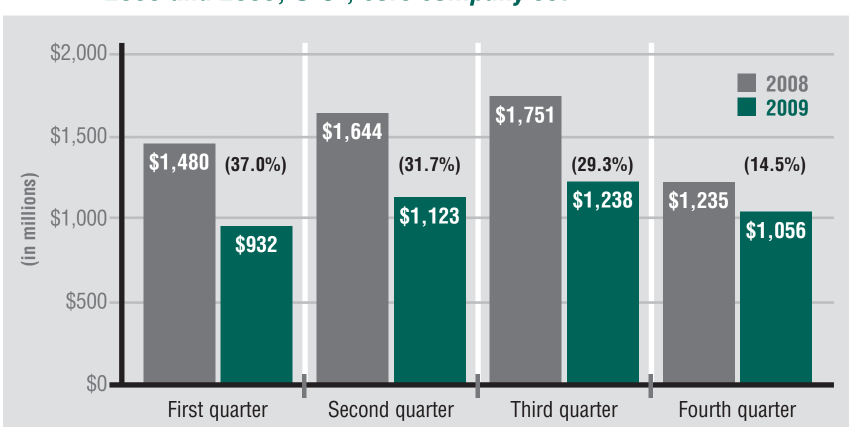
For the *core company set* in aggregate, net originated sales were substantially less than the same quarter of 2008 (Figure 7). The quarterly decreases resulted in an overall decrease from 2008 to 2009 of 28.8 percent. The decrease is due to the realignment of the timeshare industry which is discussed on page 14. However, throughout the year there was a reduction in the percentage of decline from 37.0 percent in the first quarter to 14.5 percent in the fourth quarter (Figure 7).

Figure 6 **Quarterly net originated timeshare sales, 2009, U.S.**



Source: Deloitte & Touche LLP based on 24 company survey responses.

Figure 7 **Quarterly net originated timeshare sales, 2008 and 2009, U.S., *core company set***



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

Number of locations

The Financial Performance Survey is conducted at the company level, with most companies representing multiple resorts. Of the 389 U.S. resorts represented by respondents in 2009, 282 were open and in active sales (Figure 8). 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 considered resorts not in active sales (102 resorts), or resorts in active pre-sales but not yet open for use by guests (5 resorts).

Figure 8 **Distribution of resorts and sales centers by type, U.S.**

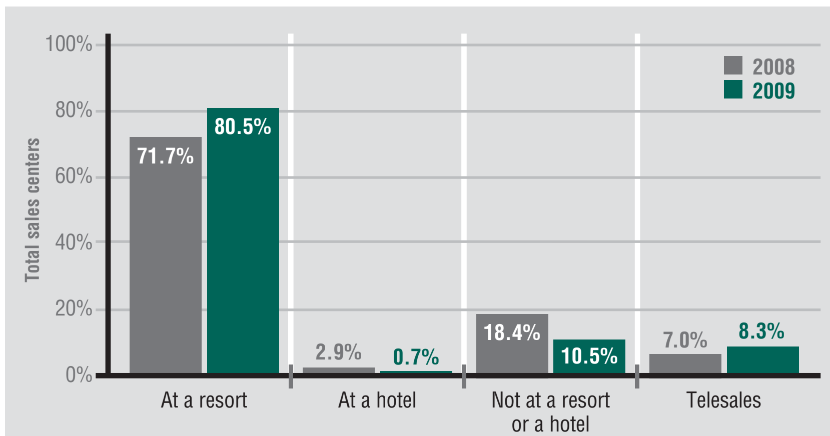
	2008	2009	Percent change
Resorts			
Open, in active sales	274	282	2.9%
In active pre-sales	12	5	-58.3%
Not in active sales	100	102	2.0%
Total resorts	**386**	**389**	**0.8%**
Sales centers			
At a resort	245	223	-9.0%
At a hotel	10	2	-80.0%
Not at a resort or a hotel	63	29	-54.0%
Telesales	24	23	-4.2%
Total sales centers	**342**	**277**	**-19.0%**

Source: Deloitte & Touche LLP based on 24 company survey responses for resorts and 25 company survey responses for sales centers.

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 (223 sales centers), respondents also reported two sales centers at a hotel, 29 off-site sales centers that were neither at a resort nor at a hotel, and 23 telesales centers.

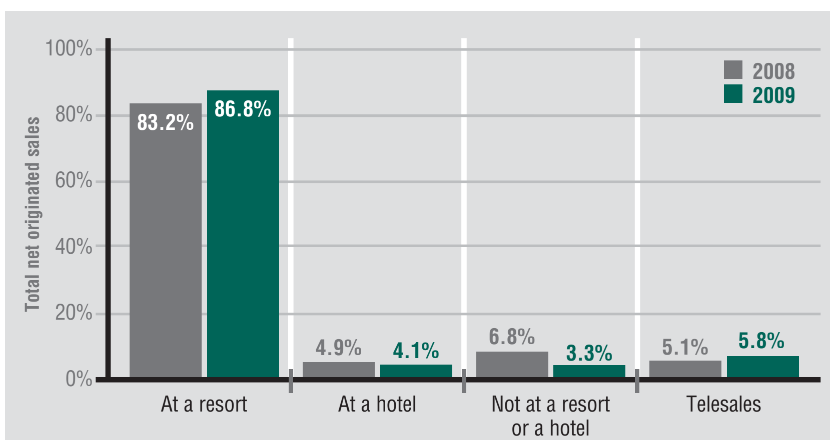
Sales centers at resorts accounted for 80.5 percent of the overall sales centers reported in 2009 and 86.8 percent of net originated sales among the respondent companies (Figure 9 and Figure 10). Conversely, sales centers not located at a hotel or a resort accounted for 10.5 percent of total sales centers, but only 3.3 percent of net originated sales in 2009.

Figure 9 **Distribution of sales centers by type: 2008 and 2009, U.S.**



Source: Deloitte & Touche LLP based on 25 company survey responses.

Figure 10 **Net originated sales distribution by sales center type: 2008 and 2009, U.S.**



Source: Deloitte & Touche LLP based on 25 company survey responses.

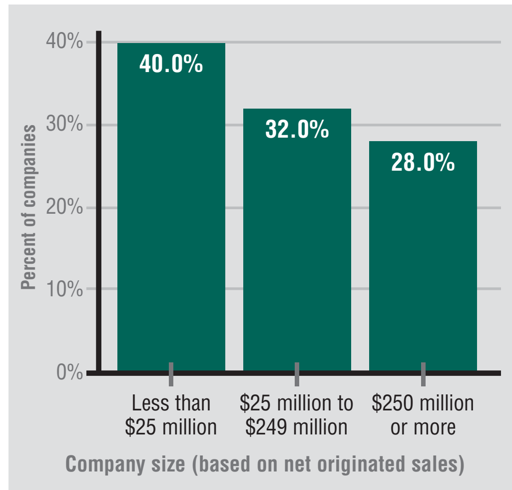
Company size

Annual net originated sales at U.S. locations for the respondent companies ranged from less than $1 million to more than $500 million 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 number of respondents in each size category (determined by 2009 net originated sales at U.S. locations) is shown in Figure 11. This gives an indication that the survey included respondents that were broadly distributed by company size.

Because the larger companies have substantial operations, the seven companies in the largest size category ($250 million or more) accounted for 78.4 percent of total net originated sales (Figure 12). In 2009, companies with sales above $25 million represented 60.0 percent of the response base, yet accounted for 98.2 percent of net originated sales.

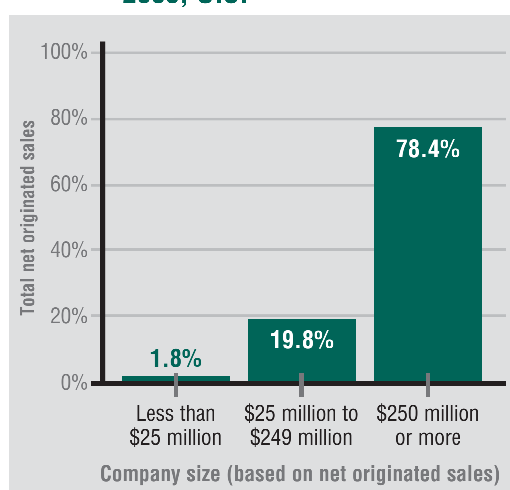
Since many of the figures presented later in this study are calculated as weighted averages, it is important to keep in mind that the results of larger companies heavily influence the aggregate results presented.

Figure 11 **Distribution of companies by company size category, 2009, U.S.**



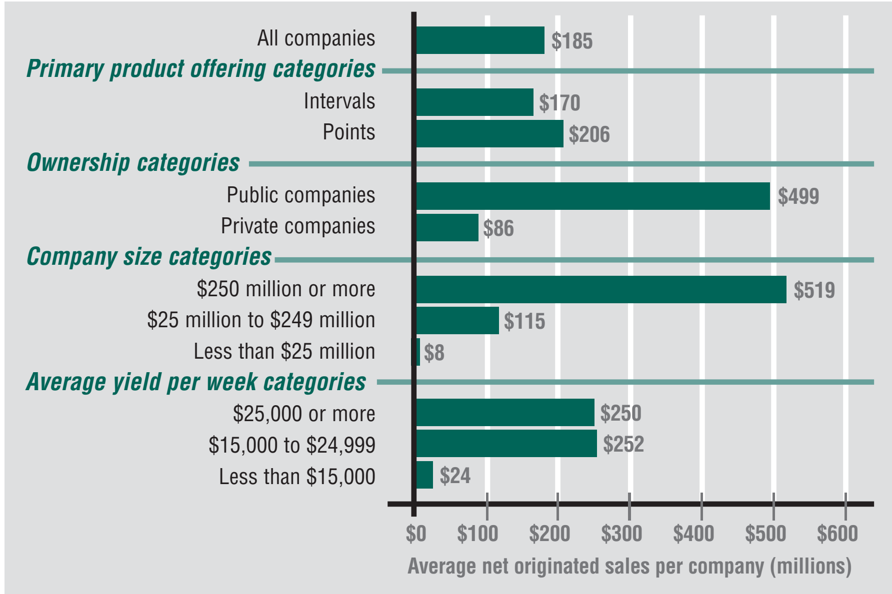
Source: Deloitte & Touche LLP based on 25 company survey responses.

Figure 12 **Distribution of total net originated sales by company size category, 2009, U.S.**



Source: Deloitte & Touche LLP based on 25 company survey responses.

Figure 13 **Average net originated sales in millions per company by company category, 2009, U.S.**

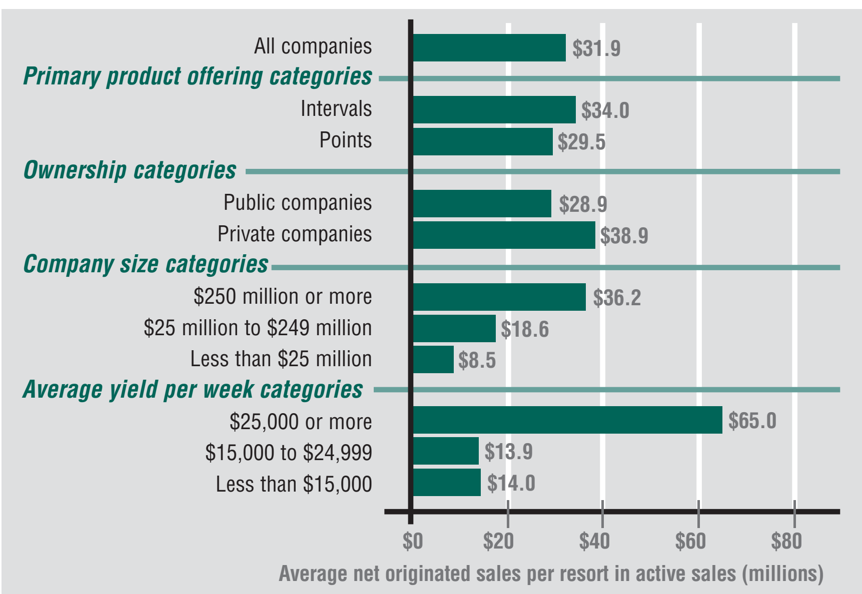


Source: Deloitte & Touche LLP based on 25 company survey responses.
Results in average yield per week categories are based on 22 company survey responses.

Figure 13 shows the simple average of net originated sales per company (average company size) for the different company categories. Substantial differences were not evident between interval and points companies. Public companies were, however, on average, much larger than private companies.

Companies that have an average yield per week of less than $15,000 make up only five 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 per resort in active sales by company category, 2009, U.S.**



Source: Deloitte & Touche LLP based on 25 company survey responses.
Results in average yield per week categories are based on 22 company survey responses.

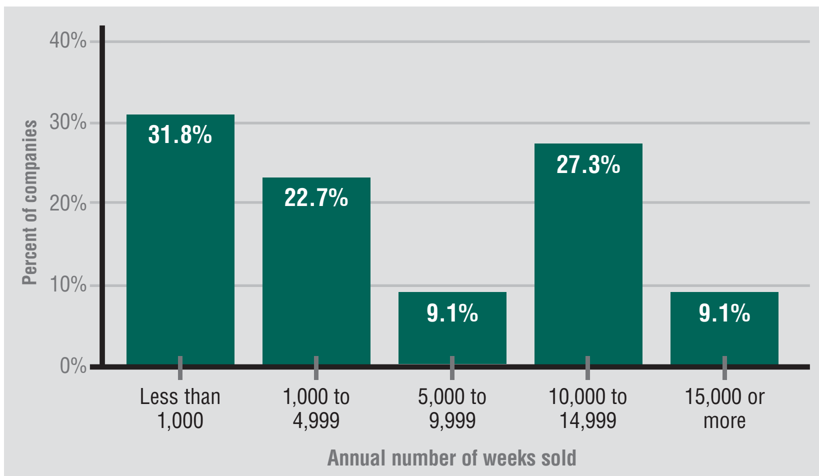
Another way to evaluate company size and sales activity is to consider the weighted average annual net originated sales per resort in active sales. Net originated sales at U.S. locations per resort in active sales averaged $31.9 million in 2009 (Figure 14). Companies primarily selling intervals reported average sales of $34.0 million per resort in active sales, while points companies reported average sales of $29.5 million per resort in active sales. Companies with average yields per week over $25,000 achieved the highest results for that category with an average of $65.0 million per resort in active sales. Meanwhile, companies with average yields per week less than $15,000 averaged $14.0 million in net originated sales per resort in active sales.

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. Except for four companies, all respondents provided information on U.S. sales in response to this question.

In total, approximately 178,078 weeks of annual use were sold at U.S. sales locations in 2009 by the 22 companies that responded to this question. Approximately forty-six percent of the respondents sold 5,000 or more timeshare weeks during 2009 (Figure 15).

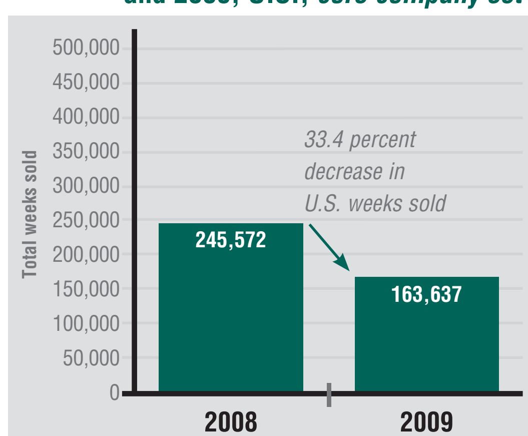
Figure 15 **Distribution of companies by annual number of weeks sold, 2009, U.S.**



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

The *core company set*, which consists of 17 companies for this question, reported sales of approximately 163,637 timeshare weeks in 2009, which was 33.4 percent less than the number of weeks sold in 2008 (Figure 16). A decrease in the number of weeks sold was expected as net originated sales decreased 28.3 percent compared to 2008.

Figure 16 **Number of weeks sold, 2008 and 2009, U.S., *core company set***



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

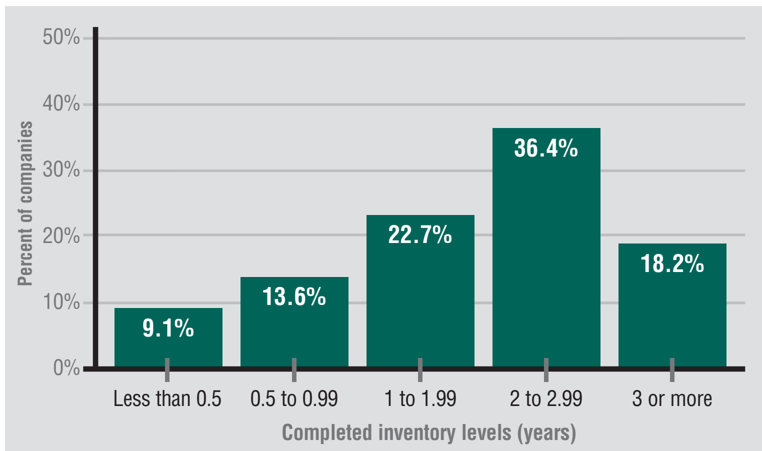
Inventory levels

Timeshare completed inventory, for the purpose of this study, is defined as unsold completed weeks of inventory available for sale at resorts, including reacquired weeks. Based on 25 respondent companies, there were a total of 465,348 weeks of completed inventory as of December 31, 2009. 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 2009 sales pace. Completed inventory levels are calculated by taking the reported inventory and dividing it by the total number of weeks sold in 2009. For example, a company that had 5,000 unsold weeks of inventory at year-end 2009 after selling 2,500 weeks during 2009 would be counted as having an inventory level of two years (5,000 divided by 2,500).

In 2009, over 50 percent of the 22 companies that responded to this question held more than two years of completed inventory (Figure 17). Years of completed inventory ranged from approximately 0.1 years to more than five years.

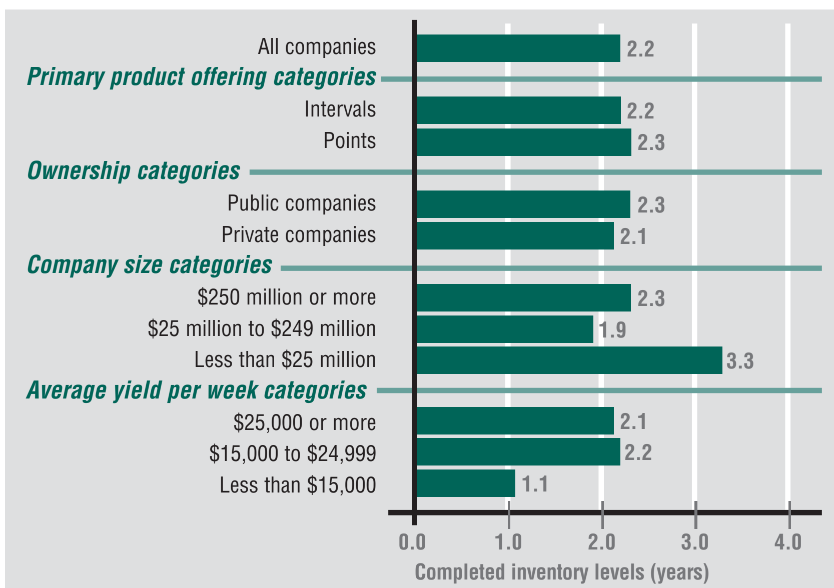
Overall, the 22 companies that provided information showed an average of 2.2 years of completed inventory available for sale, on a weighted average basis.[13] Intervals, points, public, and private companies reported holding a consistent amount of years worth of completed inventory (Figure 18). Companies with net sales less than $25 million held an additional year worth of completed inventory with the category reporting an average of 3.3 years (Figure 18).

Figure 17 **Distribution of companies by completed inventory levels, 2009, U.S.**



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

Figure 18 **Completed inventory levels by company category, 2009, U.S.**

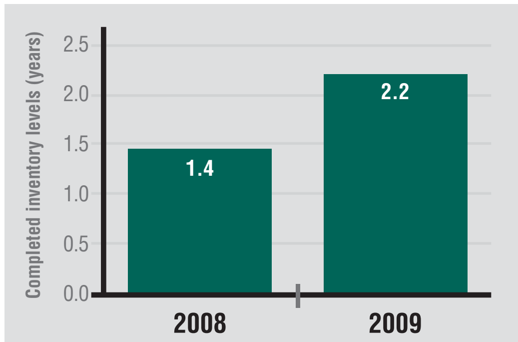


Source: Deloitte & Touche LLP based on 22 company survey responses.

