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The Effect of Florida’s Timeshare Resale Accountability Act and Securitization Announcements on Vacation Ownership Shareholder Wealth

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THE EFFECT OF FLORIDA’S TIMESHARE RESALE ACCOUNTABILITY ACT AND SECURITIZATION ANNOUNCEMENTS ON VACATION OWNERSHIP SHAREHOLDER WEALTH

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Abstract

The focus of this study deals with the vacation ownership, or timeshare, industry, and is two-fold. First, it examines the passage of a criminal law in Florida that deals with the resale of timeshare properties and measures the law’s effects on the timeshare industry in terms of shareholder wealth. Second, the study examines the effect of the announcement of the sale of asset-backed securities in the timeshare industry, also in terms of shareholder wealth. The cumulative abnormal returns of publicly traded lodging corporations that operate in the timeshare industry are calculated and analyzed for both studies.

The passage of Florida’s Timeshare Resale Accountability Act had a somewhat of a significant, positive effect on the shareholder wealth of lodging firms, specifically centering around the date the law became enforceable, which was July 1, 2012, while other key dates in the legislative process had mixed results.

The impact of mortgage-backed securitization announcements of lodging firms that have timeshare operations had significant, positive effects on the shareholder wealth of these firms as well.

While similar event studies have been performed in the lodging sector, there is a paucity of event study research in the vacation ownership industry. This research focuses on the impact of changes in the state of Florida that effect the timeshare resale market and also the impact that the securitization of mortgage-backed securities has on the shareholder wealth of lodging firms that have timeshare operations.
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Chapter One

Introduction

During the Great Recession of 2008, many timeshare owners found themselves in dire financial straits, unable to continue paying for their units. Accordingly, the timeshare industry’s resale market experienced a deluge of owners seeking to sell their timeshare units, usually at discounted prices. Many of these owners became the victims of fraudulent timeshare resale brokers. A Florida state law, the Timeshare Resale Accountability Act, was passed to deal with these fraudulent operators in 2012. The first section of this study examines the impact of the enactment of this Florida law on the shareholder wealth of timeshare companies in the U.S., as well as traditional hotel companies that operate a timeshare business.

The second section of this study deals with the securitizations of mortgage-backed securities issued by timeshare companies and traditional hotel companies that operate a timeshare business. An example of a traditional hotel company that operates a significant timeshare business is Wyndham Worldwide.

Figure 1 illustrates how much of a contribution some of the major vacation ownership firms have in the revenue they generate for their parent corporations. It is of note to point out that Marriott International (NASDAQ, MAR) “spun off” its timeshare business to become an independent entity that is publicly traded (NASDAQ, VAC).
The Great Recession also took its toll on vacation ownership corporations as lenders tightened credit instruments as sales plummeted from an historic high of $10.6 billion in 2007 to $6.3 billion in 2009 (see Figure 2). The majority of timeshare consumers put very little money, or even no money, as a down payment on a timeshare unit purchase, and ends up with a mortgage rate sometimes reaching over 15% (Murphy, 2008b).
Nabawanuka and Lee (2009) studied the relationship between timeshare operations within larger, traditional hotel corporations in terms of firm value, accounting performance, and firm risk. The authors found the existence of an “inverted U-shape” relationship between the degree of timeshare operation and the firm value and of the parent lodging firm, which suggests that there is an advantage for a traditional lodging firm to invest in the timeshare product/concept up to a certain point. The “inverted U-shape” relationship also suggests, however, that there exists an optimal level of investment into timeshare products by the parent firm (Nabawanuka & Lee, 2009). Their study also concluded that there existed a U-shaped relationship with timeshare operations and a firm’s accounting performance. This suggested that as a firm increases its timeshare operations, its accounting performance decreases, but only to a certain
point, and then stabilizes and has no positive or negative impact on accounting performance (Nabawanuka & Lee, 2009). Lastly, the study found that the degree of a firm’s timeshare operations had no significant impact on firm risk (Nabawanuka & Lee, 2009). The authors point out, however, that although their study found no direct relationship between a firm’s degree of timeshare investment and operational capacity, the market generally believes that a timeshare component in a business mix is perceived as a value-added strategy (Nabawanuka & Lee, 2009).

This study focuses on the stock performance of publicly traded vacation ownership corporations, including lodging corporations that have vacation ownership operations, which are affected by changes in Florida state law. Vacation ownership companies are also affected by the announcement of securitization transactions and will be evaluated by way of event study analyses. While event studies have been performed in the lodging sector (Canina, 2001; Kwansa, 1994), little has been done in the vacation ownership (timeshare) industry, especially in the areas of the impact of regulatory changes (in this case a new criminal law passed in Florida relating to the secondary timeshare market) and securitization announcements of mortgage-backed securities (MBS) by vacation ownership corporations (or more appropriately, lodging firms that operate in the vacation ownership industry).

Changes in Florida timeshare regulations and statutes were chosen because Florida has the highest concentration of vacation ownership properties in the United States, with 23% of all timeshare units residing in the state, according to the American Resort Development Association International Foundation (AIF, 2011). Any changes in
Florida timeshare laws would affect a large portion of each timeshare company’s unit-inventory.

Event studies have been performed in a number of industries regarding changes in industry regulations or the passage of new laws that affect an industry. Many studies have been conducted on topics such as real estate (Impson & Conover, 2011; Nanda and Ross, 2012), financial deregulation (Graddy, Reuben, Strickland, & Bass, 2004), state and federal laws and regulations (Ababneh & Tang, 2013), and mergers and acquisitions in the hospitality industry (Canina, 2001; Kwansa, 1994), among many others. The vacation ownership industry, in contrast, has yet to be studied in this capacity.

**Research Questions**

The key research questions addressed in this study include:

1) Do changes in Florida state law regarding the vacation ownership industry impact shareholder wealth of lodging firms that operate a vacation ownership business?

2) Do announcements of successful securitizations by vacation ownership business, or that of lodging firms that operate a vacation ownership business, affect shareholder wealth of those firms?

MacKinlay (1997), and Brown and Warner (1985), examined event study methodology that is relevant to these research questions. This study will use the event study methodology to analyze timeshare firms in relation to the financial impact on shareholder wealth of these firms. These firms will be broken into two separate event classes, the Florida Legislature’s passage of the Timeshare Resale Accountability Act of 2012 and the announcement of successful securitizations by specific timeshare corporations for the period 2004 through 2015.
Definition of Key Terms

- Asset Backed Security (ABS), a security that is mainly serviced by cash flows or future cash flows from a defined pool of receivables or other asset (Morrison, 1993)
- Asset Pool, financial assets that share similar characteristics such as term length, value, credit worthiness (Morrison, 1993)
- Asymmetric Information, Information that is known to one party or that one party is privy to, and another party in a given transaction is not (Iacobucci & Winter, 2005)
- Balance Sheet, a financial accounting statement that illustrates the financial condition of a firm at a given point in time.
- Bankruptcy Remoteness, the repayment of the securities is separated from the risk of a default by the originator of the assets (Morrison, 1993).
- Cash Flow Statement, a financial accounting statement that establishes where and when cash is paid and when cash is received.
- Collateral, a financial asset that is used to secure a loan and will be forfeited by the borrower if the loan enters default; in terms of securitizations, cash flows may be considered collateral (or expected cash flows) (Lee & Chen, 1998).
- Credit Enhancement, the act of embellishing the credit worthiness of a pool or pools of securitized loans, also known as liquidity support (Morrison, 1993).
• Credit Rating, a specialized notation assigned to the investment quality of securities; examples are “investment grade” and “speculative grade” ratings (Morrison, 1993).

• Fee Simple, a vacation ownership product where the buyer is the deeded owner of an undivided interest in real property (also known as deeded ownership, or interval ownership) (Peters, 1997).

• Income Statement, a financial accounting statement that measures a company’s financial performance over a given period, usually a month, but can be shorter or longer term.

• Issuer, in the context of securitization transactions, an issuer may be the entity that offers assets that can be securitized for sale to investors (DBRS, 2012).

• Lender, an entity that makes funds available with the understanding that said funds will be repaid with a given interest rate (DBRS, 2012).

• Liquidity, the relative ease and time with which cash can be extracted from an asset (DBRS, 2012).

• Mortgage Backed Security (MBS), a financial asset composed of a mortgage (in this context a residential or timeshare mortgage, not to be confused with commercial mortgage backed securities, or CMBS) that is pooled with other mortgages and assigned an investment worthiness grade in a securitization transaction (Peters, 1997).

• Right-to-Use Timeshare Product, a vacation ownership product, whereas a buyer’s ownership is considered non-equity and the title remains with the developer of the resort or property (Peters, 1997).
• Special Purpose Vehicle (SPV) or Special Purpose Entity (SPE), a special type of trust that the issuer (or originator in some instances) of an offering of a pool of asset backed securities or mortgage backed securities creates in order to offer the pooled securities to the investing public (Kyle & Kosiba, 2005).

• Tranche, a pool of assets (usually known as collateral) that is divided into smaller portions and categorized by the credit worthiness of the underlying cash receivables in a securitization transaction (Lee & Chen, 1998).

**Organization of Dissertation**

This paper is organized into three chapters that develop a research study proposal, to be followed by two additional chapters when the empirical study is complete. Chapter 1 introduces the two event sets that are to be studied. Chapter 2 discusses the literature associated with 1) the vacation ownership industry (also known as the timeshare industry), 2) the timeshare resale market, 3) the Timeshare Resale Accountability Act, 4) securitization of mortgage-backed securities (also may be referred to as asset-backed securities in some contexts), 5) event study literature. Chapter 3 discusses the methodology that will be used in this study, the events that will be studied, and different methods of event study procedures.
Chapter Two

Literature Review

Introduction

During the Great Recession of 2008, many timeshare owners found themselves in dire financial straits, unable to continue paying for their units. Accordingly, the timeshare industry’s resale market experienced a deluge of owners seeking to sell their timeshare units, usually at discounted prices. Many of these owners became the victims of fraudulent timeshare resale brokers. A Florida state law, the Timeshare Resale Accountability Act (H.B. 1001), was enacted to deal with these fraudulent operators in 2012. This study examines the impact of the enactment of this Florida law on the shareholder wealth of timeshare companies in the U.S.

The Great Recession also affected the vacation ownership companies who for so long had relied on the relatively easy monetization of purchasers’ debt by securitizing such debt. Because the Great Recession, lenders made it much more difficult for vacation ownership firms to sell off their customers’ mortgages (Kirby, 2009). This study also addresses the effect of securitization announcements on the shareholder wealth of timeshare firms.

Overview of the Timeshare Industry

The vacation ownership industry, also known more widely as the timeshare industry, originally came into existence in Europe before reaching the United States in the 1970s (Woods, 2001). The concept of the timeshare vacation itself is purported to come originally from France in the mid-1960s when a small group of people came up
with the idea of combining their funds to purchase a villa together, at Superdevoluy, which they would all share at various times (Hovey, 2002; Upchurch, 2002).

During the late 1960s and throughout the 1970s, the timeshare concept began to make its way to other western European countries, North America, South America, Australia, and parts of Asia. But, it was in the the United States, and specifically in the state of Florida (Ziobrowski & Ziobrowski, 1997), that the timeshare industry experienced exceptional growth and was labeled as the fastest growing segment in hospitality (Woods, 2001). Generating revenues of $9.4 billion in 2006, with average annual occupancy rates topping 80%, the vacation ownership industry experienced higher occupancy rates than the U.S. hotel industry (63.4% occupancy) for the same year (AIF, 2007). Even during the Great Recession, when sales volume was at its lowest, the timeshare industry experienced $6.3 billion in sales in 2009, and has consistently grown each year through 2012 (AIF, 2013a).

The average number of people in a group that travels to and uses a timeshare in the United States is 3.8. This party spends an average of 7.4 nights per vacation at the timeshare resort (Rezak, 2002). Timeshare occupancy rates typically register between 85% and 95%, which is considerably higher than the 65% to 70% occupancy rates for traditional hotels (Rezak, 2002). Additionally, stays in the resort area where the timeshare property is located averaged 3.4 nights per visit during the five years prior to a timeshare unit purchase, but then increased to an average of 5.1 nights after a timeshare purchase (Rezak, 2002).

Timeshare vacationers spend about $4.58 billion annually and show a 54% increase in visitation frequency to the resort area where their timeshare is located (Rezak,
timeshare industry also provides substantial benefits to local governments in the form of increased jobs, particularly in their local construction and maintenance industries, as well as increased tax revenue, U.S. timeshare owners paid over $1.21 billion on maintenance fees and over $249 million in property taxes each year (Rezak, 2002).

The American Resort Development Association (ARDA) International Foundation (AIF) estimates that in 2011 alone, timeshare owners and their guests spent upwards of $9.3 billion in the U.S. (AIF, 2012). AIF also estimates that in 2011, all combined direct, indirect, and other “fiscal impacts” by the U.S. timeshare industry included, $70 billion in consumer and business spending, 493,000 full and part-time employment positions, $23 billion in salaries, and over $7.7 billion in tax revenue (AIF, 2012).

The vacation ownership industry was comprised of small firms and regional companies for decades before large corporations began to see the potential of this segment in the mid-1990s and 2000s. During this time, there was a dramatic increase in larger, established traditional hotel and lodging companies investing in the vacation ownership segment (Stringam, 2010). These traditional hotel corporations included well-known brands such as Hilton, Marriott, Starwood, Wyndham, and Four Seasons (Upchurch, Rompf, & Severt, 2006). Most of these organizations created “spin-off” firms that dealt exclusively in the vacation ownership product. These stalwarts of the traditional hotel industry, with their well-regarded reputations and strong brand name recognition, brought growth and a much-needed boost in credibility and legitimacy to the timeshare industry (Upchurch, 2008).
Unlike a traditional hotel/resort, a timeshare property does not need to worry as much about operating costs associated with running the property. This is because the guests in a timeshare are, to a large extent, owners in the property, and therefore they pay for the operation of the property in the form of management fees (Powanga & Powanga, 2008). Operational costs are usually lower in a timeshare property compared to a traditional hotel property because the operating body (or homeowner’s association) of a timeshare property is almost always a non-profit entity and costs are reduced in the areas of housekeeping (as timeshare units are usually cleaned every week rather than every night because owners usually stay more than one night) and property administration (Hart, 1980).

Additionally, the timeshare industry is not traditionally susceptible to economic turmoil as is the case with the traditional lodging industry, as business transient guests at traditional hotels and motels drastically reduce their traveling needs during these periods (Powanga & Powanga, 2008). For example, during the recession of 2001-2002, the operating profits of Marriott International Inc. fell by 24%; during this same time period, timeshare operating profits increased by 31% and the total timeshare business unit contribution to Marriott’s total operating profit increased to 26% (Powanga & Powanga, 2008). As traditional lodging firms saw the potential “recession-proof” aspect of timeshare resorts, these reputable firms also boosted the consumer’s confidence in purchasing a timeshare in the first place, due to the impact of the strength of the brand.

**Industry Structure**

The vacation ownership industry is regarded as one of the most highly regulated industries in the nations in which they are located. This is mostly due to consumer
protection issues within the industry (Hovey, 2002). For a firm to enter the vacation ownership industry, many legal and regulatory obstacles must be overcome. For example, Marriott needs to address nearly 50 regulatory and compliance issues depending on the situation in which it enters any specific timeshare market (Woods, 2001).

The timeshare product can be described as having two main forms of “ownership,” that is, what the timeshare-purchasing consumer can expect to actually own. One form of ownership is the title, or trust, and the other is what is referred to as a “point-based” system (Upchurch & Gruber, 2002). The title-base product is the older product, and the type of ownership that is more widely known to the general public. In this type of timeshare ownership, the consumer purchases an interest in a particular accommodation, and the actual title to the accommodation is granted through a deed, for a specific period of each year (Ilvento, 1976; Powanga & Powanga, 2008). This title-based product offers owners a “fixed-week” or “interval” of time, of ownership in a specified condominium at a specified timeshare property. This type of timeshare product offering was the most common form of ownership up to the late 1990s (Hovey, 2002). A modified product, known as the “floating week,” was developed to allow owners to use their respective weeks at other times during the year (Hovey, 2002). For those individuals who wish to purchase a deeded property, the size and location of the “home resort” are the most significant determining factors in the price of a timeshare unit.

Consumer demand for greater flexibility of timeshare products led to the introduction of the “points-based” program, where the owner does not actually purchase a specific or floating week, but rather a number of points that are used to schedule time at a timeshare resort property (Hovey, 2002). These points are purchased once and can be
added to at any time, thereby allowing the owner to purchase as many points as needed for his or her vacationing needs (Upchurch, 2008). Points are renewed each year and can usually be used to pay for other perks that the timeshare company may offer, such as cruises, airfare, or payment of housekeeping services in the condominium (Powanga & Powanga, 2008). Additionally, under some contracts these points can be saved or “banked” for future use in an upcoming year (Powanga & Powanga, 2008). The points allow the “destination club” member to vacation at any of the properties in the portfolio of the company or to stay at a resort outside of the firm’s portfolio through a designated network or exchange (Powanga & Powanga, 2008). There are two major exchange companies that handle the majority of interval vacation swaps or exchanges, Resort Condominium International (RCI) and Interval International (II). These firms allow timeshare owners around the world to participate in exchanging their fixed-week intervals with other owners of fixed-week intervals (DBRS, 2012).

Maintenance fees are often associated with timeshare ownership, and these fees vary according to the type of timeshare unit purchased. For fixed-week or interval owners, these fees relate to the location of the timeshare unit that is actually deeded to the owner. In the case of a points-based ownership program, the owners in the program typically pay a set monthly fee. The timeshare resort developer, the homeowners association, and/or an outside management firm who maintains the resort and the cost of the property maintenance determine the maintenance fee levied upon the unit owners (Powanga & Powanga, 2008). It does not matter if an owner pays cash for his or her timeshare, all owners are obligated to pay fees that cover capital expenditures, taxes, resort management costs, insurance, and property maintenance for the resort where the
owner’s interest is located (also referred to as the “home resort”) (DBRS, 2012). These fees can be more costly in reality than an owner might originally comprehend conceptually. Murphy (2008a) found that timeshare owners have been known to list their timeshare units on auction websites such as EBay for only $1 simply to get out from the maintenance fee obligation associated with the ownership of the timeshare unit.

To make the timeshare more affordable to some potential owners, “biennial” ownership is offered by many timeshare companies. In this type of ownership, the owner purchases the right to use an accommodation every other year, usually for a week. This also reduces the maintenance fee burden for the owner as the fee then becomes due every other year (Powanga & Powanga, 2008).

**Purchasing a Timeshare Unit**

Extant studies have tried to determine owner profiles and potential purchasing motivations for a person thinking about a timeshare (AIF, 2002; Crotts & Ragatz, 2002). Typical timeshare sales transactions involve the use of “in-house” financing offered by the timeshare developer to the potential owner (DBRS, 2012). This becomes very important to note when discussing securitizations later in this study. The timeshare developer usually performs initial collection duties as well as services the loan. This is conducted with a promissory note and secured by a mortgage, which is amortized (DBRS, 2012).

Rezak (2002) found that typical timeshare owners are a married couple between the ages of 35 and 64 with a household income in excess of $50,000 per year. Crotts and Ragatz (2002) conducted a study geared toward determining the primary traits of timeshare purchasers. They found that individuals were more affluent and educated
compared to the surrounding population and purchasers were typically Baby Boomers with no live-in children. They are also most-often repeat purchasers of timeshare units, either purchasing more points at a timeshare company or purchasing a completely different timeshare from another firm (Crotts & Ragatz, 2002). The researchers found that the main reason these owners chose to purchase a timeshare in the first place was to save money on future vacations, which is a hallmark of timeshare sales tactics.

It is the position of the timeshare industry that timeshare units by themselves should not be considered an investment for financial gain, but should rather be considered an investment in a lifestyle (Hovey, 2002). This is important to note because when timeshare owners find themselves in financial distress, they may seek to sell their timeshare unit and the obligations that come with its ownership. Indeed, Powanga and Powanga (2008) state that the purchase of a timeshare unit as an investment property is not a sound business practice since the retail price is escalated to absorb the costs of marketing and sales. Rezak (2002) found that the industry average for marketing and sales expenses in the United States timeshare market ran typically between 45% and 50% of total timeshare sales volume.

**The Secondary Timeshare Market**

It is generally difficult for a timeshare owner to locate a buyer for his or her timeshare once it is offered for resale. Therefore, the price is typically drastically lowered (Mohl, 2002). Baumann (2002) finds that there are three main reasons timeshare owners wish to sell their intervals,
1. There is an “empty nest” situation for the owners of the timeshare unit. The owners’ children have reached adulthood and are no longer taking vacations with the parents.

2. Unexpected financial stress.

3. The owners never take full use of their timeshare. The unit is unused for the majority of years of ownership.

When the timeshare property is sold by deed, the owner has the option to list the property for sale, usually with a resale agency that specializes in previously purchased timeshare properties. It is not unusual for the timeshare firms themselves to have some type of ‘buy-back’ program available to its owners (Powanga & Powanga, 2008). Timeshare resort developers prefer these buy-back programs because the company can maintain control of the retail prices and keep the prices high relative to the prices available on the resale market (Powanga & Powanga, 2008).

Timeshare properties also depreciate at a tremendous pace. Powanga and Powanga (2008) found that a unit that was sold at retail for $18,000 might only receive offers of several hundred dollars on the secondary market. Murphy (2008a) found that resold units could eventually interrupt new timeshare development efforts since it has been widely reported that timeshares on the resale market are listed at a fraction of the retail price. Fred Wilson, Chief Attorney for the Florida Real Estate Commission, said the following in relation to the depreciation of timeshare units:

“Take a typical new unit that sells for $10,000…the unit costs $3,000 to construct, then add $5,000 in marketing costs and a $2,000 profit. There’s nothing wrong
with the system, as long as you realize it’s a lot like buying a car, the minute you drive it off the lot, its value drops.” (Giese, 1990, p. 41).

One of the reasons why owners can only sell their timeshare for a portion of the original cost is that other significant costs were added to the initial retail price at the time of purchase. These expenses include the cost of marketing and sales and other administrative costs.

Woods (2001) identifies that the cost of marketing timeshare products in the United States runs on average between 40% and 55% of the development costs of the timeshare product. The timeshare industry must spend significant amounts of money to develop a potential customer through its marketing and sales efforts. Direct mail, telemarketing, and off-premises contact locations all incur expenses that the timeshare company must cover in its retail sales. This is in addition to the substantial capital costs associated with the actual development of the timeshare properties (Woods, 2001).

Owners who are participating in ‘club memberships’ do not face the same burden that deeded owners face in terms of wanting to unload their financial obligations. Club members may simply cancel their memberships in which case the point inventory simply goes back into the timeshare club’s inventory for resale. In contrast, the typical timeshare owner who paid $30,000 for a timeshare unit might get less than $3,000 if the owner attempts to sell the unit back to the developer, assuming the developer wants that specific unit of inventory back at all (Murphy, 2008a).

Dangers of the Secondary Market for Owners

When timeshare owners become unhappy with their ownership of the timeshare product, they find their choices are somewhat limited when they wish to sell their
timeshares. The channels that are available range from expensive independently licensed real estate brokers who specialize in timeshare resales and licensed real estate brokers who have an agreement with certain timeshare resorts, down to inexpensive online timeshare “brokers.” However, the least expensive method of selling a timeshare is by owner. It is of interest to note that the ARDA International Foundation in 2000 estimated that only one in eight timeshare owners are successful in selling their timeshares, price notwithstanding.

Data on timeshare resales in the secondary market is difficult to obtain. Sales figures are only tracked in detail for retail timeshare sales and are simply estimated for the secondary market. Despite lingering effects from the Great Recession, national retail timeshare sales actually increased in 2012 over 2011, with sales up to $6.9 billion in 2012 versus $6.5 billion in 2011 (AIF, 2013a).

A 2010 study conducted by the ARDA International Foundation found that the most common re-sale channel for owners looking to sell their timeshare was to utilize licensed real estate brokers who specialize in timeshare units, followed by real estate brokers connected to timeshare firms, and coming in third was online resale advertising firms (AIF, 2010). Of the three avenues for resale, the online firms simply try to connect potential buyers with timeshare owners looking to sell their unit(s). It is important to note that these firms, for the purposes of this paper, are unlicensed to operate as real estate sales agents, so they cannot legally broker a real estate deal in the state of Florida. These entities are merely “advertisers” that happen to collect substantial fees for their services. Since these online resellers routinely state that they have solid success rates,
financially overwhelmed timeshare owners who neither want to, nor can afford to pay for the services of a licensed real estate agent, often utilize the services of these firms.

