THE INTERNATIONAL TIMESHARE REFUND ACTION

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Timeshare…
What Went Wrong?

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Summary:

To give a brief background about the timeshare industry, and more specifically the company, RCI, who helped launch the industry in the USA beginning in 1974? We are going to explore the viability of their exchange concept, why it was a successful business model, initially, and later, what went wrong?

We will explore the common "thread of incentives" used throughout the world today, in both positive and negative exploits. This will relate from the bottom up with: marketing practices; selling techniques; developer's promises; to RCI's complicity and non-policing of policy and procedures.

Expressly, we will examine the revenues created by various dubious practices of RCI in order to achieve desired results for shareholder profits to the member's detriment.

Finally, we will reach a conclusion that RCI profited in the billions of dollars over a time period of thirteen years, from 1997/8 to 2009/10, again, to the detriment of the members, and why RCI/Cendant/Wyndham should be made accountable for their actions, financially.

Based on the outcome of the Class Action case in the USA against RCI by the RCI members, ITRA is commencing a similar action against RCI on behalf of aggrieved and unhappy RCI member's in Europe.

Background:

RCI started in 1974 with a handful of resorts in the USA and has grown to include over 4,000 resorts in over 100 countries, today.

Typically, if you take one apartment, or unit, and divide it into 52 slices, or weeks, one slice for each week of the year, this created what is known as the "Weeks" system. There are 52 "unit/weeks" per unit per year. The consumer can purchase 1 unit/week, or 1/52 of one unit, and with all the same ownership rights and benefits of any property ownership.

As with most deeded property, the owner retains rights for perpetuity, which initially was considered a good thing, but we will see how as the industry has matured this has not always been a positive aspect of timeshare ownership.

Some timeshares, instead being deeded property, offered memberships on a "Right to Use" basis, say, for 15 to 25 years, after which the membership reverted back to the developer. This initially was thought of as inferior, but again, it proved to be in the best interest of the member as time progressed.

Either type of ownership offered the prospective client with these benefits: 1. You can USE it; 2. You can Rent it; 3. You can LEND it your friends and family for free; 4. You can put it into your estate and WILL it to whoever you want, or; 5. you can SELL it.

We will explore how these so-called benefits were very heavily "pitched" by the sales persons, and how these same sales practices and techniques were false promises.

Now for example, if a timeshare resort has 100 units, there could be a maximum of 5,200 unit/week owners. If each person owned only one "Week", or 1/52 of each unit, they would then own 1/5200 of the entire resort. Each owner would receive a Deed, or Right to Use, membership certificate stating they own a specific unit in the resort complex, and a specific week of the year, which is allocated to them to use every year.

The resort would install a management company to maintain the resort, and the overall cost would be shared equally among the owners, with each owner having a vote as to how the management company operated.

This concept became known as timeshare: to share your time and to share the cost of something that would otherwise be too expensive. The timeshare concept became prevalent during the recession of the early 1970's as a way to help developers sell their condominium complexes along the beaches of Florida, one week at a time.

People who could not afford to pay $100,000 for a condominium to use only a few weeks per year, plus annual maintenance and taxes, etc., could afford to pay $6,000 as a one-time payment for 2 weeks, and to share with others the running cost of up-keep of their unit and resort. It was a good idea born out of necessity to the benefit of all, or so it was thought.

To make it fair, there were different sizes of units, typically studio, one bedroom and two bedroom units that would be able to sleep 2, 4, and 6 persons, respectively.

Also, there were different seasons to the year: High, Medium, and Low.

Depending on the size of the unit, the season of the year, would determine the price of each unit/week.

This was a great concept, but as good as it sounded, one problem remained. Who wants to go back to the same location year after year, and at the same time period each year? And this is where RCI capitalized on the concept of timeshare with their ability of "Exchanging."

Exchanging was the 6th benefit of purchasing timeshare, and the main reason why anyone would purchase timeshare. Now, instead of owning at one vacation/holiday resort in one location, at one time of the year, you now have at your disposal thousands of resorts all over the world in which you can travel whenever you want to go. You can choose wherever, and whenever, you want to go, with RCI. “Let us turn your holiday dreams into reality.” The world is your oyster, or so the saying goes. We will learn what happened to these dreams, and this oyster, soon enough.

RCI was formed in 1974. They state they that do not own any resort property. Their business model is based on assisting owners of these various timeshare vacation resort properties with “Exchanging” with owners of other resort properties. Not only could you change your location, you could also change the time of the year. In a word, RCI is the central reservation system for “members only” type of club. We will learn how this is not true, also.

Depending on what size unit is owned, and the season, you could Exchange a one bedroom unit in the High season in Florida, for a one bedroom unit in the High season for Hawaii, or, “like for like.”

RCI helped create the developer’s dream of turning expensive and cost prohibitive vacation property developments into an affordable alternative for the average family, one week at a time. “Let us turn your vacation dreams into reality” became a popular slogan for the timeshare industry.

To become a member of RCI, you had to purchase a unit/week of timeshare at an approved RCI affiliated resort. All RCI affiliated resort properties were thoroughly checked-out to make sure that only the best resorts with high standards were permitted, and that they maintained these standards or risk being excluded from their unique reservation system of Exchanging. Again, we will learn how this is not been followed through, either.

RCI and the resort property developers formed a symbiotic relationship with each feeding off the other, and profiting handsomely in the process. The resort developer could charge a premium for their property because of the RCI Exchange system, and RCI would gain all the members the developer sold. We will learn how RCI has come to abuse this special relationship.