13 The average inventory level is based on the average 2009 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 2008 sales pace would imply an average inventory level equal to 1.0 years of sales; similarly a sales pace 30 percent below the 2008 sales pace would imply an average inventory level equal to 1.2 years of sales (calculations reflect rounding).

Information from the *core company set* shows years of completed inventory increased significantly, approximately 57.2 percent, in 2009 from 2008 (Figure 19). At year end 2009, the *core company set* had an aggregate completed inventory level of approximately 2.2 years. The calculation for the analysis presented below utilizes equivalent weeks sold; therefore, since sales pace decreased substantially in 2009 the amount of inventory on hand increased because it assumes the same sales pace for 2010 and beyond.

Figure 19 **Completed inventory levels, 2008 and 2009, U.S., *core company set***

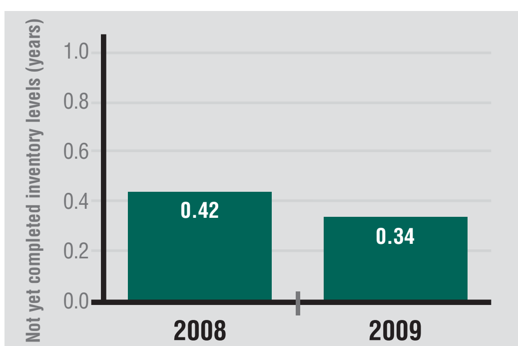


Source: Deloitte & Touche LLP based on 17 company survey responses.

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 37,309 weeks of unsold, not yet completed inventory available for sale as of December 31, 2009.

Information from the *core company set*, representing five respondent companies in 2008 and three respondent companies for 2009, shows years of inventory that was available for sale, but not yet completed, decreased by 19.0 percent from 2008 to 2009 (Figure 20).

Figure 20 **Not yet completed inventory levels, 2008 and 2009, U.S., *core company set***



Source: Deloitte & Touche LLP based on five company responses for 2008 and three company responses for 2009.

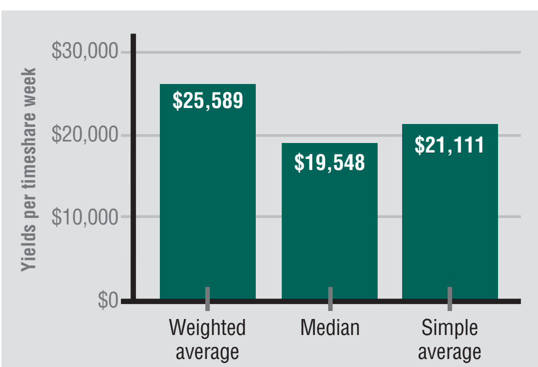
Average yield of a timeshare week

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.

Figure 21 **Median and average yield per timeshare week, 2009, U.S.**



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

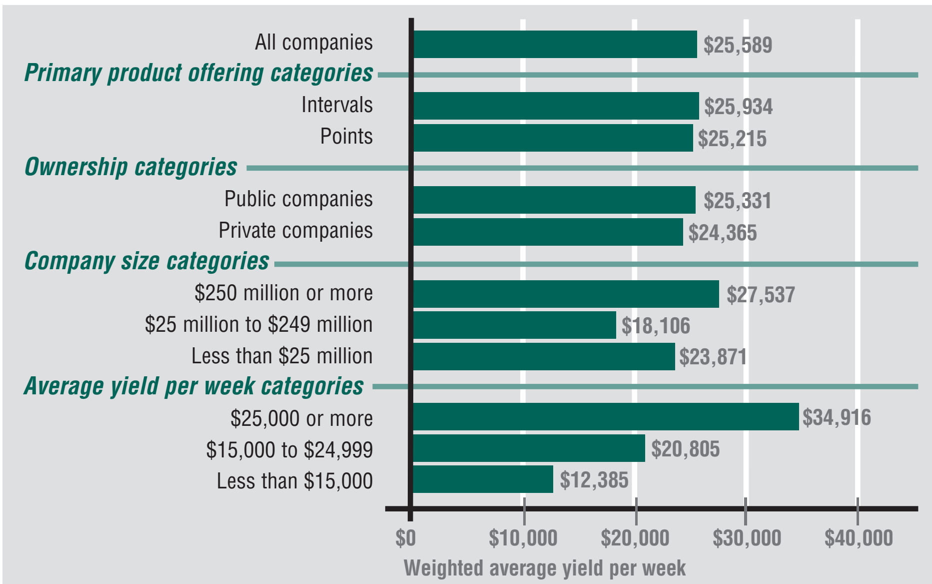
Overall, the different methods of comparing yields show that the typical yield of a U.S. timeshare week in 2009 was between $19,548 to $25,589 (Figure 21). The broadest measure of yield, the weighted average yield, was $25,589 per week sold.

The various categories of development companies exhibit different weighted average yields per week. Overall, large companies and public companies tend to show higher average yields per week, while smaller companies and private companies tend to show lower average yields per week. Weighted averages for specific categories of companies are shown in Figure 22.

The weighted average yield per week for companies that primarily sold interval product was $25,934 in 2009, compared to $25,215 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.

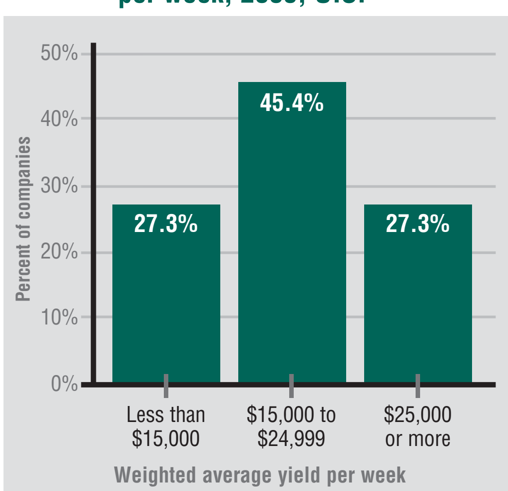
The weighted average yield per week achieved by companies in the $250 million or more company size category was $27,537 per week, which was greater than both the $25 million to $249 million and the less than $25 million categories. The average yield per week in each of the yield per week categories is also shown in Figure 23 to provide background information on the companies in each of those categories.

Figure 22 **Weighted average yield per week by company category, 2009, U.S.**



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

Figure 23 **Distribution of companies by weighted average yield per week, 2009, U.S.**

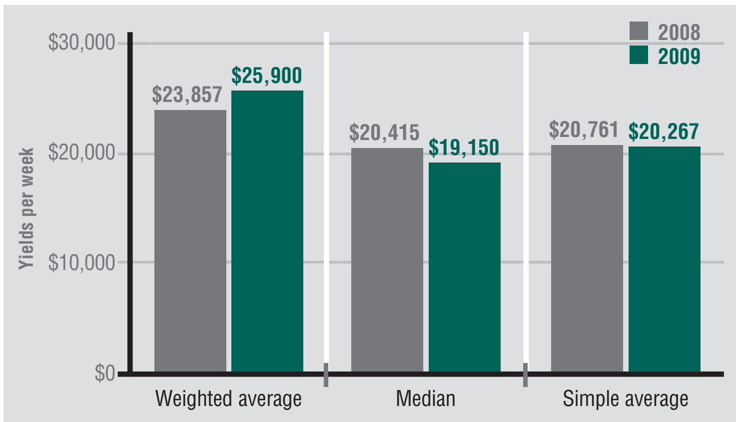


Source: Deloitte & Touche LLP based on 22 company survey responses.

The average yield per week in 2009 ranged from less than $10,000 to over $40,000. Approximately 73 percent of all respondents reported weighted average yields per week of $15,000 or more during 2009 (Figure 23).

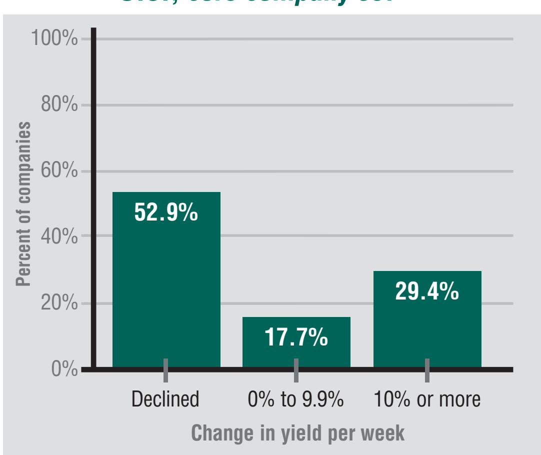
Companies included in the *core company set* reported that the average yields per week decreased with the exception of the weighted average yield in 2009 from 2008. The weighted average yield per week was 8.6 percent higher in 2009 than in 2008 (Figure 24). This change reflects any changes in timeshare 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 2009, which is presented in the next section, decreased 7.2 percent in 2009 compared to 2008 for the *core company set* . This indicates that the typical amount being spent per purchase was less 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 24 **Median and average yields per week, 2008 and 2009, U.S., *core company set***



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

Figure 25 **Distribution of companies by change in yield per week, 2008 and 2009, U.S., *core company set***



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

Approximately 47 percent of respondents in the *core company set* reported that the company's weighted average yield per week in 2009 was higher than in 2008, indicating that yield increases were broad based (Figure 25). Five 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 2009, respondents reported conducting slightly over 2 million tours, compared to 3 million in the previous year. Approximately 300,000 sales transactions were reported in 2009, yielding a net close rate of 15.8 percent (Figure 26). The average transaction value was $16,431 and the average volume per guest was $2,501.[14] The net close rate, average transaction value, and volume per guest were calculated using weighted averages in the current year as opposed to simple averages in prior editions to reflect the overall industry trend by survey respondent. These same respondents reported total net originated sales of $4.37 billion. The results in Figure 26 also show 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.

Figure 26 **Sales tours metrics by company category, 2009, U.S.**

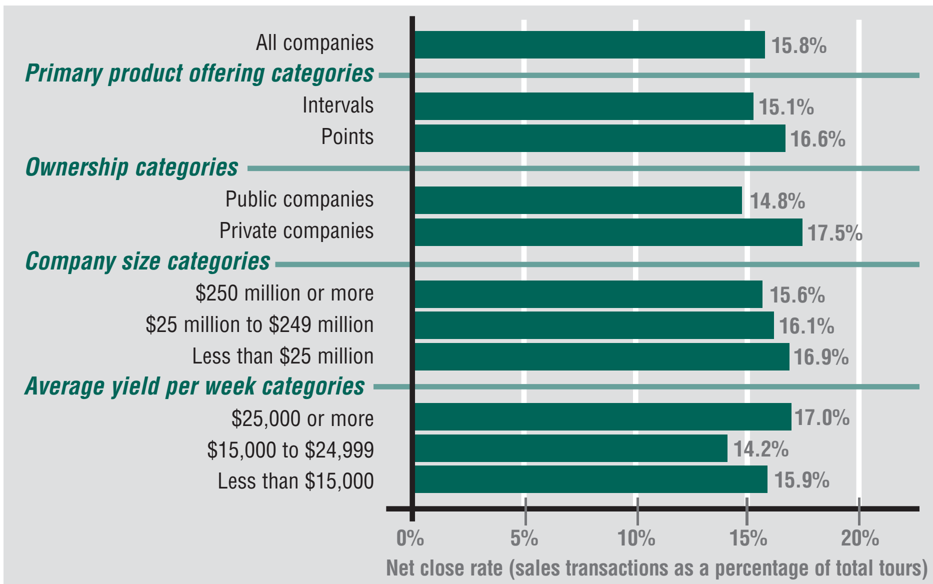
		Company size			Average yield per week		
	All Respondents	$250 million or more	$25 million to $249 million	Less than $25 million	$25,000 or more	$15,000 to $24,999	Less than $15,000
Number of tours	2,020,768	1,412,086	563,000	45,682	414,745	1,261,749	86,034
Number of sales transactions	301,519	206,545	87,611	7,363	60,036	177,820	13,295
Net close rate	15.8%	15.6%	16.1%	16.9%	17.0%	14.2%	15.9%
Net originated sales excluding telesales (millions)	$4,369	$3,374	$915	$80	$1,337	$2,424	$144
Volume per guest (VPG)	$2,501	$2,706	$1,764	$2,255	$3,701	$2,000	$1,904
Average transaction value	$16,431	$17,965	$11,041	$13,239	$22,791	$14,538	$11,778

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

14 The average transaction value of $16,431 (based on 24 respondents) is lower than the average yield per timeshare week of $25,589 (based on 22 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.

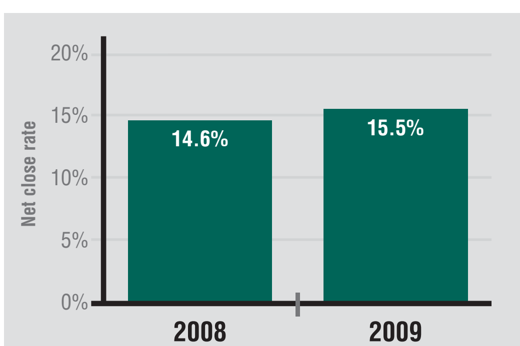
The net close rate, which refers to sales transactions (after removing rescissions) generated per tour, was reported to be 15.8 percent in 2009 for all respondent companies on average, which was 1.0 percentage point higher than the 14.8 percent reported in 2008. Private companies reported an average net close rate of 17.5 percent in 2009, compared with public companies which reported an average net close rate of 14.8 percent (Figure 27). In addition, points companies tended to have higher net close rates than interval companies, as shown below.

Figure 27 **Net close rate by company category, 2009, U.S.**



Source: Deloitte & Touche LLP based on 24 company survey responses.
Results in average yield per week categories are based on 21 company survey responses.

Figure 28 **Net close rate, 2008 and 2009, U.S., *core company set***

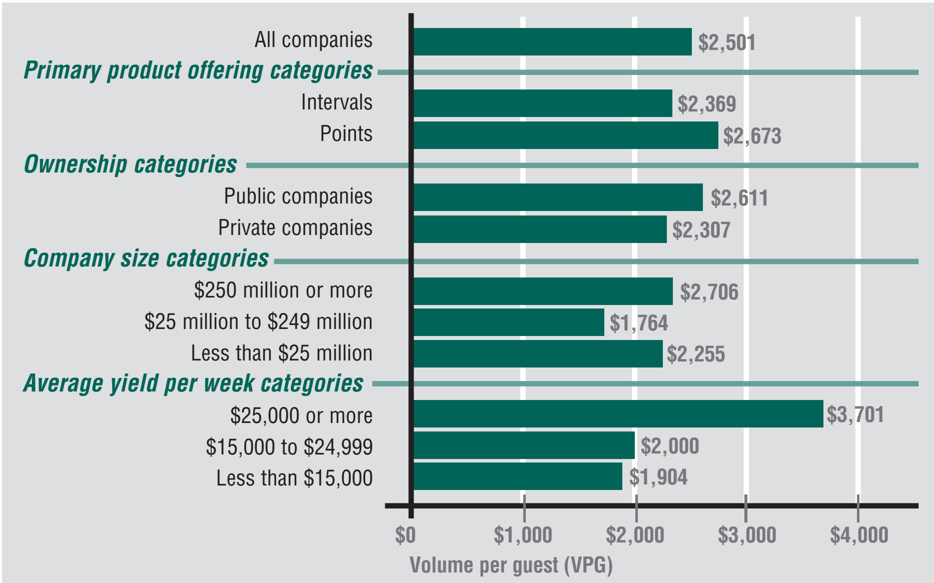


Source: Deloitte & Touche LLP based on 18 company survey responses.

Among the *core company set*, net close rates increased from 14.6 percent in 2008 to 15.5 percent in 2009 (Figure 28).

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 2009, 24 companies reported an average VPG of $2,501, which increased from $2,448 as reported by the same respondents for 2008.

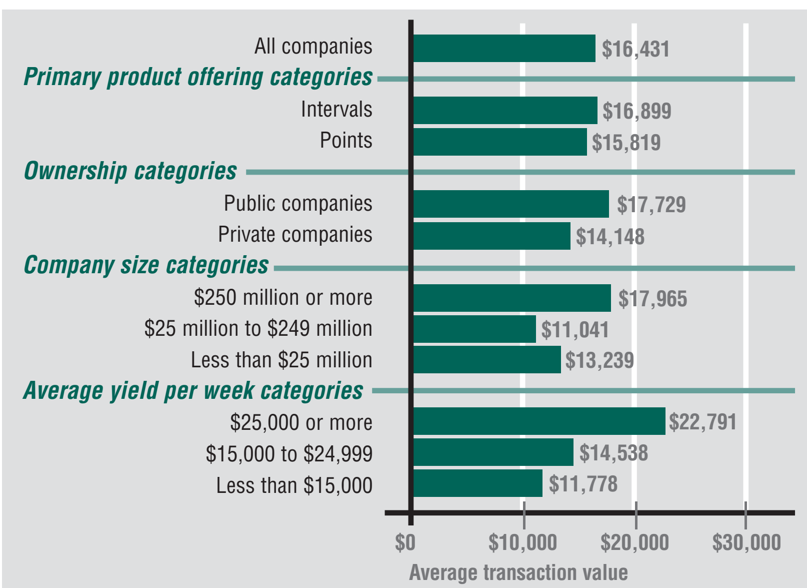
Figure 29 **Volume per guest (VPG) by company category, 2009, U.S.**



Source: Deloitte & Touche LLP based on 24 company survey responses.
Results in average yield per week categories are based on 21 company survey responses.

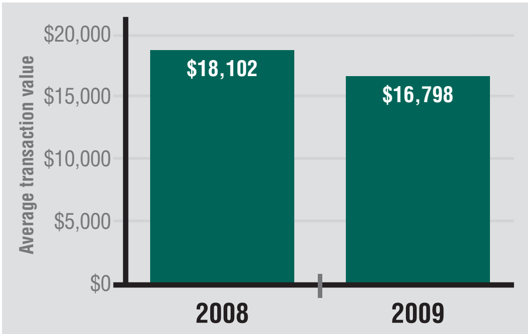
Survey respondents reported a weighted average transaction value of $16,431 in 2009, which decreased from $17,756 in the previous year. In general, smaller to medium size companies reported lower transaction values; companies with net originated sales between $25 million and $249 million reported the lowest average transaction value for the company size category reporting $11,041 in 2009 (Figure 30).

Figure 30 **Average transaction value by company category, 2009, U.S.**



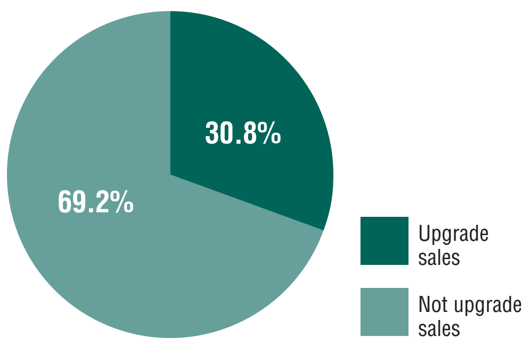
Source: Deloitte & Touche LLP based on 24 company survey responses.
Results in average yield per week categories are based on 21 company survey responses.

Figure 31 **Average transaction value, 2008 and 2009, U.S., *core company set***



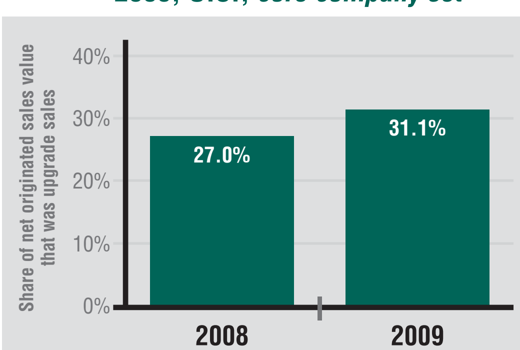
Source: Deloitte & Touche LLP based on 18 company survey responses.