Baumann (1999) explained the red flags of disreputable timeshare resale operators in the late 1990s, and offered the following tips for timeshare owners wanting to sell their timeshares (as told by Cliff Hagberg, a former president of ARDA):

- Be wary of advance fees asked by appraisal companies or real estate brokers
- If a company tells you (the timeshare owner) that they have a buyer already lined up for a purchase, it is usually not true
- Steer clear of ads in the newspaper or the Internet as a channel for selling a timeshare interest
- Be aware that timeshare intervals typically do not appreciate in value

A study conducted by the Research Intelligence Group for the ARDA International Foundation (2013) found the majority of owners looking to sell their timeshares on the secondary market claimed that ease of the transaction was the key driver for choosing a reseller, followed by the speed of the transaction (AIF, 2013b).

Online resellers’ competitive advantage over traditional real estate agents is that they are based online and can be easily and quickly accessed. Due to search engine optimization, online resellers can more directly and easily target people searching for timeshares or timeshare resales.

The resale market has had an increase in unscrupulous resale operators, many of which are Internet-based, who have taken advantage of timeshare owners attempting to sell their timeshares. These “scam” resale operators typically required money from timeshare owners in advance, claiming the fees were for closing costs or advertising
services, and then disappeared with the money (Elmore, 2012). The Florida timeshare market was particularly hard-hit by online scam resale operators and it is estimated that the most frequent method of targeting the elderly by fraudulent operators is via Internet (Reisig & Holfreter, 2007). The percentage of adult Floridians aged 65 and over is approximately 30% greater than the national average, at 17.6% of Florida’s total population in 2010 (U.S. Census Bureau, 2010). Studies have shown that elderly consumers are more vulnerable to instances of fraud than younger consumers (Lee & Soberon-Ferrer, 1997; Reisig & Holtfreter, 2007).

**Taking Advantage of Distressed Timeshare Owners**

It is not uncommon to find financially strapped timeshare owners, who wish to be released from their timeshare commitment, turning to online resellers only to end up swindled. Many of these online reseller firms contact the timeshare owner, who, upon browsing the site, submits a request for information. The reseller then contacts the owner and tells the owner that they have interested buyers. Typically, these companies then tell the owner that all they need to do is pay closing cost and title fees, which can cost the owner thousands of dollars (Hicken, 2013). Once the money is paid to the online reseller, the “buyer” never buys the timeshare, because a buyer never really existed, and the owner is told that the money went instead for advertising and listing services for their timeshare unit (Strain, 2012). In most cases no written contract is ever presented to the timeshare owner for signature, therefore, it becomes difficult for the owner to attempt reimbursement for the fees already paid. If a contract has been presented to the owner, the contracts usually make no stipulation about fees being paid (Strain, 2011). In the best-case scenario for the dishonest reseller, the reseller simply stalls the owner
indefinitely, having never arranged for a buyer for the unit nor returned the upfront fee; this scenario plays-out in the majority of cases (Perkins, 2012).

An example of a “deal” with one of these dishonest timeshare resale operators was the case of the five people from Boca Raton and Boynton Beach who were took $2.6 million from timeshare owners in a scam that spanned the entire U.S. (a federal crime). The operators targeted distraught timeshare owners and persuaded them to pay closing fees for the “impending sale of their unit”. The owners were told they would receive their fees back after the final sale was completed (Clarkson, 2012).

In keeping with the telemarketing scam, another example is from Palm Beach County, where a former New York City detective was involved in an operation that telemarketed to timeshare owners, which again required the owners to send money to the telemarketer based on the premise that a buyer was waiting to purchase their timeshare (Burstein, 2012). The former detective was sentenced to over 12 years in prison for the $3 million that his operation took from timeshare owners (Burstein, 2012).

A ring of telemarketers based in Ft. Lauderdale, FL, was ordered to shut down operations in 2010 (before the Timeshare Resale Accountability Act was passed) by a federal district court at the request of the Federal Trade Commission, as a result of numerous complaints about the operation, which did business as Timeshare Mega Media (Federal Trade Commission, 2010). The operators marketed their services to timeshare owners through telemarketing efforts, and convinced the timeshare owner that a buyer was waiting to purchase the timeshare, a hallmark claim made by many of these marketing scams. Timeshare Mega Media then sent a contract to the owners, suggesting that it was a sales contract, when in reality it was merely a marketing contract.
company then asked for a fee of usually $1,996 from the owner through a credit card, unless a timeshare unit was particularly expensive, wherein the marketing contract cost was as high as 10% of the retail value of the timeshare unit (Federal Trade Commission, 2010). Examples of timeshare owners falling victim to these fraudulent resale operators prompted the creation of the Timeshare Resale Accountability Act.

Even with the negative publicity generated by fraudulent operators scamming timeshare owners out of millions of dollars, the retail timeshare industry continues to realize increasing quarterly sales. In 2011, retail timeshare sales were up 2.4% over 2010 with sales for smaller timeshare companies, such as Bluegreen, realizing significantly larger sales, up 21.6% in the second quarter of 2011 over 2010. Another example is Diamond Resorts, which in the 2011 second quarter realized sales up 34.5% over 2010 (Watkins, 2012).

**The Importance of Florida**

In Orlando alone, it is estimated that timeshare visitors spent an average of $1,785 per travel party during 2011 (AIF, 2012). When this figure is extrapolated for all timeshare visitors to Orlando area timeshare resorts, the total dollar amount is estimated to be $363 million. However, and perhaps more importantly, these timeshare traveling parties spend an estimated $1.3 billion at other local non-timeshare businesses (Dorf, 2014). The timeshare index shows that of the most in-demand timeshare resorts in the world, Florida has four of the top ten most in-demand resorts in the world (“Timeshare Demand Index,” 2013).

Florida recognizes this large financial impact of the timeshare industry and listens to what the industry has to say. In terms of employment and the timeshare
industry’s relationship to the rest of the economy, the industry’s employment multiplier is higher than that of restaurants, general retail, and hotels in the same areas (AIF, 2012). The employment multiplier is a number that represents the multiplier for other jobs that are created per number of timeshare industry jobs. For instance, in 2011 the timeshare industry’s multiplier was 2.28. This means that for every timeshare job (1.00), 1.28 additional jobs were created in other industries. It is also worth noting that 2011 was a year still marked by weak economic recovery from the Great Recession.

The acting director of the Federal Trade Commission’s Bureau of Consumer Protection, Charles Harwood, stated in June 2013 that, “truly we have an epidemic of fraud in this area” (Hicken, 2013). The area that Harwood referred to was Miami, Florida, where timeshare scammers had centralized. Though these issues were occurring nationwide, Florida contains over 24% of all United States-based timeshare units (AIF, 2006). Therefore, Florida became a concentrated area for fraudulent operators seeking to defraud timeshare owners.

This type of scam became so common in Florida that timeshare related complaints constituted the state’s number one fraud complaint in 2010 (Elmore, 2012). Florida Attorney General Pam Bondi’s office received almost 7,000 complaints during a nine-month period in 2011. That was more than all other consumer complaints in the state combined (Elmore, 2012). From 2009 to 2011, the Florida Attorney General’s Office received more than 19,000 complaints about timeshare reseller fraud (Strain, 2011). Florida Governor Scott realized that these timeshare scammers were hurting the timeshare industry’s image in Florida and remarked as such in June of 2012 on a visit to the University of Central Florida’s Rosen College of Hospitality Management:

...
“As visitors enjoy their vacation and business travel to Florida, it is only natural for them to want to figure out ways to keep coming back, and timeshares can be a way for vacationers to keep returning to our state. Unfortunately, several scams involving timeshare marketers have eroded investor’s confidence in the timeshare system,” (Tremblay, 2012).

These fraudulent resellers are mainly located in central and south Florida, and authorities in Florida have taken actions against them. In 2012, 10 of 17 known timeshare telemarketing/reseller firms were under subpoena by the Attorney General’s Office (Elmore, 2012). Despite these efforts, additional action was needed in terms of revising existing state statutes to address these industry-damaging elements of the Florida timeshare business.

The Florida Legislature Takes Action

In an effort to control this growing problem, Florida House Representative Eric Eisnaugle introduced a bill in December of 2011. This bill, HB 1001, which became the Timeshare Resale Accountability Act on July 1, 2012, addressed many of the issues regarding how timeshare resellers operate in the state of Florida. The bill focuses primarily on how timeshare resellers operate and delineates penalties for operators who violate these laws that could result in a fine not to exceed $15,000 for each violation under the Unfair and Deceptive Trade Practices Act (Turner, 2012). The main aspects of the Timeshare Resale Accountability Act are as follows, a timeshare resale advertiser cannot misrepresent to the seller that a buyer is interested in purchasing a timeshare unit; a timeshare resale advertiser cannot demand payment of fees before any agreements or contracts have been presented to the seller for signature; a timeshare resale advertiser
must honor a seller’s request to cancel the firm’s services within seven days of a signed agreement; a timeshare resale advertiser cannot mislead a customer as to the success rate of the reseller’s sales/success rate; a timeshare resale advertiser may not provide brokerage or direct sale services; and a timeshare resale advertiser must provide a full refund of canceled contracts within a 20-day period (Turner, 2012).

Another important feature of the new law is that it requires that resellers honor a “cooling off” period. The new law indicates that the owner has seven days to cancel the agreement or contract with the reseller (Perkins, 2012). Additionally, the reseller is now required to provide a full refund to a timeshare owner who cancels his or her contract within 20 days (Strain, 2012). Moreover, the reseller must acknowledge their success records in transactions that have actually resulted in a successful sale or a successful rental for the previous two calendar years (Strain, 2012).

The Timeshare Resale Accountability Act has the support of the major players in the timeshare industry, the American Resort Development Association (ARDA) and Wyndham Vacation Ownership, the largest timeshare company in America. The following is a statement form Wyndham Vacation Ownership’s President and CEO Franz Hanning:

“Attorney General Bondi has put timeshare resale companies on notice in the state of Florida. Our industry has long benefited from responsible regulations that protect consumers and ensure the integrity of products and services. Timeshare resale companies should not be exempt from these standards and we applaud Attorney General Bondi for leading this effort on behalf of Florida timeshare owners and our industry at large” (Wyndham Worldwide, 2011).
ARDA’s President and CEO Howard Nusbaum echoed the same sentiments stating, “Florida has taken a giant step in providing consumer protection against fraudulent and deceptive business practices utilized by unsavory timeshare resellers” (Becker, 2012). The bill was sponsored in the Florida Senate by Florida Senate Majority Leader Andy Gardiner and was approved by Florida Governor Rick Scott on April 6, 2012 to take effect on July 1, 2012 (Florida Senate, 2012). The bill passed without opposition in either chamber; the Florida Senate voted 40 – 0 and the Florida House voted 113 – 0 (Florida House of Representatives, 2012).

Armed with this new law, Florida authorities, as well as the Federal Bureau of Investigation (FBI) have made significant progress in pursuing any fraudulent entities that did not relocate out of state. Large-scale arrests were made and dozens of individuals were incarcerated after being convicted of stealing millions of dollars from owners across the country. The FBI issued an alert pertaining to timeshare scams as they witnessed a significant increase in complaints about these fraudulent reseller firms. Many timeshare scams involve telemarketers based in Florida who also contact owners across the United States to solicit fee payments. Since these crimes occur across state lines, the FBI becomes involved due to the wire or mail fraud that is associated with these transactions.

Future of the Industry

Since Florida has passed legislation to protect its local timeshare owners, other states are now seeing an increase of timeshare resellers. This could be attributed to resellers who have relocated from Florida to avoid paying fines and more harsh penalties. California has the second largest concentration in the United States with 8% of the total
number of timeshare units (AIF, 2006). Colorado has also seen increases in fraudulent operations. In February 2013, the California Department of Real Estate issued a warning about timeshare fraud schemes involving wire transfers to sell a timeshare unit on the secondary market (Bell, 2013). This particular warning specifically mentioned certain timeshare properties in Mexico and warned Californians to be wary of unwanted telephone/mail solicitations from timeshare re-sale representatives (Bell, 2013). Colorado, which has the fourth largest timeshare unit concentration in the U.S., and Utah are also considering legislation similar to Florida’s Timeshare Resale Accountability Act. However, these states would target more “timeshare transfer” companies instead of just re-sale advertisers.

The Federal Trade Commission (2013) issued a press release stating that they and their law enforcement partners across the nation have initiated 191 “actions” to effectively handle timeshare resellers. Since then, law enforcement seems to be making progress. The Federal Trade Commission in May of the same year stated that federal courts blocked the operations of three resale firms that allegedly defrauded more than $18 million from timeshare owners looking for help in selling their timeshares. Additionally, 83 civil actions were filed in 28 states by that time, with over 184 persons facing federal and local charges (Hicken, 2013). The more the public hears of law enforcement making arrests and charging people with felonies, the more the public might research their timeshare purchasing and selling options more thoroughly. They will also see that efforts are being made to streamline and legitimize the timeshare re-sale industry.

Although industry leaders claim that the secondary market needs to be addressed, there are those who turn a blind eye. Jim Lewis, President of Disney Vacation Club, was
asked about the need to clean up the resale market. He responded, “Resales aren’t the problem, fraud is,” (Stoessel, 2010).

Overwhelmingly, people agree that the retail timeshare market should consider the problems within the secondary market. An unintended consequence of the law may be that it brings more attention to the fact that many retail timeshare owners are attempting to be released from their contracts. An ancillary effect may be the shift in potential buyers’ opinions about the timeshare product itself at the retail level. With so much negative publicity surrounding the troubled resale market, would-be retail purchasers might think “why are so many timeshare owners trying to sell their timeshares?” Logic would dictate that there is an inherent flaw in the product at the retail level.

ARDA president and CEO, Howard Nusbaum, sees the secondary market fraud problems as a constant challenge to be dealt with on a state-by-state basis. He states that the Florida law concerning the resale market is a “first good step to fixing the problem,” and that he is proud of the industry’s work with Florida officials to get the Timeshare Resale Accountability Act passed (Watkins, 2012). The Florida law is indeed a good first step, but the industry can take more steps to curtail the proliferation of resellers that appear to take advantage of overwhelmed timeshare owners. The secondary market is something that the retail market must look deeper at, and Nusbaum does address the industry’s need to “buoy up” the timeshare product so the secondary market will not be so alluring to potential buyers (Watkins, 2012). Efforts made by the industry to curtail the dishonest resale operators as well as lobbying efforts to pass federal laws pertaining to the secondary timeshare market can only help the retail timeshare industry. A more
realistic approach is that each state that has a substantial timeshare resort population would pass state laws that are similar to the Florida law.

The retail product seems simply too expensive when compared side-by-side with a timeshare product that is available on the secondary market. A 2010 study commissioned by the ARDA International Foundation in 2011 found that the median resale price for a timeshare unit was $9,000, however, the median price of a retail timeshare unit is $20,468. The resale price may be driven further down in the near to intermediate future, as the economy does not seem to be making great strides in terms of unemployment, underemployment, and the amount of disposable income would-be customers need to have available to in order to realistically consider a timeshare purchase (AIF, 2011).

In 2012, the typical retail timeshare owner profile is that of a 51-year-old person who pays a mortgage on an existing home and who has a $74,000 median household income according to the American Resort Development Association’s Membership Prospectus of 2013. This profile could be expected to change and if it does, it would not be for the good of the industry.

**Financing Industry Operations with Securitizations**

Stringam (2010) performed a SWOT (Strengths Weaknesses Opportunities and Threats) analysis on the vacation ownership industry by talking with strategic decision makers to find out what key leaders in the industry thought were critical strengths, weaknesses, opportunities, and threats to the industry. Weaknesses in the industry were found to be mainly financial. This could be due to the heavy reliance on lenders to keep
the industry flush with funding for operations. This has led the timeshare industry into seeking securitizations.

Historically, there were two types of interests in property, equity interests, which signified ownership, and security interest, which signified debt (Graff, 2006). Until the 1970s, when a bank or another financial institution originated a loan, it was held on its balance sheet until the loan was paid off (Singh, 2001). The secondary market in real estate began when lenders in a particular geographical area, who had more available capital than demand for it, bought mortgages from lenders in geographical areas that had a shortage of capital (Singh, 2001). The United States government played a significant part in the development of the securitization process as a financial tool. The government created the secondary residential mortgage market in the early 1970s by creating the Federal Home Loan Mortgage Corporation (also known as Freddie Mac), and the Federal National Mortgage Association (or Fannie Mae). These organizations allowed mortgage lenders an avenue to increase the liquidity of their businesses (Kyle & Kosiba, 2005). The secondary market received further impetus in the early 1990s when the Resolution Trust Corporation (RTC), a government-owned asset management entity, acquired failed savings and loans (S&Ls) and banks and sold off non-performing mortgages (Singh, 2001).

There are a number of definitions for securitization and for what it means to a company. The definition that will be used in the context of this paper is, “a type of debt security that is based on pools of assets, or collateralized by cash flows from a specified pool of underlying assets” (Fang & Long, 2009, p. 248). What are mortgage-backed securities (MBS)? Lewis Ranieri introduced the concept of securitization in the late
1970s to advance the growth of a secondary market for mortgage-backed securities (Kyle & Kosiba, 2014; McNamee, 2004).

In a mortgage-backed security, the asset is the actual physical house that is attached to the mortgage. Graff (2006), defines securitization as: “the process whereby illiquid interests in property are converted into marketable limited liability securities that preserve the investment characteristics of the original interests other than illiquidity and liability exposure,” (p. 235).

The act of securitizing mortgages takes place on the secondary mortgage market where the involved financial entities are able to raise capital by selling “pooled” mortgages. These are mortgages that were originally issued to individual homeowners on the primary mortgage market (Haffner, 2008). Assets that may be too risky by themselves to invest in can be pooled together to reduce risk by way of diversification. This can make investing in assets, even those assets that would normally not be attractive to invest in, appear worthwhile to an investor (Fang & Long, 2009). With the practice of pooling residential mortgages by retail banks and savings and loan firms, securitization can touch virtually every type of financial asset held by a corporation, whether it is a financial services company, manufacturing company or another commercial enterprise (Morrison, 1993). Interestingly, residential mortgages that qualify for insurance from any government-sponsored entity are deemed too small for securitization of individual mortgages to be economically viable (Graff, 2006).

A typical securitization transaction occurs when a company, also called the originator, sells its assets that generate a steady stream of cash flows to a specially created corporation or trust, often called a special purpose vehicle (SPV), who then puts
them into a pool that credit enhancements are then applied to (which are instruments used to raise the rating of the SPV), and finally finances the purchase via issuing tradable securities (Long & Fang, 2009). The assets described that generate a steady stream of cash flows can include residential mortgages, credit card receivables, retail auto loans, leases, home equity loans, trade receivables, or even student loans (Morrison, 1993). Timeshare mortgages would fall under the mortgages category. Investors that purchase the SPV’s securities are actually purchasing the right to future cash flows generated by the underlying asset, in this case the mortgage (Haffner, 2008).

**Why Securitize?**

Since securitization allows assets to be transferred off a firm’s balanced sheet, there are those who describe securitizations more as “techniques” rather than products. Tucker (2012) describes securitizations: “a securitization is a transaction, whether funded from contractual cash flows or not, whereby such cash flows are isolated from the bankruptcy risk of the original or current owner, whether by ownership, security, or other form of control,” (p. 20). This securitization process makes it possible for firms to separate otherwise non-marketable assets from their balance sheet and, often with the help of credit enhancement, turn them into negotiable instruments (Kotecha, 1998).

One of the primary differences between the sale of assets and the securitized sale of assets is that regular asset sales usually involve the sale of productive assets, such as property. This is in contrast to securitization deals with assets that are of the fixed-income nature, such as receivables, that have an expected future cash flow (Thomas, 1999). Significant abnormal returns have been found when firms announce the selling of physical, or productive assets (Alexander, Benson, & Kampmeyer, 1984; Jain, 1985).
Ambrose, Lacour-Little, and Sanders (2005) studied the factors that went into the decisions of corporations on whether or not they may want to securitize a given MBS in their loan portfolios. The factors the authors looked at were information asymmetry, regulatory capital arbitrage and reputation of the firm, or lender (Ambrose, et al., 2005). Would the degree of risk associated with a loan determine whether the lender would keep the loan on its books or would the firm want to place the loan for sale on the secondary market (mortgage market, in the form of a securitized asset)? If there were information that the lender had, but that the secondary market lacked, would this encourage the lender to keep a loan on its balance sheet? A lender may wish to retain loans instead of securitizing them if the lender considered the loan of high-performance value based on information the lender was exclusively privy. This is where agency conflict and possible moral hazards may occur.

**Agency Conflict and Moral Hazard**

One significant motive for securitization by financial intermediaries is to reduce information asymmetry by providing more transparency into the nature of the securitized assets (Gasbarro, Stevenson, Schwebach, & Zumwalt, 2005). What is asymmetric information? One class of informational asymmetry is the set of differences among investors that deal in information that exists between investors at the time the securitization is issued (Iacobucci & Winter, 2005). Another class of asymmetric information exists between managers and investors about managerial actions and uncertain factors that can affect security payoffs. These are realized during the period between the security issue and the date of security maturity, also known as agency problems (Iacobucci and Winter, 2005). Gasbarro, et al., (2005) explains that the more
firm-specific a company’s assets, the more information asymmetry exists about the firm and the greater the moral hazard perceived by outsiders. They also argue that this issue of information asymmetry arises naturally when ownership is separated from management.

Since rating agencies monitor securitizations, they help reduce information asymmetry and can be used to improve a firm’s reputation (Gasbarro, et al., 2005). Hill (1996) indicates that the required level of credit enhancement is worked out with rating agencies and insurers prior to the pricing of an actual transaction. Accordingly, the quality of the receivables that is being pooled has great influence on the rating itself. Goldstein (1996) found that levels of credit enhancement could become quite stringent for receivables of lower quality.

To help remedy the situations where asymmetric information exists between the security issuer or underwriter and the investing public, the Securities and Exchange Commission (SEC) proposed amendments to its Regulation AB (asset-backed). These amendments would handle disclosure and reporting requirements in securitizations and the offering process itself (Kenyon, 2011). The SEC proposed these amendments in 2010, but those in the securitization industry met those proposals with dismay over matters of loan-level information disclosure. As a result, the SEC launched a “re-posal” in 2011 that addressed those concerns, but which did not go far enough, as market practitioners had privacy concerns about data at that level (FSR Insights, 2014). On August 27, 2014, the SEC decided on a final set of revisions to Regulation AB that increased transparency in securitization transactions to include extensive loan-level data requirements for specific asset classes.
Regulation AB was created in December of 2004 and went into effect January 1, 2006 by the Security and Exchange Commission as the first body of rules and regulations regarding asset-backed securities, and covers four general areas, communication practices, disclosure, registration, and the periodic testing of asset-backed securities-related issues (Chapman and Cutler, 2015).

Hartman-Glaser, Piskorski, and Tchistyi (2012) examined the potential agency conflict that would exist as a result of the separation of the originator of a loan and the risk of default to the originator. The typical underwriter of a mortgage does not wish to keep loans on their books and looks to sell them on the secondary market. The problem for investors is that they cannot know the efforts made by the mortgage underwriter to screen its loan applicants, so investors do not know the quality of the mortgages offered (Hartman-Glaser, et al., 2012). Jensen and Meckling (1976) put forth that corporate stakeholder’s interest are always conflicting with each other, and the behavior of the agent is predicated upon opportunism and self-interest.

The Office of Federal Housing Enterprise Oversight (OFHEO) (2006) points out a potential conflict of interest or a principal/agent conflict, in the management of Freddie Mac. The agency’s management was shown to be manipulating accounting procedures in order to falsely meet earnings targets, thereby increasing executive compensation by way of incentive earnings and bonuses paid out.