Figure 32 **Upgrade and non-upgrade sales as a share of net originated sales value, 2009, U.S.**



Source: Deloitte & Touche LLP based on 22 companysurvey responses.

Figure 33 **Share of net originated sales value that was upgrade sales, 2008 and 2009, U.S., *core company set***



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

Average transaction values among the *core company set* decreased by 7.2 percent from 2008 to 2009, averaging $16,798 in 2009 (Figure 31).

As many timeshare companies focused on upgrades in 2009 (Figure 33), which are smaller purchases, a slight decrease in transaction value would be expected.

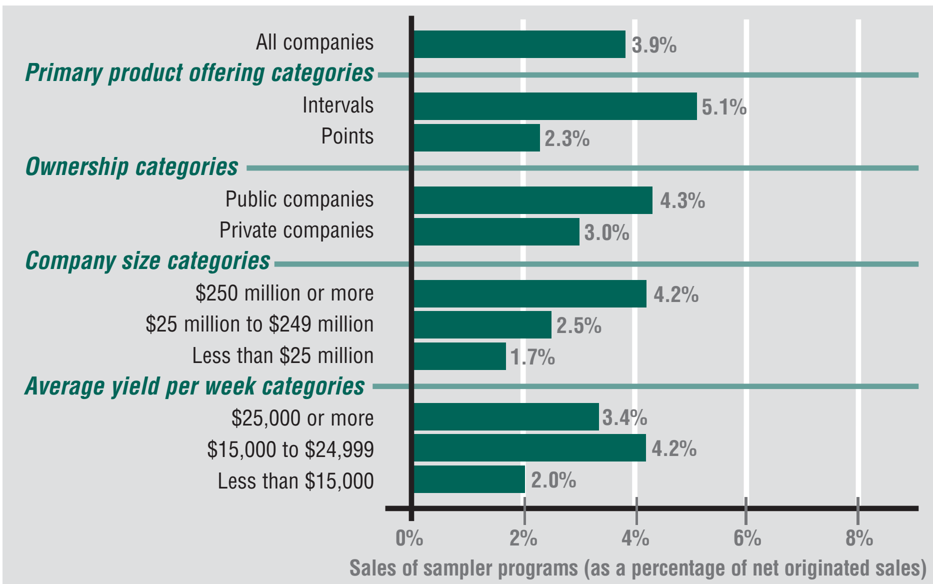
The sales tour metrics presented in this section are based on the total number of sales transactions and total net originated sales, which include both upgrade and non-upgrade sales transactions. In total, 22 respondent companies provided detailed information indicating that net originated sales value resulting from upgrade sales increased from 27.0 percent in 2008 to 30.8 percent in 2009. Conversely, the remainder of net originated sales value resulting from non-upgrade sales decreased from 73.0 percent in 2008 to 69.2 percent in 2009 (Figure 32). The same respondents reported that average transaction value for non-upgrade sales was $17,091 and for upgrade sales was $16,391 in 2009.

Respondents in the *core company set* reported that upgrade sales accounted for 31.1 percent of total net originated sales value in 2009, which is 4.1 percentage points higher than 2008 (Figure 33). Sixty percent of respondents in the *core company set* reported that upgrade sales accounted for a greater share of net originated sales value in 2009 than in 2008, while the remainder reported that upgrade sales accounted for a smaller share of net originated sales value.

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 an upfront 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 2009, respondents reported that sampler program sales were equivalent to 3.9 percent of total net originated sales. Sales of sampler programs for point companies were equivalent to 2.3 percent of net originated sales, while such sales for interval companies were equivalent to 5.1 percent of net originated sales. Public companies also tended to have higher sales of sampler programs in relation to net originated sales than private companies (Figure 34).

Figure 34 **Sales of sampler programs by company category, 2009, U.S.**



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

IV. REVENUE RECOGNITION

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 now also deduct from revenue an estimated percentage of 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 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 until construction is complete.

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, 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 35, show that after an average of $13.36 in rescissions, on a weighted average basis, $113.36 in gross sales in 2009 generated $100.00 of net originated sales.[15] From this $100.00, an average of $18.51 was deducted as a reduction of revenue for uncollectible accounts, $0.13 was added as net deferrals for sales that had not yet cleared the rescission period, and a net amount of $0.24 was added as net deferrals for buyer commitment. The small addition for net deferrals for rescission period and net deferrals for buyer commitment were apparently the result of sales in previous periods being offset by a smaller amount of sales in 2009 being deferred. In total, each $100.00 in net originated sales generated $81.86 in sales for accounting purposes after these adjustments, which after an addition of $7.38 for net deferrals for percentage-of-completion[16] (resulting from sales that occurred earlier and that were recognized as projects reached completion at six respondents), resulted in $89.25 in sales revenue according to GAAP (some figures do 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.

15 The 21 respondents shown in Figure 35 reported $4.3 billion of net originated U.S. sales.

16 Net deferrals for percentage-of-completion have the effect of increasing average sales revenue because respondents reported positive values, indicating sales that occurred earlier were recognized as projects reached completion.

Figure 35 **Timeshare sales revenue per $100 in net originated sales, 2009, U.S.**

	All respondents	Public companies	Private companies
Gross sales	$113.36	$113.41	$113.29
Rescissions	(13.36)	(13.41)	(13.29)
Net originated sales	$100.00	$100.00	$100.00
Reduction of revenue for uncollectible accounts	(18.51)	(20.20)	(15.70)
Net deferrals for rescission period	0.13	0.22	(0.01)
Net deferrals for buyer commitment	0.24	0.15	0.39
Sales after reduction for uncollectibles accounts, and deferrals for rescission period and buyer commitment	$81.86	$80.17	$84.68
Net deferral for percentage-of-completion	7.38	9.73	3.48
Sales revenue according to GAAP	$89.25	$89.90	$88.16

Note: Four public companies and two private companies reported positive net deferral for percentage-of-completion in 2009 resulting from sales that occurred earlier and were recognized as projects reached completion.
Source: Deloitte & Touche LLP based on 21 company survey responses, 5 public companies and 16 private companies.

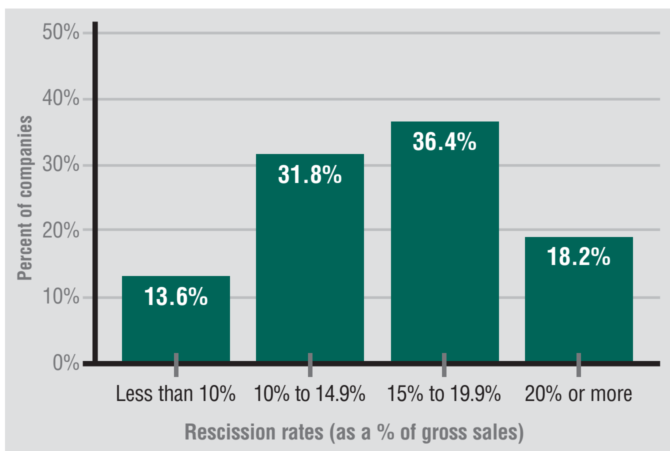
Rescissions

For the 22 respondent companies that provided rescission information, the weighted average rescission rate (dollar value of rescissions as a percentage of gross sales) increased from 11.8 percent in 2008 to 13.4 percent in 2009.

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. Three companies reported rescission rates below 10 percent for 2009, while four others reported rates in excess of 20 percent. In 2009, 68.2 percent of respondent companies recorded rescission rates ranging from 10 to 19.9 percent (Figure 36).

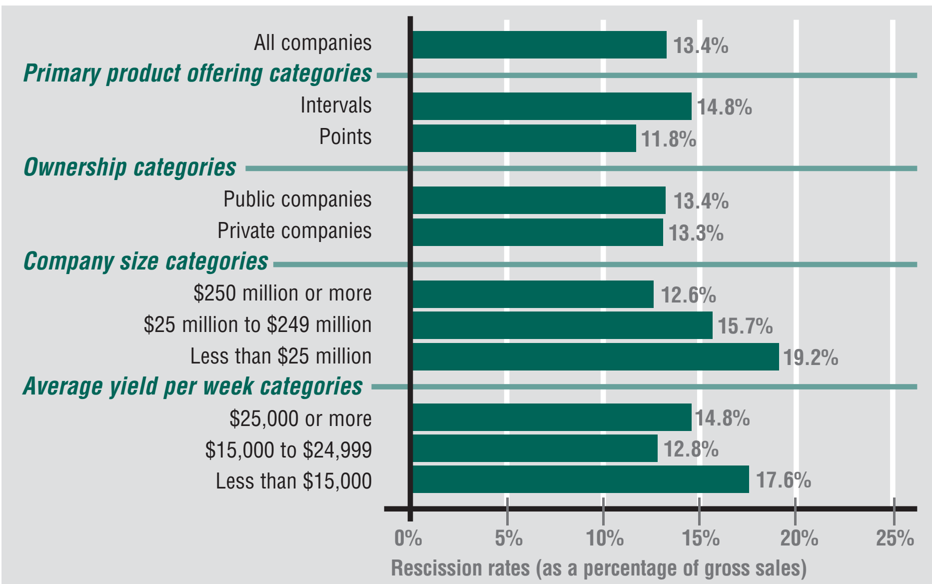
Figure 36 **Distribution of companies by rescission rates, 2009, U.S.**



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

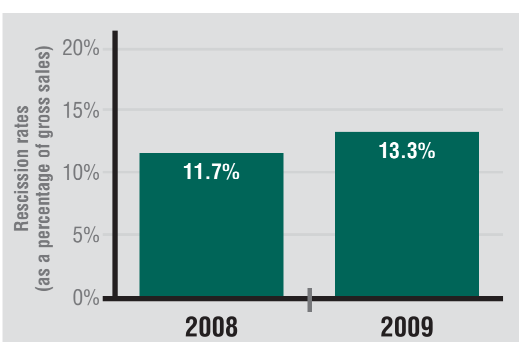
Variations in rescission rates were observed from one company category to another in 2009. Differences are evident between interval and points companies, with points companies achieving lower average rescission rates (Figure 37). Differences were also noted in the company size categories as companies with $250 million or more of net originated sales reported a lower average rescission rate of 12.6 percent compared to the 19.2 percent reported by companies with less than $25 million of net originated sales. 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 37 **Rescission rates by company category, 2009, U.S.**



Source: Deloitte & Touche LLP based on 22 company survey responses.
Results in average yield per week categories are based on 21 company survey responses.

Figure 38 **Rescission rates, 2008 and 2009, U.S., *core company set***



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

The *core company set* reported an average rescission rate in 2009 (13.3 percent) that was similar to the overall response set. The average rescission rate for the *core company set* was higher in 2009 compared to 2008 (Figure 38).

V. KEY RATIOS

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

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 expense line items were other sales and marketing costs, at 27.7 percent of net originated sales, product cost, at 23.8 percent, and sales commissions at 14.1 percent (Figure 39). The weighted average pre-tax margin on timeshare sales operations was 8.5 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 lower estimated uncollectible sales, higher product cost, higher sales and marketing costs, higher general and administrative costs, and higher HOA subsidies and/or maintenance fees, resulting in a lower weighted average pre-tax margin.

Figure 39 **Key ratios as a percentage of net originated sales value, 2009, U.S.**

	All respondents	Interval companies	Points companies	Public companies	Private companies
Estimated uncollectible sales	17.3%	13.7%	21.8%	18.2%	15.7%
Cost of sales, also referred to as product cost	23.8%	27.7%	19.0%	22.5%	26.2%
Sales commissions	14.1%	12.1%	16.5%	15.1%	12.3%
Other sales and marketing costs to sell timeshare intervals or points	27.7%	32.9%	21.2%	25.0%	32.6%
Sub-total: Sales commissions and other sales and marketing costs	41.8%	45.0%	37.7%	40.1%	44.9%
General and administrative costs related to timeshare sales operations	7.4%	6.5%	8.5%	7.3%	7.5%
HOA subsidies and/or maintenance fees	1.2%	1.3%	1.2%	0.5%	2.4%
Pre-tax margin of timeshare sales operations	8.5%	5.8%	11.8%	11.4%	3.3%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Deloitte & Touche LLP based on 24 company survey responses.

17 Several companies reported timeshare sales expenses in 2009 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 as well as lower general and administrative costs, resulting in higher pre-tax margins (Figure 40). Additionally, the weighted average estimate of uncollectible sales is the lowest in the $25,000 or more yield per week category due to the fact that two companies within the category reported a lower than average estimate of uncollectible sales (Figure 40). The following sections provide further analysis on each line item category.

Figure 40 **Key ratios as a percentage of net originated sales value, 2009, 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	17.0%	18.7%	18.4%	5.1%	24.2%	24.1%
Cost of sales, also referred to as product cost	25.0%	18.6%	25.3%	34.5%	17.4%	21.8%
Sales commissions	13.3%	16.7%	17.7%	7.4%	18.5%	18.2%
Other sales and marketing costs to sell timeshare intervals or points	26.8%	30.9%	30.0%	30.9%	23.1%	35.3%
Sub-total: Sales commissions and other sales and marketing costs	40.1%	47.6%	47.7%	38.3%	41.6%	53.5%
General and administrative costs related to timeshare sales operations	6.5%	11.1%	7.7%	5.1%	8.8%	7.3%
HOA subsidies and/or maintenance fees	0.9%	2.1%	2.0%	1.9%	1.0%	1.3%
Pre-tax margin of timeshare sales operations	10.5%	1.9%	-1.1%	15.1%	7.0%	-8.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Deloitte & Touche LLP based on 24 company survey responses for "Company size" categories; results for average yield per week categories are based on 21 company survey responses.

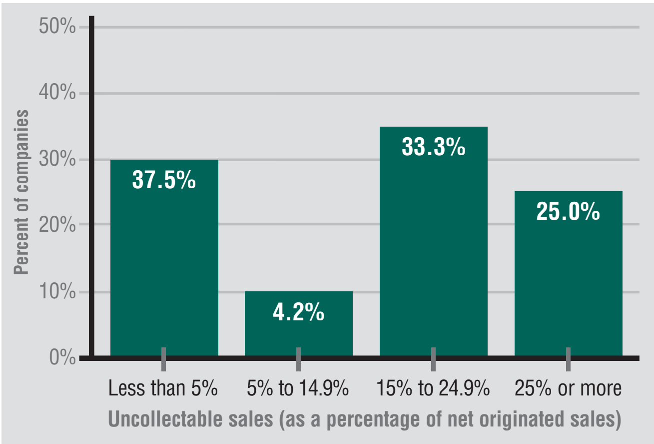
Estimated uncollectible sales

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, 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.

Figure 41 **Distribution of companies by estimated uncollectible sales, 2009, U.S.**

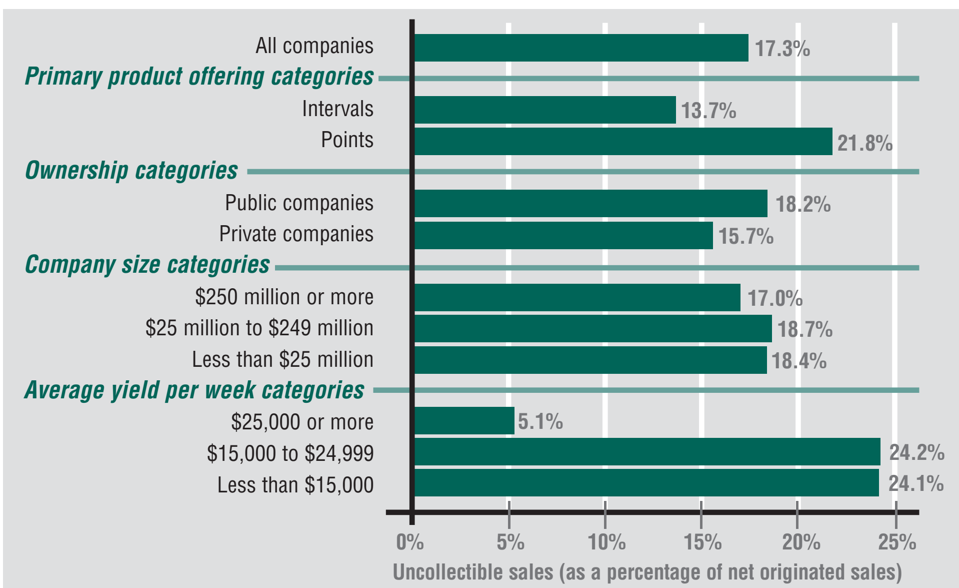


Source: Deloitte & Touche LLP based on 24 company survey responses.

In previous editions, four categories of estimated uncollectible sales were presented. The range of responses received this year warranted broader categories for more meaningful analysis. Therefore, the previous "5% to 9.9%" category was combined with the "10% to 14.9%" category and the upper limit increased from 15 percent to 25 percent in this year's edition. Companies' estimates of uncollectible sales averaged 17.3 percent of net originated sales in 2009, on a weighted average basis.[18] Companies reported estimates of almost zero percent and over thirty percent, with 58.3 percent of companies reporting estimates equal to or greater than 15 percent (Figure 41).

The weighted average estimate of uncollectible sales was lowest for interval companies, private companies, and companies with an average yield per week of $25,000 or more (Figure 42). Differences among companies' estimates can result from factors such as contract terms, location of the timeshare interest, collection experience, and other factors.

Figure 42 **Estimated uncollectible sales by company category, 2009, U.S.**



Source: Deloitte & Touche LLP based on 24 company survey responses.
Results in average yield per week categories are based on 21 company survey responses.

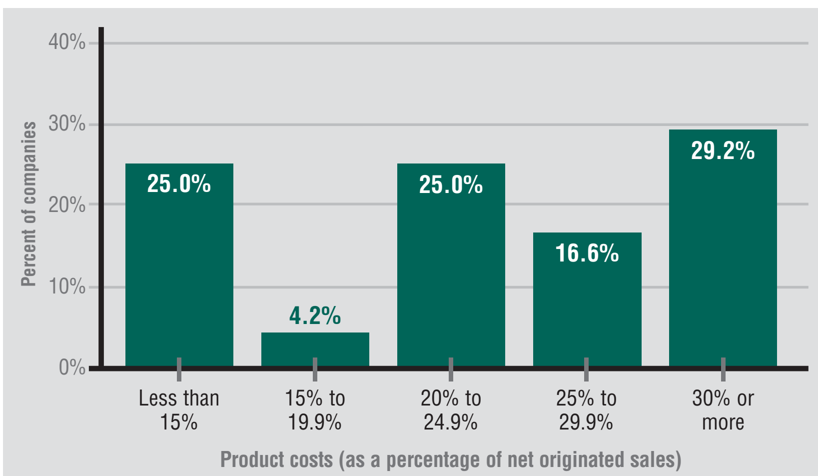
18 The average estimate of uncollectible sales in the key ratios section differed slightly from the average deduction for uncollectible sales reported in the revenue recognition section. This was due to a slightly different set of respondents providing information on each section, as well as differences in the responses provided by some companies to both questions.

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, capitalized interest, and capitalized maintenance. 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 is 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.

The weighted average product cost, as a percentage of net originated sales, was 23.8 percent in 2009. Respondents reported product costs ranging from less than 10 percent to over 42 percent. Twenty-nine percent of respondents reported product costs of less than 20 percent and 45.8 percent of respondents reported product costs of 25 percent and higher (Figure 43).