Benefits of Securitization

The concept of asset securitization as a financial tool for a corporation has several major benefits. Morrison (1993) delineates these benefits into three areas, accounting, raising capital, and regulatory compliance. In terms of accounting, the most significant
advantage for a company to use securitizations is that the assets are removed from the firm’s balance sheet, which enables the recognition of a financial gain or loss almost immediately (Kyle & Kosiba, 2005). This would also remove any associated liabilities related to the removed asset (Morrison, 1993). A company’s financial goals of improving its return-on-assets would therefore benefit from securitization, as would any capital-to-assets ratios (Morrison, 1993).

In the area of raising capital, the bundling of assets creates a higher credit rating for the securities than the originator of the security individually may itself possess. This lowers financing costs when compared to straight-debt offerings in order to raise capital (Morrison, 1993). Securitizations usually reduce the reliance a firm may have on raising funds through unsecured debt (Kyle & Kosiba, 2005). If the pooled assets are considered top-tiered investments, this would allow a corporation greater access to a variety of capital sources, to include money market funds and insurance firms. These sources usually have regulations or covenants that restrict their ability to purchase speculative-grade obligations (Morrison, 1993). This credit enhancement typically allows securitization issues to earn a higher investment grade, or rating, from the primary investment rating agencies (Greenbaum & Thakor, 1987).

Lastly, regulatory compliance is met when a firm has adequate capital requirements to meet its obligations. Securitizations allow the originator to avoid restrictive covenants, thus allowing the shifting of “catastrophic” loss from the originator to investor (Morrison, 1993).

Chiu and Hsieh (2007) examined the long-run operating performance of 447 firms that issued asset backed securities during the period from 1990-2001. They found an
occurrence of positive abnormal returns in a three-month to three-year period subsequent to the announcement of the security issue. Their study found that although securitizing firms did see a positive stock price reaction at the time of the securitization announcement, there was no evidence of any long-term positive abnormal stock price returns. In their study, they did not find any indication of validation of the “under-reaction” hypothesis in that securitizing firms should be able to perform better than the market. However, the researchers did see an improvement in performance in the securitizing firms over their non-securitizing counterparts in selected industries. Thus, long-term abnormal returns were not found and were in fact inconsistent with the under-reaction hypothesis due to the price of stocks. According to this hypothesis, securitizing firms should outperform the market because investors are overly optimistic about the prospects of securitizing firms.

If a lender wanted to cut its capital arbitrage, as well as interest and credit risk, then the expectation would be that most loans in the lender’s portfolio would be securitized (Ambrose, et al., 2005). This course of action, however, would have the lender attempting to securitize high-risk loans (loans with a high propensity for either default or early prepayment) to the secondary market. In this process, the lender would incur a loss of credibility among the major firms that purchase securities in the secondary market (Ambrose, et al., 2005). The researchers also examined if regulatory capital requirements for lenders had an effect on a lender’s decision to securitize loans. They found that lenders held higher-risk and higher-yielding loans, but ultimately could not differentiate the loss of reputation hypotheses from their capital arbitrage hypothesis.
This was in part because both hypotheses predicted securitized loans would have lower default rates than the loans a lender would choose to retain in its portfolio.

Ambrose, et al., (2005), analyzed 14,285 conventional fixed rate mortgages originated between 1995 and 1997, and observed through October of 2000 to be able to determine defaults and prepayments. The researchers found that loans that had higher default probabilities were more likely to be retained and less likely to be offered for sale in the secondary market. This could be because the lender wishes to maintain its reputation in the secondary market and keep high-risk loans in its portfolio (Ambrose, et al. 2005). The researchers also found that loans that had a higher propensity for prepayment were negatively related to whether the lender would retain the loan in its portfolio. This means that these loans were more likely to be offered for sale on the secondary market (Ambrose, et al., 2005).

Demarzo and Duffie (1999) studied the result of security issuance when information was available only to the issuer of the security and not the rational investor. If it becomes known that the issuer has information about the securities that the investors do not, the investors may consider these types of securities “lemons.” In this case, the investor would only be willing to purchase these securities at greatly reduced prices (Akerlof, 1970). The securitization of assets may be an effective way to avoid a “lemon” market premium on general security issues. This is because securitized assets often have cash flows with risk that is more easily assessed than the risk of the general assets of the firm, such as physical assets or intangibles like goodwill (Iacobucci & Winter, 2005).

Securitization avoids, generally speaking, any leverage an investor may have on the performance of a firm because of the sheer volume of shares an investor may own.
When an investor buys securitized assets, it is purchasing the underlying cash flows of the collateral, not a stake in the ownership of the firm itself.

Indeed, Kahn and Winton (1998) found in their study that large investors, or institutional investors, may choose to “intelligently” pressure a firm in which it has invested, and actually may purchase additional shares in anticipation of the pressure being exerted on the firm to perform better, hence having information that the investing public does not have. These investors are practicing “intervention” instead of “speculation” or speculative behavior exhibited by more traditional investors (Khan & Winton, 1998).

Another viewpoint on why securitization is an instrument of cost-saving for an organization, looks at securitization in terms of “hedging” against the volatility of interest rates and reducing the intermediation costs involved in the securitization process (Hess & Smith, 1988). The researchers argue that the act of hedging provides an organization with the ability to cut the operating costs in four ways:

1. Reducing expected taxes
2. Reducing the differential in compensation that acts as an incentive for entities with poor-diversified claims to give business to the organization that is issuing the security
3. Reducing the “underinvestment” problem
4. Reducing bankruptcy expenses

An additional benefit that a firm may realize by securitization is that securitization increases the financial slack of a firm by expanding its borrowing capacity through the
reduction of risk through portfolio diversification, thus serving as a source of lower-cost financing (Gasbarro, et al., 2005).

A firm may wish to securitize its assets to raise capital instead of partaking in debt financing. Securitizations (for those firms in the lodging sector) may avoid many of the disadvantages of debt financing, which Elgonemy (2002) ascertains as the property owner being “enslaved” to the lender, thus interfering with management’s ability to competently operate the property.

**Wealth Effects of Securitization**

Asset securitization might be a well-spring of wealth creation for equity holders since the management of a healthy firm can decide the conditions under which it will sell its assets (Thomas, 1999). Securitizations may also increase equity claimants by securitizing certain assets to obtain necessary funding and investing it in positive net present value projects (Fang & Long, 2009). Accordingly, it would be expected that the announcement of a securitization by a firm that is regarded as financially healthy would be greeted by a positive share price effect (Fang & Long, 2009). Conversely, it might be expected that a forced sale of assets by a distressed firm could be interpreted by the market as confirmation of the firm’s poor condition, which would result in a corresponding drop in firm value (Thomas, 2001). For firms that make frequent securitizations, investors tend to believe that management is trying to use a comparative advantage in securitization to maximize shareholders’ wealth (Long & Fang, 2009).

Lang, Poulsen, & Stulz (1995) examined non-fixed income asset sales from non-financial corporations and found that the stock market reaction to asset sales is positive only when the proceeds of the sale are paid out to shareholders. Thomas (1999)
attempted to find the reason behind the expansion of securitizations by performing tests of stockholder and bondholder wealth changes upon 236 securitization transactions (reduced to 136 transactions) in the U.S. during the years 1990-1996. He found that securitization is significantly wealth creating for shareholders, but that securitization is generally neutral for the issuer. This can also be associated with losses to the asset seller when the market is under pressure and gains to the seller when the market is calm.

Lockwood, Rutherford and Herrera (1996) performed a study to measure the wealth effects of asset securitization by examining specific industries, such as the financial, industrial and automobile manufacturing, and banking industries. The researchers tested the proposition that securitization leads to increased shareholder wealth for the shareholders of firms that issue securitizations. They looked at four propositions in detail:

1. Wealth effects of ABS differ on the factor of the “financial slack” status of the issuing firm
2. Wealth effects differ on the factor of asset type that is being securitized, such as auto loans, credit card receivables, trade and lease receivables
3. ABS issuance tends to lead to a fluctuation in market and interest rate risk of the securities-issuing firm
4. Wealth effects from securitization would differ based on industry

The researchers found that wealth effects were indeed industry specific. Financial firms saw shareholder wealth gains while banking firms saw the opposite and the automobile and industrial companies saw no change at the time of their respective securitization announcements (Lockwood, Rutherford & Herrera, 1996). In addition,
financially sound banks saw significant wealth gain at the time of ABS announcements, while weaker banks saw significant wealth loss (Lockwood, Rutherford & Herrera, 1996). As to whether the type of asset being securitized had a significant impact on wealth after an announcement of securitization, it was found that the wealth effects were unaffected by asset type (Lockwood, Rutherford & Herrera, 1996).

**Securitizations in the Vacation Ownership Industry**

Securitization transactions are those where a firm sells financial assets that hopefully generate a positive cash flow to a specific trust that is set up for this purpose. The firm then attempts to raise the credit rating on the assets and finance the purchases by issuing tradable securities (Fang & Long, 2009). The more successful timeshare firms are in the business of lending to consumers to purchase the firm’s timeshare product, however, such a business model makes it difficult to raise capital quickly and efficiently. Often revenue is generated through the actual closing costs of loans and the amortized monthly payments the buyer makes on the timeshare mortgage (Kyle & Kosiba, 2005).

This is why securitizations are relevant for timeshare companies. It is a way for timeshare companies to receive operating capital for their business. Fang & Long (2009) found that some companies who are first-time players in the securitization market find that wealth is destroyed. However, wealth is enhanced when the company holds multiple securitizations. Since some of the larger companies opt for multiple securitizations per year, the timeshare industry may provide a significant industry to explore in this manner.

Liquidity refers to how easily a security or asset can be converted into cash. Liquidity risk is the risk that the investment will be illiquid. In the context of timeshares, it is the risk associated with the capacity of a consumer to sell a timeshare investment
quickly and at a fair price (Hovey, 2002). If an owner is forced to reduce the price of his timeshare unit below market value, if the sale takes considerable time, or if the owner incurs expenses to divest the timeshare investment, then it is considered illiquid (Hovey, 2002). Timeshare units can generally be considered as illiquid (Hovey, 2002). Liquidity is dependent on the demand for the asset and the existence of an active secondary market (Hovey, 2002), which the timeshare market certainly has demonstrated.

Securitizations are important to the operating cash flow of a timeshare company, because the timeshare business model does not count on immediate payment in full for its inventory. Using Fang & Long’s (2009) model as a reference and the timeshare securities credit rating agency DBRS (2012), below is a basic sequence of events of how a securitization of timeshare mortgages would take place.

First, the timeshare customer makes a purchase of a timeshare unit (either in points or fixed week intervals) from a retail timeshare company, utilizing in-house financing. It is important to note that the purchase of the fee-simple timeshare product, as opposed to the “right-to-use” product type, requires somewhat less credit enhancement, which will be explained further in the coming section. The timeshare company then bundles together multiple timeshare mortgages that are assigned credit quality ratings. This is now an “asset pool.” Once the timeshare mortgages are placed into a pool of similar vehicles, certain credit enhancement tools are applied with hope of raising the pool’s rating.

Rating agencies play a role in determining the credit worthiness of these asset pools. Credit support providers also play a role in helping increase an asset pool’s credit worthiness. The asset pool is transferred to a special purpose vehicle that is usually
denoted as being bankruptcy remote, meaning that a creditor cannot attach the assets if the originator declares bankruptcy, and is typically a corporation or trust (Iacobucci & Winter, 2005). The special purpose vehicle, made up of multiple timeshare mortgages, is now available as a tradable security and offered to investment banks. Finally, these banks then offer the security to the investing public.

Criteria for rating securitizations in the timeshare industry that affect the asset pool are delinquency rate, defaults, actual foreclosures, obligor concentrations, pre-payment rate, and the rate at which mortgages are recovered (Peters, 1997). The qualitative aspects of establishing a rating for timeshare securities focus on the security originator, the servicer, and the trustee. In addition, due diligence of the actual timeshare resorts are carried out in terms of the examination of the network affiliations, physical property and accommodations/amenities, and the timeshare firm’s sales and marketing programs (Peters, 1997).

Duff and Phelps Credit Rating Company, which rates timeshare loans that are pooled together for sale as tradable securities, offers criteria that are used for rating timeshare receivables. First, the balance of each timeshare loan must not be more than 90%. This assumption is that if a buyer puts less than ten percent down on a purchase, the buyer may not be as committed to paying off the balance of the loan. Second, the loan must have matured past the applicable “rescission period” (mandated by state). This guarantees that the loans will not be “kicked back” by the obligor.

Right-to-use timeshare loans are not rated, as many legal obstacles are in place that specifically relate to this type of timeshare purchase. As noted earlier, fee simple
timeshare products are more readily rated in terms of credit worthiness. If right-to-use loans are included in an asset pool, there is a 100% credit enhancement requirement. Geographic location of asset pools is considered. The assumption is that a geographical area may be experiencing significant economic turmoil and as a result, loan defaults may be particularly high. Instances of this type of contingency would be Hurricane Katrina’s effect on the timeshare industry in the Gulf Coast of the U.S.

Considerations are taken when asset pools contain foreign obligors, because currency risk and, to a lesser degree, sovereign interference are factors that need to be examined. Another credit rating agency that deals with timeshare receivables is DBRS. This agency offers similar guidelines to how it rates timeshare receivables that are pooled for sale as tradable securities, focusing on (DBRS, 2012),

- The quality of the collateral of the receivables pool,
- Financial condition of the timeshare firm itself,
- Corporate rating of parent company, if applicable,
- Experience level of company management team,
- Ownership structure of the timeshare company itself,
- Past, present, and potential litigation issues the firm faces,
- Sources of revenue and any lines of credit available to the timeshare company,
- History of securitizations by the timeshare company, if applicable,
- The capital structure of the transaction,
- Management quality of the sponsoring timeshare firm,
- Internal accounting controls,
- Quality controls in place,
- Regulatory compliance,
- Strength and capability of the loan servicers,
- Legal structure of the loan portfolio,
- Underwriters’ competence/experience,
- Trustees’ competence/experience, and
- Historical performance of the sponsor’s (the timeshare firm) loan portfolio (DBRS, 2012).

Special purpose vehicles issue debt securities backed by the cash flow from the pool. In the process of establishing a rating on a mortgage-backed security, the agency develops a prime mortgage pool of assets for a specific market to serve as a type of benchmark (Kotecha, 1998). The benchmark level is established on the prime pool and subsequently adjusted for actual pools based on inevitable deviations from the prime. These take into account the levels of foreclosure and level of loss that serve as a benchmark for the worst case of economic stress (Kotecha, 1998). The structure of the issuance provides an appropriate form of credit enhancement and then the security receives the appropriate rating (Kotecha, 1998).

Accounting for securitization is difficult. It can be a powerful financial tool for corporations to control income and cash flow; therefore, securitization itself is susceptible to accounting abuses (Kyle & Kosiba, 2005). This is especially true when a company securitizes its accounts receivables, which is common practice in the timeshare industry. The securitization of receivables may cloud the earnings and cash flow statement of a firm. This can result in operating cash flows showing at an unsustainable level since there is a limit to how much a company can securitize its receivables (Siegel, 2006).
When a firm securitizes its accounts receivables, they usually package their receivables that have the highest credit quality together and then transfer them to a variable interest entity, or VIE, which are usually deemed “bankruptcy remote” (Siegel, 2006). Bankruptcy remote means that creditors cannot touch the assets in the VIE if the sponsor of the VIE files for bankruptcy protection (Siegel, 2006). When long-term receivables are securitized, firms can report gains on the sale of these assets. The book value of these receivables do not include interest income that will be earned by the asset as the firm that is purchasing the receivables will be paying for that interest (Siegel, 2006).

For example, Marriott included the sale of its timeshare receivables within its revenue from 2000 to 2002 instead of including it as offset to selling, or administrative/general expenses, or even as non-operating income (Siegel, 2006). After 2003, the company began stating the gains on sale of receivables as other or non-operating income (Siegel, 2006).
Chapter 3

METHODOLOGY

Introduction

The Event Study

MacKinlay (1997) states that an event study “measures the impact of a specific event on the value of a firm” (p. 13). Although Ball and Brown, (1968), and Fama, Fisher, Jensen and Roll (1969) are usually given credit for the widespread introduction of the event study into modern financial analysis, MacKinlay (1997) points out that James Dolley in 1933 performed what could be construed as the first event study in his examination of the price effects of stock splits (or “split-ups”, at the time the article was written).

Event studies utilize financial security data to measure the impact a specific event has on a particular firm or industry. The financial security data in most cases is common equity, but debt securities can also be studied under the same procedural guidelines with minor adjustments (MacKinlay, 1997). In finance and economics, event studies are used to measure the impact of the value of firms when events take place that affects individual firms or a host of firms in an industry. Some of these events include corporate mergers and acquisitions announcements, announcements of changes in senior management, issuances of new debt and/or equity, and larger, economy-wide events such as natural disasters (Ferstl, Utz, & Wimmer, 2012), firm-specific disasters, such as the MGM Grand Hotel fire in 1980 (Baginski, Corbett & Ortega, 1991), changes in regulations and laws that effect industries (Ababneh and Tang, 2013; Bosch; Grace, Rose & Karafiath, 1995; Nanda & Ross, 2012; Woodrow, Eckard & Lee, 1998), securities-related litigation to
ascertain damages (Torchio, 2009; ), the effect of announcing Olympic host cities (Leeds, Mirikitani & Tang, 2009), and even what impact President Obama’s remarks about “blowing a bunch of cash in Las Vegas” had on the Las Vegas business community (Gift & Gift, 2011).

Torchio (2009) offers the following definition of an event study, “An event study is an empirical technique that measures the effect of new information on the market prices of a company’s publicly traded securities” (p. 159). As stated by Torchio (2009), the methodology used in event studies assumes the current price of a security reflects all available information available to the investing public and that the price of a stock is “equal to the present value of the expected future stream of free cash flows” (p. 161).

Many diverse industries have used event study methodology to study the impact of various events that occurred without warning. Examples of unexpected events include the Johnson and Johnson Tylenol bottle-tampering episodes in 1982, the false bankruptcy information in the media about United Airlines in 2008, or the unexpected occurrences of a top-level corporate officer dying suddenly (Koch & Fenili, 2013).

Reynolds (2008) investigated the degree of accuracy that economists have had in utilizing event studies to determine if event studies can accurately predict the financial impact of new regulations on individual firms affected by the introduction such regulations. The researcher studied the passage of the Byrd Amendment of 2000 and found that the degree of accuracy of an event study’s predictive ability to the passage of a new law or regulation is extremely dependent on the researcher’s specifications used in the event study (Reynolds, 2008). These specifications include choosing the length of time in the event estimation window (the period of time before the actual event took
place), defining the length of time to include in the actual event window (usually from 1 to 2 days before the event to 1 to 2 days following the event), and whether any abnormal returns can be explained by other factors in the event window, where the researcher must choose a date that is not contaminated by other events that might skew the returns (Reynolds, 2008).

Grace, et al., (1995) examined the impact on shareholder wealth as a result of the passage of California’s Proposition 103 in which California voters sought to limit property-liability insurance rates in the automobile insurance industry. The researchers found that the passage of Proposition 103 had little impact on the value of the insurance industry (Grace, et al. 1995). The authors used the contagion effect hypothesis, the new information effect hypothesis, and the dribs and drabs hypothesis (Cornell & Shapiro, 1986) to learn if the passage of the proposition had any adverse effect on insurance firms with exposure to the California market.

The contagion effect hypothesis, brought to light by Aharony and Swary (1983; 1996) in their study of bank failures, was used in the Grace, et al. (1995) study to ascertain if the passage of the proposition had an adverse effect on insurance companies that did not have exposure to the California market, hence the term “contagion.”

**The Dribs and Drabs Theory**

The dribs and drabs hypothesis, otherwise known as the information leakage theory, is based on the notion that some events are at least partially anticipated and that information is released gradually over extended lengths of time and that no single event date can be defined (Grace, et al., 1995). In short, the dribs and drabs hypothesis is the idea that information leaks slowly over time rather than abruptly into the stock market.
This theory ties into Thomas’ (1999) statement about securitizations not being carried out “on an underwritten basis, but rather on a book-building basis,” (p. 328), inferring that it takes weeks for a securitization deal to be constructed by the parties involved in the transaction and the market is aware of this process well in advance of the actual announcement date of a successful securitization deal. Thomas (1999), therefore, used a longer event window in his study of securitization deals announced by financial institutions, -50 days prior to the announcement (or issue) date, to +1 after the announcement (or issue) date.

Bruner and Simms (1987), and Fields, Ghosh, Kidwell, and Klein (1990), have analyzed this concept by testing banking and insurance-specific legislative regulatory changes, as previously mentioned with California’s Proposition 103. Impson and Conover (2011) explain that under the dribs and drabs theory, information is leaked into the market on a gradual basis, and no single date of any single occurrence can be measured. The authors postulate that although the market reacts quickly and efficiently to relevant information that is “dribbled” into the market, such information arrives to slowly to the market to be able to be detected in a single event day, but quick enough to show an overall response at the cumulative level (Impson & Conover, 2011).

Amromin, Harrison and Sharpe (2008) examined the effect of the 2003 Dividend Tax Cut on U.S. stock indexes, and found, with one exception, that overall, the tax cut had no positive, excess return effect on the market. The one exception was an event window (May 14 – 28 of 2003) where high-dividend corporations received an excess return (Amromin, Harrison & Sharpe, 2008). This study also noted the cluster of events
that take place in the legislative process, and difficult it can be to identify a distinct event date that would indicate either a negative or positive abnormal return.

In keeping with the dribs and drabs hypothesis, Millon-Cornett and Tehranian (1988) examined the effect of a series of announcements that took place leading to the passage of the Depository Institutions Deregulation and Monetary Control Act of 1980. They studied large and small banks in addition to large and small savings and loan institutions. Their findings, using event study methodology, were that the shareholders of large banks experienced increased abnormal returns during the initial proposal of the act and the actual passage of the Act by the House of Representatives. Conversely, the shareholders of small banks and savings and loan institutions experienced significant negative abnormal returns during the same events. These two examples with varying results demonstrate that results can vary widely by industry and situation.

The New Information Theory

The new information theory, generally given credit to Fama, Fisher, Jensen and Roll (1969), states that event dates are the dates that new information is released to the markets. In other words, in the context of the passage of a new piece of legislation, the legislative event dates are the dates that uncertainty becomes resolved. As a result, the stock market response on days that new information is released to the market should result in overall prices that are significantly different from the prices before or after the event if the information is important enough to affect prices. The information effect hypothesis is part of the efficient market hypothesis which postulates that any new information will expediently and accurately be incorporated into the market (stock prices) (Grace, et al., 1995).
Tabak & Dunbar (2001) list four components that are most useful when evaluating the effects of what constitutes “new information” on stock or security prices:

- There is a well-defined disclosure to the public,
- The time that the new information reaches the market is defined,
- There is no reason to suspect that the market had prior knowledge of the new information,
- It is possible to keep separate or quarantine the effect of the specific new information from the market which otherwise might affect the issuer’s security price,

Mamun, Hassan, Karels, and Maroney (2005) studied the effect on shareholder wealth as a result of the passage of the Financial Services Modernization Act of 1999, and used the Seemingly Unrelated Regression (SUR) model in their event study to find that indeed the passage of the Act benefited the shareholders of the insurance companies examined in their study. Moore and Schmit (1989) examined the impact on shareholder wealth of insurance firms as a result of the passage of the Risk Retention Act of 1986 and found that although there was weak evidence of stock value enhancement by the announcement of the passage of the Act, there was no significant impact on average returns for the insurance firms used in the sample.

Ghani and Childs (1999) followed the impact of the passage of the Nutrition Labeling and Education Act of 1990 for what they term “large U.S. multinational food corporations” (p. 1). The authors studied four specific event dates during the legislative process of the passing the Act and found that shareholders of the major food corporations experienced significant negative abnormal returns surrounding all four event dates. The
authors believe that the negative wealth effects were based on a perception that the act would have affected production costs of the firms involved in the study and the firms’ ability to remain competitive in the long term (Ghiani & Childs, 1999). This showed that the increased expenses and costs of labeling food products were making an impact on the minds of investors in these firms.