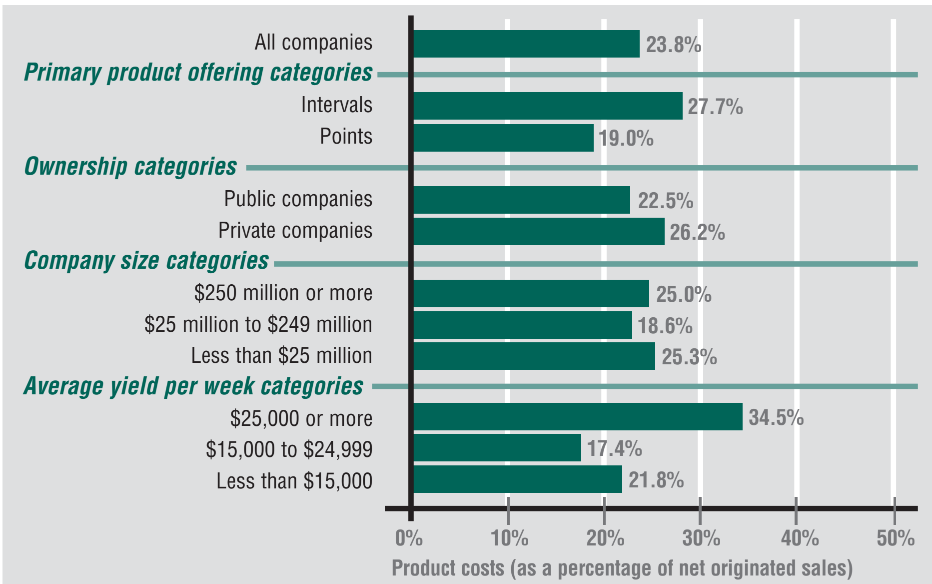
Figure 43 **Distribution of companies by product costs, 2009, U.S.**



Source: Deloitte & Touche LLP based on 24 company survey responses.

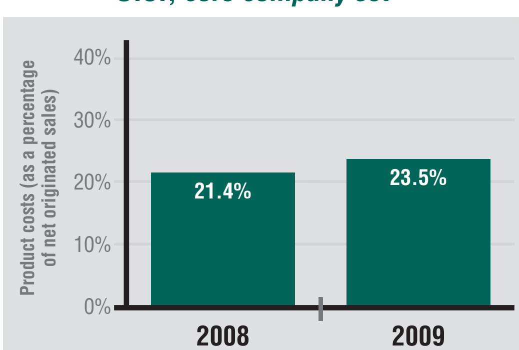
For companies selling weeks at the upper end of the price range, product costs typically accounted for a greater percentage of the selling price. Consistent with this, the companies that reported the highest average yields per timeshare week in 2009 also reported the highest product cost for the category, of 34.5 percent (Figure 44), on a weighted average basis. Companies reporting $250 million or more in net originated sales reported product costs slightly above the average, while companies reporting net originated sales between $25 million and $249 million reported 18.6 percent which is well below the average (Figure 44).

Figure 44 **Product costs by company category, 2009, U.S.**



Source: Deloitte & Touche LLP based on 24 company survey responses.
Results in average yield per week categories are based on 21 company survey responses.

Figure 45 **Product costs, 2008 and 2009, U.S., *core company set***



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

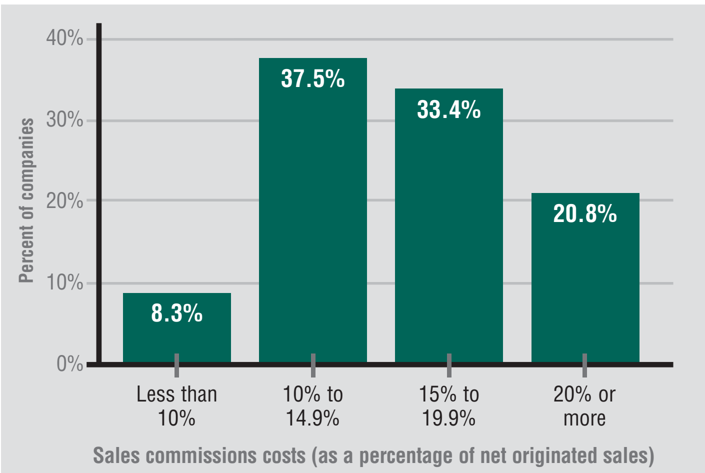
For the *core company set*, total product costs averaged 23.5 percent in 2009, up slightly from 21.4 percent in 2008 (Figure 45).

Sales and marketing costs

In 2009, sales commissions averaged 14.1 percent of net originated sales (Figure 47), while other sales and marketing costs averaged 27.7 percent (Figure 49), for a total of 41.8 percent (Figure 51). 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.

In previous reports, the distribution of companies by sales commission's costs has included five categories. Company responses received this year did not require the use of a "25% or more" category. Therefore, the upper limit was reduced to "20% or more" to better present the results in this year's report.

Figure 46 **Distribution of companies by sales commissions costs, 2009, U.S.**

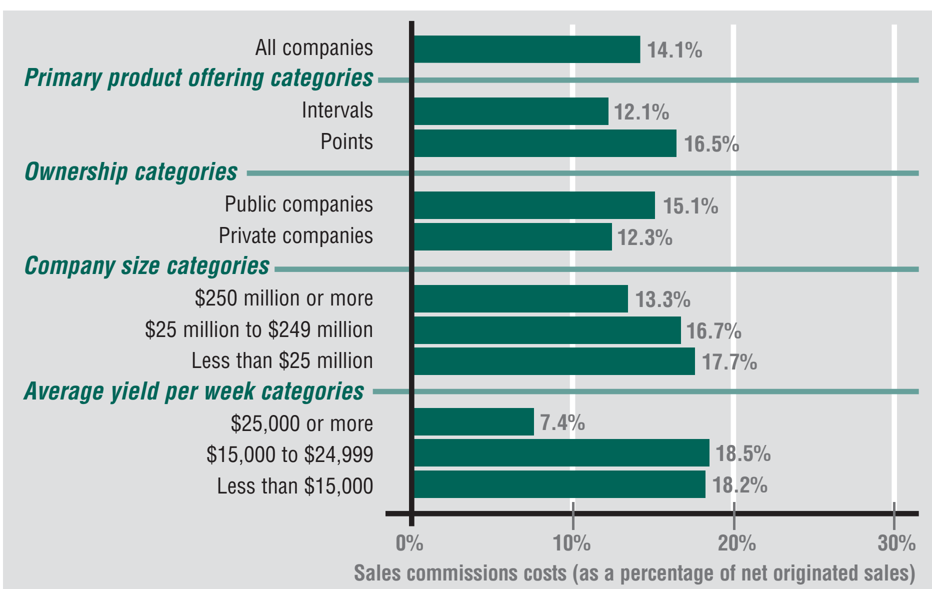


Source: Deloitte & Touche LLP based on 24 company survey responses.

Of the 24 respondents, 17 or 70.9 percent reported sales commissions between 10.0 and 19.9 percent of net originated sales (Figure 46).

Respondents which represented larger size companies reported lower weighted average sales commissions than smaller size companies (Figure 47). Private companies also reported sales commissions 2.8 percentage points lower than public companies.

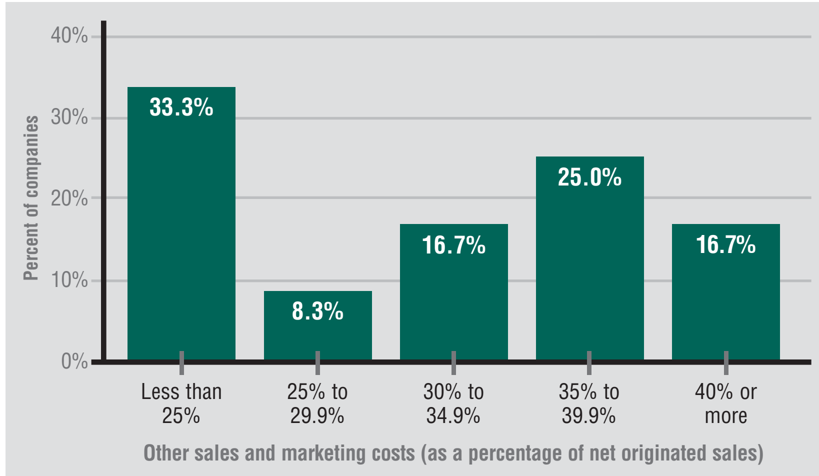
Figure 47 **Sales commissions costs by company category, 2009, U.S.**



Source: Deloitte & Touche LLP based on 24 company survey responses.
Results in average yield per week categories are based on 21 company survey responses.

Approximately fifty percent of respondents reported other sales and marketing costs between 25.0 and 39.9 percent of net originated sales (Figure 48).

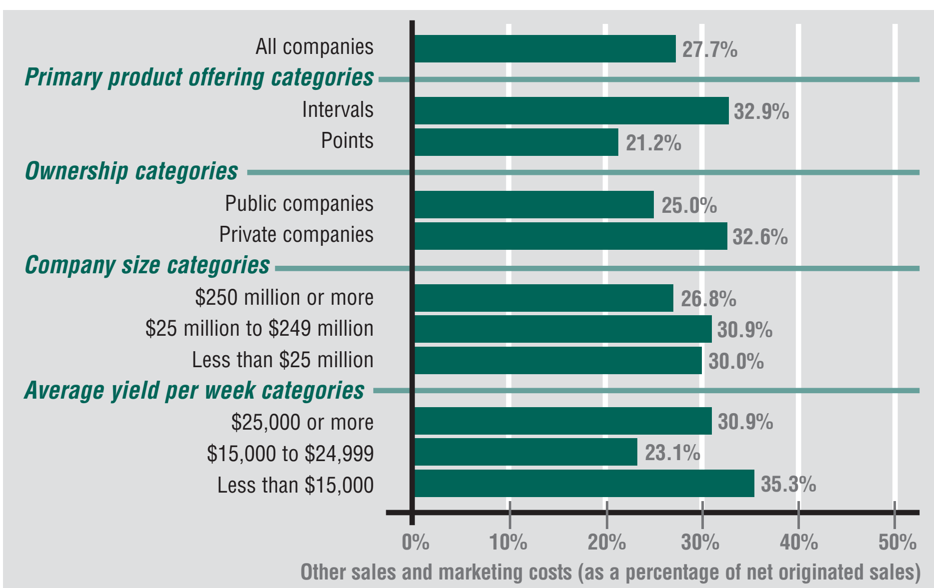
Figure 48 **Distribution of companies by other sales and marketing costs, 2009, U.S.**



Source: Deloitte & Touche LLP based on 24 company survey responses.

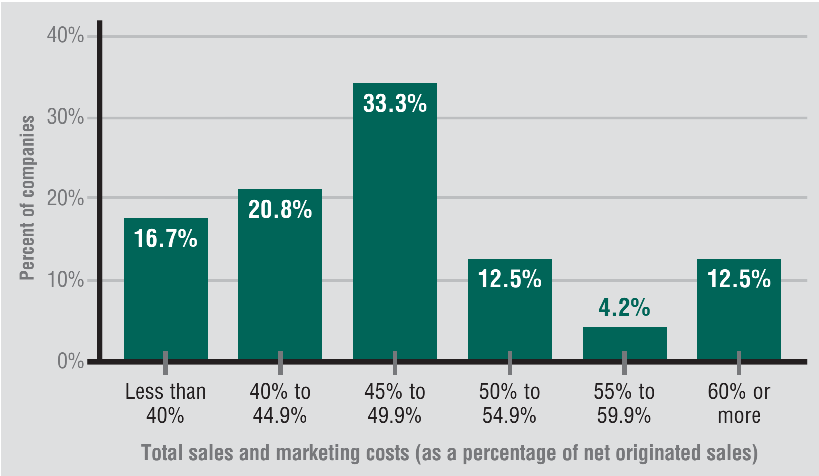
Interval companies reported significantly higher other sales and marketing costs than points companies. This occurred as two major companies in the points category reported lower than average other sales and marketing costs, which may in part reflect factors such as the sales and marketing channels and categorization of costs at those particular companies and not be representative of a difference between interval companies and points companies overall. There were two large public companies that drove the other sales and marketing costs for public companies lower than private companies. Companies with net originated sales less than $250 million reported higher other sales and marketing costs than companies with net originated sales of $250 million or more (Figure 49).

Figure 49 **Other sales and marketing costs by company category, 2009, U.S.**



Source: Deloitte & Touche LLP based on 24 company survey responses.
Results in average yield per week categories are based on 21 company survey responses.

Figure 50 **Distribution of companies by total sales and marketing costs, 2009, U.S.**

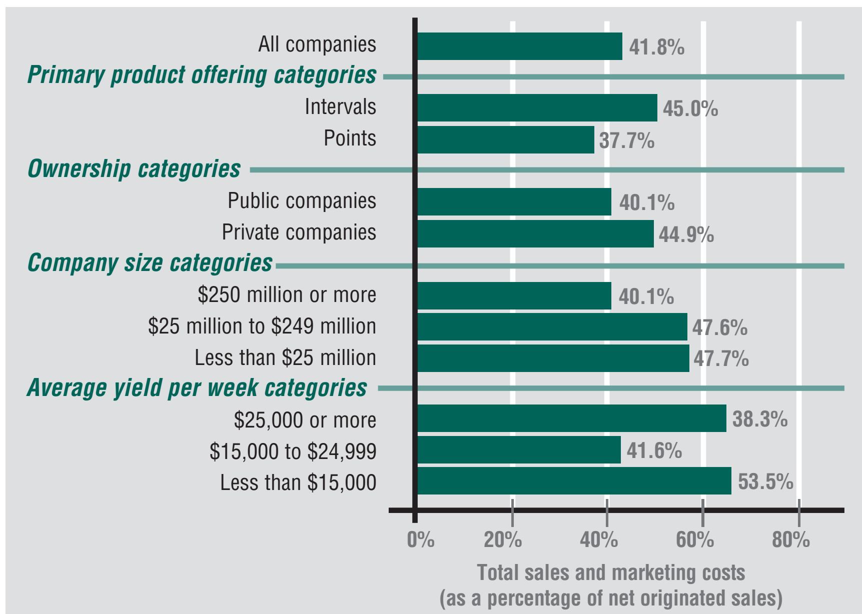


Source: Deloitte & Touche LLP based on 24 company survey responses.

Total sales and marketing costs vary across development companies. Approximately 67 percent of companies reported total sales and marketing costs between 40 and 54.9 percent of net originated sales (Figure 50).

The weighted average total sales and marketing costs for the respondent companies was 41.8 percent. Companies primarily selling intervals reported total sales and marketing costs of 45.0 percent, which is 7.3 percentage points higher than points companies (Figure 51). Public companies and larger size companies reported lower total sales and marketing costs than private companies and smaller companies.

Figure 51 **Total sales and marketing costs by company category, 2009, U.S.**



Source: Deloitte & Touche LLP based on 24 company survey responses.
Results in average yield per week categories are based on 21 company survey responses.

Figure 52 **Sales and marketing costs as a percentage of net originated sales value, 2008 and 2009, U.S., *core company set***

	2008	2009
Sales commissions	13.0%	13.9%
Other sales and marketing costs	31.0%	27.9%
Total sales and marketing costs	44.0%	41.8%

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

Total sales and marketing costs reported by the *core company set* decreased from 44.0 percent in 2008 to 41.8 percent in 2009 (Figure 52). The decrease in other sales and marketing costs was offset by the slight increase in sales commissions.

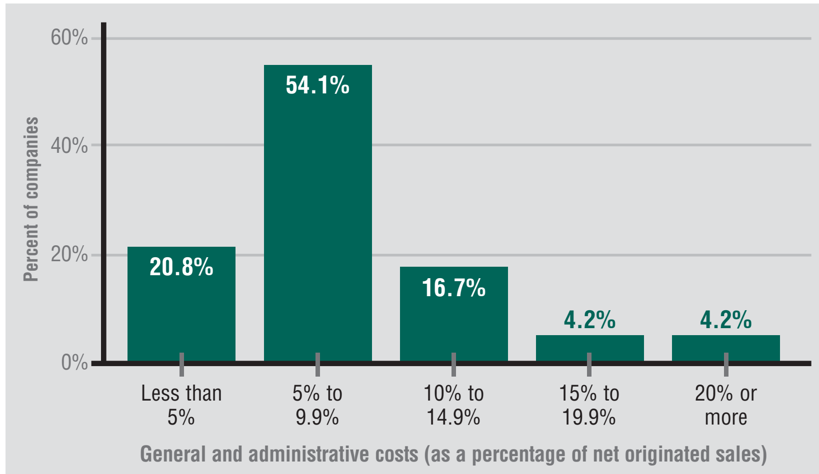
General and administrative costs

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 7.4 percent in 2009, on a weighted average basis. Overall, these costs vary widely from company to company. Approximately 71 percent of respondents reported costs between 5.0 and 14.9 percent (Figure 53).

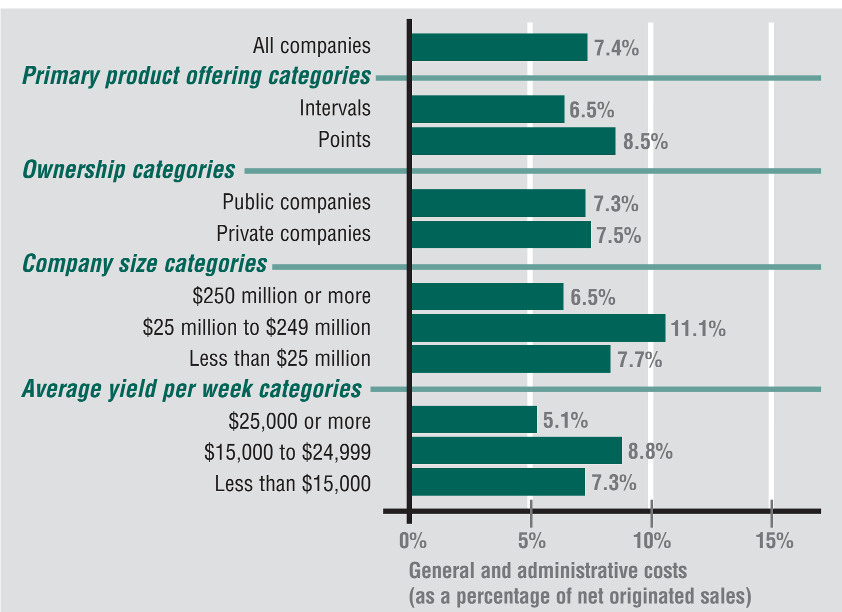
The *core company set* reported general and administrative costs of 6.9 percent in 2009, which increased slightly from 6.8 percent in 2008.

Figure 53 **Distribution of companies by general and administrative costs, 2009, U.S.**



Source: Deloitte & Touche LLP based on 24 company survey responses.

Figure 54 **General and administrative costs by company category, 2009, U.S.**



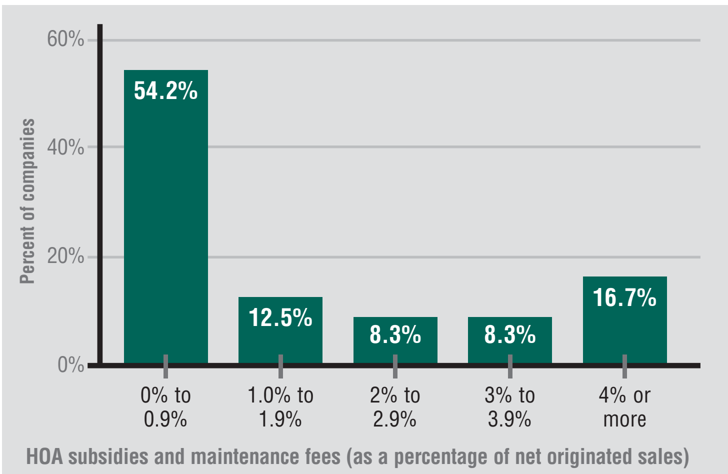
Source: Deloitte & Touche LLP based on 24 company survey responses.
Results in average yield per week categories are based on 21 company survey responses.

Several categories of companies reported general and administrative costs lower than the average. However, points companies, companies with net originated sales under $250 million, and companies with average yields per week of $15,000 to $24,999 reported costs above the average (Figure 54), on a weighted average basis.

Home owners association subsidies and maintenance fees

HOA subsidies and maintenance fees to 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.

Figure 55 **Distribution of companies by HOA subsidies and maintenance fees, 2009, U.S.**

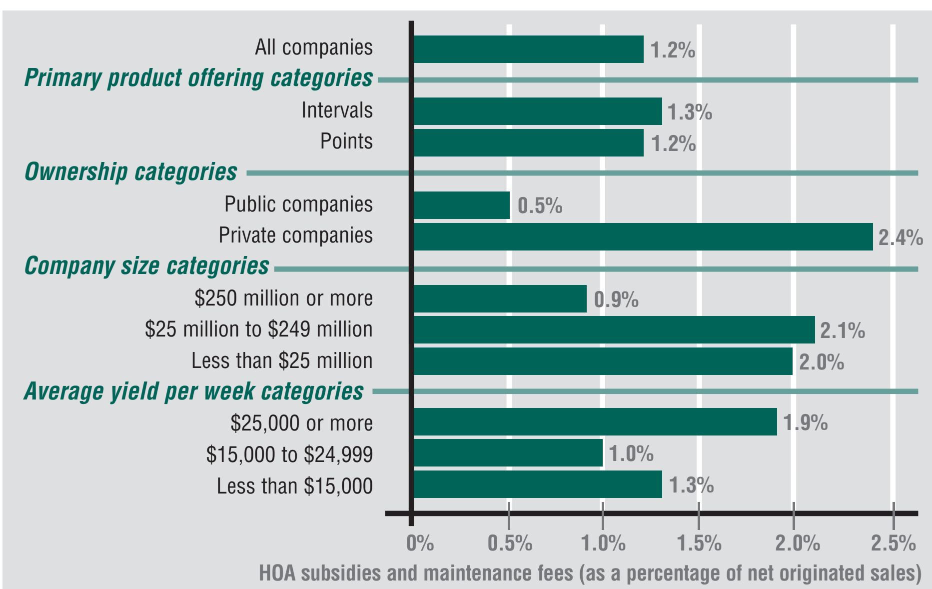


Source: Deloitte & Touche LLP based on 24 company survey responses.

HOA subsidies and maintenance fees as a percentage of net originated sales averaged 1.2 percent in 2009, on a weighted average basis. Overall, HOA subsidies and maintenance fees vary from company to company. In 2009, 66.7 percent of respondents reported HOA subsidies and maintenance fees of 1.9 percent or less (Figure 55).

Public companies and companies generating more than $250 million in net originated sales reported the lowest average HOA subsidies and maintenance fees, on a weighted average basis (Figure 56).

Figure 56 **HOA subsidies and maintenance fees by company category, 2009, U.S.**



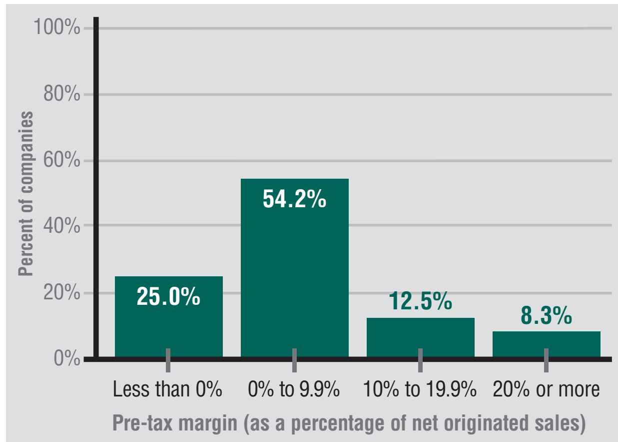
Source: Deloitte & Touche LLP based on 24 company survey responses.
Results in average yield per week categories are based on 21 company survey responses.

Pre-tax margin on timeshare sales operations

As part of the key ratios analysis, which collected revenue deductions and various costs as a percentage of net originated sales, also collected 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 8.5 percent in 2009, on a weighted average basis. In 2009, 66.7 percent of respondents reported pre-tax margins between zero and 19.9 percent (Figure 57). 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-five 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.

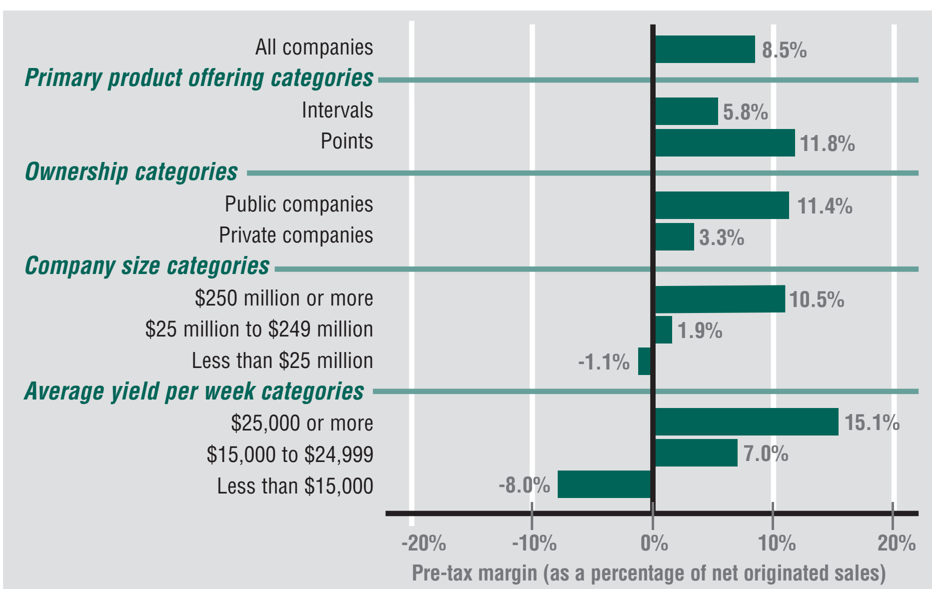
Figure 57 **Distribution of companies by pre-tax margins, 2009, U.S.**



Source: Deloitte & Touche LLP based on 24 company survey responses.

Public companies, larger companies, and companies with higher average yields per week reported higher pre-tax margins, on a weighted average basis (Figure 58).

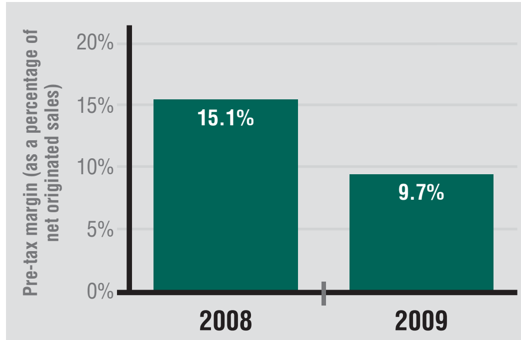
Figure 58 **Pre-tax margins by company category, 2009, U.S.**



Source: Deloitte & Touche LLP based on 24 company survey responses.
Results in average yield per week categories are based on 21 company survey responses.

Among *core company set* companies, total pre-tax margin averaged 9.7 percent in 2009, down from 15.1 percent in 2008 (Figure 59). This decrease of 5.4 percentage points corresponds to an approximately four percentage point increase in uncollectible sales reported by the *core company set*, which would have the effect of reducing the pre-tax margin by that amount.

Figure 59 **Pre-tax margin, 2008 and 2009, U.S., *core company set***



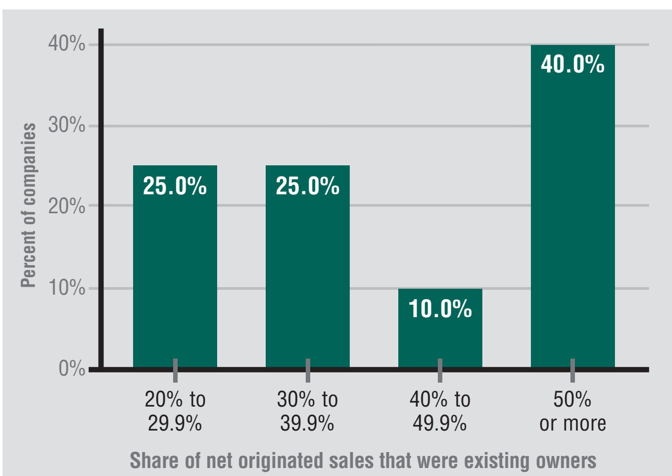
Source: Deloitte & Touche LLP based on 16 company survey responses.

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.

In previous reports, the range of responses received has supported a distribution including "Less than 10%" and "10% to 19.9%." This year, there were no responses in these categories; therefore, they have not been included in Figure 60 below.

Figure 60 **Distribution of companies by share of net originated sales that were to existing owners, 2009, U.S.**

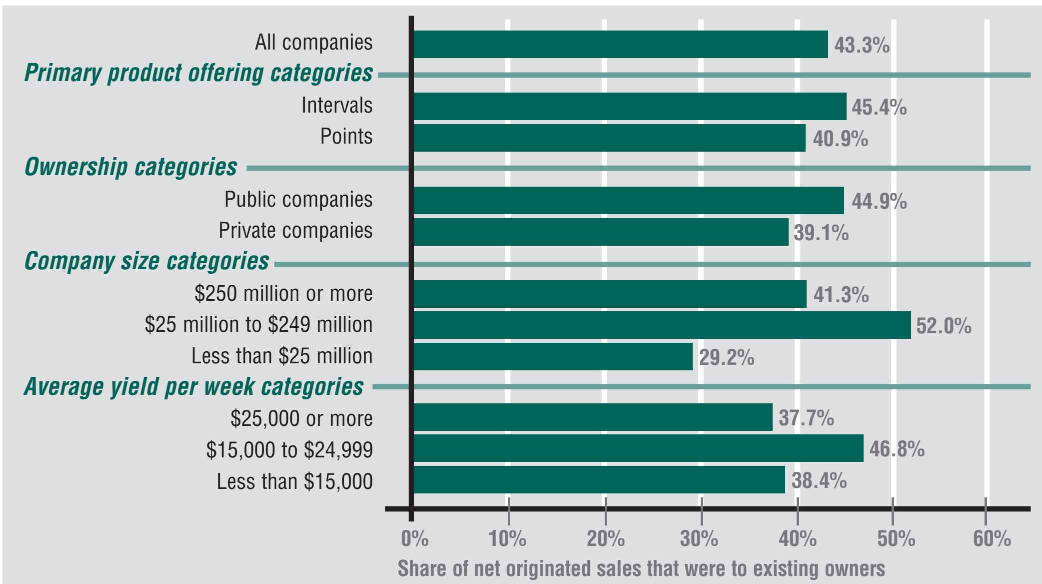


Source: Deloitte & Touche LLP based on 20 company survey responses.

Respondents reported that 43.3 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 60), from 20 percent to over 50 percent.

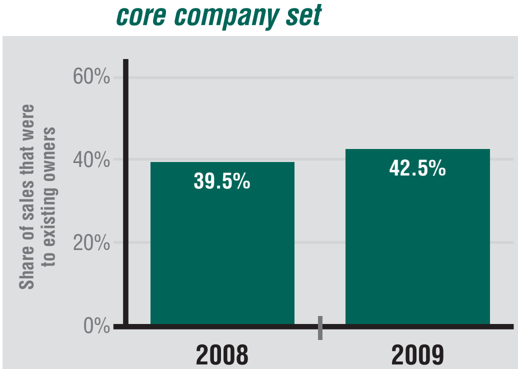
Public companies showed an above average percentage of net originated sales made to existing owners (44.9 percent), while private companies were below average (Figure 61). Meanwhile, companies with net originated sales between $25 million and $249 million reported the highest share of sales to existing owners (52.0 percent).

Figure 61 **Share of net originated sales that were to existing owners by company category, 2009, U.S.**



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

Figure 62 **Share of sales that were to existing owners, 2008 and 2009, U.S., *core company set***



Source: Deloitte & Touche LLP based on 15 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 three percentage points from 2008 to 2009 (Figure 62).

VI. HYPOTHECATION OF RECEIVABLES

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

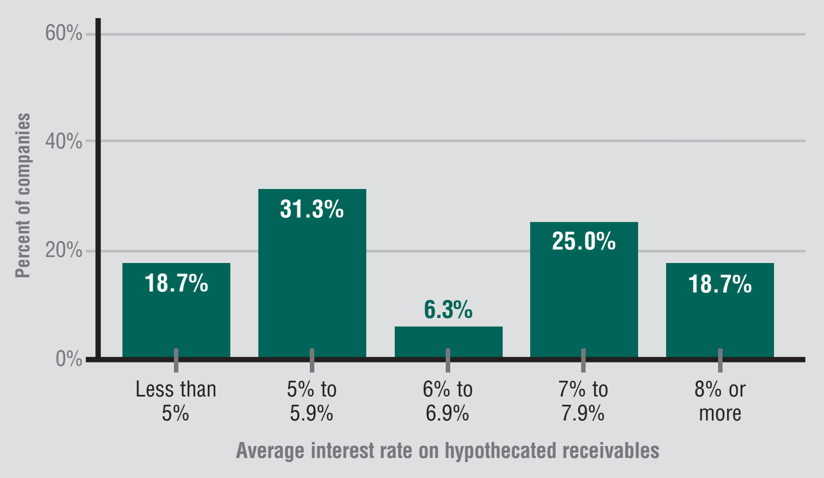
Sixteen respondents provided information on hypothecations of receivables that occurred during 2009, totaling $1.06 billion, compared to $1.05 billion in 2008, as reported by 15 respondents. Respondents that provided information on the interest rate paid reported paying a weighted average interest rate of 5.2 percent in 2009 for funds borrowed against these receivables. This compares to an average interest rate of 5.5 percent paid for hypothecated receivables during 2008 by the 15 respondents, representing a 0.3 percentage point decrease. For comparison, the prime rate averaged 5.1 percent in 2008 and 3.3 percent in 2009, a 1.8 percentage point decrease.[19] Respondents reported a weighted average advance rate of 82.2 percent in 2009, compared to 84.7 percent in 2008, representing a 2.5 percentage point decrease.

Figure 63 **Hypothecations, 2008 and 2009, all geographies**

	2008	2009
Average interest rate paid	5.5%	5.2%
Average advance rate	84.7%	82.2%

Source: Deloitte & Touche LLP based on 15 company survey responses for 2008 and 16 company survey responses for 2009.

Figure 64 **Distribution of companies by average interest rate on hypothecated receivables, 2009, all geographies**



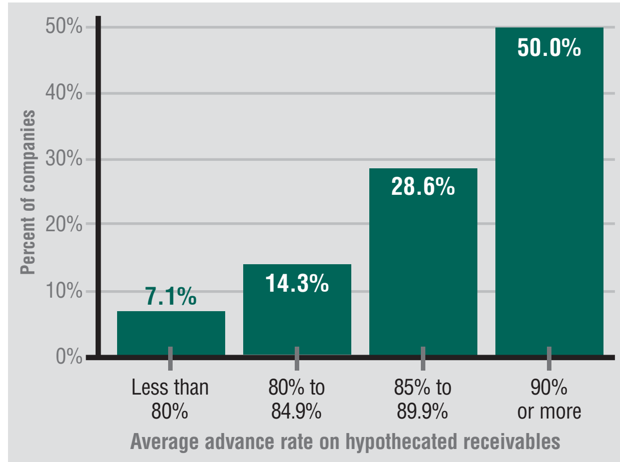
Source: Deloitte & Touche LLP based on 16 company survey responses.

In 2009, 37.6 percent of respondents reported an average interest rate between 5.0 and 6.9 percent paid for funds borrowed by hypothecating receivables (Figure 64).

19 Average majority prime rate charged by banks on short-term loans to business, quoted on an investment basis. Bank prime loan rate historical data 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 portion of the loan funded in cash is referred to as the advance rate. In 2009, six out of 14 respondents reported average advance rates of 90 percent and one respondent reported an average advance rate of over 90 percent (Figure 65). One large company reported an average advance rate in the 80 to 84.9 percent range contributing to the 82.2 percent weighted average even though most respondents reported advance rates of 90 percent or more.

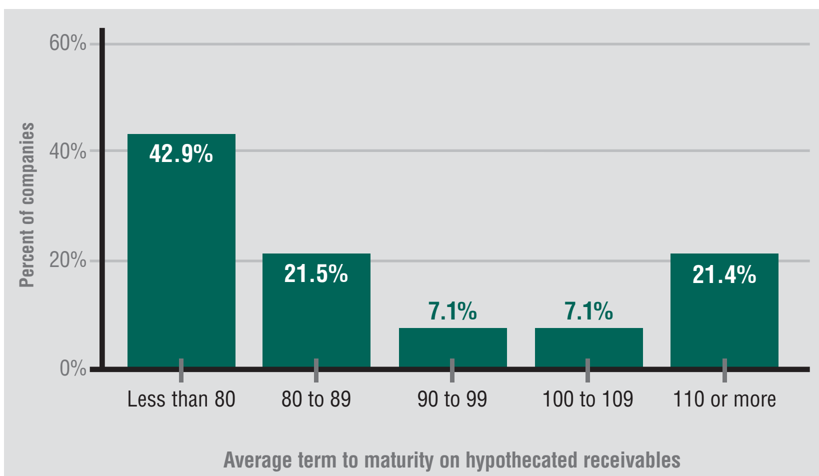
Figure 65 **Distribution of companies by average advance rate on hypothecated receivables, 2009, all geographies**



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

Of the 14 companies that reported average remaining term to maturity on hypothecated receivables at the point of hypothecation for 2009, 35.7 percent reported average remaining terms to maturity between 80 and 109 months in 2009 (Figure 66). The weighted average remaining term to maturity, as reported by 13 company survey responses for 2008 and 14 company survey responses for 2009, decreased from 92.4 months in 2008 to 90.8 months in 2009.

Figure 66 **Distribution of companies by average term to maturity on hypothecated receivables, 2009, all geographies**



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

VII. PORTFOLIO SALES AND SECURITIZATIONS

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 17 separate securitizations transactions reported by six survey respondents in 2009 represented a total value of $2.3 billion, measured as the gross value of the sales contracts securitized.[20] This compares to 20 separate transactions reported by four survey respondents in 2008, with a total value of $1.5 billion.

Among the securitization transactions reported by the survey respondents, several key changes were evident between 2008 and 2009.

- The total value of funding increased from 2008 to 2009 by approximately 58 percent.
- One company conducted securitizations in 2008, but not in 2009, while two companies conducted securitizations in 2009 that did not report securitizations in 2008.
- Average transaction size of securitizations increased from 2008 to 2009 by approximately 86 percent for all respondents.
- Average advance rates for all respondents decreased from 2008 to 2009 by more than eight percentage points.
- The interest rate paid by the development company decreased by 15.5 percent[21] for all securitization transactions, on a weighted average basis.

Figure 67 **Securitizations, 2008 and 2009, all geographies**

	2008	2009
Number of transactions	19	13
Average transaction size (millions)	$73.3	$138.1
Average advance rate	78.2%	67.8%
Average interest rate paid	7.9%	7.2%

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

For comparison purposes, the companies that reported securitizations in both 2008 and 2009 have been analyzed below. The 13 securitizations in 2009, conducted by three of the six respondents, represented a total value of $1.8 billion, compared to 19 securitizations in 2008 with a total value of $1.4 billion conducted by the same three respondents.[22] The weighted average advance rate on securitizations which occurred in 2009, as reported by the same respondents, was 67.8 percent, down from 78.2 percent as reported by the same three respondents in 2008.[23] The weighted average interest rate paid by the seller, the timeshare company, was 7.2 percent in 2009, down from 7.9 percent in 2008.

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

21 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. Also, the financial crisis in 2008 had significant effects on such markets.

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

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

VIII. CONSUMER FINANCING AND RECEIVABLES PORTFOLIO PERFORMANCE

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 53.8 percent of the net originated sales in 2009. The remainder of sales represents cash or cash-out within the first 90 days.[24] 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.