Kwansa (1994) conducted an event study on the traditional lodging sector looking for the impact of acquisitions of the target firm’s shareholder wealth from 1980 to 1990. The author found that shareholder wealth of the target hotel firms (hotels that were the “target” of an acquisition, be it merger or hostile takeover, by another company) in acquisition deals was consistent with earlier studies that examined non-hospitality firms. It was found that cumulative abnormal returns were significantly higher between days -2 and +1 of the event window for the target firms, thus the shareholders of target firms realized a financial benefit from the acquisition of their company. Kwansa’s findings were consistent with similar studies that examined the impact on shareholder wealth of takeovers and mergers in non-lodging industries (Jarrell & Poulsen, 1989).

Cornell and Shapiro (1986) analyzed Latin America’s debt crisis of 1982 – 1983 and how it affected stocks in the United States banking sector. They employed a cross-sectional regression analysis in the event study methodology because so many event dates were observable across those two years that it rendered a traditional single-date event study ineffective. They found that foreign loan exposure of United States banks did indeed have a significant negative impact on the value of United States bank stocks during the years of the Latin American debt crisis (Cornell & Shapiro, 1986).
**Event Study Procedure**

An event study attempts to examine the pricing behavior for a sample of companies that have experienced a specific event, which might have occurred at a specific time or may have occurred over several points in time around a particular calendar date (or “clustered”). Bowman (1983) explains the basic procedural steps in conducting a proper event study:

1. **Identify the event of interest.** The events of interest for this study will be the three dates that pertain to the passing of the Timeshare Resale Accountability Act by the Florida State Legislature (March 9, 2012), the date the Act was signed into law by the Florida governor (June 22, 2012), and the date the Act became enforced as law (July 1, 2012). In terms of the securitization announcements of the various timeshare businesses, see the Timeshare Securitizations Event Study section later in this paper.

2. **Model the security price reaction.** The model is defined as the method by which expected returns are calculated, and for this study, two modes of event study analysis will be used, the Fama French Time Series Model and the basic event study using the Patell Z statistic (Patell, 1976), Portfolio time-series CDA (Crude Dependence Adjustment) statistic, the jackknife statistic (Tukey, 1958) and the standardized cross-sectional statistic. In addition, because of the relative small samples used in this study, the Bootstrap resampling method (Efron, 1979) will be used to allow the results to be more comprehensive. The Fama French model is used as it measures the difference in returns between large and small corporate portfolios, as well as measures the difference
between returns on corporate portfolios that have low and high book to market ratios.

3. Estimate the excess returns. The excess returns, or abnormal returns, are calculated using one of many methods available, including the market model, arbitrage pricing model (Ross, 1976), the unadjusted means model and the mean adjusted model, which defines the expected return as the mean of past security returns over a given period (Bowman, 1983). This paper will use the market model, as it is accepted by researchers as a more complex and refined means of determining an estimate of expected returns (Wells, 2004). The market model also uses a risk-adjustment factor in the calculation of estimated or expected returns, and is thus considered to have a higher level of sophistication than other estimation models (Wells, 2004).

4. Organize and group the excess returns. A standard practice is to use accumulated abnormal (excess) returns over time. One aggregation model, developed by Jama, Fisher, Jensen and Roll (1969), is called the Cumulative Average Residual (CAR), or sometimes mean CAR. This model is thus:

$$\text{CAR}_T = \sum_{t=1}^{T} \frac{1}{N} \sum_{i=1}^{N} e_{it}$$

Where,

$e_{it} =$ excess return for firm I in period t

$N =$ number of firms in the portfolio

$T =$ number of time periods being aggregated
5. Analyze the results. Statistical tests of significance structured for a hypothesis that is null.

The model of a typical event study (Kothari & Warner, 2004) is shown below.

The return on the shares of company $i$ over time period $t$ is relative to the event $R_{it}$

$$R_{it} = K_{it} + e_{it}$$

Where,

- $K_{it}$ = the expected return (or normal, predicted return)
- $e_{it}$ = the difference between the predicted return and the observed return

Abnormal returns, or excess returns, for a specific stock or security for a given period is calculated by the difference between the observed return for that stock for that period and the likewise expected (or predicted) return for the same period (Peterson, 1989). From Peterson (1989) the equation to find abnormal returns is:

$$AR_{it} = Rit - Rit^*$$

Where,

- $AR_{it}$ = Abnormal security return or prediction error for security $i$ in period $t$;
- $Rit$ = Return on security $i$ in period $t$; and
- $Rit^*$ = Expected or predicted return on security $i$ in period $t$.

For the alternative models, $Rit^*$ takes the form of,

Ordinary Least Squares regression, $Rjt^* = ai + Bi Rmt$

Mean-adjusted, $Rit^* = Ri$

Market-adjusted, $Rit^* = Rmt$, where Rmt is the return on the market for day $t$ within the event period
In order for any abnormal returns to be defined, a set of normal returns, which are the expected returns that are unconditional of any specific event but are conditional on other information, must be specified (Kothari & Warner, 2004). There are several models that can be used to show expected returns. The three primary models are the market model, capital asset pricing model (CAPM), and the constant expected returns model (Kothari & Warner, 2004). As stated earlier, this paper will utilize the market model.

In a typical event study, the focus is usually on the mean of the abnormal return distribution, and a typical null hypothesis would be to determine whether the mean abnormal return at a specific time \( t \) is equal to zero (Kothari & Warner, 2004).

Peterson (1989) states that the basic premise of an event study is to assess whether abnormal returns are shown by securities that are the result of specific corporate or industry-wide event or events. Such events may include mergers and acquisitions, changes in senior management of an organization, announcement of a stock split, earnings announcements, changes in regulation that affects an entire industry, or a natural disaster that has affected a specific industry, among many other events.

Fama, et al. (1969) suggested the use of the ordinary least squares model (OLS), where the return on any given security (denoted “i”) is regressed against the concurrent returns of the market. Their equation is:

\[
R_{ij} = \alpha_i + \beta_i R_{mj} + \mu_{ij} \quad \text{for } j = 1, 2 \ldots T
\]

Where,

\[
R_{ij} = \text{Return on security I for period } j
\]

\[
R_m = \text{Return on market index for period } j
\]
\[ \alpha_i = \text{Intercept} \]
\[ \beta_i = \text{Slope coefficient} \]
\[ \mu_{ij} = \text{Disturbance term} \]
\[ T = \text{Number of periods in the estimation period} \]

To carry out an event study, a model of expected (or normal) returns needs to be defined before any abnormal return can be found (Kothari & Warner, 2004). From a variety of models available, which include the capital asset pricing model, the mean adjusted model, the marketing adjusted model (as previously mentioned) and the market model, this study will use the market model as the model of expected returns. The equation for utilizing the market model approach (Ababneh & Tang, 2013) is:

\[ R_{it} = \alpha_i + \beta_i + R_{mt} + U_{it} \]

Where,

\[ R_{it} = \text{the return on individual stock (i) on day } t \]
\[ R_{mt} = \text{the return to a broad stock market index on day } t \]
\[ U_{it} = \text{a zero-mean distributed error with a standard deviation of } \sigma_u \]
\[ \alpha \text{ and } \beta \text{ are firm-specific parameters that are estimated using firm returns during an ‘estimation’ window (Reynolds, 2008)} \]
\[ \alpha_i = \text{the regression model intercept for firm } i \]
\[ \beta_i = \text{the market model parameter for firm } i \]

To calculate normal, or expected, return on day \( t \) for stock \( i \),

\[ E[R_{it}] = \alpha_i + \beta_i + R_{mt} \]

This allows for the calculation of the risk-adjusted, or abnormal, return on day \( t \) for firm \( i \) (Ababneh & Tang, 2013),
\[ \text{Ait} = \text{Rit} - \text{E[Rit]} \]

To yield, \[ \text{Rit} - a_i - \beta_i \text{Rmt} \]

The market model is based on the assumption that a linear relationship exists between the return of the market and an individual stock’s return (Reynolds, 2008).

Pettengill and Clark (2001) question the accuracy of the market model when using the model for long-horizon event studies, as they studied the return of securities when investment professionals recommended securities for the investing public. Wells (2004) explained that critics of the market model point out that the model relies on an estimate of a particular stock’s beta, and that beta is usually estimated over a longer period of time, being 12 consecutive months or so, either before or after the event. Therein lays the problem—an assumption must be made that the beta is constant and past performance of a stock is a “perfect predictor” of the future (Wells, 2004, p. 66).

When testing for market reactions to organizational events, it is necessary to test for statistical significance of abnormal returns (Peterson, 1985). For this analysis to be successful, abnormal returns need to be standardized in order to reflect any statistical error in the analysis of the expected returns. These are used as a benchmark against the abnormal returns brought forth by the event in question. Peterson (1985, p. 43) describes three ways that abnormal stock returns can be standardized.

First, standardization of an individual security’s return in period \( t \) by the standard error or standard error of the forecast of that security’s mean return in the estimation period can be calculated. Second, an adjustment of abnormal returns by the standard error of the security return deviation from predicted returns in the estimation period for all securities in the sample and for all periods within the estimation period can be
calculated. Finally, standardization of an individual security’s abnormal return by the sample cross sectional standard error for period $t$ in the event period can be calculated.

Because the firms that will be used in this study are mixed in terms of the firm being a traditional lodging corporation with a vacation ownership operation (Wyndham, WYN) and firms that are exclusively vacation ownership (Marriott’s Vacation Club, VAC), the Fama-French Model will be used to assist in controlling for the following factors:

- Firm Size (growth stock or value stock)
- Book-to-Market Ratios
- Past Returns
  - Small cap stocks’ returns over large cap stocks
  - Value stocks’ returns over growth stocks

In addition, a basic event study will be completed that will not include the Fama-French Time Series Model, instead using the Patell Z statistic, as it is widely accepted as a test that is well-suited for testing the null hypothesis of abnormal returns that are zero (Campbell, Cowan & Salotti, 2010). Two event studies using these two different methods of benchmarks will be conducted for the securitization announcement study.

**Florida’s Timeshare Resale Accountability Act**

This study will utilize the daily stock returns of the vacation ownership firms’, as daily stock prices allow for more precise measurement of abnormal returns (Kothari & Warner, 2004). This will translate into a more focused understanding of a given announcement’s effect on the stock price.
In addition, this study will focus exclusively on the short-horizon event study window, as a significant amount of literature has determined inherent problems encountered with long-horizon event study methods (Brown & Warner, 1980; Kothari & Warner, 1997; Lyon, Barber, & Tsai, 1999). According to Kothari & Warner (2004, p. 9), “we can have more confidence and put weight on the results of short-horizon tests than long-horizon tests.”

The event window should be as short as possible around the actual event, so as to try to eliminate any other factors that might influence stock returns (Boehmer, Broussard, and Kallunki, 2002). Brown and Warner (1985) illustrated that the use of a long event window reduces the of the test statistic, which may lead to incorrect inferences about a particular event’s significance. The nature of the legislative process, however, is long and drawn-out. There are 114 calendar days between the date that the Act passed the Florida State House of Representatives and the date the Act become enforced law. Accordingly, for this study, two event windows will be used: 1) from one day before the event date (-1) to one day post-event (+1), and 2) from the day of the event (day 0) to one day post event (+1). These event windows will be based around these specified events:

- Passage of Act by Florida Legislature – March 9, 2012
- Date Florida Governor Scott signed Act – June 22, 2012
- Date Act became enforceable law – July 1, 2012

The questions that this paper will address in terms of the Florida law being enacted are contained in the following hypotheses,

- Null Hypothesis H1a, there is no significant difference in the size of the mean cumulative abnormal return, or shareholder wealth, for vacation ownership
companies or hotel companies with vacation ownership interests upon announcement of the passage of the Timeshare Resale Accountability Act by the Florida House of Representatives on March 9, 2012.

- Null Hypothesis H1b, there is no significant difference in the size of the mean cumulative abnormal return, or shareholder wealth, for vacation ownership companies or hotel companies with vacation ownership interests upon announcement of the signing of the Timeshare Resale Accountability Act by Florida Governor Scott on June 22, 2012.

- Null Hypothesis H1c, there is no significant difference in the size of the mean cumulative abnormal return, or shareholder wealth, for vacation ownership companies or hotel companies with vacation ownership interests upon announcement of the day of the Timeshare Resale Accountability Act became state law in Florida on July 1, 2012.

The event estimation window, the period from which expected returns are calculated, for the day that the Act passed the Florida State Legislature will start 51 trading days prior to the passage of the Act, 51 trading days prior to the signing into law of the Act by Governor Scott, and finally, 51 trading days prior to the date that the law was first enforced. Boehmer, Broussard, and Kallunki (2002), note that the estimation period could start well over 200 trading days prior to the event. The length of the estimation windows for this paper will be a minimum of 30 days to a maximum of 255 days, and will begin 51 days prior to any event listed in this study.

The following is a list of what once was all of the timeshare companies, or lodging companies that had timeshare businesses, that are or were publicly traded at one point in
time. Since the Timeshare Resale Accountability Act was passed in 2012, some of these firms are no longer going concerns or have been acquired by other firms, both privately held and publicly traded.

- BlueGreen (BXG) (now part of BFC Financial),
- Diamond Resorts International (DRII),
- Disney (DIS),
- Hilton (HLT),
- Hyatt Vacation Ownership (HVO),
- Interval Leisure Group (IILG) – purchased the privately held Vacation Resorts International and purchased Hyatt Vacation Ownership in 2014,
- Intrawest Holdings (SNOW),
- Marriott Vacations Worldwide (VAC),
- Silverleaf Resorts (SVLF) acquired in 2011 by hedge fund,
- Starwood (HOT),
- Vail Resorts, Inc. (MTN),
- Vistana (VSTN) sold to Starwood, and
- Wyndham (WYN)

Below is the actual list of corporations that will be used in the sample to gather expected returns and abnormal returns. Securities data from CRSP will be used for the following stocks (all of which are lodging firms that have a timeshare business or are exclusively timeshare, such as the case with Diamond Resorts and Marriott Vacations Worldwide):

- Diamond Resorts International (DRII),
• Disney (DIS),
• Hilton (HLT),
• Hyatt Vacation Ownership (HVO),
• Intrawest Holdings (SNOW),
• Marriott Vacations Worldwide (VAC),
• Starwood (HOT),
• Vail Resorts, Inc. (MTN), and
• Wyndham (WYN)

The Center for Research in Security Prices (CRSP), published by the University of Chicago, will be utilized to retrieve stock price histories for the firms listed above. Disney will not be included as it is a global conglomerate and its primary business is entertainment, not lodging.

Securitization Announcements

The questions this paper will address in terms of the securitization announcements made by hospitality companies with timeshare operations are contained in the following hypotheses,

• Null Hypothesis H2a, there is no significant difference in the size of the mean cumulative abnormal return, or shareholder wealth, for vacation ownership companies or hotel companies with vacation ownership interests, upon announcement of a successful securitization transaction, or issuance.

As stated in the event study involving the Timeshare Resale Accountability Act, the group of lodging firms that this study utilizes are listed below, as these firms were going concerns at the time of many securitization announcements were made (previous to
Again, the American Resort Development Association is consulted to identify appropriate lodging companies which include:

- BlueGreen (BXG) (now part of BFC Financial),
- Diamond Resorts International (DRII),
- Disney (DIS),
- Hilton (HLT),
- Hyatt Hotels Corp. (H),
- Interval Leisure Group (IILG) – purchased the privately held Vacation Resorts International,
- Intrawest Holdings (SNOW),
- Marriott Vacations Worldwide (VAC),
- Silverleaf Resorts (SVLF) acquired in 2011 by hedge fund,
- Starwood (HOT),
- Vail Resorts, Inc. (MTN),
- Vistana (VSTN) sold to Starwood, and
- Wyndham (WYN)

Table 1 shows the event dates of the announcements of the successful closing of various securitizations, the companies that issued them, and the amount of the securitizations. Note that Bluegreen Vacations has two stock symbols as a result of the firm being sold to BFC Financial Group in April of 2013. As a result, the securitization that Bluegreen issued on 1/15/2015 is under the BFC Financial banner. Elara is a resort located in Las Vegas, Nevada, and is part of the Hilton Grand Vacations portfolio of vacation ownership properties in the U.S.
Marriott Vacation Club operates as a “pure play” vacation ownership entity, having been spun-off from its former parent corporation, Marriott International. The sample is composed of the following vacation ownership corporations and their corresponding securitization issues, listed in Table 1 below.

Table 1

*Major Timeshare Securitization Transactions 2004-2015*

<table>
<thead>
<tr>
<th>Company</th>
<th>Date of Securitization</th>
<th>Amount $ millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bluegreen Vacations</td>
<td>1/15/2015</td>
<td>117.8</td>
</tr>
<tr>
<td>Bluegreen Vacations</td>
<td>9/13/2012</td>
<td>100.0</td>
</tr>
<tr>
<td>Bluegreen Vacations</td>
<td>7/15/2004</td>
<td>156.6</td>
</tr>
<tr>
<td>Diamond Resorts International</td>
<td>11/20/2014</td>
<td>260.0</td>
</tr>
<tr>
<td>Diamond Resorts International</td>
<td>11/20/2013</td>
<td>226.0</td>
</tr>
<tr>
<td>Diamond Resorts International</td>
<td>1/25/2013</td>
<td>93.6</td>
</tr>
<tr>
<td>Diamond Resorts International</td>
<td>10/20/2009</td>
<td>182.0</td>
</tr>
<tr>
<td>Elara (Hilton Grand Vacations)</td>
<td>11/24/2014</td>
<td>120.0</td>
</tr>
<tr>
<td>Marriott Vacation Club</td>
<td>10/10/2014</td>
<td>250.0</td>
</tr>
<tr>
<td>Marriott Vacation Club</td>
<td>8/9/2013</td>
<td>263.0</td>
</tr>
<tr>
<td>Marriott Vacation Club</td>
<td>7/3/2012</td>
<td>250.0</td>
</tr>
<tr>
<td>Silverleaf Resorts</td>
<td>9/12/2012</td>
<td>175.0</td>
</tr>
<tr>
<td>Silverleaf Resorts</td>
<td>6/8/2010</td>
<td>151.5</td>
</tr>
<tr>
<td>Starwood Vacation Ownership</td>
<td>11/3/2011</td>
<td>200.0</td>
</tr>
<tr>
<td>Starwood Vacation Ownership</td>
<td>12/10/2009</td>
<td>166.0</td>
</tr>
<tr>
<td>Wyndham Vacation Ownership</td>
<td>3/27/2015</td>
<td>350.0</td>
</tr>
<tr>
<td>Wyndham Vacation Ownership</td>
<td>11/5/2014</td>
<td>325.0</td>
</tr>
<tr>
<td>Wyndham Vacation Ownership</td>
<td>7/16/2014</td>
<td>350.0</td>
</tr>
<tr>
<td>Wyndham Vacation Ownership</td>
<td>3/19/2014</td>
<td>425.0</td>
</tr>
<tr>
<td>Wyndham Vacation Ownership</td>
<td>3/21/2013</td>
<td>300.0</td>
</tr>
<tr>
<td>Wyndham Vacation Ownership</td>
<td>3/21/2012</td>
<td>450.0</td>
</tr>
<tr>
<td>Wyndham Vacation Ownership</td>
<td>11/11/2011</td>
<td>300.0</td>
</tr>
<tr>
<td>Wyndham Vacation Ownership</td>
<td>3/28/2011</td>
<td>400.0</td>
</tr>
<tr>
<td>Wyndham Vacation Ownership</td>
<td>7/26/2010</td>
<td>350.0</td>
</tr>
<tr>
<td>Wyndham Vacation Ownership</td>
<td>3/19/2010</td>
<td>300.0</td>
</tr>
<tr>
<td>Wyndham Vacation Ownership</td>
<td>10/7/2009</td>
<td>300.0</td>
</tr>
<tr>
<td>Wyndham Vacation Ownership</td>
<td>5/28/2009</td>
<td>225.0</td>
</tr>
<tr>
<td>Wyndham Vacation Ownership</td>
<td>6/30/2008</td>
<td>450.0</td>
</tr>
<tr>
<td>Wyndham Vacation Ownership</td>
<td>5/1/2008</td>
<td>200.0</td>
</tr>
<tr>
<td>Wyndham Vacation Ownership</td>
<td>5/23/2007</td>
<td>600.0</td>
</tr>
</tbody>
</table>
Successful completion, or closing, of securitization deals announced in the Wall Street Journal will be the source of the dates of the securitization announcements, as well as each lodging/timeshare firm’s annual reports or press releases.

To help account for what will be a relatively small sample size in this study, a ‘Bootstrap’ test (Efron, 1979) will be performed, as many of the assumptions concerning normality of distributions may not be valid because of the size of the sample. McWilliams and Siegel (1997) suggest using such a technique when a small sample is utilized because the Bootstrap method does not require assumptions of normality. Daily average abnormal returns for the sample of lodging firms with timeshare operations will be taken over the 255-day estimation window to reach a number of sets of daily abnormal, or excess, returns from which to draw a return.

When leakage of information is likely, as with events surrounding the lengthy legislative process, it may be prudent to make the event window longer as to capture returns associated with the information leakages, but because of the difficulty of accounting for confounding effects, the event window should be as short as possible (McWilliams & Seigel, 1997). The event window for this study will be as short as possible to eliminate as many confounding effects as possible.

Thomas (1999) notes that because securitizations are not underwritten, that they are completed through a book-building process, in which the financial institution, usually an investment bank, structures the securitization based on market demand and rating agency approval, among other factors. As a result, the market is aware of any securitization issuance well beforehand of the actual date of issuance. Thomas (1999) therefore uses a long event window that is subdivided into units of ten day periods, such
as 50 to 41 days before the securitization announcement, 40 - 31 days before the announcement, and so on until the day before the announcement, which is day -1, and an all-encompassing event window of 50 days before the announcement date (-50) to one day (+1) post announcement, for an event window represented by (-50, +1).

The parameters of the estimation period, which is the period where the expected or normal return is estimated, were set at a minimum of thirty days not exceeding 255 days. This estimation period was set at 51 days before (-51) the event window and contained security price information for each trading day prior to the event window for 30 days up to 255 days, depending on firm-specific details such as a firm being privately held during the estimation window.

Parametric tests will be utilized, most notably the Patell Z statistic (Patell, 1976), the portfolio time-series crude dependence adjustment t statistic, and the standardized cross-sectional test, introduced by Boehmer, Musumeci, and Poulsen (1991).

For the purposes of these event studies, it is assumed that the market is by and large efficient in its ability to incorporate new information into the price of common stocks (Ball & Brown, 1968; Fama, Fisher, Jensen, & Roll, 1969).

**Limitations of Event Studies**

Wells (2004) showed that when a sample size is small, the statistical analysis may be less powerful, and if other factors that occur in a specific industry could obscure the results. In addition, Wells points out in the same study that the event study methodology makes an assumption that a sample’s returns are independent of each other, and this assumption would most likely be violated if a study examines a specific industry.
Binder (1998) points out four distinct problems associated with abnormal return estimators in that they:

1. are cross-sectionally correlated in the event time period
2. contain different variances across firms
3. may not be independent in the event time period
4. may have greater variance during the event period when compared to the surrounding periods of time (before and after the event date(s))

King (1966) illustrated that the residuals in market model calculations are contemporaneously correlated for firms that are in related industries in his study of 63 stocks and examining their monthly differences “in the logarithm of price” (p. 142) for a period of 403 months.

Wells (2004) points out that when events occur that effect entire industries, violation of the assumption that firm returns occur independently of each other may occur. When events that affect an entire industry take place, the event dates are the same for each firm, and returns may be contaminated by other firm-specific events that act as confounding events in the event windows themselves. In addition, Wells (2004) points out that in smaller samples sizes, the returns of only a few companies may have an adverse effect on the conclusions of a study.
Chapter Four

RESULTS

Introduction

This section will be divided between the two event studies that are the focus of this paper, 1) the effect of securitization announcements on shareholder wealth of vacation ownership corporations, and 2) the effect of the passage of the Timeshare Resale Accountability Act of 2012 in Florida, on shareholder wealth of vacation ownership corporations. We start with the event study conducted on the securitization announcements of vacation ownership firms.

Event Study of Securitization Announcements of Timeshare Firms

The sample for this study was composed of the vacation ownership corporations and their corresponding securitization issues. Table 1 in the Methodology Chapter illustrates the firm, date of announcement of completion of the securitization deal itself, and the amount of the securitization.