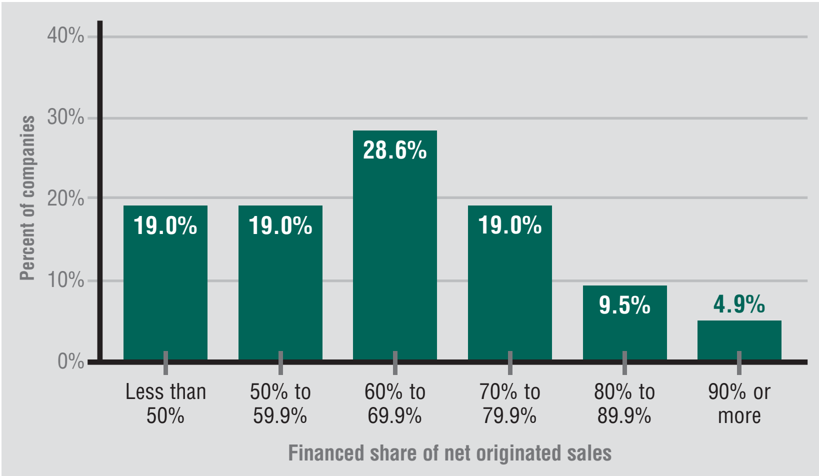
Figure 68 **Portion of net originated sales that were financed by consumers, 2009, U.S.**

	2009
Cash or cash-out within first 90 days	32.8%
Cash down payment	13.4%
Financed value	53.8%
Total	100.0%

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

24 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.

Figure 69 **Distribution of companies by financed share of net originated sales, 2009, U.S.**

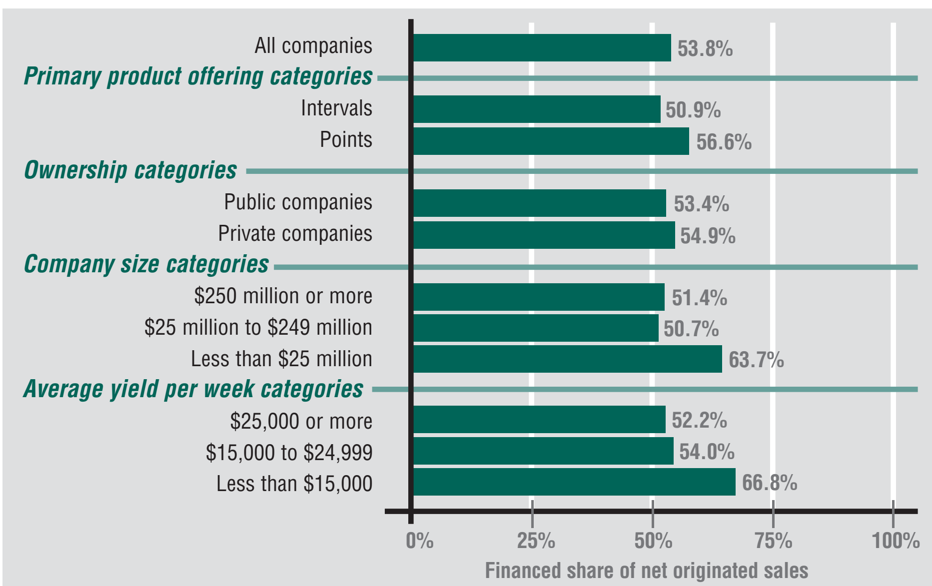


Source: Deloitte & Touche LLP based on 21 company survey responses.

A majority of respondents (76.1 percent) reported that their financed share of net originated sales was between 50.0 percent and 89.9 percent in 2009 (Figure 69). The amount financed in 2009 by the 21 respondents totaled $2.1 billion.

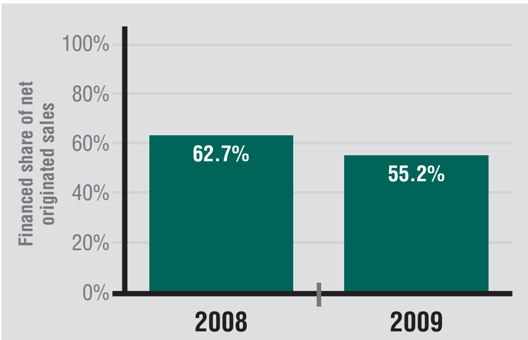
As shown in Figure 70, points companies reported a higher financed share of net originated sales than interval companies. In addition, companies with revenue less than $25 million reported a higher (63.7 percent) financed share than companies in the greater revenue categories.

Figure 70 **Financed share of net originated sales by company category, 2009, U.S.**



Source: Deloitte & Touche LLP based on 21 company survey responses.
Results in average yield per week categories are based on 20 company survey responses.

Figure 71 **Financed share of net originated sales, 2008 and 2009, U.S., *core company set***



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

Respondents in the *core company set* reported a financed share of net originated sales in 2009 of 55.2 percent, compared to 62.7 percent in 2008 (Figure 71).

Survey respondents provided information about the characteristics of new consumer loans; the averages, weighted by net originated sales, are shown in Figure 72. The average consumer loan terms reported ranged from a low of 74 months to a high of 131 months in 2009. The average consumer loan interest rates reported ranged from 9.0 percent to 17.1 percent, for an overall weighted average of 13.8 percent. Average down payments associated with non-upgrade financed sales reported by respondents ranged from 10.0 percent to 22.4 percent, for an overall weighted average of 16.3 percent in 2009.

Respondents were asked to provide the average down payment on upgrade sales separate from non-upgrade sales.[25] 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 non-upgrade sales was 16.3 percent in 2009. The average down payment associated with upgrade financed sales reported by respondents ranged from 10.0 percent to 68.8 percent, for an overall weighted average of 49.0 percent in 2009.

Figure 72 **Characteristics of new consumer loans, 2009, U.S.**

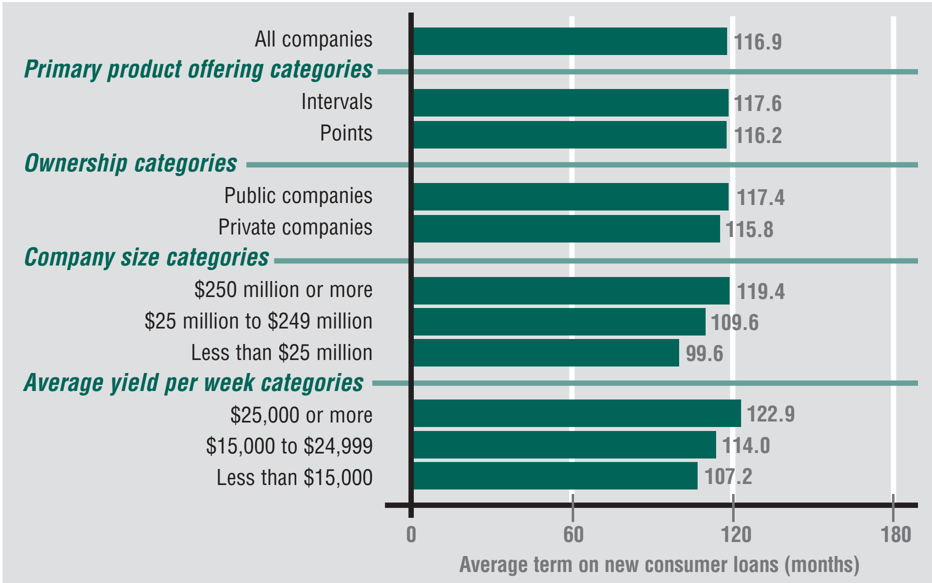
	2009
Term (in months)	116.9
Interest rate	13.8%
Down payment (as a percent of contract price)	
non-upgrade sales	16.3%
upgrade sales	49.0%

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

25 An upgrade sale is 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 or purchases additional points from the same seller. The average down payment is calculated as a percentage of the contract price on financed sales, and excludes cash payments on cash sales.

The weighted average term on new consumer loans, measured in months, varied across company categories (Figure 73). Public companies, larger companies, and companies with higher average yields per week showed the longest average terms.

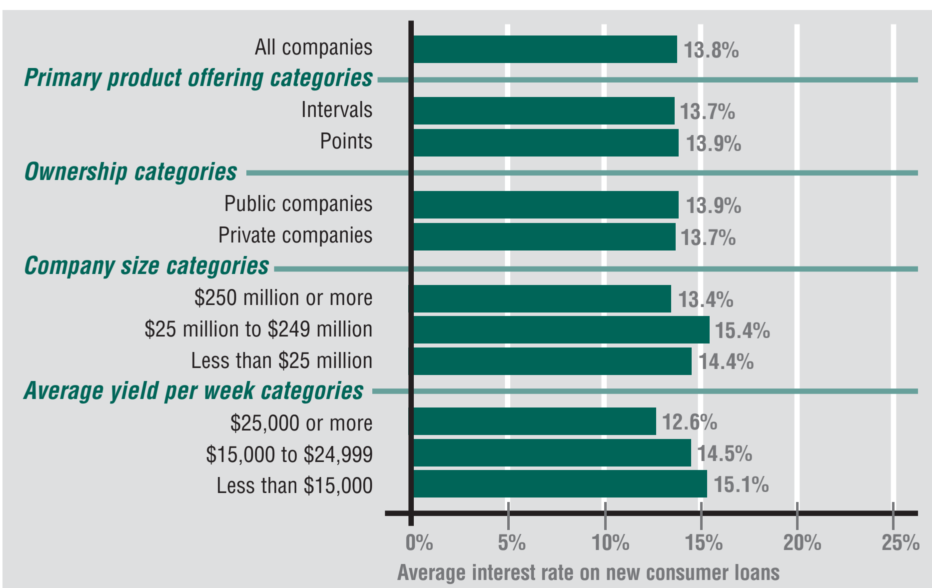
Figure 73 **Average term on new consumer loans by company category, 2009, U.S.**



Source: Deloitte & Touche LLP based on 24 company survey responses.
Results in average yield per week categories are based on 22 company survey responses.

Companies reported that weighted average interest rates on new consumer loans are consistent between public and private companies as well as interval and point companies (Figure 74). Further, companies with higher average yields per week tended to offer lower average interest rates on consumer loans.

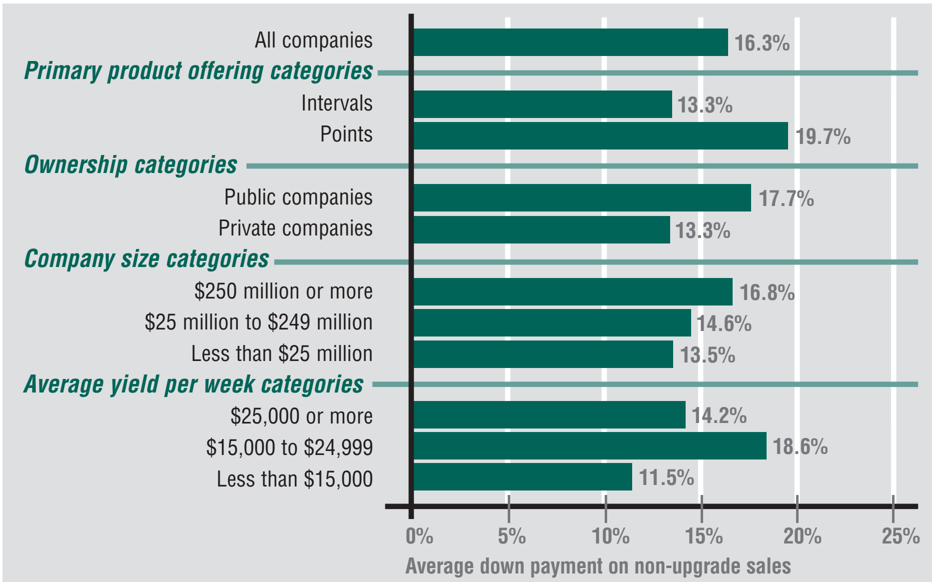
Figure 74 **Average interest rate on new consumer loans by company category, 2009, U.S.**



Source: Deloitte & Touche LLP based on 24 company survey responses.
Results in average yield per week categories are based on 22 company survey responses.

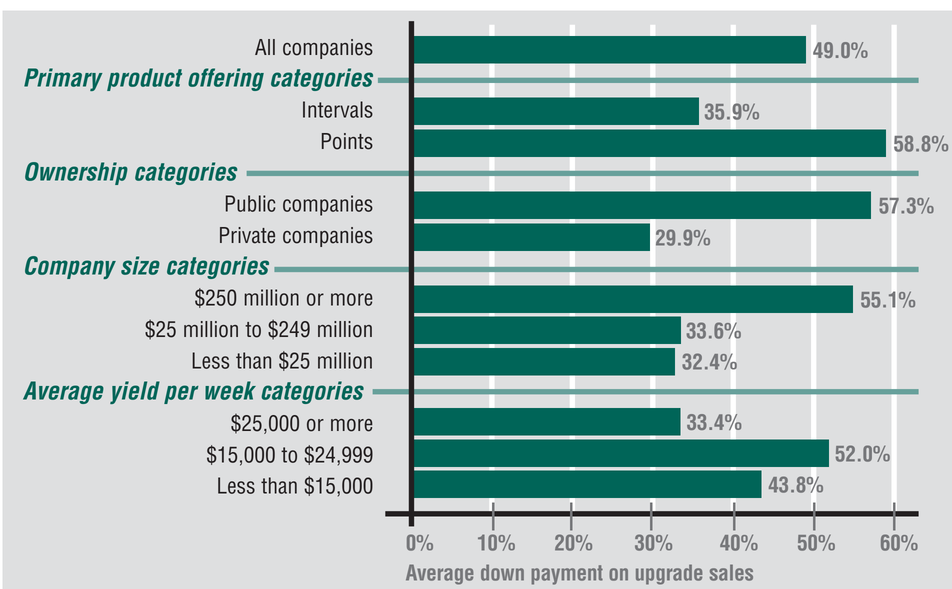
The survey results showed mixed weighted average down payments among the different company categories and between non-upgrade and upgrade sales (Figure 75 and Figure 76).

Figure 75 **Average down payment on non-upgrade sales by company category, 2009, U.S.**



Source: Deloitte & Touche LLP based on 21 company survey responses.
Results in average yield per week categories are based on 19 company survey responses.

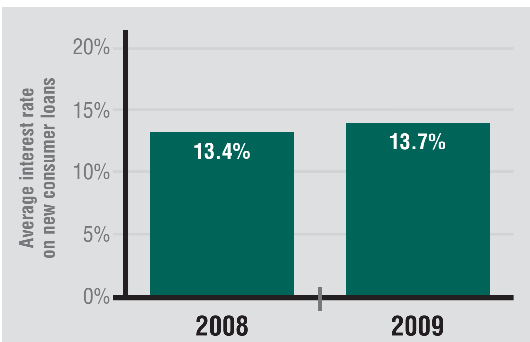
Figure 76 **Average down payment on upgrade sales by company category, 2009, U.S.**



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

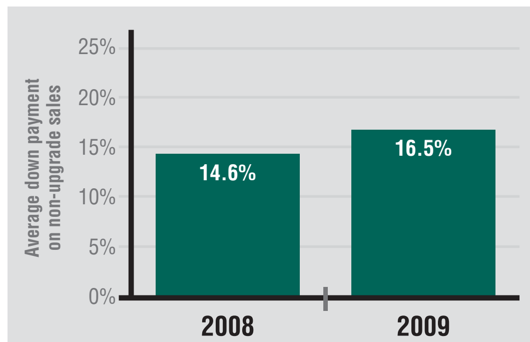
For the *core company set*, the interest rate on new consumer loans in 2009 was 13.7 percent, slightly above the interest rate of 13.4 percent reported in 2008 (Figure 77), on a weighted average basis. Approximately two-thirds of the companies in the *core company set* reported receiving the same or higher average interest rate in 2009 than in 2008. As a percentage of contract prices, average down payments on non-upgrade sales in the *core company set* increased from 14.6 percent in 2008 to 16.5 percent in 2009 (Figure 78) and average down payments on upgrade sales in the *core company set* increased from 45.8 percent in 2008 to 51.1 percent in 2009 (Figure 79). The average term reported by respondents in the *core company set* increased from 116.4 months in 2008 to 117.1 months in 2009 (Figure 80).

Figure 77 **Average interest rate on new consumer loans, 2008 and 2009, U.S., *core company set***



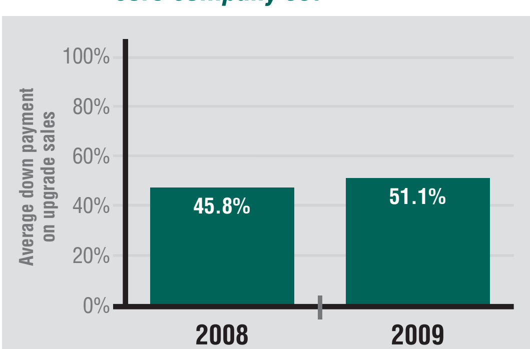
Source: Deloitte & Touche LLP based on 18 company survey responses.

Figure 78 **Average down payment on non-upgrade sales, 2008 and 2009, U.S., *core company set***



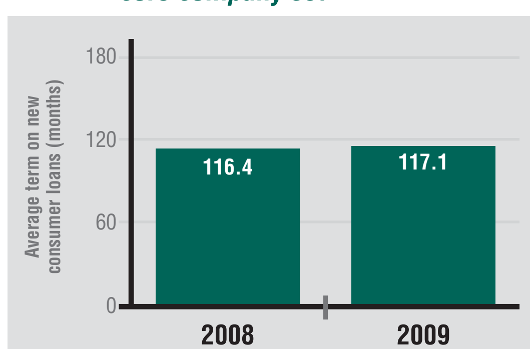
Source: Deloitte & Touche LLP based on 15 company survey responses.

Figure 79 **Average down payment on upgrade sales, 2008 and 2009, U.S., *core company set***



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

Figure 80 **Average term on new consumer loans, 2008 and 2009, U.S., *core company set***



Source: Deloitte & Touche LLP based on 18 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, 26 survey respondents reported aggregate receivables of $11.9 billion in 2009, showing a 3.6 percent decrease from the aggregate receivables amount of $12.4 billion reported by the same respondents at year-end 2008. Respondents reported that payments for 87.9 percent of the dollar value of their receivables were current (current or fewer than 31 days delinquent) at year-end 2009, less than the year-end 2008 percentage of 89.4 percent (Figure 81). On average, 2.4 percent of the receivables were 31 to 60 days delinquent, and 9.7 percent were over 60 days delinquent at year-end 2009, on a weighted average basis.

Figure 81 **Performance of consumer receivables portfolios at year-end, 2008 and 2009, all geographies**

	2008	2009
Current	89.4%	87.9%
31 to 60 days	2.7%	2.4%
61 to 90 days	1.6%	1.4%
91 to 120 days	1.3%	1.3%
More than 120 days	5.0%	7.0%

Source: Deloitte & Touche LLP based on 26 company survey responses.

Companies in certain categories revealed trends in the performance of their receivables portfolios at year end 2009. For example, public companies reported higher average portions of their receivables portfolios as current; as well, companies with average yield per week of $15,000 or more also reported above average currencies (Figure 82).

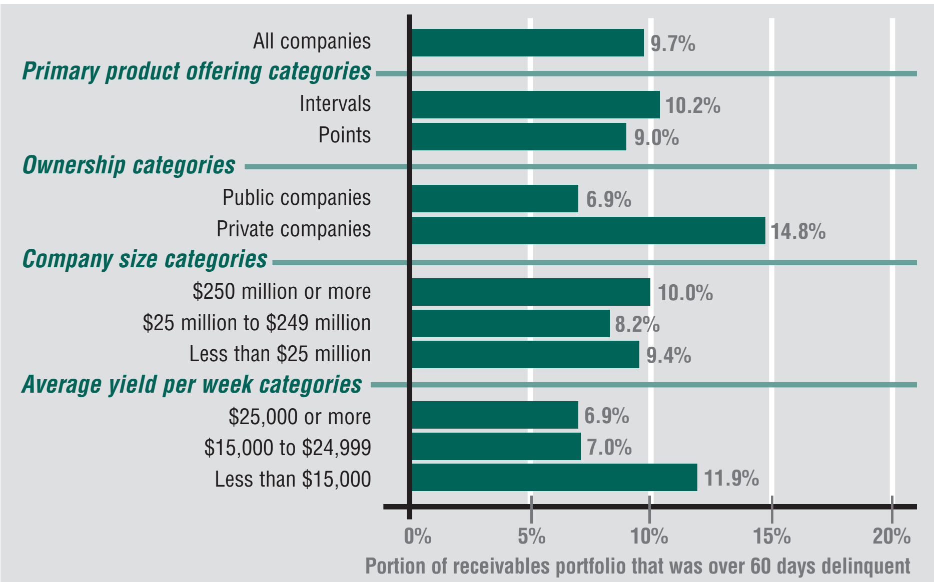
Figure 82 **Performance of consumer receivables portfolios at year-end by company category, 2009, all geographies**

	Current	31 to 60 days	61 to 90 days	91 to 120 days	More than 120 days
All companies	87.9%	2.4%	1.4%	1.3%	7.0%
Primary product offering categories					
Intervals	87.4%	2.4%	1.4%	1.1%	7.7%
Points	88.6%	2.4%	1.4%	1.4%	6.2%
Ownership categories					
Public companies	90.8%	2.3%	1.3%	1.1%	4.5%
Private companies	82.6%	2.6%	1.5%	1.5%	11.8%
Company size categories					
$250 million or more	87.8%	2.2%	1.3%	1.2%	7.5%
$25 million to $249 million	88.8%	3.0%	1.7%	1.3%	5.2%
Less than $25 million	86.5%	4.1%	2.0%	1.7%	5.7%
Average yield per week categories					
$25,000 or more	91.4%	1.7%	1.0%	0.8%	5.1%
$15,000 to $24,999	90.5%	2.5%	1.4%	1.2%	4.4%
Less than $15,000	85.1%	3.0%	1.4%	3.3%	7.2%

Source: Deloitte & Touche LLP based on 26 company survey responses.
Results in average yield per week categories are based on 22 company survey responses.

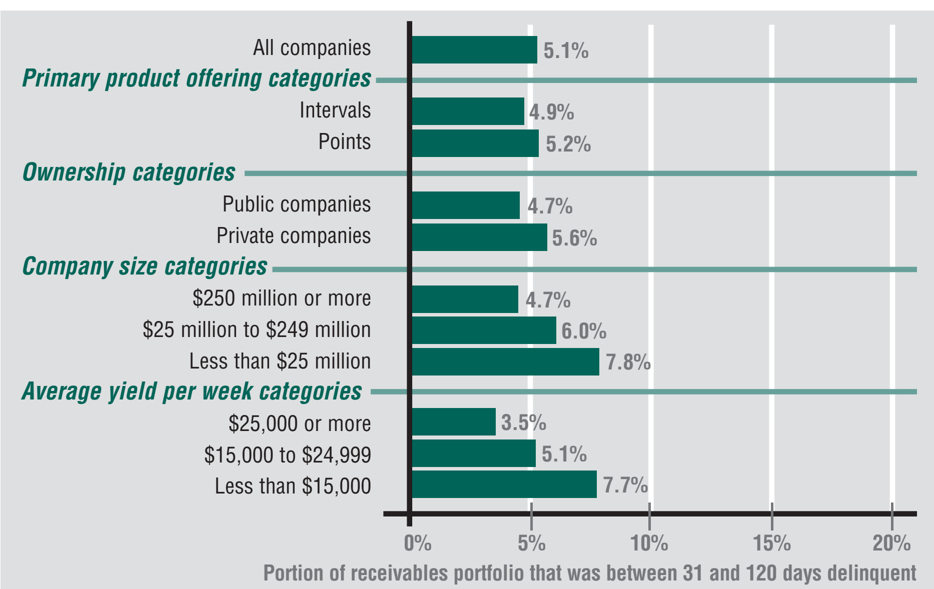
Another measure of receivables portfolio's performance is the share of the portfolio that is more than 60 days delinquent. Of the portfolios held by survey respondents, 9.7 percent of receivables were more than 60 days delinquent at year-end 2009 (Figure 83). This number increased significantly, rising 1.8 percentage points from 2008. Public companies showed a lower percentage of receivables over 60 days delinquent (6.9 percent) than private companies (14.8 percent). Additionally, companies with average yields per week less than $15,000 had significantly higher than average portions of receivables over 60 days delinquent.

Figure 83 **Portion of receivables portfolio that was over 60 days delinquent by company category, 2009, all geographies**



Source: Deloitte & Touche LLP based on 26 company survey responses.
Results in average yield per week categories are based on 22 company survey responses.

Figure 84 **Portion of receivables portfolio that was between 31 and 120 days delinquent by company category, 2009, all geographies**

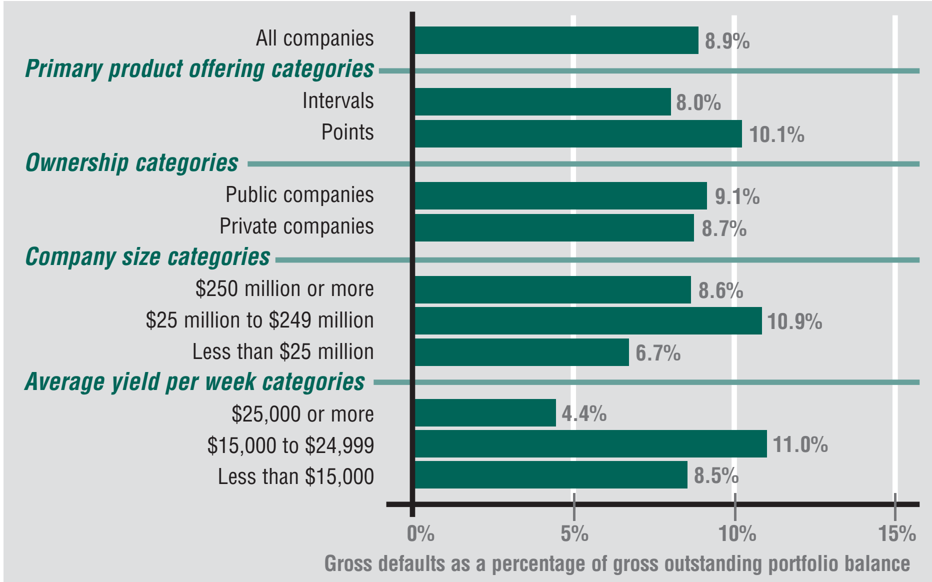


Source: Deloitte & Touche LLP based on 26 company survey responses.
Results in average yield per week categories are based on 22 company survey responses.

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 2009 was 5.1 percent (Figure 84).

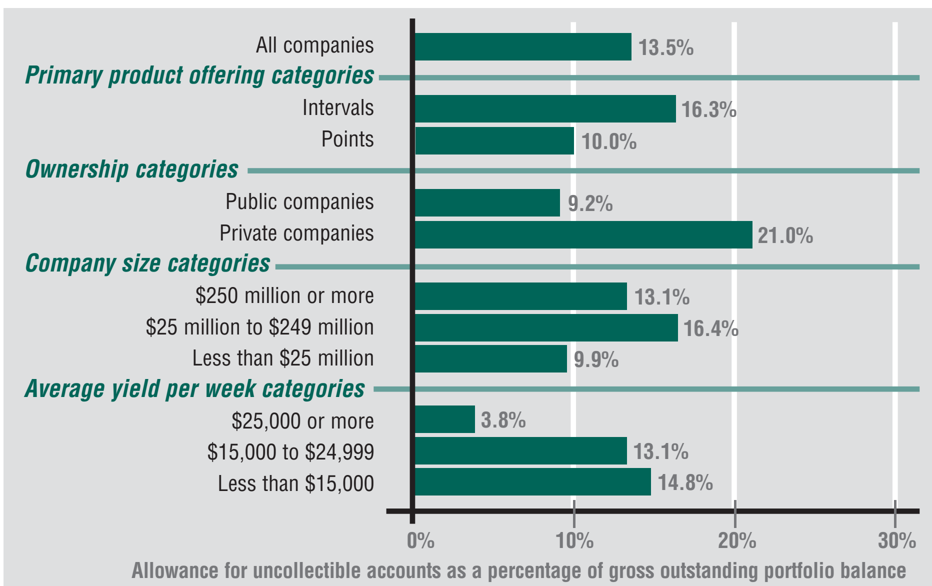
Timeshare companies have different methods for accounting for loan losses. Measuring defaults is one method of comparison, though companies with portfolios composed of relatively mature receivables may experience lower default rates than other companies. Gross defaults, defined as the total amount charged against the allowance for uncollectible accounts, as a percentage of the gross outstanding portfolio balance at year-end, averaged 8.9 percent in 2009 (Figure 85), which is an increase of 1.4 percentage points from the 2008 average of 7.5 percent. Public companies, when compared to private companies, reported slightly higher levels of gross defaults in 2009. Companies with net originated sales between $25 million to $249 million, companies with average yield per week between $15,000 and $24,999, and points companies also reported higher than average levels (greater than 10 percent) of gross defaults.

Figure 85 **Gross defaults as a percentage of gross outstanding portfolio balance by company category, 2009, all geographies**



Source: Deloitte & Touche LLP based on 25 company survey responses.
Results in average yield per week categories are based on 21 company survey responses.

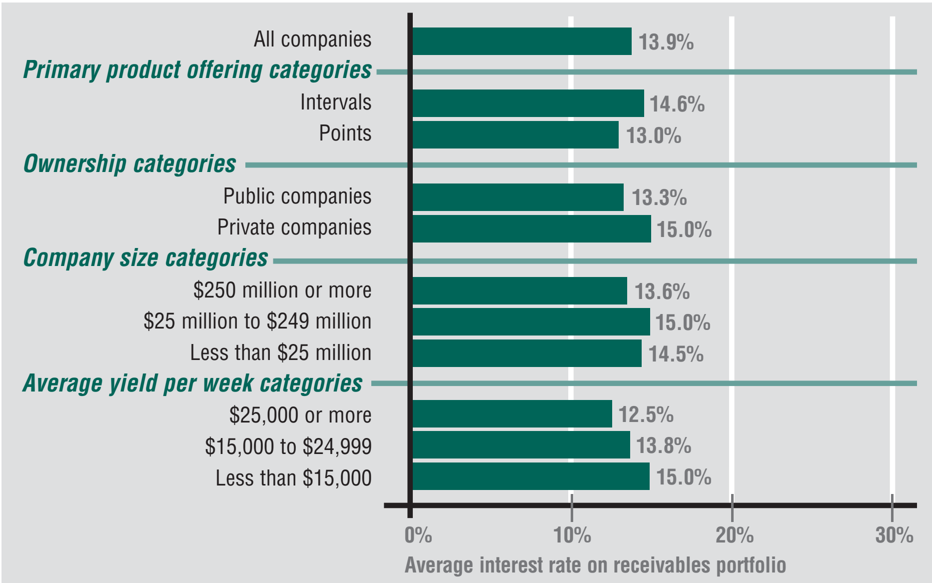
Figure 86 **Allowance for uncollectible accounts as a percentage of gross outstanding portfolio balance by company category, 2009, all geographies**



Source: Deloitte & Touche LLP based on 24 company survey responses.
Results in average yield per week categories are based on 21 company survey responses.

The weighted average allowance for uncollectible accounts as a share of gross outstanding portfolio balance at year-end averaged 13.5 percent in 2009 (Figure 86). Individual responses ranged from 0.6 percent to 33.6 percent. Companies primarily selling intervals reported higher allowances than points companies, but this was primarily attributable to the low allowance reported by a major points-based respondent. Private companies and companies with between $25 million and $249 million originated sales also reported higher allowances for uncollectible accounts than the average.

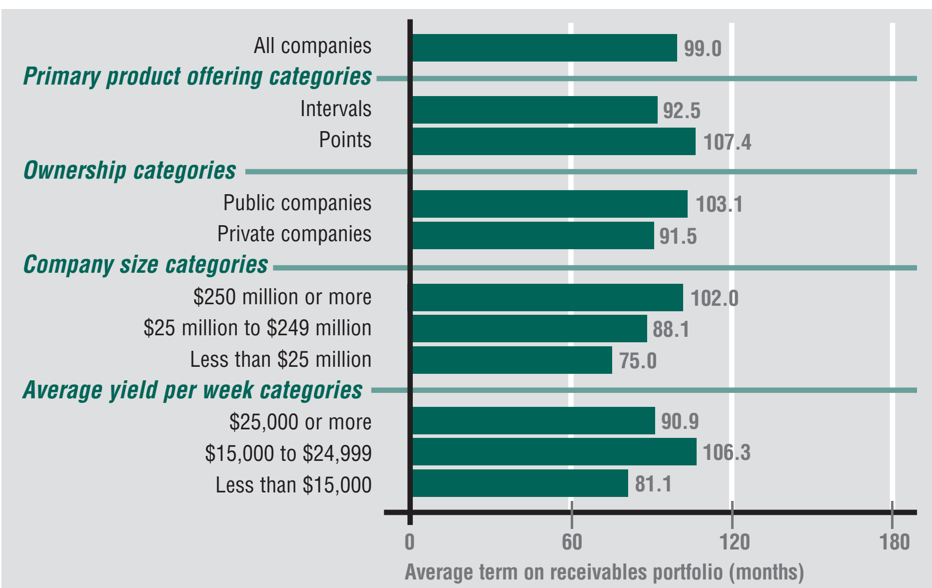
Figure 87 **Average interest rate on receivables portfolio by company category, 2009, all geographies**



Source: Deloitte & Touche LLP based on 25 company survey responses.
Results in average yield per week categories are based on 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 2009, which is a 0.1 percentage point increase from the previous year (Figure 87). Public companies showed a lower average interest rate (13.3 percent) than private companies (15.0 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 88 **Average term on receivables portfolio by company category, 2009, all geographies**



Source: Deloitte & Touche LLP based on 25 company survey responses.
Results in average yield per week categories are based on 21 company survey responses.

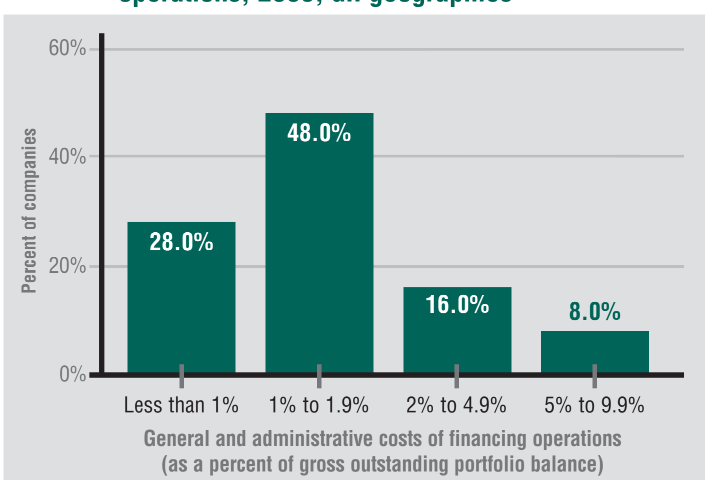
The weighted average term to maturity on loans held in the receivables portfolios was 99.0 months among the 25 respondents in 2009, which is two months shorter than the previous year (Figure 88). Smaller companies and companies with average yields of less than $15,000 had lower weighted average terms on receivables held in their portfolios. Among all responses, average terms ranged from 43 to over 120 months.

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. Portfolio balances varied widely among the respondents, ranging from less than $2 million to over $2 billion at calendar year-end 2009.

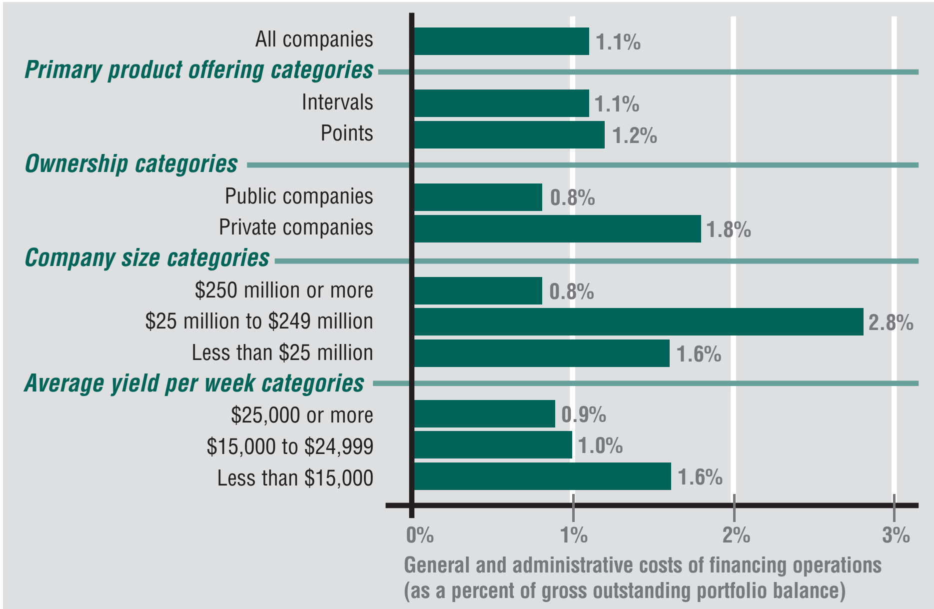
In previous reports, the general and administrative costs were reported in five categories. The "10% or more" category was omitted from Figure 89 since there were no results to report for this category. The weighted average general and administrative costs of financing operations for all companies in 2009 was 1.1 percent of gross outstanding portfolio balance, which was slightly less than the level reported for 2008 of 1.2 percent. Responses showed that such costs vary across companies, with 28.0 percent of companies reporting costs less than 1.0 percent of gross outstanding portfolio balance, and almost half of the companies (48.0 percent) reported costs between 1 percent and 1.9 percent (Figure 89).

Figure 89 **Distribution of companies by general and administrative costs of financing operations, 2009, all geographies**



Source: Deloitte & Touche LLP based on 25 company survey responses.

Figure 90 **General and administrative costs of financing operations, 2009, all geographies**



Source: Deloitte & Touche LLP based on 25 company survey responses.
Results in average yield per week categories are based on 21 company survey responses.

Points and interval companies reported similar general and administrative costs of financing operations (Figure 90). Public companies reported lower costs than private companies and companies with revenues greater than $249M 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 91).

Figure 91 **Average portfolio balance, 2009, all geographies**

	Average portfolio balance (in millions)
All companies	$458.6
Primary product offering categories	
Intervals	446.1
Points	475.8
Ownership categories	
Public companies	1,286.6
Private companies	210.3
Company size categories	
$250 million or more	1,384.3
$25 million to $249 million	238.2
Less than $25 million	29.9
Average yield per week categories	
$25,000 or more	517.7
$15,000 to $24,999	647.9
Less than $15,000	61.5

Source: Deloitte & Touche LLP based on 26 company survey responses.
Results in average yield per week categories are based on 22 company survey responses.
The results above were calculated using a simple average.

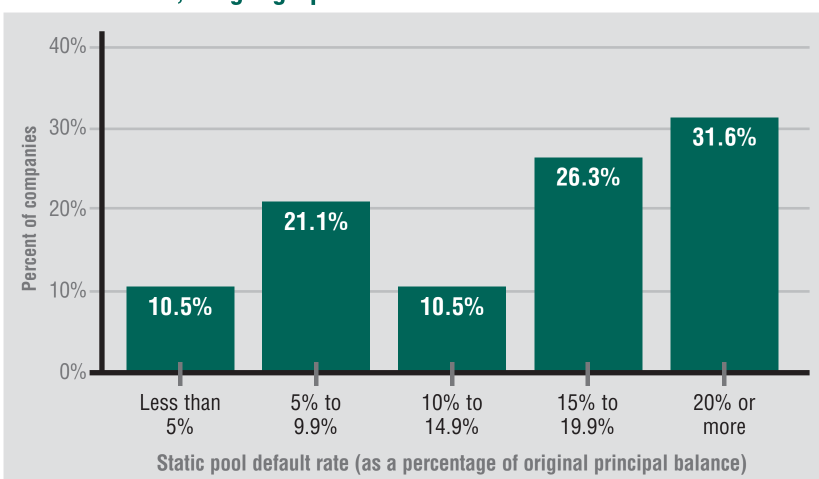
Static pool default rate

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, 19 respondents reported static pool default rates for 2009. The reported rates ranged from 4.0 percent to 33.6 percent, with a weighted average of 19.3 percent. This indicates that respondents expected cumulative principal losses on the loans in their receivables portfolios to total approximately 19.3 percent, including losses that had already occurred and losses expected to occur in the future. A majority of companies (57.9 percent) reported static pool default rates between 5.0 percent and 19.9 percent (Figure 92).