This event study examines the change in the mean abnormal return in securities for the vacation ownership firms listed. The securities data, which is daily common stock price, were obtained from the Center for Research in Security Prices, or CRSP, at the University of Chicago, from July 15, 2004 to March 27, 2015. The calculation of the mean abnormal returns for the companies was carried out by the Eventus software package from Wharton Research Data Services of the Wharton School at the University of Pennsylvania.
The average amount of the securitizations examined is $262.44 million, with the smallest amount issued by Diamond Resorts, at $93.6 million, and the largest amount issued by Wyndham Vacation Ownership, at $600 million.

In terms of the frequency of securitizations per company, Wyndham by far executed the most securitization deals with fifteen securitizations. Diamond Resorts International had the second most securitizations, at four, followed by Marriott Vacation Club, Silverleaf Resorts, and Bluegreen Vacations, each having three securitization issues, and finally Hilton’s Elara Resort, with one securitization issue.

It is important to note that Diamond Resorts International, Silverleaf Resorts, and Bluegreen Resorts had securitization issuances that were not counted in the final sample because the firms were privately held at specific times of securitization announcements, thus no security data was publicly available. Among these firms, five event dates were discarded. Hence, the sample size for this study is twenty-six. Other vacation ownership firms that are privately held also partake in securitization issuances as well, such as Westgate Resorts, Orange Lake, and Welk, but are not part of this study because these firms are not publicly traded.

This study incorporates parameters of event window length as suggested by several models of similar event window parameters, particularly those noted by Thomas (1999) and Fang and Long (2009). Also included are parameters of event window lengths determined by this author to be useful for the purpose of further ensuring that the examination of the stock price fluctuations is comprehensive.

Using daily stock price returns retrieved from CRSP and utilizing the Eventus software package from Wharton Research Data Services at the University of
Pennsylvania, the vacation ownership corporations that had securitization transactions in excess of $50 million from calendar year 2004 through calendar year 2014 were listed along with the corresponding dates of the various securitization announcements. Two sets of event studies were carried out, the first set used as a primary parametric test the Patell Z statistic, and the second set used the Fama French Time-Series Model. The set using the Patell Z statistic will be discussed first.

**Basic Event Study Results**

Utilizing the event windows preferred by Thomas (1999) to examine whether the market showed interest in the book-building of a securitization process that leads up to the actual date of the announcement, the event windows themselves were portioned into ten-day increments, as listed in Table 2. The parameters of this event window were fifty to forty-one trading days prior to the event (-50, -41), forty to thirty-one trading days prior to the event (-40, -31), thirty to twenty-one trading days prior to the event (-30, -21), twenty to eleven trading days prior to the event (-20, -11) and ten trading days to the trading day before the event (-10, -1). The event day is the day of the announcement of the execution of a securitization issue (day = 0). This is done to ascertain whether the market showed interest in the anticipated securitization deals being composed for the various corporations, as these deals are complex financial structures involving multiple parties and present greater opportunity for information to become more widely known. As information is “leaked” from financial institutions that are involved in structuring the typical securitization, the market would become aware if the transaction will be likely to come to completion, thus the day of the actual announcement of the securitization issue.
A total event window of fifty trading days to the trading day post-event is also included (as shown in Table 2).

Table 2

<table>
<thead>
<tr>
<th>Window</th>
<th>N</th>
<th>Mean Cumulative Abnormal Return</th>
<th>Standardized</th>
<th>Portfolio Rank Test</th>
<th>Jackknife Sectional Error t</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Positive</td>
<td>Negative</td>
<td>Patell Z</td>
<td>Cross Sectional Test Z</td>
</tr>
<tr>
<td>(-50, +1)</td>
<td>26</td>
<td>4.61%</td>
<td>13:13</td>
<td>0.731</td>
<td>0.978</td>
</tr>
<tr>
<td>(-50, -41)</td>
<td>26</td>
<td>0.65%</td>
<td>12:14</td>
<td>0.802</td>
<td>0.793</td>
</tr>
<tr>
<td>(-40, -31)</td>
<td>26</td>
<td>1.02%</td>
<td>9:17</td>
<td>-0.447</td>
<td>-0.434</td>
</tr>
<tr>
<td>(-30, -21)</td>
<td>26</td>
<td>1.73%</td>
<td>11:15</td>
<td>0.389</td>
<td>0.413</td>
</tr>
<tr>
<td>(-20, -11)</td>
<td>26</td>
<td>0.76%</td>
<td>16:10</td>
<td>1.374</td>
<td>1.469</td>
</tr>
<tr>
<td>(-10, -1)</td>
<td>26</td>
<td>-1.06%</td>
<td>9:17</td>
<td>-0.906</td>
<td>-1.117</td>
</tr>
<tr>
<td>(-3, +5)</td>
<td>26</td>
<td>1.49%</td>
<td>15:11</td>
<td>1.429</td>
<td>1.577</td>
</tr>
<tr>
<td>(0, +1)</td>
<td>26</td>
<td>1.51%</td>
<td>16:10</td>
<td>1.587</td>
<td>1.418</td>
</tr>
</tbody>
</table>

Note. The symbols $, *, ** and *** denote statistical significance at the 0.10, 0.05, 0.01 and 0.001 levels, respectively, using a two-tail test. The symbols (, <, or ), >, etc. correspond to $, *, and show the direction and significance of the generalized sign test.

The dribs and drabs hypothesis, or the information leakage theory, posited by Grace, Rose & Karafiath (1995), make the case that information is slowly leaked to the market over a period of time, instead of an abrupt announcement of an event. With the book-building process of assembling a complex financial transaction as the securitization of assets, it is reasonable to conclude that the market may be at least aware of a company’s efforts to generate a securitization transaction well in advance of the actual date of the securitization issue’s announcement.

None of the cumulative abnormal returns using the ten-day event windows were significant at any level, but all returns were positive. Event window (-30, -21) showed
the highest mean cumulative abnormal return, at 1.73%, of any of the ten-day periods used in the event windows, but as mentioned previously, it was not significant at any level. The mean cumulative abnormal return was also calculated for the entire event window, (-50, +1), and this return was positive, at 4.61%, but not significant at any level.

Using the time parameters that Fang and Long (2009) suggested in their study of securitization announcements, an additional event window used for this study is three trading days prior to the announcement of the issuance of the securitization (-3) to five trading days post-event (+5). This event window (-3, +5) showed a mean cumulative abnormal return (MCAR) of 1.49% and did show significance at the 10% level of a two-tail test using the nonparametric jackknife test z score, which was 1.673. A Bootstrap significance test was utilized for this same event window and was significant at the 10% level using the time-series crude dependence adjustment (CDA) parametric test with a \( t \) value of .723 in a two-tail test. The Bootstrap significance levels are shown in Table 3.
Table 3

Parametric Statistics Repeated with Bootstrap Significance

Market Model, Value Weighted Index

<table>
<thead>
<tr>
<th>Window</th>
<th>N</th>
<th>Mean Cumulative Abnormal Return</th>
<th>Std. Cross Sectional Test Z</th>
<th>Portfolio Cross Sectional (CDA) t</th>
<th>Error t</th>
</tr>
</thead>
<tbody>
<tr>
<td>(-50, +1)</td>
<td>26</td>
<td>4.61%</td>
<td>0.978</td>
<td>0.932</td>
<td>1.147</td>
</tr>
<tr>
<td>(-50, -41)</td>
<td>26</td>
<td>0.65%</td>
<td>0.793</td>
<td>0.301</td>
<td>0.508</td>
</tr>
<tr>
<td>(-40, -31)</td>
<td>26</td>
<td>1.02%</td>
<td>-0.434</td>
<td>0.470</td>
<td>0.419</td>
</tr>
<tr>
<td>(-30, -21)</td>
<td>26</td>
<td>1.73%</td>
<td>0.413</td>
<td>0.797</td>
<td>0.935</td>
</tr>
<tr>
<td>(-20, -11)</td>
<td>26</td>
<td>0.76%</td>
<td>1.469</td>
<td>0.349</td>
<td>0.508</td>
</tr>
<tr>
<td>(-10, -1)</td>
<td>26</td>
<td>-1.06%</td>
<td>-1.117</td>
<td>-0.487</td>
<td>-1.197</td>
</tr>
<tr>
<td>(-3, +5)</td>
<td>26</td>
<td>1.49%</td>
<td>1.577</td>
<td>0.723 $</td>
<td>1.381</td>
</tr>
<tr>
<td>(0, +1)</td>
<td>26</td>
<td>1.51%</td>
<td>1.418</td>
<td>1.554 ***</td>
<td>2.107 *</td>
</tr>
</tbody>
</table>

*Note.* The symbols $, *, ** and *** denote statistical significance at the 0.10, 0.05, 0.01 and 0.001 levels, respectively, using a two-tail nonparametric bootstrap of the indicated test.

Moving to a more contracted event window, recommended by Ababneh and Tang (2013) and Thomas (1999), wherein it is suggested the event window should be as short as possible, an event window of day = 0, which is the trading date of the event, through the first trading day post-event (day = +1), was employed. Thomas (1999) used the “plus one” day post event window in addition to the ten-day breakout periods.

Interesting to note was that this event window, (0, +1), showed a mean cumulative abnormal return of 1.51% with a rank test $z$ value of 2.110 and was significant at the 5% level, and also showed a jackknife $z$ value of 1.685 and was significant at the 10% level. The Patell $Z$ value was 1.587 and not significant at the any level, nor was the standardized cross-sectional $Z$ test.
Under the Bootstrap significance test for this event window, (0, +1), the mean cumulative abnormal return of 1.51%, was significant at the 0.10% level under the time-series CDA $t$ test ($t = 1.554$). The Patell Z test showed no significance at any level under the Bootstrap procedure as well. The daily abnormal returns from day -50 to day +5 are depicted in Appendix A.

The hypothesis concerning the announcement of securitizations of vacation ownership corporations is restated here,

Null Hypothesis H2a, There is no significant difference in the size of the mean cumulative abnormal return, or shareholder wealth, for vacation ownership companies or hotel companies with vacation ownership interests upon announcement of a successful securitization transaction.

The primary event windows of (-3, +5) and (0, +1) showed no significance under the primary tests, and as a result, the null hypothesis cannot be rejected.

**Fama French Event Study Results**

Using the identical event windows used in the Patell Z tests in the previous event study, this event study was performed employing the Fama French Time Series Model. The tests used in this model are the portfolio time-series CDA $t$ value, the sign test, the rank test $Z$ statistic, and the jackknife $Z$ statistic. Bootstrap significance tests were also conducted with the primary test the portfolio time-series CDA $t$ test.

The ten-day incremental event windows, which are listed as (-50, -41), (-40, -31), (-30, -21), (-20, -11), and (-10, -1) demonstrated no significant mean cumulative abnormal returns. The event window (-30, -21) showed the highest cumulative abnormal return of 1.37%, but was not significant at any level. The event window (-20, -11)
showed a cumulative abnormal return of .73% and its corresponding sign test was 18:8 and was significant at the 5% level. This number denotes that 18 firms showed positive cumulative abnormal returns and eight firms showed negative cumulative abnormal returns for this particular event window. These event windows are illustrated in Table 4.

Table 4

Securitization Announcement Event Windows – Fama French Time-Series Model, Value Weighted Index

<table>
<thead>
<tr>
<th>Window</th>
<th>N</th>
<th>Mean Portfolio Abnormal Return</th>
<th>Portfolio Cross Abnormal Positive Time-Series Section Rank Test</th>
<th>Jackknife</th>
</tr>
</thead>
<tbody>
<tr>
<td>(-50, +1)</td>
<td>26</td>
<td>3.30%</td>
<td>12:14</td>
<td>0.690</td>
</tr>
<tr>
<td>(-50, -41)</td>
<td>26</td>
<td>0.17%</td>
<td>11:15</td>
<td>0.080</td>
</tr>
<tr>
<td>(-40, -31)</td>
<td>26</td>
<td>0.60%</td>
<td>9:17</td>
<td>0.284</td>
</tr>
<tr>
<td>(-30, -21)</td>
<td>26</td>
<td>1.37%</td>
<td>12:14</td>
<td>0.650</td>
</tr>
<tr>
<td>(-20, -11)</td>
<td>26</td>
<td>0.73%</td>
<td>18:08 &gt;</td>
<td>0.346</td>
</tr>
<tr>
<td>(-10, -1)</td>
<td>26</td>
<td>-0.88%</td>
<td>11:15</td>
<td>-0.419</td>
</tr>
<tr>
<td>(-3, +5)</td>
<td>26</td>
<td>1.01%</td>
<td>14:12</td>
<td>0.505</td>
</tr>
<tr>
<td>(0, +1)</td>
<td>26</td>
<td>1.32%</td>
<td>17:09 )</td>
<td>1.411</td>
</tr>
</tbody>
</table>

Note. The symbols $, *, ** and *** denote statistical significance at the 0.10, 0.05, 0.01, and 0.001 levels, respectively, using a two-tail test. The symbols (, < or ), > etc. correspond to $, * and show the direction and significance of the generalized sign test.

The nine day event window (-3, +5) showed a mean cumulative abnormal return of 1.01% and no tests indicated any level of significance. Also, the event window from day fifty before the event of the announcement through the day after the announcement date (-50, +1), showed a mean cumulative abnormal return of 3.30%, but was not significant at any level for any test.
The event window (0, +1) showed a mean cumulative abnormal return of 1.32% and the corresponding portfolio time-series crude dependence adjustment (CDA) \( t \) test (1.411) showed significance at the 1% level under the Bootstrap significance test, as shown in Table 5. In addition, this event window also showed a sign test of 17:9, and this test was significant at the 10% level. The rank test \( z \) statistic for this event window was 1.781 and was significant at the 10% level. The daily abnormal returns from day -50 to day +5 are depicted in Appendix B.

As in the event study using the Patell Z test, the hypothesis below is explained using the results of the event study using the Fama French Time Series Model,

Null Hypothesis H2a, There is no significant difference in the size of the mean cumulative abnormal return, or shareholder wealth, for vacation ownership companies or hotel companies with vacation ownership interests upon announcement of a successful securitization transaction.

From the results of the (0, +1) event window which showed a mean cumulative abnormal return of 1.32%, it had a rank test \( z \) statistic of 1.781 which was significant at the 10% level. The corresponding sign test was 17.9 and was significant at the 10% level. The portfolio time-series CDA \( t \) test = 1.411 and was significant at the .001 level under the Bootstrap test. These results indicate that the null hypothesis is rejected. The Bootstrap significance levels are depicted in Table 5.
Table 5

**Parametric Statistics Repeated with Bootstrap Significance Levels**

<table>
<thead>
<tr>
<th>Window</th>
<th>N</th>
<th>Mean Return</th>
<th>Portfolio Abnormal Return (CDA) t</th>
<th>Cross Section Error t</th>
</tr>
</thead>
<tbody>
<tr>
<td>(-50, +1)</td>
<td>26</td>
<td>3.30%</td>
<td>0.690</td>
<td>0.928</td>
</tr>
<tr>
<td>(-50, -41)</td>
<td>26</td>
<td>0.17%</td>
<td>0.080</td>
<td>0.142</td>
</tr>
<tr>
<td>(-40, -31)</td>
<td>26</td>
<td>0.60%</td>
<td>0.284</td>
<td>0.264</td>
</tr>
<tr>
<td>(-30, -21)</td>
<td>26</td>
<td>1.37%</td>
<td>0.650</td>
<td>0.758</td>
</tr>
<tr>
<td>(-20, -11)</td>
<td>26</td>
<td>0.73%</td>
<td>0.346</td>
<td>0.451</td>
</tr>
<tr>
<td>(-10, -1)</td>
<td>26</td>
<td>-0.88%</td>
<td>-0.419</td>
<td>-0.889</td>
</tr>
<tr>
<td>(-3, +5)</td>
<td>26</td>
<td>1.01%</td>
<td>0.505</td>
<td>1.033</td>
</tr>
<tr>
<td>(0, +1)</td>
<td>26</td>
<td>1.32%</td>
<td>1.411 **</td>
<td>1.972 *</td>
</tr>
</tbody>
</table>

*Note.* They symbols $\$, *, ** and *** denote statistical significance at the 0.10, 0.05, 0.01 and 0.001 levels, respectively, using a two-tail nonparametric bootstrap of the indicated test.

These results of this event study using the event windows specified above fall more in line with the new information theory, generally thought to have been brought into the financial literature by Fama, (1965), where new information is released to the market on a specific date, and the value of the stock at any given time reflects the value of future cash flows of that security (Torchio, 2009). In this event study, the date of the announcement (day 0) plus one and two days post-announcement indicate that the announcement of a successful securitization issuance represented new information to the market and a significance cumulative abnormal return was demonstrated.

**Event Study Results of the Timeshare Resale Accountability Act**

The sample for this study was composed of publicly traded vacation ownership corporations and lodging corporations that had vacation ownership subsidiaries or business units or operated a vacation ownership business at the time the Timeshare...
Resale Accountability Act was passed by the Florida House, when the governor signed the bill into law, and when the law became enforceable. Table 6 illustrates the firms used in the sample.

Table 6

*Sample Firms - Florida Timeshare Resale Accountability Act*

<table>
<thead>
<tr>
<th>Firm Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bluegreen Corporation</td>
</tr>
<tr>
<td>Hyatt Hotels Corporation</td>
</tr>
<tr>
<td>Marriott Vacations Worldwide</td>
</tr>
<tr>
<td>Starwood Hotels and Resorts Worldwide</td>
</tr>
<tr>
<td>Wyndham Worldwide</td>
</tr>
</tbody>
</table>

This event study examines the change in the mean abnormal return in securities for the vacation ownership firms listed. The securities data, which is daily common stock price, were obtained from the Center for Research in Security Prices, or CRSP, at the University of Chicago. The calculation of the mean abnormal returns for the companies was carried out by the Eventus software package from Wharton Research Data Services of the Wharton School at the University of Pennsylvania.

The sample was composed of eight vacation ownership corporations, of which three were discarded as a result of not meeting specific parameters for the estimation window, and/or the event window. These three firms were Diamond Resorts International, Hilton Worldwide Holdings, and Silverleaf Resorts.

This study incorporates parameters of event window length as suggested by several models of similar event window parameters, particularly those noted by Ababneh.
and Tang (2013) and Reynolds (2008). Also included are parameters of event window length determined by this author to be useful for the purpose of further ensuring that the examination of the stock price fluctuations is comprehensive.

Two sets of event studies using daily stock returns of vacation ownership corporations that were publicly traded at the time the Act was being passed into law were carried out. The first set used as a primary parametric test called the Patell Z statistic, and the second set used the Fama French Time-Series Model. The set using the Patell Z statistic will be discussed first.

**Basic Event Study Results**

The parameters of the event windows for this study, as suggested by Ababneh and Tang (2013), Ghani and Childs (1999), and Reynolds (2008), were one day before the event (-1) to one day post event (+1), resulting in the event window (-1, +1), and the day of the event (0) to one day post event (+1), resulting in the event window (0, +1). Longer event windows could be employed, but at the risk of introducing possible confounding events (Ghani & Childs, 1999).

The estimation period for this study started fifty-one trading days prior to each event window, and reached back 255 trading days prior to the start of the estimation period. The results are arranged by the following event dates, March 9, 2012, June 22, 2012, and July 1, 2012. Each event date has the same parameters of estimation window and event windows. We start the discussion of the March 9, 2012 results, as this is the date the Florida House of Representatives passed the Act.

**Event Date: March 9, 2012.** The event window of one day pre-event to one day post-event (-1, +1) resulted in a MCAR of -.04%. The event window of (0, +1), which is the
day of the event date to one day post-event, showed a MCAR of -.02%. These results are illustrated in Table 7.

Table 7

*Market Model, Value Weighted Index using Patell Z and Standardized Cross-Sectional Tests- March 9, 2012 Event Date*

<table>
<thead>
<tr>
<th>Window</th>
<th>N</th>
<th>Mean Abnormal Return</th>
<th>Standardized Positive Portfolio Rank</th>
<th>Cross Sectional Test Z</th>
<th>(CDA) t</th>
<th>Cross Sectional Error t</th>
</tr>
</thead>
<tbody>
<tr>
<td>(-1, +1)</td>
<td>5</td>
<td>-0.04%</td>
<td>-0.001</td>
<td>-0.016</td>
<td>-0.146</td>
<td>1.354</td>
</tr>
<tr>
<td>(0, +1)</td>
<td>5</td>
<td>-0.02%</td>
<td>0.312</td>
<td>0.609</td>
<td>0.255</td>
<td>1.382</td>
</tr>
</tbody>
</table>

*Note.* The symbols $, *, ** and *** denote statistical significance at the 0.10, 0.05, 0.01 and 0.001 levels, respectively, using a two-tail test. The symbols (, < or ), >, etc. correspond to $, * and show the direction and significance of the generalized sign test.

Two days of trading after the day of the announcement of the Florida House of Representatives passing the Act, which resulted in a significant positive cumulative return, may indicate that the market had assumed that the next step in the legislative process, the signing of the Act by the Florida Governor would take place. The individual day-two post-announcement (day +2), however, resulted in an abnormal return of 4.69%, with a Patell Z statistic of 3.295 which was significant at the .0001 level. This trading day also showed significance at the .001 level under the portfolio time-series CDA t value of 3.561. These results for this particular day are displayed in Appendix C.

The Bootstrap significance levels test results are displayed in Table 8, and the key event windows, (-1, +1) and (0, +1), show no significance at any level and the mean cumulative abnormal returns are both negative.
Table 8

Parametric Statistics Repeated with Bootstrap Significance Levels

March 9, 2012 Event Date

<table>
<thead>
<tr>
<th>Window</th>
<th>N</th>
<th>Return</th>
<th>Patell Z</th>
<th>Test Z</th>
<th>(CDA) t</th>
</tr>
</thead>
<tbody>
<tr>
<td>(-1, +1)</td>
<td>5</td>
<td>-0.04%</td>
<td>-0.001</td>
<td>-0.002</td>
<td>-0.016</td>
</tr>
<tr>
<td>(0, +1)</td>
<td>5</td>
<td>-0.02%</td>
<td>0.312</td>
<td>0.609</td>
<td>-0.012</td>
</tr>
</tbody>
</table>

Note. The symbols $, *, ** and *** denote statistical significance at the 0.10, 0.05, 0.01, and 0.001 levels, respectively, using a two-tail nonparametric bootstrap of the indicated test.

Because of the negative abnormal return of -.10% on the first day post-event (day +1), it is not clear that the market expected the next step of the process to naturally take place, and that some other confounding event took place on or around March 13, 2012, the second trading day (a Tuesday) after the announcement, which took place the preceding Friday.

Null Hypothesis H1a is restated here: there is no significant difference in the size of the mean cumulative abnormal return, or shareholder wealth, for vacation ownership companies or hotel companies with vacation ownership interests upon announcement of the passage of the Timeshare Resale Accountability Act by the Florida House of Representatives. In light of the analysis discussed above, the null hypothesis cannot be rejected.

Event Date: June 22, 2012. The event window of one day pre-event to one day post-event (-1, +1) resulted in a MCAR of -3.75% and was significant at the 10% level.
under the portfolio time-series CDA \( t \) test \( (t = -1.652) \). The event window of \((0, +1)\), which is the day of the event date to one day post-event, showed a MCAR of -3.40% and was significant at the 5% level under the Patell Z test with a score of -2.032. The standardized cross-section z test \( (z = -4.274) \) and the jackknife z test \( (z = -4.292) \) were both significant at the .10% level. Interestingly, the MCAR for both event windows is negative, and significantly negative for the \((0, +1)\) event window. The event windows are shown in Table 9.

Table 9

*Market Model, Value Weighted Index using Patell Z and Standardized Cross-Sectional Tests – June 22, 2012 Event Date*

<table>
<thead>
<tr>
<th>Window</th>
<th>Mean</th>
<th>Standardized</th>
<th>Cross</th>
<th>Portfolio</th>
<th>Time-Series</th>
<th>Rank</th>
<th>Jackknife</th>
<th>Cross</th>
<th>Section</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cumulative</td>
<td>Abnormal</td>
<td>Positive</td>
<td>Cross</td>
<td>Sectional</td>
<td>(CDA)</td>
<td>Test</td>
<td>( z )</td>
<td>( z )</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>Return</td>
<td>Negative</td>
<td>Patell Z</td>
<td>Test ( z )</td>
<td>( Z )</td>
<td>( Z )</td>
<td>Z</td>
<td>$</td>
</tr>
<tr>
<td>((-1, +1))</td>
<td>5</td>
<td>-3.75%</td>
<td>0.04</td>
<td>-1.408</td>
<td>-1.604</td>
<td>-1.652</td>
<td>$</td>
<td>-1.122</td>
<td>-1.430</td>
</tr>
<tr>
<td>((0, +1))</td>
<td>5</td>
<td>-3.40%</td>
<td>0.05</td>
<td>-2.032</td>
<td>* -4.274</td>
<td>***</td>
<td>-1.837</td>
<td>$</td>
<td>-1.586</td>
</tr>
</tbody>
</table>

*Note.* The symbols $, \*, ** and *** denote statistical significance at the 0.10, 0.05, 0.01, and 0.001 levels, respectively, using a two-tail test. The symbols (, < or ), > etc. correspond to $, \* and show the direction and significance of the generalized sign test.

Null Hypothesis H1b is restated here: there is no significant difference in the size of the mean cumulative abnormal return, or shareholder wealth, for vacation ownership companies or hotel companies with vacation ownership interests upon announcement of the signing of the Timeshare Resale Accountability Act by the Florida Governor. Although the return is negative, the null hypothesis is rejected.
Event Date: July 1, 2012. The event window of one day pre-event to one day post-event (-1, +1) resulted in a mean cumulative abnormal return of 2.26% and was significant at the 5% level under the Bootstrap test. The event window of (0, +1), which is the day of the event date to one day post-event, showed a mean cumulative abnormal return of 3.58% and was significant at the 10% level using both the Patell Z statistic ($z = 1.826$) and the standardized cross-section Z statistic ($z = 1.879$). The jackknife Z test ($z = -6.086$) also was significant at the 10% level. In addition, this event window showed significance at the .10% level under the portfolio time-series CDA t test ($t = 1.922$) using the Bootstrap procedure. The event non-Bootstrap event windows are listed in Table 10.

Table 10

Market Model, Value Weighted Index using Patell Z and Standardized Cross-Sectional Tests- July 1, 2012 Event Date

<table>
<thead>
<tr>
<th>Window</th>
<th>N</th>
<th>Mean Return</th>
<th>Standardized Cross Sectional Test Z</th>
<th>Portfolio Time-Series CDA t Test</th>
<th>Rank Z</th>
<th>Jackknife Z</th>
<th>Cross Sectional Error t</th>
</tr>
</thead>
<tbody>
<tr>
<td>(-1, +1)</td>
<td>5</td>
<td>2.26%</td>
<td>3.02</td>
<td>0.990</td>
<td>0.148</td>
<td>-0.009</td>
<td>1.003</td>
</tr>
<tr>
<td>(0, +1)</td>
<td>5</td>
<td>3.58%</td>
<td>3.02</td>
<td>1.826 $</td>
<td>1.922</td>
<td>-0.009</td>
<td>1.604</td>
</tr>
</tbody>
</table>

Note. The symbols $\$, *, ** and *** denote statistical significance at the 0.10, 0.05, 0.01, and 0.001 levels, respectively, using a two-tail test. They symbols (, < or ), > correspond to $\$, * and show the direction and significance of the generalized sign test.

The 10% significance level using the Patell Z score ($z = 1.826$) and the same level of significance under the standardized cross-sectional Z test indicates a weak rejection of the null hypothesis, but without significance at the 5% level on at least the
Patell Z test, the null hypothesis cannot be rejected. The Bootstrap significance levels are listed in Table 11.

Table 11

*Parametric Statistics Repeated with Bootstrap Significance Levels*

*July 1, 2012 Event Date*

<table>
<thead>
<tr>
<th>Window</th>
<th>N</th>
<th>Mean Return</th>
<th>Standardized Cross Sectional Portfolio Time-Series Window</th>
<th>Patell Z Test</th>
<th>Z (CDA) t</th>
</tr>
</thead>
<tbody>
<tr>
<td>(-1, +1)</td>
<td>5</td>
<td>2.26%</td>
<td>0.494</td>
<td>0.542</td>
<td>0.990 **</td>
</tr>
<tr>
<td>(0, +1)</td>
<td>5</td>
<td>3.58%</td>
<td>1.826 $</td>
<td>1.879</td>
<td>1.922 ***</td>
</tr>
</tbody>
</table>

*Note.* The symbols $, *, ** and *** denote statistical significance at the 0.10, 0.05, 0.01, and 0.001 levels, respectively, using a two-tail nonparametric bootstrap of the indicated test.

Since the Patell Z statistic is significant only at the 10% level using a two-tail test, it is difficult to reject the null hypothesis, stated below:

Null Hypothesis H1c is restated here: there is no significant difference in the size of the mean cumulative abnormal return, or shareholder wealth, for vacation ownership companies or hotel companies with vacation ownership interests upon announcement of the day of the Timeshare Resale Accountability Act became state law in Florida, July 1, 2012. In light of the analysis discussed above, the null hypothesis cannot be rejected.
Fama French Time Series Model Event Study Results

**Event Date: March 9, 2012.** The event window of one day pre-event to one day post-event (-1, +1) resulted in a mean cumulative abnormal return of -.53% and was significant at the 5% level under the portfolio time-series CDA $t$ test (-.237) using the Bootstrap procedure. The event window (0, +1), which is the day of the event date to one day post-event, showed a mean cumulative abnormal return of -.29% and was not significant at any level. The event windows are listed in Table 12, and the bootstrap resample results are listed in Table 13.

Table 12

**Fama-French Time-Series Model, Value Weighted Index**

**March 9, 2012 Event Date**

<table>
<thead>
<tr>
<th>Window</th>
<th>Mean Cumulative Abnormal Return</th>
<th>Portfolio Time-Series Sectional Test</th>
<th>Cross Sectional Test</th>
<th>Jackknife</th>
</tr>
</thead>
<tbody>
<tr>
<td>Window</td>
<td>N</td>
<td>Positive (CDA) $t$</td>
<td>Error $t$</td>
<td>$Z$</td>
</tr>
<tr>
<td>(-1, +1)</td>
<td>5</td>
<td>-0.53%</td>
<td>-0.237</td>
<td>-0.807</td>
</tr>
<tr>
<td>(0, +1)</td>
<td>5</td>
<td>-0.29%</td>
<td>-0.159</td>
<td>-0.522</td>
</tr>
</tbody>
</table>

*Note.* The symbols $\$, $\ast$, $\ast\ast$ and $\ast\ast\ast$ denote statistical significance at the 0.10, 0.05, 0.01 and 0.001 levels, respectively, using a two-tail test. The symbols (, $<$ or $>$) correspond to $\$, $\ast$ and show the direction and significance of the generalized test.
Table 13

Parametric Statistics Repeated with Bootstrap Significance Levels

March 9, 2012 Event Date

<table>
<thead>
<tr>
<th>Window</th>
<th>N</th>
<th>Mean Cumulative Abnormal Return</th>
<th>Portfolio Time-Series CDA $t$</th>
<th>Cross Sectional Error $t$</th>
</tr>
</thead>
<tbody>
<tr>
<td>(-1, +1)</td>
<td>5</td>
<td>-0.53%</td>
<td>-0.237 **</td>
<td>-0.807</td>
</tr>
<tr>
<td>(0, +1)</td>
<td>5</td>
<td>-0.29%</td>
<td>-0.159</td>
<td>-0.522</td>
</tr>
</tbody>
</table>

Note. The symbols $*$, ** and *** denote statistical significance at the 0.10, 0.05, 0.01, and 0.001 levels, respectively, using a two-tail nonparametric bootstrap of the indicated test.

The primary event window of (0, +1) resulted in a mean cumulative abnormal return of -0.29% and was not significant at any level.

Null Hypothesis H1a is restated here: there is no significant difference in the size of the mean cumulative abnormal return, or shareholder wealth, for vacation ownership companies or hotel companies with vacation ownership interests upon announcement of the passage of the Timeshare Resale Accountability Act by the Florida House of Representatives. In light of the analysis discussed above, the null hypothesis is not rejected.

Event Date: June 22, 2012. The event window of one day pre-event to one day post-event (-1, +1) resulted in a MCAR of -3.97% and was significant at the 5% level under the jackknife $Z$ test ($z = -2.267$). The event window of (0, +1), which is the day of the event date to one day post-event, showed a MCAR of -3.61% and was significant at the .10% level under the jackknife $Z$ test ($z = -6.086$). This event window showed no significance under the primary test, the portfolio time-series CDA $t$-test, however, there is
significance at the 1% level for both the (-1, +1) and (0, +1) event windows using the Bootstrap resampling procedure. The main Fama French results are listed in Table 14 and the Bootstrap Fama French results are listed in Table 15.

Table 14

*Fama-French Time-Series Model, Value Weighted Index*

*June 22, 2012 Event Date*

<table>
<thead>
<tr>
<th>Window</th>
<th>Mean Cumulative Abnormal Return</th>
<th>Portfolio Positive Time-Series (CDA) t</th>
<th>Cross Sectional Error t</th>
<th>Rank Test</th>
<th>Jackknife</th>
</tr>
</thead>
<tbody>
<tr>
<td>(-1, +1)</td>
<td>5</td>
<td>-3.97%</td>
<td>-1.784 $</td>
<td>-2.055</td>
<td>-1.509</td>
</tr>
<tr>
<td>(0, +1)</td>
<td>5</td>
<td>-3.61%</td>
<td>-1.473</td>
<td>-2.543</td>
<td>-1.890</td>
</tr>
</tbody>
</table>

*Note.* The symbols $, *, ** and *** denote statistical significance at the 0.10, 0.05, 0.01, and 0.001 levels, respectively, using a two-tail test. The symbols (, < or ), > correspond to $, * and show the direction and significance of the generalized test.

Table 15

*Parametric Statistics Repeated with Bootstrap Significance Levels*

*June 22, 2012 Event Date*

<table>
<thead>
<tr>
<th>Window</th>
<th>Mean Cumulative Abnormal Time-Series Sectional</th>
<th>Cross Sectional Error t</th>
</tr>
</thead>
<tbody>
<tr>
<td>(-1, +1)</td>
<td>5 -3.97%</td>
<td>-1.784 **</td>
</tr>
<tr>
<td>(0, +1)</td>
<td>5 -3.61%</td>
<td>-1.473 **</td>
</tr>
</tbody>
</table>

*Note.* The symbols $, *, ** and *** denote statistical significance at the 0.10, 0.05, 0.01, and 0.001 levels, respectively, using a two-tail nonparametric bootstrap of the indicated test.
Null Hypothesis H1b is restated here: there is no significant difference in the size of the mean cumulative abnormal return, or shareholder wealth, for vacation ownership companies or hotel companies with vacation ownership interests upon announcement of the signing of the Timeshare Resale Accountability Act by the Florida Governor. In light of the analysis discussed above, the null hypothesis is rejected.

**Event Date: July 1, 2012.** The event window of one day pre-event to one day post-event (-1, +1) resulted in a mean cumulative abnormal return of 2.00% and was significant at the 5% level under the portfolio time-series CDA $t$ test ($t = 0.895$) using the Bootstrap method. The event window (0, +1) showed a mean cumulative abnormal return of 3.04% and was significant at the 10% level using the portfolio time-series CDA $t$ statistic ($t = 1.661$). In addition, this event window showed significance at the .001 level under the portfolio time-series CDA $t$ test using the Bootstrap procedure. The event windows are listed in Table 16, and the Bootstrap significance levels are listed in Table 17.
Table 16

Fama-French Time-Series Model, Value Weighted Index

July 1, 2012 Event Date

<table>
<thead>
<tr>
<th>Window</th>
<th>N</th>
<th>Mean</th>
<th>Cumulative Abnormal</th>
<th>Portfolio (CDA) t</th>
<th>Cross Sectional Error t</th>
<th>Rank Test Z</th>
<th>Jackknife Z</th>
</tr>
</thead>
<tbody>
<tr>
<td>(-1, +1)</td>
<td>5</td>
<td>2.00%</td>
<td>3.02</td>
<td>0.895</td>
<td>0.867</td>
<td>-0.007</td>
<td>-0.105</td>
</tr>
<tr>
<td>(0, +1)</td>
<td>5</td>
<td>3.04%</td>
<td>4.01</td>
<td>1.661 $</td>
<td>1.549</td>
<td>1.034</td>
<td>1.398</td>
</tr>
</tbody>
</table>

Note. The symbols $, *, ** and *** denote statistical significance at the 0.10, 0.05, 0.01, and 0.001 levels, respectively, using a two-tail test. The symbols (, < or > correspond to $, * and show the direction and significance of the generalized test.

Table 17

Parametric Statistics Repeated with Bootstrap Significance Levels

July 1, 2012 Event Date

<table>
<thead>
<tr>
<th>Window</th>
<th>N</th>
<th>Mean</th>
<th>Cumulative Abnormal</th>
<th>Portfolio (CDA) t</th>
<th>Cross Sectional Error t</th>
</tr>
</thead>
<tbody>
<tr>
<td>(-1, +1)</td>
<td>5</td>
<td>2.00%</td>
<td>0.895 *</td>
<td>0.872</td>
<td></td>
</tr>
<tr>
<td>(0, +1)</td>
<td>5</td>
<td>3.04%</td>
<td>1.661 ***</td>
<td>1.549</td>
<td></td>
</tr>
</tbody>
</table>

Note. The symbols $, *, ** and *** denote statistical significance at the 0.10, 0.05, 0.01, and 0.001 levels, respectively, using a two-tail nonparametric bootstrap of the indicated test.

Null Hypothesis H1c is restated here, there is no significant difference in the size of the mean cumulative abnormal return, or shareholder wealth, for vacation ownership companies or hotel companies with vacation ownership interests upon announcement of the day of the Timeshare Resale Accountability Act became state law in Florida. In light of the analysis discussed above, the null hypothesis is rejected.
Chapter Five

CONCLUSIONS

Introduction

This focus of this study is divided into two individual parts, 1) the effect on shareholder wealth of vacation ownership corporations of the enactment of state-level legislation that affects the vacation ownership industry and 2) the effect on shareholder wealth of vacation ownership corporations that announce successful asset-backed securitization issuances. This chapter will address each sub-study independently, and is organized into the following sections, summary of findings, limitations of the study and discussion of future research.

Summary of Findings

The Timeshare Resale Accountability Act

The aim of this study is to ascertain whether a law specific to the vacation ownership industry in Florida had an effect on shareholder wealth of various vacation ownership, or timeshare, corporations and traditional hotel corporations that have timeshare businesses.

Two modes of event study were used in this section. The first mode is the basic event study, using parametric measures such as the Patell Z statistic, the standardized cross-sectional statistic, the portfolio time-series crude dependence adjustment statistic, as well as the jackknife statistic and also using the Bootstrap resampling procedure (Efron, 1979) which is encouraged for use with small sample sizes.

The second mode utilizes the Fama French Time Series Model event study, which takes into account a company’s debt-to-equity, book-to-market ratio, size, and earnings-to-price ratio (Fama & French, 2004).
Three important dates relative to the legislative process were studied, March 9, 2012, when the Florida House of Representatives passed the bill, June 22, 2012 when Florida Governor Scott signed the bill into law, and finally July 1, 2012 when the law became enforceable. The purpose of this particular sub-study is to determine if the independent dates of this legislative process had an impact on the shareholder wealth of firms that were in the industry that the law was written to help.

Under the Patell Z statistic (defined in this paper as the basic event study mode), the date when the Florida House passed the bill, March 9, 2012, did not have a significant positive impact on shareholder wealth, with a mean cumulative abnormal return (MCAR) of -0.02% for the event window (0, +1), which represents the day of the announcement and one day post-announcement. In this case, the null hypothesis cannot be rejected.

The next date of interest, June 22, 2012, when the bill was signed into law, showed no significant positive impact on shareholder wealth. The event window (0, +1) resulted in a MCAR of -3.40%, with no significance using the Patell Z statistic. The null hypothesis cannot be rejected.

The date the law became enforced, July 1, 2012, showed a positive mean cumulative abnormal return of 3.58% for the event window (0, +1), but the Patell Z statistic was significant only at the 10% level, thereby the null hypothesis cannot be rejected.

All three dates studied in the process of the Act becoming law, using the Patell Z statistic as the main determinant of the significance of the MCAR, showed no significant impact on shareholder wealth. This may imply that the Timeshare Resale Accountability
Act was not important to the vacation ownership market or the lodging industry as a whole.

The same three dates and the identical event window (0, +1) were used as the primary event window. The March 9, 2012 date resulted in an MCAR of -0.29% and was not significant at any level using any statistic. The next date, June 22, 2012, resulted in an MCAR of -3.61%, but was not significant using the portfolio time-series statistic.

The last date, July 1, 2012, showed for its event window a MCAR of 3.04% with portfolio time-series significance at 10% using a two-tailed test. Further analysis using the Bootstrap resampling method resulted in a portfolio time-series statistic significant at the .10 level. This result would indicate that the null hypothesis would be rejected. The day the law became enforceable plus one trading day showed a positive, significant impact on shareholder wealth of the vacation ownership/lodging firms used in the sample. Because of the use of the Fama-French model in this analysis, the size of the firms in relation to each other as competitors might have an impact on the results, as shareholder wealth is significantly, positively impacted when the Timeshare Resale Accountability Act became enforced.

**Securitization Announcements**

Two modes of event study were used in this section, just as in the previous sub-study that dealt with legislation. The metrics used in this sub-study are identical to those of the previous sub-study. The first mode is the basic event study, using the same parametric measures such as the Patell Z statistic, the standardized cross-sectional statistic, the portfolio time-series crude dependence adjustment statistic, as well as the jackknife statistic and also using the Bootstrap resampling procedure. The second mode
uses the Fama French Time Series Model event study. We start with the results of the Patell Z basic event study.

The sample used in this study is twenty-six firms, each with at least one securitization announcement occurring between the years 2004 and 2015 and are directly related to the timeshare, industry. Some firms in the sample are traditional lodging firms, such as Hilton and Wyndham, which also operate substantial timeshare businesses. Some firms are simply timeshare companies, such as Marriott Vacation Club and Diamond Resorts, both of which are or have been publicly traded in their own right.

The aim of this study is to determine if there is a significant effect on shareholder wealth for the firms that announced successful asset-backed securitizations. The first mode, using the aforementioned Patell Z statistic, will be discussed first.

This study utilized multiple event windows to test a theory put forth by Thomas (1999) specifically dealing with the announcements of securitization transactions in that the market becomes aware of the process of a firm that is attempting to issue a securitization of assets well in advance of the actual date of the final announcement. The idea being that because so many different actors are involved with these very complex financial instruments, information is passed from actor to actor and the market becomes aware of the process, called “book building” (Thomas, 1999).

Utilizing the event window structure that Thomas (1999) used in his study of securitization announcements in the banking industry, this paper uses ten-day event windows to test this theory. This study also uses the event window of three days prior to the event day through to the fifth day post-event, for an event window of (-3, +5), as suggested by Fang and Long (2009) in their study of securitization announcements of
Chinese financial institutions, as well as the event window (0, +1), which is the trading
day of the announcement through one trading day post-announcement, as recommended

The entire event window suggested by Thomas (1999), being fifty days prior to
the event date split up into windows of ten trading days each, as well as the window of
fifty trading days all the way through the day after the event, depicted as (-50, +1),
resulted in a positive mean cumulative abnormal return of 4.61%, but not significant at
any level. The event window (-3, +5) resulted in a mean cumulative abnormal return of
1.49%, but again, not significant. The last event window we study, (0, +1), resulted in a
MCAR of 1.51%. This was not significant under the primary test, Patell Z.

Utilizing the Fama French Model event study, the entire window (-50, +1)
resulted in a mean cumulative abnormal return of 3.30%, but not significant under the
primary test, the portfolio time-series CDA t test. Each ten-day window leading up to the
event date had no significance at any level. Event window (-3, +5) also returned a
positive MCAR of 1.01%, but not significant.

The final event window that was studied, (0, +1) did result in an MCAR of 1.32%
and was significant at the 1% level using the Bootstrap resampling procedure for the
portfolio time-series CDA t test. This would lead to the null hypothesis being rejected.

**Limitations of Study**

Events that occur that affect an entire industry may play a role in the outcome of
an event study because of confounding events, which may affect a single stock’s
performance if the events take place in close proximity to each other. Other events
relevant to a company’s stock performance may include merger and acquisition

Other events that affect the entire industry or multiple industries may cause significant changes in the markets. Natural disasters, terrorist attacks such as the September 11 attacks, and other “meta” events may contaminate any event window or estimation window when they occur, even if they do not have anything to do with a particular industry (Nageswara & Sreejith, 2014).

Other factors that affect entire markets is if a market is in “bull” or “bear”, meaning that in a bull market, the stock market in general is realizing mostly positive returns. In a bear market, negative returns are the expectation (Klein & Rosenfield, 1987).

The relative small sample size of the study of the impact of the Timeshare Resale Accountability Act makes generalization of the findings difficult. Also, the firms are in the same industry, which may violate the assumption that stock returns in the sample are independent of one another (Wells, 2004), as actions taken by one firm may affect the stock price of competitor firms.

**Future Research**

Although this study touches on a state-level law in the state with the most timeshare units in the United States, future research could explore other state laws concerning real estate, the brokerage of the timeshare units themselves, regulatory
environments at the state level, and national marketing campaigns that benefit the industry as a whole.

Other lines of research could focus on the financial structure of timeshare operating unit that is part of a larger, traditional lodging firm, such as Wyndham Vacation Ownership is a business unit of Wyndham Worldwide, and Hyatt Vacation Club is part of Hyatt Hotels. “Spin-off” timeshare firms, such as Marriott Vacation Club, should be studied as to ascertain whether the decision to spin-off a timeshare business unit into its own, publicly traded company is beneficial or detrimental to the parent firm (or former parent firm).