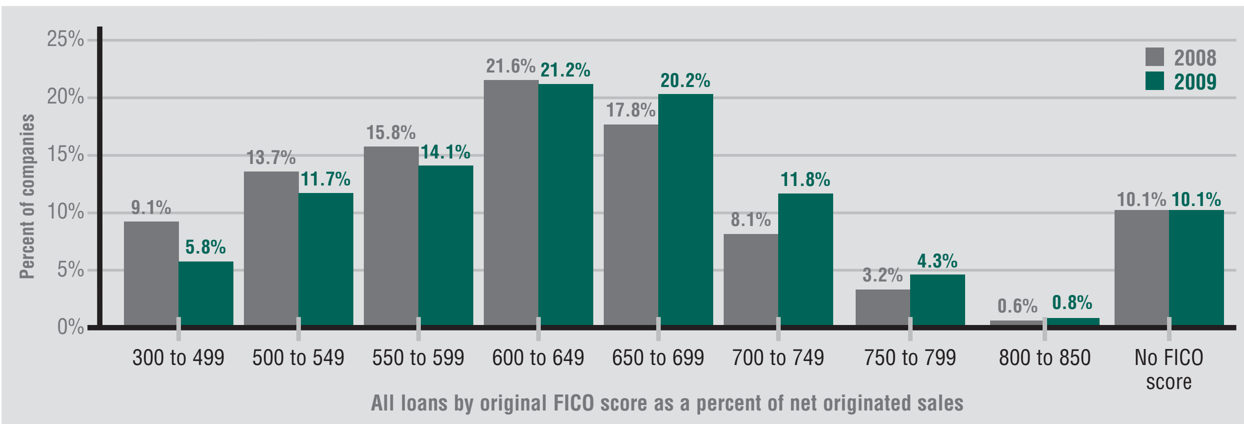
Figure 92 **Distribution of companies by static pool default rate, 2009, all geographies**



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

Static pool default rate distribution by FICO score was an additional question added to this year's edition of the survey. Respondents were asked to provide the distribution of static pool default percentages sorted by FICO score range at the time the loan was made to the timeshare purchasers. According to the 10 companies that responded, in 2009 31.5 percent of the static pool default rate was for timeshare purchasers that had FICO scores below 600 at the time or purchase, compared to 40.0 percent in 2008 (Figure 93). Alternatively, the 2009 default rates have increased in the greater than 699 FICO scoring bands.

Figure 93 **Static pool default rate distribution by original FICO score, 2009, U.S.**



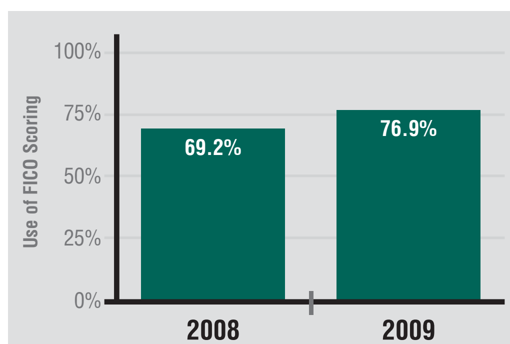
Source: Deloitte & Touche LLP based on 10 company survey responses.

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.

In this year's edition of the survey, participants were asked to indicate whether FICO scoring is a component of their underwriting criteria.

Figure 94 **Utilization of FICO Scoring, 2009, all geographies**

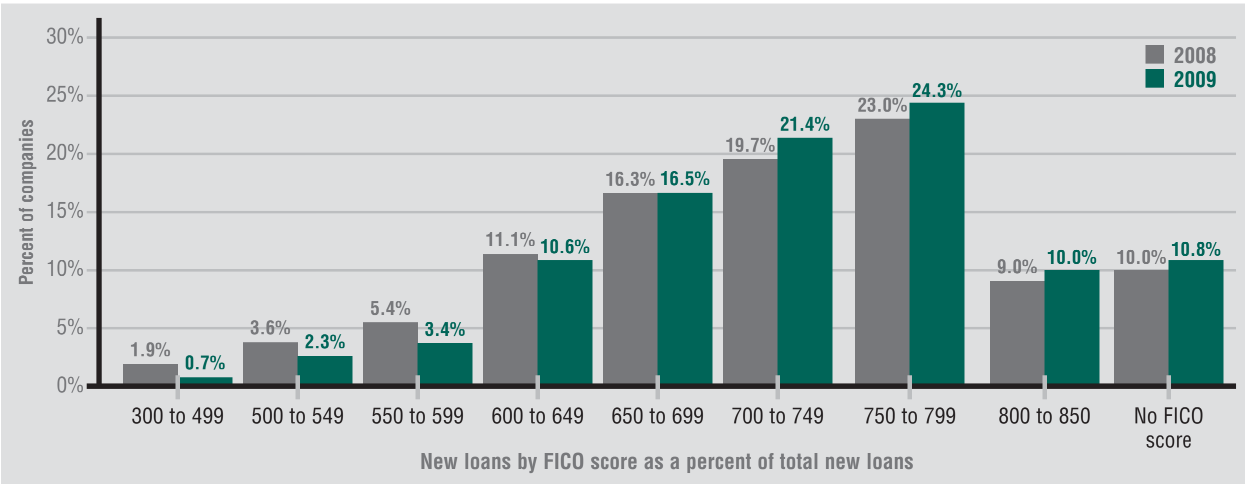


Source: Deloitte & Touche LLP based on 26 company survey responses.

A majority of the respondents, 76.9 percent, reported that they utilize FICO scoring, which increased from 69.2 percent in 2008 (Figure 94).

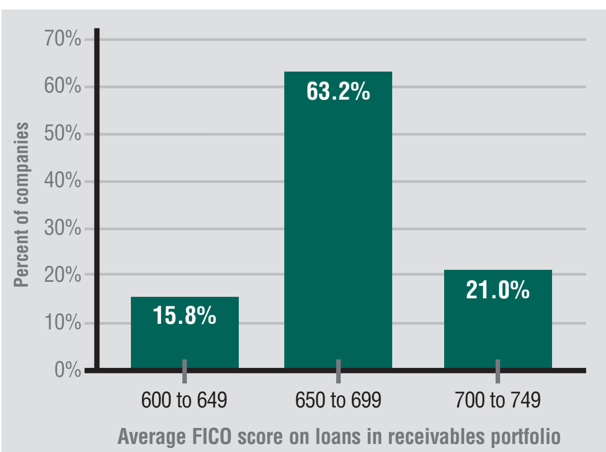
FICO scores are calculated in a range from 300 to 850, with higher scores calculated to represent lower risk. According to the Fair Isaac Corporation, which develops the methods used to calculate FICO scores, about 60 percent[26] of U.S. consumers have a FICO score between 650 and 799. Similarly, 62.2 percent of loans issued by respondent companies were reported to be offered to consumers with FICO scores between 650 and 799 in 2009. Companies in 2009 continued to increase new originations in the 650 FICO score bands and greater, while FICO score bands less than 650 continued to decrease.

Figure 95 **Distribution of new loans by FICO score, 2009, U.S.**



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

Figure 96 **Distribution of companies by average FICO score on loans in receivables portfolio, 2009, all geographies**



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

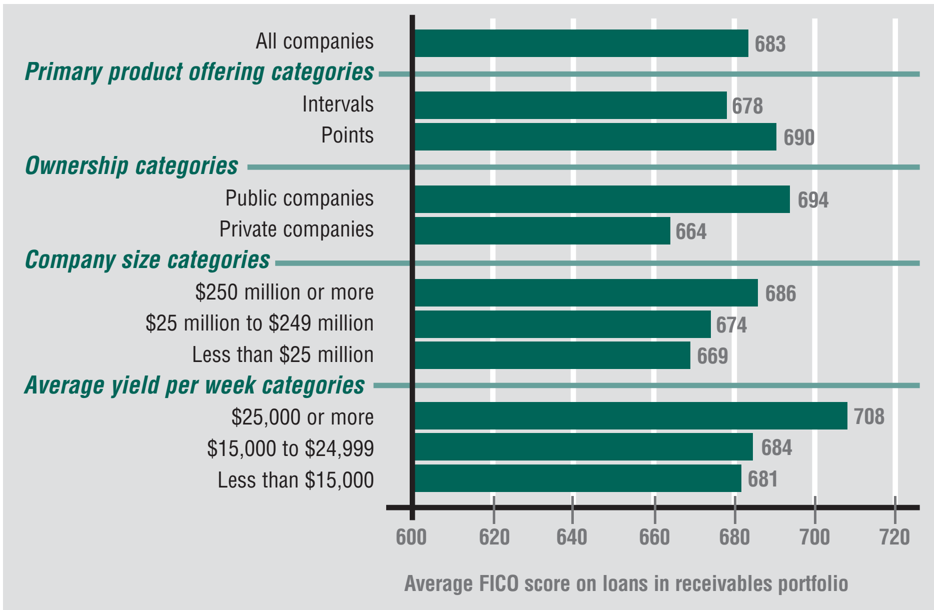
Approximately 84 percent of survey respondents reported a weighted average FICO score between 650 and 749 on loans held in their receivables portfolios at calendar year end 2009 (Figure 96).[27] At the portfolio level, high FICO scores average against low FICO scores, and none of the respondents reporting holding a portfolio with a weighted average FICO score that was below 600 or was 750 or above. Overall, weighted average FICO scores increased 5 points from 678 to 683 (Figure 98).

26 *myFICO.com.* (n.d.). Retrieved from Credit Score Information: About FICO Scores: www.myFICO.com

27 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, larger companies, and companies with higher average yields per week reported higher weighted average FICO scores on loans held in their receivables portfolios (Figure 97). This is consistent with various delinquency and default rates presented in other sections of this report.

Figure 97 **Average FICO score on loans in receivables portfolio by company category, 2009, all geographies**



Source: Deloitte & Touche LLP based on 19 company survey responses.
Results in average yield per week categories are based on 17 company survey responses.

Figure 98 **Average FICO score on loans in receivables portfolio, 2008 and 2009, all geographies, *core company set***

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

For the *core company set*, the weighted average FICO score for loans held in the 15 respondents' receivables portfolios at calendar year end 2009 was 683, representing a slight increase from the score of 678 at calendar year end 2008, as reported by the same respondents.

ARDA International Foundation - Financial Performance Survey — Part I - 2010

Timeshare company:

Address:

Person coordinating survey response:

Name:

Title:

Phone:

E-mail:

Please return completed survey to:
ARDASurvey@delolitte.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 2008 and 2009 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 Statement of Financial Accounting Standards No. 152 Accounting for Real Estate Time-Sharing Transactions ("FAS 152") ("ASC 978").

General Characteristics	Entire company, all geographies, calendar years 2008	2009
1. Ownership status at year-end (public or private)		
2. Location of headquarters (city, state, and country)		
3. What type of products did the company offer during 2008 and 2009? (Note: Interval week programs have been separated into two categories in this question, and 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.		

Receivables Portfolio	Entire company, all geographies, calendar years 2008	2009
4. The following questions refer to the portfolio of receivables (total held and/or serviced receivables, including securitized and/or hypothecated receivables), including receivables for sales made in earlier years.		
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%		
c. 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 4e.)		
d. Allowance for uncollectible accounts as a percentage of gross outstanding portfolio balance, at December 31		
e. 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)		
f. 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.		
g. Average interest rate (on the timeshare consumer loans in the portfolio at year-end, weighted by outstanding principal balance)		
h. Weighted average maturity in months (average remaining months to maturity of loans in the portfolio at year-end, weighted by outstanding principal balance)		
i. Average FICO score (on loans in the portfolio at year-end, weighted by outstanding principal balance)		
j. Does the Company utilize FICO scoring in your receivables underwriting criteria? (yes or no)*		

* Indicates questions that reflect changed wording from 2009 survey form.

Part I continues >

ARDA International Foundation - Financial Performance Survey   Part I - 2010

Hypothecation of Receivables During Year	Entire company, all geographies, calendar years 2008	2009
5. The following questions refer to hypothecations of consumer receivables during 2008 and 2009.		
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)		
6. The following items refer to sales of consumer receivables during 2008 and 2009. Original sales only (exclude portfolios that had been previously sold, but repurchased, and sold again).		
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)		
7. The following items refer to securitizations of consumer receivables during 2008 and 2009. Original sales only (exclude securities that had been previously sold, repurchased, and sold again).		
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)		

End of Part I, continue to Part II >

ARDA International Foundation - Financial Performance Survey   Part II - 2010

The following questions require separate information for two geographic regions. Please answer all monetary questions in U.S. dollars. Provide data for calendar years 2008 and 2009 in the columns provided. 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 Statement of Financial Accounting Standards No.152 Accounting for Real Estate Time-Sharing Transactions ("FAS 152") ("ASC 978").

Number of resorts	U.S. sales locations (50 states), calendar years 2008	2009	All non-U.S. sales locations, calendar years 2008	2009
8. 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.				
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.				

* Indicates questions that reflect changed wording from 2009 survey form.

Part II continues >

ARDA International Foundation - Financial Performance Survey — Part II - 2010

Number of sales center, and sales activity by sales center type	U.S. sales locations (50 states), calendar years 2008	2009	All non-U.S. sales locations, calendar years 2008	2009
9. 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 consistent with the total reported in Question 11c. Enter "0" rather than "N/A" if answer is zero. Include sales to existing owners and other in-house guests. Note: All sales amounts in the survey must relate to inventory that is owned by the developer.*				
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 presales. Include sales centers that were in active sales at any point during 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	0	0
e2. Total net originated sales (in dollars) (expected to be consistent with the answer provided in Question 11c)	$0	$0	$0	$0
Selected sales metrics				
10. Sales metrics. Exclude telesales and home sits from the following responses. Include sales to existing owners and other in-house guests.				
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%	0.0%	0.0%
d. Net originated sales excluding telesales (expected to be the same as Question 9e2 minus telesales)	$0	$0	$0	$0
d1. Net originated sales that were not upgrade sales				
d2. Net originated sales that were upgrade sales				
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	$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	$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				
11. 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.				
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.)				

* Indicates questions that reflect changed wording from 2009 survey form.

Part II continues >

ARDA International Foundation - Financial Performance Survey — Part II - 2010

	U.S. sales locations (50 states), calendar years 2008	2009	All non-U.S. sales locations, calendar years 2008	2009
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.)				
c. Net originated sales (sub-total of a plus b)	$0	$0	$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	$0	$0
h. Net deferral for percentage-of-completion				
i. Sales revenue according to U.S. GAAP (total of g plus h)	$0	$0	$0	$0

For the following questions, please provide information on the company's interval week sales in Question 12 to 14, and points sales in Question 15 to 17.

- These two categories (points and interval weeks) are intended to be consistent with Question 3 in Part I, with Interval Sales referring to products that fit in categories 3a and 3b (traditional interval weeks and interval weeks with the ability to use through a timeshare points system) and Points Sales referring to products in 3c (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 11c.
- Exclude fractional, private residence club and whole-ownership sales.
- Report by location of the office at which the sale occurred rather than the location of the inventory.

Interval sales	U.S. sales locations (50 states), calendar year quarters 2008	2009	All non-U.S. sales locations, calendar year quarters 2008	2009
12. Annual net originated timeshare sales of intervals (in dollars). (Consistent with definition of net originated sales used for Question 11c)				

13. 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 12.

	U.S. sales locations (50 states), calendar year quarters Q1	Q2	Q3	Q4	All non-U.S. sales locations, calendar year quarters Q1	Q2	Q3	Q4
a. 2008								
b. 2009								

	U.S. 2008	U.S. 2009	Non-U.S. 2008	Non-U.S. 2009
14. 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 13 above (see "Definitions" tab for explanation of yield per week). Therefore, the figure should be prior to percentage-of-completion adjustment.				

Points sales	U.S. sales locations (50 states), calendar years 2008	2009	All non-U.S. sales locations, calendar years 2008	2009
15. Annual net originated timeshare sales of points product (in dollars). (Consistent with definition of net originated sales used for Question 11c)				

16. 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 15.

	U.S. sales locations (50 states), calendar year quarters Q1	Q2	Q3	Q4	All non-U.S. sales locations, calendar year quarters Q1	Q2	Q3	Q4
a. 2008								
b. 2009								

	U.S. 2008	U.S. 2009	Non-U.S. 2008	Non-U.S. 2009
17. 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 15 above (see "Definitions" tab for explanation of yield per week). Therefore, the figure should be prior to percentage-of-completion adjustment.				

* Indicates questions that reflect changed wording from 2009 survey form.

Part II continues >

ARDA International Foundation - Financial Performance Survey   Part II - 2010

Check on totals	U.S. sales locations (50 states), calendar years 2008	2009	All non-U.S. sales locations, calendar years 2008	2009
18. The following are calculations based on the answers provided above.				
a. Total net originated sales of interval weeks	$0	$0	$0	$0
b. Total net originated sales of points	$0	$0	$0	$0
c. Implied yield per week on interval week sales	no interval weeks sold	no interval weeks sold	no interval weeks sold	no interval weeks sold
d. Implied yield per week on points sales	no points sold	no points sold	no points sold	no points sold
e. Total weeks and points sales.	$0	$0	$0	$0
f. Total net originated sales (should match the amount shown for 11c.)	$0	$0	$0	$0
Check on totals (is the sum of Q12 and Q15 equal to Q11c)				

Inventory	U.S. sales locations (50 states), calendar years 2008	2009	All non-U.S. sales locations, calendar years 2008	2009
19. 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).				
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	$0	$0

Key Ratios	U.S. sales locations (50 states), calendar years 2008	2009	All non-U.S. sales locations, calendar years 2008	2009
20. Express responses to the following items as percentages of net originated timeshare sales during the year as reported in Question 11c. • 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 rather than the non-U.S. sales locations columns).				
a. Estimated uncollectable sales (expected to be consistent with the value shown in Question 11d)				
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.				
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 4e). 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%	0.0%	0.0%

* Indicates questions that reflect changed wording from 2009 survey form.

Part II continues >

ARDA International Foundation - Financial Performance Survey   Part II - 2010

	U.S. sales locations (50 states), calendar years 2008	2009	All non-U.S. sales locations, calendar years 2008	2009
21. 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 11c.				

Consumer Financing

22. 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.

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).

	U.S. 2008	U.S. 2009	Non-U.S. 2008	Non-U.S. 2009
a1. Cash or cash-out within first 90 days				
a2. Cash down payment				
Sub-total (a1+a2): Cash sales and down payments	0.0%	0.0%	0.0%	0.0%
a3. Financed value				
Total should equal 100%	0.0%	0.0%	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 22b. 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 cashout 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.

	U.S. 2008	U.S. 2009	Non-U.S. 2008	Non-U.S. 2009
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.)				
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%	0.0%	0.0%
f. Weighted average FICO score (on new loans, weighted by original principal balance, exclude buyers without FICO scores)				
g. Static pool default rate by FICO score (the static pool default percentages sorted by FICO score range at the time the loan was made to the buyers)*				
g1. 300 to 499				
g2. 500 to 549				
g3. 550 to 599				
g4. 600 to 649				
g5. 650 to 699				
g6. 700 to 749				
g7. 750 to 799				
g8. 800 to 850				
g9. No FICO score				

* Indicates questions that reflect changed wording from 2009 survey form.

End of Part II, end of survey.

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 Accounting Standards Codification (ASC) 978 *Accounting for Real Estate Time-Sharing* (Statement of Position 04-2 *Accounting for Real Estate Time-Sharing Transactions* (SOP 04-2)) released by the American Institute of Certified Public Accountants (AICPA) in December 2004. The definitions provided below are abbreviated from ASC 978 (SOP 04-2) for the purpose of this definitions page and do not represent guidance by Deloitte & Touche for any other purpose. Readers should refer to the full ASC 978 (SOP 04-2) for guidance.

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 <u>an upfront fee that reflects</u> 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 ASC 978 (SOP 04-2)

The following are terms that are not defined in ASC 978 (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.

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.

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.

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.

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