Research focusing on the securitization frequency among hotel and timeshare corporations and how timeshare developers actually raise capital to sustain timeshare developments may provide some insight into the industry that many other industries already have available.
### Appendix A

**Securitization Announcement Daily Abnormal Returns – Market Model, Value Weighted Index**

<table>
<thead>
<tr>
<th>Days</th>
<th>N</th>
<th>Mean Abnormal Return</th>
<th>Positive Patell Z</th>
<th>Negative Test Z</th>
<th>Cross Sectional Portfolio (CDA) Z</th>
<th>Rank Test Z</th>
<th>Jackknife Sectional Time-Series Test Z</th>
<th>Cross Abnormal Error t</th>
</tr>
</thead>
<tbody>
<tr>
<td>-50</td>
<td>26</td>
<td>-0.03%</td>
<td>15:11</td>
<td>0.993</td>
<td>1.009</td>
<td>-0.037</td>
<td>1.073</td>
<td>0.759</td>
</tr>
<tr>
<td>-49</td>
<td>26</td>
<td>-0.17%</td>
<td>14:12</td>
<td>-0.692</td>
<td>-0.754</td>
<td>-0.250</td>
<td>-0.280</td>
<td>-0.675</td>
</tr>
<tr>
<td>-48</td>
<td>26</td>
<td>0.02%</td>
<td>10:16</td>
<td>-0.036</td>
<td>-0.330</td>
<td>0.033</td>
<td>-0.484</td>
<td>-0.048</td>
</tr>
<tr>
<td>-47</td>
<td>26</td>
<td>-0.17%</td>
<td>9:17</td>
<td>-0.458</td>
<td>-0.801</td>
<td>-0.241</td>
<td>-0.577</td>
<td>-0.543</td>
</tr>
<tr>
<td>-46</td>
<td>26</td>
<td>0.42%</td>
<td>14:12</td>
<td>0.676</td>
<td>0.758</td>
<td>0.618</td>
<td>1.049</td>
<td>1.097</td>
</tr>
<tr>
<td>-45</td>
<td>26</td>
<td>-0.23%</td>
<td>13:13</td>
<td>-0.248</td>
<td>-0.297</td>
<td>-0.333</td>
<td>0.144</td>
<td>-0.056</td>
</tr>
<tr>
<td>-44</td>
<td>26</td>
<td>-0.08%</td>
<td>12:14</td>
<td>0.018</td>
<td>0.025</td>
<td>-0.117</td>
<td>0.397</td>
<td>0.593</td>
</tr>
<tr>
<td>-43</td>
<td>26</td>
<td>0.26%</td>
<td>17:09</td>
<td>0.922</td>
<td>1.473</td>
<td>0.372</td>
<td>1.182</td>
<td>1.194</td>
</tr>
<tr>
<td>-42</td>
<td>26</td>
<td>0.10%</td>
<td>9:17</td>
<td>0.035</td>
<td>0.039</td>
<td>0.151</td>
<td>-0.259</td>
<td>-0.394</td>
</tr>
<tr>
<td>-41</td>
<td>26</td>
<td>0.52%</td>
<td>13:13</td>
<td>1.536</td>
<td>1.507</td>
<td>0.756</td>
<td>1.106</td>
<td>1.494</td>
</tr>
<tr>
<td>-40</td>
<td>26</td>
<td>-0.20%</td>
<td>13:13</td>
<td>-1.033</td>
<td>-1.078</td>
<td>-0.294</td>
<td>-0.591</td>
<td>-0.473</td>
</tr>
<tr>
<td>-39</td>
<td>26</td>
<td>0.38%</td>
<td>14:12</td>
<td>0.337</td>
<td>0.352</td>
<td>0.558</td>
<td>0.129</td>
<td>0.086</td>
</tr>
<tr>
<td>-38</td>
<td>26</td>
<td>1.04%</td>
<td>18:08</td>
<td>2.088</td>
<td>2.262</td>
<td>1.515</td>
<td>2.082</td>
<td>1.796</td>
</tr>
<tr>
<td>-37</td>
<td>26</td>
<td>0.29%</td>
<td>13:13</td>
<td>0.158</td>
<td>0.190</td>
<td>0.426</td>
<td>0.289</td>
<td>0.105</td>
</tr>
<tr>
<td>-36</td>
<td>26</td>
<td>-0.56%</td>
<td>12:14</td>
<td>-1.156</td>
<td>-1.013</td>
<td>-0.819</td>
<td>-0.417</td>
<td>-0.867</td>
</tr>
<tr>
<td>-35</td>
<td>26</td>
<td>0.07%</td>
<td>12:14</td>
<td>-0.204</td>
<td>0.446</td>
<td>0.099</td>
<td>0.478</td>
<td>0.284</td>
</tr>
<tr>
<td>-34</td>
<td>26</td>
<td>-0.07%</td>
<td>12:14</td>
<td>-0.059</td>
<td>-0.071</td>
<td>-0.103</td>
<td>-0.160</td>
<td>-0.461</td>
</tr>
<tr>
<td>-33</td>
<td>26</td>
<td>0.17%</td>
<td>12:14</td>
<td>-0.243</td>
<td>-0.313</td>
<td>0.252</td>
<td>-0.334</td>
<td>-0.648</td>
</tr>
<tr>
<td>-32</td>
<td>26</td>
<td>-0.40%</td>
<td>14:12</td>
<td>-1.009</td>
<td>-0.797</td>
<td>-0.586</td>
<td>0.180</td>
<td>-0.601</td>
</tr>
<tr>
<td>-31</td>
<td>26</td>
<td>0.30%</td>
<td>9:17</td>
<td>-0.776</td>
<td>-0.895</td>
<td>0.438</td>
<td>-0.812</td>
<td>-0.635</td>
</tr>
<tr>
<td>-30</td>
<td>26</td>
<td>0.60%</td>
<td>16:10</td>
<td>1.795</td>
<td>1.264</td>
<td>0.872</td>
<td>1.316</td>
<td>1.226</td>
</tr>
<tr>
<td>-29</td>
<td>26</td>
<td>0.05%</td>
<td>10:16</td>
<td>0.470</td>
<td>0.373</td>
<td>0.078</td>
<td>-0.399</td>
<td>0.058</td>
</tr>
<tr>
<td>-28</td>
<td>26</td>
<td>0.86%</td>
<td>17:09</td>
<td>2.167</td>
<td>1.616</td>
<td>1.252</td>
<td>1.766</td>
<td>1.598</td>
</tr>
<tr>
<td>-27</td>
<td>26</td>
<td>-0.22%</td>
<td>8:18</td>
<td>-1.644</td>
<td>-1.217</td>
<td>-0.327</td>
<td>-1.094</td>
<td>-0.799</td>
</tr>
<tr>
<td>-26</td>
<td>26</td>
<td>0.10%</td>
<td>9:17</td>
<td>0.076</td>
<td>0.081</td>
<td>0.148</td>
<td>-0.448</td>
<td>0.161</td>
</tr>
<tr>
<td>-25</td>
<td>26</td>
<td>0.22%</td>
<td>11:15</td>
<td>-0.076</td>
<td>-0.157</td>
<td>0.320</td>
<td>-0.051</td>
<td>0.193</td>
</tr>
<tr>
<td>-24</td>
<td>26</td>
<td>0.03%</td>
<td>11:15</td>
<td>-0.415</td>
<td>-0.494</td>
<td>0.047</td>
<td>-0.496</td>
<td>-0.649</td>
</tr>
<tr>
<td>-23</td>
<td>26</td>
<td>-0.13%</td>
<td>11:15</td>
<td>0.065</td>
<td>0.076</td>
<td>-0.195</td>
<td>-0.397</td>
<td>-0.660</td>
</tr>
<tr>
<td>-22</td>
<td>26</td>
<td>-0.23%</td>
<td>10:16</td>
<td>-1.012</td>
<td>-0.982</td>
<td>-0.333</td>
<td>-0.942</td>
<td>-0.489</td>
</tr>
<tr>
<td>-21</td>
<td>26</td>
<td>0.45%</td>
<td>11:15</td>
<td>-0.044</td>
<td>-0.049</td>
<td>0.658</td>
<td>-0.373</td>
<td>-0.129</td>
</tr>
<tr>
<td>-20</td>
<td>26</td>
<td>1.17%</td>
<td>10:16</td>
<td>0.143</td>
<td>0.100</td>
<td>1.700</td>
<td>-0.344</td>
<td>0.178</td>
</tr>
</tbody>
</table>

* $ denotes significance at the 0.05 level.
Appendix A

Securitization Announcement Daily Abnormal Returns – Market Model, Value Weighted Index

<table>
<thead>
<tr>
<th>Days</th>
<th>N</th>
<th>Abnormal Return</th>
<th>Positive Sectional Cross Test Z</th>
<th>Portfolio Time-Series (CDA) t Z</th>
<th>Rank Test Z</th>
<th>Jackknife Section Test Z</th>
<th>Cross Abnormal Positive Sectional Time-Series Test Z</th>
<th>Error t</th>
</tr>
</thead>
<tbody>
<tr>
<td>-19</td>
<td>26</td>
<td>-0.48%</td>
<td>9:17 -0.501</td>
<td>-0.850</td>
<td>-0.705</td>
<td>-0.743</td>
<td>-1.098</td>
<td>-1.454</td>
</tr>
<tr>
<td>-18</td>
<td>26</td>
<td>0.52%</td>
<td>18:08 &gt; 1.682 $ 2.739 **</td>
<td>0.752</td>
<td>2.201 *</td>
<td>2.227 *</td>
<td>1.515</td>
<td></td>
</tr>
<tr>
<td>-17</td>
<td>26</td>
<td>-0.20%</td>
<td>14:12 -0.557</td>
<td>-0.656</td>
<td>-0.293</td>
<td>-0.205</td>
<td>-0.865</td>
<td>-0.810</td>
</tr>
<tr>
<td>-16</td>
<td>26</td>
<td>0.13%</td>
<td>13:13 1.169</td>
<td>1.049</td>
<td>0.184</td>
<td>0.777</td>
<td>0.711</td>
<td>0.340</td>
</tr>
<tr>
<td>-15</td>
<td>26</td>
<td>-0.37%</td>
<td>13:13 0.209</td>
<td>0.146</td>
<td>0.532</td>
<td>-0.312</td>
<td>-0.407</td>
<td>-0.631</td>
</tr>
<tr>
<td>-14</td>
<td>26</td>
<td>0.28%</td>
<td>18:08 &gt; 1.853 $ 1.842 $</td>
<td>0.411</td>
<td>2.001 *</td>
<td>1.746 $</td>
<td>0.740</td>
<td></td>
</tr>
<tr>
<td>-13</td>
<td>26</td>
<td>0.08%</td>
<td>10:16 0.069</td>
<td>0.083</td>
<td>0.117</td>
<td>-0.470</td>
<td>-0.127</td>
<td>0.148</td>
</tr>
<tr>
<td>-12</td>
<td>26</td>
<td>0.46%</td>
<td>8:18 -0.639</td>
<td>-0.787</td>
<td>-0.668</td>
<td>-0.776</td>
<td>-0.715</td>
<td>-1.453</td>
</tr>
<tr>
<td>-11</td>
<td>26</td>
<td>0.09%</td>
<td>13:13 0.970</td>
<td>1.180</td>
<td>0.136</td>
<td>0.609</td>
<td>0.957</td>
<td>0.308</td>
</tr>
<tr>
<td>-10</td>
<td>26</td>
<td>-0.19%</td>
<td>10:16 -0.239</td>
<td>-0.424</td>
<td>-0.274</td>
<td>-0.146</td>
<td>-0.821</td>
<td>-0.609</td>
</tr>
<tr>
<td>-9</td>
<td>26</td>
<td>-0.38%</td>
<td>11:15 -0.562</td>
<td>-0.631</td>
<td>-0.554</td>
<td>-0.810</td>
<td>-0.849</td>
<td>-1.058</td>
</tr>
<tr>
<td>-8</td>
<td>26</td>
<td>-0.13%</td>
<td>14:12 -0.558</td>
<td>-0.507</td>
<td>-0.190</td>
<td>0.213</td>
<td>-0.264</td>
<td>-0.470</td>
</tr>
<tr>
<td>-7</td>
<td>26</td>
<td>0.02%</td>
<td>14:12 0.312</td>
<td>0.402</td>
<td>0.028</td>
<td>0.334</td>
<td>0.125</td>
<td>0.068</td>
</tr>
<tr>
<td>-6</td>
<td>26</td>
<td>0.08%</td>
<td>14:12 -0.292</td>
<td>-0.349</td>
<td>0.111</td>
<td>0.354</td>
<td>0.275</td>
<td>0.195</td>
</tr>
<tr>
<td>-5</td>
<td>26</td>
<td>0.26%</td>
<td>12:14 -0.094</td>
<td>-0.098</td>
<td>0.379</td>
<td>-0.144</td>
<td>0.249</td>
<td>0.537</td>
</tr>
<tr>
<td>-4</td>
<td>26</td>
<td>-0.58%</td>
<td>11:15 -1.444</td>
<td>-2.280</td>
<td>-0.845</td>
<td>-1.590</td>
<td>-1.541</td>
<td>-1.411</td>
</tr>
<tr>
<td>-3</td>
<td>26</td>
<td>-0.49%</td>
<td>9:17 -0.805</td>
<td>-1.277</td>
<td>-0.713</td>
<td>-0.812</td>
<td>-1.417</td>
<td>-1.730</td>
</tr>
<tr>
<td>-2</td>
<td>26</td>
<td>0.61%</td>
<td>15:11 0.723</td>
<td>0.847</td>
<td>0.884</td>
<td>0.897</td>
<td>0.835</td>
<td>1.468</td>
</tr>
<tr>
<td>-1</td>
<td>26</td>
<td>-0.25%</td>
<td>11:15 0.007</td>
<td>0.009</td>
<td>-0.365</td>
<td>-0.178</td>
<td>0.152</td>
<td>-0.829</td>
</tr>
<tr>
<td>0</td>
<td>26</td>
<td>0.59%</td>
<td>15:11 0.423</td>
<td>0.375</td>
<td>0.863</td>
<td>0.921</td>
<td>0.745</td>
<td>1.040</td>
</tr>
<tr>
<td>1</td>
<td>26</td>
<td>0.92%</td>
<td>17:091.820 $ 2.140 *</td>
<td>1.335</td>
<td>2.063 *</td>
<td>2.279 *</td>
<td>2.499 *</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>26</td>
<td>0.37%</td>
<td>15:11 1.057</td>
<td>0.952</td>
<td>0.546</td>
<td>0.589</td>
<td>0.854</td>
<td>0.855</td>
</tr>
<tr>
<td>3</td>
<td>26</td>
<td>0.04%</td>
<td>15:11 0.274</td>
<td>0.423</td>
<td>0.065</td>
<td>0.692</td>
<td>0.841</td>
<td>0.120</td>
</tr>
<tr>
<td>4</td>
<td>26</td>
<td>0.65%</td>
<td>18:08 &gt; 2.645 ** 1.910 $</td>
<td>0.945</td>
<td>2.333 *</td>
<td>2.170 *</td>
<td>1.954 $</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>26</td>
<td>-0.95%</td>
<td>10:16 -1.827 $ -2.420 *</td>
<td>-1.391</td>
<td>-1.600</td>
<td>-2.468 *</td>
<td>-1.890 $</td>
<td></td>
</tr>
</tbody>
</table>

Note. The symbols $, *, ** and *** denote statistical significance at the 0.10, 0.05, 0.01, and 0.001 levels, respectively, using a two-tail test. The symbols (, <, or ), > etc. correspond to $, * and show the direction and significance of the generalized test.
Appendix B

Securitization Announcement Daily Abnormal Returns – Fama-French Time-Series Model, Value Weighted Index

<table>
<thead>
<tr>
<th>Days</th>
<th>N</th>
<th>Mean Abnormal Return</th>
<th>Positive</th>
<th>Portfolio Cross Section Test Jackknife</th>
</tr>
</thead>
<tbody>
<tr>
<td>-50</td>
<td>26</td>
<td>0.01%</td>
<td>15:11</td>
<td>0.010 0.016 1.195 0.939</td>
</tr>
<tr>
<td>-49</td>
<td>26</td>
<td>-0.24%</td>
<td>13:13</td>
<td>-0.359 -0.640 -0.442 -0.633</td>
</tr>
<tr>
<td>-48</td>
<td>26</td>
<td>0.03%</td>
<td>11:15</td>
<td>0.049 0.082 -0.437 -0.198</td>
</tr>
<tr>
<td>-47</td>
<td>26</td>
<td>-0.13%</td>
<td>12:14</td>
<td>-0.197 -0.560 -0.375 -0.747</td>
</tr>
<tr>
<td>-46</td>
<td>26</td>
<td>0.24%</td>
<td>13:13</td>
<td>0.369 0.756 0.798 0.620</td>
</tr>
<tr>
<td>-45</td>
<td>26</td>
<td>-0.05%</td>
<td>12:14</td>
<td>-0.069 -0.102 0.457 0.206</td>
</tr>
<tr>
<td>-44</td>
<td>26</td>
<td>-0.17%</td>
<td>14:12</td>
<td>-0.263 -0.398 0.567 0.555</td>
</tr>
<tr>
<td>-43</td>
<td>26</td>
<td>0.06%</td>
<td>15:11</td>
<td>0.098 0.231 0.659 0.880</td>
</tr>
<tr>
<td>-42</td>
<td>26</td>
<td>-0.04%</td>
<td>11:15</td>
<td>-0.054 -0.086 -0.539 -0.876</td>
</tr>
<tr>
<td>-41</td>
<td>26</td>
<td>0.44%</td>
<td>13:13</td>
<td>0.669 1.190 0.991 1.287</td>
</tr>
<tr>
<td>-40</td>
<td>26</td>
<td>-0.26%</td>
<td>11:15</td>
<td>-0.387 -0.756 -0.893 -0.607</td>
</tr>
<tr>
<td>-39</td>
<td>26</td>
<td>0.22%</td>
<td>14:12</td>
<td>0.331 0.325 0.033 -0.124</td>
</tr>
<tr>
<td>-38</td>
<td>26</td>
<td>0.84%</td>
<td>18:08 &gt;</td>
<td>1.269 1.586 1.948 $ 1.720 $</td>
</tr>
<tr>
<td>-37</td>
<td>26</td>
<td>0.36%</td>
<td>13:13</td>
<td>0.544 0.996 0.376 0.306</td>
</tr>
<tr>
<td>-36</td>
<td>26</td>
<td>-0.47%</td>
<td>12:14</td>
<td>-0.712 -1.105 -0.267 -0.625</td>
</tr>
<tr>
<td>-35</td>
<td>26</td>
<td>-0.02%</td>
<td>10:16</td>
<td>-0.029 -0.113 0.095 -0.154</td>
</tr>
<tr>
<td>-34</td>
<td>26</td>
<td>-0.20%</td>
<td>11:15</td>
<td>-0.300 -0.456 -0.173 -0.552</td>
</tr>
<tr>
<td>-33</td>
<td>26</td>
<td>0.08%</td>
<td>11:15</td>
<td>0.117 0.234 -0.410 -0.556</td>
</tr>
<tr>
<td>-32</td>
<td>26</td>
<td>-0.46%</td>
<td>13:13</td>
<td>-0.697 -0.919 0.087 -0.535</td>
</tr>
<tr>
<td>-31</td>
<td>26</td>
<td>0.51%</td>
<td>10:16</td>
<td>0.763 0.757 -0.527 -0.330</td>
</tr>
<tr>
<td>-30</td>
<td>26</td>
<td>0.39%</td>
<td>15:11</td>
<td>0.591 1.053 0.858 0.989</td>
</tr>
<tr>
<td>-29</td>
<td>26</td>
<td>-0.03%</td>
<td>10:16</td>
<td>-0.510 -0.078 -0.383 -0.046</td>
</tr>
<tr>
<td>-28</td>
<td>26</td>
<td>0.77%</td>
<td>16:10</td>
<td>1.155 1.687 $ 1.376 1.456</td>
</tr>
<tr>
<td>-27</td>
<td>26</td>
<td>-0.09%</td>
<td>8:18 (</td>
<td>-0.133 -0.111 -1.011 -0.768</td>
</tr>
<tr>
<td>-26</td>
<td>26</td>
<td>-0.10%</td>
<td>8:18 (</td>
<td>-0.144 -0.235 -0.841 -0.084</td>
</tr>
<tr>
<td>-25</td>
<td>26</td>
<td>0.29%</td>
<td>12:14</td>
<td>0.444 0.794 0.315 0.548</td>
</tr>
<tr>
<td>-24</td>
<td>26</td>
<td>0.13%</td>
<td>12:14</td>
<td>0.194 0.189 -0.446 -0.567</td>
</tr>
<tr>
<td>-23</td>
<td>26</td>
<td>-0.20%</td>
<td>11:15</td>
<td>-0.295 -0.600 -0.487 -0.702</td>
</tr>
<tr>
<td>-22</td>
<td>26</td>
<td>-0.15%</td>
<td>11:15</td>
<td>-0.221 -0.179 -0.876 -0.481</td>
</tr>
<tr>
<td>-21</td>
<td>26</td>
<td>0.34%</td>
<td>13:13</td>
<td>0.515 0.452 -0.681 -0.297</td>
</tr>
<tr>
<td>-20</td>
<td>26</td>
<td>1.03%</td>
<td>9:17</td>
<td>1.556 0.875 -0.687 -0.078</td>
</tr>
</tbody>
</table>
## Appendix B

**Securitization Announcement Daily Abnormal Returns – Fama-French Time-Series Model, Value Weighted Index**

<table>
<thead>
<tr>
<th>Days</th>
<th>N</th>
<th>Mean Abnormal Return</th>
<th>Positive (CDA) t</th>
<th>Cross Section Test</th>
<th>Rank Test Z</th>
<th>Jackknife Z</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>26</td>
<td>0.65%</td>
<td>15:11</td>
<td>0.975</td>
<td>1.123</td>
<td>1.008</td>
</tr>
<tr>
<td>1</td>
<td>26</td>
<td>0.68%</td>
<td>15:11</td>
<td>1.019</td>
<td>2.064 *</td>
<td>1.511 1.903 $</td>
</tr>
<tr>
<td>2</td>
<td>26</td>
<td>0.22%</td>
<td>12:14</td>
<td>0.331</td>
<td>0.491</td>
<td>0.132 0.589</td>
</tr>
<tr>
<td>3</td>
<td>26</td>
<td>-0.03%</td>
<td>15:11</td>
<td>-0.051</td>
<td>-0.087</td>
<td>0.528 0.622</td>
</tr>
<tr>
<td>4</td>
<td>26</td>
<td>0.63%</td>
<td>19:07 &gt;&gt;</td>
<td>0.944</td>
<td>1.969 *</td>
<td>2.588 * 2.183 *</td>
</tr>
<tr>
<td>5</td>
<td>26</td>
<td>-0.95%</td>
<td>11:15</td>
<td>-1.429</td>
<td>1.898 $</td>
<td>-1.159 -2.121 *</td>
</tr>
<tr>
<td>-19</td>
<td>26</td>
<td>-0.43%</td>
<td>11:15</td>
<td>-0.647</td>
<td>-1.221</td>
<td>-0.423 -0.699</td>
</tr>
<tr>
<td>-18</td>
<td>26</td>
<td>0.59%</td>
<td>18:08 &gt;</td>
<td>0.890</td>
<td>4.590 2.341 *</td>
<td>2.254 *</td>
</tr>
<tr>
<td>-17</td>
<td>26</td>
<td>-0.35%</td>
<td>13:13</td>
<td>-0.529</td>
<td>-1.317</td>
<td>-0.643 -1.188</td>
</tr>
<tr>
<td>-16</td>
<td>26</td>
<td>0.17%</td>
<td>13:13</td>
<td>0.250</td>
<td>0.448</td>
<td>0.821 0.783</td>
</tr>
<tr>
<td>-15</td>
<td>26</td>
<td>-0.34%</td>
<td>15:11</td>
<td>-0.517</td>
<td>-0.574</td>
<td>-0.055 -0.278</td>
</tr>
<tr>
<td>-14</td>
<td>26</td>
<td>0.43%</td>
<td>18:08 &gt;</td>
<td>0.644</td>
<td>1.109 2.335 *</td>
<td>2.057 *</td>
</tr>
<tr>
<td>-13</td>
<td>26</td>
<td>0.00%</td>
<td>12:14</td>
<td>0.003</td>
<td>0.004</td>
<td>-0.383 -0.004</td>
</tr>
<tr>
<td>-12</td>
<td>26</td>
<td>-0.46%</td>
<td>9:17</td>
<td>-0.693</td>
<td>-1.381</td>
<td>-0.851 -0.692</td>
</tr>
<tr>
<td>-11</td>
<td>26</td>
<td>0.09%</td>
<td>12:14</td>
<td>0.139</td>
<td>0.348</td>
<td>0.634 0.735</td>
</tr>
<tr>
<td>-10</td>
<td>26</td>
<td>0.04%</td>
<td>16:10</td>
<td>0.065</td>
<td>0.168</td>
<td>0.434 -0.165</td>
</tr>
<tr>
<td>-9</td>
<td>26</td>
<td>-0.40%</td>
<td>12:14</td>
<td>-0.602</td>
<td>-0.976</td>
<td>-0.791 -0.668</td>
</tr>
<tr>
<td>-8</td>
<td>26</td>
<td>-0.26%</td>
<td>12:14</td>
<td>-0.394</td>
<td>-0.978</td>
<td>-0.094 -0.472</td>
</tr>
<tr>
<td>-7</td>
<td>26</td>
<td>-0.08%</td>
<td>13:13</td>
<td>-0.118</td>
<td>-0.240</td>
<td>-0.063 -0.009</td>
</tr>
<tr>
<td>-6</td>
<td>26</td>
<td>-0.04%</td>
<td>14:12</td>
<td>-0.064</td>
<td>-0.099</td>
<td>0.060 -0.104</td>
</tr>
<tr>
<td>-5</td>
<td>26</td>
<td>0.45%</td>
<td>13:13</td>
<td>0.673</td>
<td>0.887</td>
<td>0.313 0.557</td>
</tr>
<tr>
<td>-4</td>
<td>26</td>
<td>-0.40%</td>
<td>13:13</td>
<td>-0.610</td>
<td>-1.067</td>
<td>-1.022 -1.091</td>
</tr>
<tr>
<td>-3</td>
<td>26</td>
<td>-0.38%</td>
<td>10:16</td>
<td>-0.573</td>
<td>-1.367</td>
<td>-0.753 -1.258</td>
</tr>
<tr>
<td>-2</td>
<td>26</td>
<td>0.42%</td>
<td>15:11</td>
<td>0.634</td>
<td>1.086</td>
<td>0.679 0.572</td>
</tr>
<tr>
<td>-1</td>
<td>26</td>
<td>-0.22%</td>
<td>10:16</td>
<td>-0.336</td>
<td>-0.807</td>
<td>-0.231 0.193</td>
</tr>
<tr>
<td>0</td>
<td>26</td>
<td>0.65%</td>
<td>15:11</td>
<td>0.975</td>
<td>1.123</td>
<td>1.008 0.701</td>
</tr>
<tr>
<td>1</td>
<td>26</td>
<td>0.68%</td>
<td>15:11</td>
<td>1.019</td>
<td>2.064 *</td>
<td>1.511 1.903 $</td>
</tr>
<tr>
<td>2</td>
<td>26</td>
<td>0.22%</td>
<td>12:14</td>
<td>0.331</td>
<td>0.491</td>
<td>0.132 0.589</td>
</tr>
<tr>
<td>3</td>
<td>26</td>
<td>-0.03%</td>
<td>15:11</td>
<td>-0.051</td>
<td>-0.087</td>
<td>0.528 0.622</td>
</tr>
<tr>
<td>4</td>
<td>26</td>
<td>0.63%</td>
<td>19:07 &gt;&gt;</td>
<td>0.944</td>
<td>1.969 *</td>
<td>2.588 * 2.183 *</td>
</tr>
<tr>
<td>5</td>
<td>26</td>
<td>-0.95%</td>
<td>11:15</td>
<td>-1.429</td>
<td>1.898 $</td>
<td>-1.159 -2.121 *</td>
</tr>
</tbody>
</table>

*Note.* The symbols $\$, *, ** and *** denote statistical significance at the 0.10, 0.05, 0.01, and 0.001 levels, respectively, using a two-tail test. The symbols (, <, or ), > etc. correspond to $\$, * and show the direction and significance of the generalized test.
Appendix C

*Market Model, Value Weighted Index using Patell Z and Standardized Cross-Sectional Tests - March 9, 2012 Event Date*

<table>
<thead>
<tr>
<th>Days</th>
<th>N</th>
<th>Abnormal Return</th>
<th>Positive Portfolio Rank</th>
<th>Negative Portfolio Rank</th>
<th>Patell Z (CDA) t</th>
<th>Z</th>
</tr>
</thead>
<tbody>
<tr>
<td>-5</td>
<td>5</td>
<td>0.08%</td>
<td>2.03</td>
<td>-0.075</td>
<td>-0.173</td>
<td>0.602</td>
</tr>
<tr>
<td>-4</td>
<td>5</td>
<td>0.40%</td>
<td>4.01</td>
<td>0.889</td>
<td>1.859 $</td>
<td>0.305</td>
</tr>
<tr>
<td>-3</td>
<td>5</td>
<td>-0.57%</td>
<td>1.04</td>
<td>-0.441</td>
<td>-2.662</td>
<td>-0.433</td>
</tr>
<tr>
<td>-2</td>
<td>5</td>
<td>0.60%</td>
<td>3.02</td>
<td>0.493</td>
<td>1.155</td>
<td>0.457</td>
</tr>
<tr>
<td>-1</td>
<td>5</td>
<td>-0.01%</td>
<td>1.04</td>
<td>-0.421</td>
<td>-0.503</td>
<td>-0.011</td>
</tr>
<tr>
<td>0</td>
<td>5</td>
<td>0.07%</td>
<td>3.02</td>
<td>0.319</td>
<td>1.106</td>
<td>0.056</td>
</tr>
<tr>
<td>1</td>
<td>5</td>
<td>-0.10%</td>
<td>1.04</td>
<td>0.116</td>
<td>0.164</td>
<td>-0.073</td>
</tr>
<tr>
<td>2</td>
<td>5</td>
<td>4.69%</td>
<td>4.01</td>
<td>3.295 ***</td>
<td>1.843 $</td>
<td>3.561 ***</td>
</tr>
<tr>
<td>3</td>
<td>5</td>
<td>-0.75%</td>
<td>2.03</td>
<td>-1.504</td>
<td>-1.097</td>
<td>-0.574</td>
</tr>
<tr>
<td>4</td>
<td>5</td>
<td>-0.25%</td>
<td>2.03</td>
<td>-0.566</td>
<td>-0.523</td>
<td>-0.192</td>
</tr>
<tr>
<td>5</td>
<td>5</td>
<td>-0.98%</td>
<td>1.04</td>
<td>-0.602</td>
<td>-0.800</td>
<td>-0.747</td>
</tr>
</tbody>
</table>

*Note.* The symbols $, *, ** and *** denote statistical significance at the 0.10, 0.05, 0.01, and 0.001 levels, respectively, using a two-tail test. The symbols (, <, or ) > etc. correspond to $, * and show the direction and significance of the generalized test.
Appendix D

*Market Model, Value Weighted Index using Patell Z and Standardized Cross-Sectional Tests – June 22, 2012 Event Date*

<table>
<thead>
<tr>
<th>Days</th>
<th>N</th>
<th>Return</th>
<th>Abnormal</th>
<th>Positive</th>
<th>Negative</th>
<th>Patell Z</th>
<th>Sectional Test Z</th>
<th>Portfolio (CDA) t</th>
<th>Rank Test Z</th>
<th>Jackknife Z</th>
</tr>
</thead>
<tbody>
<tr>
<td>-5</td>
<td>5</td>
<td>-1.38%</td>
<td>1.04</td>
<td>-2.120 *</td>
<td>-3.188 **</td>
<td>-1.057</td>
<td>-1.75 $</td>
<td>-3.166 **</td>
<td></td>
<td></td>
</tr>
<tr>
<td>-4</td>
<td>5</td>
<td>2.30%</td>
<td>3.02</td>
<td>1.336</td>
<td>0.899</td>
<td>1.754 $</td>
<td>0.63</td>
<td>0.759</td>
<td></td>
<td></td>
</tr>
<tr>
<td>-3</td>
<td>5</td>
<td>0.87%</td>
<td>3.02</td>
<td>1.430</td>
<td>1.642</td>
<td>0.668</td>
<td>1.21</td>
<td>1.515</td>
<td></td>
<td></td>
</tr>
<tr>
<td>-2</td>
<td>5</td>
<td>-1.13%</td>
<td>2.03</td>
<td>0.078</td>
<td>0.063</td>
<td>-0.863</td>
<td>0.23</td>
<td>0.181</td>
<td></td>
<td></td>
</tr>
<tr>
<td>-1</td>
<td>5</td>
<td>-0.34%</td>
<td>3.02</td>
<td>0.396</td>
<td>0.432</td>
<td>-0.263</td>
<td>0.30</td>
<td>0.743</td>
<td></td>
<td></td>
</tr>
<tr>
<td>0</td>
<td>5</td>
<td>-2.17%</td>
<td>1.04</td>
<td>-1.601</td>
<td>-1.659 $</td>
<td>-1.655 $</td>
<td>-1.25</td>
<td>-1.849 $</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>5</td>
<td>-1.23%</td>
<td>1.04</td>
<td>-1.242</td>
<td>-1.179</td>
<td>-0.943</td>
<td>-1.00</td>
<td>-0.989</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>5</td>
<td>0.27%</td>
<td>2.03</td>
<td>0.369</td>
<td>0.830</td>
<td>0.207</td>
<td>0.63</td>
<td>0.607</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>5</td>
<td>-0.09%</td>
<td>1.04</td>
<td>-0.778</td>
<td>-1.267</td>
<td>-0.068</td>
<td>-0.74</td>
<td>-1.334</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>5</td>
<td>-1.31%</td>
<td>0.05 &lt;</td>
<td>-1.717 $</td>
<td>-4.228 ***</td>
<td>-0.998</td>
<td>-1.75 $</td>
<td>-4.756 ***</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>5</td>
<td>2.39%</td>
<td>4.01</td>
<td>2.277 *</td>
<td>2.134</td>
<td>1.826 $</td>
<td>1.91</td>
<td>2.506 *</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note. The symbols $, *, ** and *** denote statistical significance at the 0.10, 0.05, 0.01, and 0.001 levels, respectively, using a two-tail test. The symbols (, <, or ), > etc. correspond to $, * and show the direction and significance of the generalized test.
Appendix E

*Market Model, Value Weighted Index using Patell Z and Standardized Cross-Sectional Tests – July 1, 2012 Event Date*

<table>
<thead>
<tr>
<th>Days</th>
<th>N</th>
<th>Abnormal Mean Return</th>
<th>Positive Patell Z</th>
<th>Negative Cross Portfolio Test Z</th>
<th>Time-Series Test (CDA) t</th>
<th>Rank Test Z</th>
<th>Jackknife Z</th>
</tr>
</thead>
<tbody>
<tr>
<td>-5</td>
<td>5</td>
<td>-2.19%</td>
<td>-1.587</td>
<td>-1.637</td>
<td>-1.661 $</td>
<td>-1.217</td>
<td>-2.039</td>
</tr>
<tr>
<td>-4</td>
<td>5</td>
<td>-1.24%</td>
<td>-1.274</td>
<td>-1.232</td>
<td>-0.945</td>
<td>-1.010</td>
<td>-0.903</td>
</tr>
<tr>
<td>-3</td>
<td>5</td>
<td>0.25%</td>
<td>0.367</td>
<td>0.819</td>
<td>0.192</td>
<td>0.640</td>
<td>0.743</td>
</tr>
<tr>
<td>-2</td>
<td>5</td>
<td>-0.11%</td>
<td>-0.797</td>
<td>-1.331</td>
<td>-0.082</td>
<td>-0.735</td>
<td>-1.659 $</td>
</tr>
<tr>
<td>-1</td>
<td>5</td>
<td>1.32%</td>
<td>&lt; -1.737</td>
<td>$ -4.260</td>
<td>*** -1.004</td>
<td>-1.760 $</td>
<td>-3.289 **</td>
</tr>
<tr>
<td>0</td>
<td>5</td>
<td>2.36%</td>
<td>2.302</td>
<td>2.106 *</td>
<td>1.797 $</td>
<td>1.909 $</td>
<td>2.738 **</td>
</tr>
<tr>
<td>1</td>
<td>5</td>
<td>1.21%</td>
<td>0.258</td>
<td>0.286</td>
<td>0.922</td>
<td>0.107</td>
<td>0.017</td>
</tr>
<tr>
<td>2</td>
<td>5</td>
<td>-0.49%</td>
<td>0.918</td>
<td>-2.219 *</td>
<td>-0.369</td>
<td>-0.859</td>
<td>-2.087 *</td>
</tr>
<tr>
<td>3</td>
<td>5</td>
<td>1.29%</td>
<td>5:00 &gt; 1.697 $</td>
<td>2.366 *</td>
<td>0.982</td>
<td>1.642</td>
<td>3.587 ***</td>
</tr>
<tr>
<td>4</td>
<td>5</td>
<td>-0.33%</td>
<td>3:02 -0.370</td>
<td>-0.426</td>
<td>-0.252</td>
<td>0.143</td>
<td>-0.002</td>
</tr>
<tr>
<td>5</td>
<td>5</td>
<td>-0.18%</td>
<td>1:04 -1.117</td>
<td>-1.15</td>
<td>-0.134</td>
<td>-0.840</td>
<td>-1.315</td>
</tr>
</tbody>
</table>

*Note.* The symbols $, *, ** and *** denote statistical significance at the 0.10, 0.05, 0.01, and 0.001 levels, respectively, using a two-tail test. The symbols (, <, or ), > etc. correspond to $, * and show the direction and significance of the generalized test.
Appendix F

*Daily Returns – Fama-French Time-Series Model, Value Weighted Index*

*March 9, 2012 Event Date*

<table>
<thead>
<tr>
<th>Days</th>
<th>N</th>
<th>Return</th>
<th>Positive</th>
<th>Negative</th>
<th>Portfolio Cross Rank Test Jackknife</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Mean Abnormal Positive Time-Series (CDA) t Error t Z</td>
</tr>
<tr>
<td>-5</td>
<td>5</td>
<td>0.52%</td>
<td>3:02</td>
<td>0.403</td>
<td>0.749 0.502 1.319</td>
</tr>
<tr>
<td>-4</td>
<td>5</td>
<td>0.28%</td>
<td>3:02</td>
<td>0.213</td>
<td>1.054 0.643 1.444</td>
</tr>
<tr>
<td>-3</td>
<td>5</td>
<td>-0.72%</td>
<td>0:05</td>
<td>&lt; -0.550</td>
<td>-2.390 -0.876 -2.230 *</td>
</tr>
<tr>
<td>-2</td>
<td>5</td>
<td>0.56%</td>
<td>3:02</td>
<td>-0.434</td>
<td>1.606 0.761 0.591</td>
</tr>
<tr>
<td>-1</td>
<td>5</td>
<td>-0.24%</td>
<td>1:04</td>
<td>-0.185</td>
<td>-0.304 -0.867 -0.267</td>
</tr>
<tr>
<td>0</td>
<td>5</td>
<td>-0.24%</td>
<td>2:03</td>
<td>-0.187</td>
<td>-0.652 -0.137 -0.701</td>
</tr>
<tr>
<td>1</td>
<td>5</td>
<td>-0.05%</td>
<td>2:03</td>
<td>-0.037</td>
<td>-0.100 0.103 0.655</td>
</tr>
<tr>
<td>2</td>
<td>5</td>
<td>4.97%</td>
<td>4:01</td>
<td>3.825 ***</td>
<td>1.310 1.917 $ 1.506</td>
</tr>
<tr>
<td>3</td>
<td>5</td>
<td>-0.71%</td>
<td>2:03</td>
<td>-0.548</td>
<td>-0.807 -0.486 -0.918</td>
</tr>
<tr>
<td>4</td>
<td>5</td>
<td>-0.18%</td>
<td>2:03</td>
<td>-0.141</td>
<td>-0.200 -0.545 -0.385</td>
</tr>
<tr>
<td>5</td>
<td>5</td>
<td>-0.71%</td>
<td>1:04</td>
<td>-0.549</td>
<td>-1.056 -0.677 -0.659</td>
</tr>
</tbody>
</table>

*Note.* The symbols $, *, ** and *** denote statistical significance at the 0.10, 0.05, 0.01, and 0.001 levels, respectively, using a two-tail test. The symbols (, , or ), > etc. correspond to $, * and show the direction and significance of the generalized test.
Appendix G

Daily Returns – Fama-French Time-Series Model, Value Weighted Index
June 22, 2012 Event Date

<table>
<thead>
<tr>
<th>Days</th>
<th>N</th>
<th>Abnormal Positive Time-Series Section Rank Jackknife</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Mean Return Negative (CDA) t Error t Z Z</td>
</tr>
<tr>
<td>-5</td>
<td>5</td>
<td>-1.43% 0:05 &lt; -1.112 -4.203 *** -1.892 $ -3.351 ***</td>
</tr>
<tr>
<td>-4</td>
<td>5</td>
<td>1.84% 2:03 1.435 1.222 0.509 0.662</td>
</tr>
<tr>
<td>-3</td>
<td>5</td>
<td>0.80% 3:02 0.624 1.387 1.128 1.398</td>
</tr>
<tr>
<td>-2</td>
<td>5</td>
<td>-1.12% 2:03 -0.868 -0.360 0.258 0.130</td>
</tr>
<tr>
<td>-1</td>
<td>5</td>
<td>-0.37% 3:02 -0.284 -0.540 0.053 0.398</td>
</tr>
<tr>
<td>0</td>
<td>5</td>
<td>-2.26% 1:04 -1.758 $ -1.381 -1.582 -2.311 *</td>
</tr>
<tr>
<td>1</td>
<td>5</td>
<td>-1.35% 1:04 -1.048 -1.449 -1.085 -1.163</td>
</tr>
<tr>
<td>2</td>
<td>5</td>
<td>0.33% 2:03 0.254 0.964 0.732 0.918</td>
</tr>
<tr>
<td>3</td>
<td>5</td>
<td>0.11% 1:04 0.082 0.099 -0.739 -1.069</td>
</tr>
<tr>
<td>4</td>
<td>5</td>
<td>-1.03% 1:04 -0.798 -1.980 * -1.454 -2.867 **</td>
</tr>
<tr>
<td>5</td>
<td>5</td>
<td>2.02% 4:01 1.575 2.089 * 1.857 $ 2.296 *</td>
</tr>
</tbody>
</table>

Note: The symbols $, *, ** and *** denote statistical significance at the 0.10, 0.05, 0.01, and 0.001 levels, respectively, using a two-tail test. The symbols (, <, or ), > etc. correspond to $, * and show the direction and significance of the generalized test.
Appendix H

Daily Returns – Fama-French Time-Series Model, Value Weighted Index  
July 1, 2012 Event Date

<table>
<thead>
<tr>
<th>Days</th>
<th>N</th>
<th>Return</th>
<th>Negative (CDA)</th>
<th>Portfolio Error $ t</th>
<th>Cross Section Test</th>
<th>Rank Jackknife</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>104</td>
<td>-2.27%</td>
<td>-1.760</td>
<td>-1.368</td>
<td>-1.563</td>
<td>-2.364 *</td>
</tr>
<tr>
<td>4</td>
<td>104</td>
<td>-1.34%</td>
<td>-1.037</td>
<td>-1.484</td>
<td>-1.091</td>
<td>-1.115</td>
</tr>
<tr>
<td>3</td>
<td>203</td>
<td>0.30%</td>
<td>0.233</td>
<td>0.823</td>
<td>0.729</td>
<td>0.902</td>
</tr>
<tr>
<td>2</td>
<td>104</td>
<td>0.08%</td>
<td>0.065</td>
<td>0.064</td>
<td>-0.767</td>
<td>-1.314</td>
</tr>
<tr>
<td>1</td>
<td>104</td>
<td>-1.03%</td>
<td>-0.799</td>
<td>-2.178 *</td>
<td>-1.475</td>
<td>-2.670 *</td>
</tr>
<tr>
<td>0</td>
<td>401</td>
<td>1.98%</td>
<td>1.529</td>
<td>2.031</td>
<td>1.845 $</td>
<td>2.311 *</td>
</tr>
<tr>
<td>1</td>
<td>104</td>
<td>1.06%</td>
<td>0.821</td>
<td>0.561</td>
<td>-0.382</td>
<td>-0.308</td>
</tr>
<tr>
<td>2</td>
<td>104</td>
<td>-0.55%</td>
<td>-0.429</td>
<td>-1.258</td>
<td>-1.050</td>
<td>-2.139 *</td>
</tr>
<tr>
<td>3</td>
<td>401</td>
<td>0.63%</td>
<td>0.489</td>
<td>1.210</td>
<td>1.058</td>
<td>2.274 *</td>
</tr>
<tr>
<td>4</td>
<td>302</td>
<td>-0.30%</td>
<td>-0.022</td>
<td>-0.073</td>
<td>0.312</td>
<td>0.274</td>
</tr>
<tr>
<td>5</td>
<td>104</td>
<td>-0.27%</td>
<td>-0.210</td>
<td>-0.261</td>
<td>-0.818</td>
<td>-1.300</td>
</tr>
</tbody>
</table>

Note: The symbols $, *, ** and *** denote statistical significance at the 0.10, 0.05, 0.01, and 0.001 levels, respectively, using a two-tail test. The symbols (, <, or ), > etc. correspond to $, * and show the direction and significance of the generalized test.
References


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Henderson, NV 89052
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EDUCATION

Ph.D. in Hospitality Administration 2011 – 2015
University of Nevada, Las Vegas
Major: Hospitality Operations
Minor: Hospitality Business Law
Teaching Areas: Casino Management, Lodging, Marketing and Finance
Research Areas: Finance, Marketing, Lodging, Timeshare Industry and Consumer Behavior
Dissertation: “The Effect of Florida’s Timeshare Resale Accountability Act and Securitization Announcements on Vacation Ownership Shareholder Wealth”

Master of Business Administration 1999 – 2001
University of Nevada, Reno
Areas of Concentration: Finance and Logistics

Bachelor of Science in Business Administration 1991 – 1996
University of Nevada, Las Vegas
Area of Concentration: Management Information Systems

REFEREED JOURNAL PUBLICATIONS


REFEREED PRESENTATIONS

Drake, J. R., & Woods, R. The Effect of Timeshare Laws on Vacation Ownership Shareholder Wealth. Poster session to be presented at: 20th Annual Graduate Education & Graduate Student Research Conference in Hospitality and Tourism; 2015, Jan 8-10; Tampa, FL.

Marketplace of the International Council on Hotel, Restaurant, and Institutional Education; 2013, July 24-27; St. Louis, MO.
Cosentino, S. W., & Drake, J. R. Predictors of Consumer Purchase of the Vacation Ownership Product. Poster session presentation at: 18th Annual Graduate Education & Graduate Student Research Conference in Hospitality and Tourism; 2013, Jan 3-5; Seattle, WA.

**UNIVERSITY TEACHING EXPERIENCE**

*University of Nevada Las Vegas, William F. Harrah College of Hotel Administration*

Diversity in the Hospitality Workplace (HMD 320)
- **Summer 2015** Discrimination and equality issues, demographic trends, socioeconomic transitions, inclusion and exclusion in the workplace, interpersonal relationships, diversity legislation, and diversity policy, implementation and management

Diversity in the Hospitality Workplace (HMD 320)
- **Spring 2015** Discrimination and equality issues, demographic trends, socioeconomic transitions, inclusion and exclusion in the workplace, interpersonal relationships, diversity legislation, and diversity policy, implementation and management

Diversity in the Hospitality Workplace (HMD 320)
- **Spring 2015** *Online course*; discrimination and equality issues, demographic trends, socioeconomic transitions, inclusion and exclusion in the workplace, interpersonal relationships, diversity legislation, and diversity policy, implementation and management

Hospitality Marketing (TCA 380)
- **Fall 2014** Marketing information systems, branding, market segmentation, product and service development, pricing, distribution channels, E-marketing, and strategic planning

Diversity in the Hospitality Workplace (HMD 320)
- **Fall 2014** *Online course*; discrimination and equality, demographic trends, socioeconomic transitions, inclusion and exclusion in the workplace, interpersonal relationships, diversity legislation, and diversity policy, implementation and management

Organizational Behavior Applied to the Service Industries (HMD 407)
- **Summer 2014** Attitudes and job satisfaction, emotions and moods, values, decision-making, motivation concepts and applications,
communication, power and politics, team and group work, conflict
and negotiation, and organizational culture and structure

Fall 2012  Teaching assistant to Dr. Carl Braunlich; taught 2 classes, graded
assignments, and consulted with students

Introduction to Gaming Management (GAM 225)

Spring 2014  Casino table games, race and sports book, slot floor management,
Nevada Gaming Control regulations, casino cage operations,
casino hosting, and casino personnel management

Fall 2013  Teaching assistant to Gary Waters; taught 2 classes, graded
assignments, coordinated gaming laboratory activities, and
consulted with students

GRANTS RELATED

Caesars Hospitality Research Center Assistant  Aug 2011 – May 2013
Administered call-for-proposals program for the awarding of grants

SERVICES AND ACTIVITIES

Graduate and Professional Student Association: Member  2011 – 2015
Hospitality Graduate Student Association: Member  2011 – 2015
Logistics and Supply Chain Management Council: Member  1999 – 2001
Economics and Database Marketing Tutor  2001

INDUSTRY EXPERIENCE

Senior Financial Analyst  Feb 2009 – Aug 2011
Wyndham Worldwide
- Annual budgeting/forecasting of national product lines
- Capital budgeting for resorts nationwide
- Accounting analytics and modeling

Wyndham Worldwide
- Regional sales budgeting
- Development of forecasting models
- Capital budgeting for regional resorts

Golden Nugget Hotel and Casino
- Lead analyst for annual casino marketing business plans
- Casino marketing budget development
- Slot and table game analysis and forecasting models
Office Manager  
**Associated Sign and Graphics**  Dec 2002 – Jun 2004  
- Reconciliation of client accounts  
- Managed receivables/payables  
- Managed fabrication/installation staff of ten people  

Traffic Manager  Oct 2001 – Nov 2002  
**JC Penney Distribution**  
- Managed daily delivery schedules  
- Traffic budget development  
- Managed staff of four freight administrators  

Sales Supervisor  Jan 1994 – May 1999  
**Merchant of Vegas, Inc. (McCarran International Airport)**  
- Supervised five sales staff  
- Managed customer service issues  
- Managed inventory