The resort developers enrolled all their owners into RCI after they purchased their timeshare. This was not an option. The timeshare owner now also became a RCI member, and as such, in addition to paying an Annual Management Fee to the resort, they would have to pay an Annual Subscription Due in order to belong to RCI. Oh, and then to Exchange, there would be another small fee to pay. And we will learn of “other” small fees that would start to creep into this inexpensive alternative to holiday homes and hotel costs.

Again, to reiterate, the main benefit of the RCI membership was the fact of having the option to “Exchange” for different resort locations and different time periods of the year for a small reservation fee, called an “Exchange Fee.”

In total there were the following fees:

1. Initial purchase price to buy the timeshare. (A one-time investment paid to the developer)

2. Annual Management Fees (To maintain the resort)

3. RCI Annual Subscription Dues (To be a member in order to have option to Exchange)

   The RCI Annual Subscription Dues are approximately $84 per year as of 2010.

4. RCI Exchange/Reservation Fee (Only when you Exchange your timeshare for another location

and/or time period)

The current RCI Exchange/Reservation Fee is approximately $199 per week as of 2010.

In addition to these fees, there are “special assessments” the resort developers charge from time to time for no real or apparent reason other than to create added revenue. Yes, they disguise these assessments as repairs for new roof, or unexpected expenses from weather storms, etc., but there are supposed to be “sinking funds” or reserves to compensate for any extra expenses, and/or insurance to cover these costs.

Also, RCI soon learned they could start charging additional fees to let your friends use your timeshare, called, “Guest Certificates.” Friends and family were supposed to be able to stay for free.

RCI would also start charging additional fees to extend the reservation “window of opportunity” for the Exchange system. They would also start offering “insurance” in case you had to cancel your Exchange. And finally, they would start charging for rentals if they could not get you the desired Exchange you wanted. The question remains, why is something available for rent, but not for Exchange? And since when did RCI enter the rental business? And more importantly, if RCI does not own any resort, whose inventory are they renting?

All these little things started to add up, again, to the benefit of RCI, and to the detriment of the members.

However, the “Weeks” system worked well, and continues to do so up until around 2000, or soon after Cendant purchased RCI in 1997/8 and started to implement their corporate strategy.

Now, for the so-called purposes of flexibility and greater enjoyment for the timeshare owner, and the RCI member, RCI and the developers created a new and slightly more complex variation of the “Weeks” system. They called it Floating Time. And from Floating Time, they again created yet another variation for supposedly the benefit of the members, and this is called, Points.

Floating Time does not lock the person into any fixed unit or time period of the year, or, unit/week. They owner purchases a specific size of unit, say a one bedroom, and a specific time period, say, High season. The owner can come back to their own resort at different times of the year, in the High season, into any one bedroom unit, on a first come basis. This soon became very popular to new owners.

The main reason that Floating Time was invented was not for the owner’s flexibility, benefit and enjoyment, but for “yield management” of the resort developer. Why? Because typically, clients purchase the most desired units and Weekly periods at a Week resort, leaving the less desirable unit/weeks last to sell, consequently, more difficult to sell. Usually, the developers would be stuck with the remaining inventory of undesirable units, in fringe time periods, and usually unable to rent them to recover costs. When a Weeks resort was considered “sold-out” this would usually be at 80% to 85% of all the unit/weeks being sold. This un-saleable inventory was factored into the price of the unit/weeks that are sold.

The developers created Floating Time in order to be able to sell 100% of the inventory, and if only 80% were sold, they could relegate the members to these less desirable units and fringe time periods without the member actually knowing it. “The time period is taken” it was often repeated. Yes, it was, but not by another member, but by a renter paying higher prices. Members would sadly learn that they were being treated as second rate guests of the resorts, when in fact; it should have been the other way around.

Now the developer had the best inventory to rent, such as the beach view units in July and August, with little impunity from their unknowing members.

It must be noted that any “new and improved” change to timeshare was never to the owners benefit, but always to both RCI and the developers benefit, and to the detriment of the members.

From Floating Time came the concept of Points. This "New & Improved" concept was to revolutionize the industry for the so-called benefit and enjoyment of the timeshare owner and RCI member.

Now, you purchased "Points" which are like a currency. For example, if you purchased, 100,000 Points, you could take a two week vacation in a two bedroom unit in the High season of August, say, in Hawaii, or, you could take an eight week vacation in a studio unit, in the Low season, say, January in Spain.

In theory, it offered much more flexibility to the member, and supposedly, transparency, but in reality it offers much more in yield management to RCI and the resort developer, again, to the detriment of their members, we will explore.

You could use and buy whatever you wanted or needed, or, any size unit, and any time of the year. Full transparency, you could see what is available on the system. Great for the consumer, they say. And instead of the Weeks member having to first "Deposit" their unit/week into the Spacebank ™ with the RCI Weeks system, and then to make "Request" in order to make an "Exchange," all the Points members have to do is make a "Reservation."

Again, on the surface, this sounds good. Well, the first question that arises, what is the correlation of the Points to the number of units, or what is the maximum number of owners/members in a resort?

In our first example, Weeks, if there were 100 units in the resort, the maximum number of unit/weeks, or owner/members, could be 5,200. This would be considered 100% sell-out.

With Points, if there were 100 units in the resort, what is the maximum number of owners/members? In theory, there should not be more than 5,200 owner/members. The reality is that this is an industry trade secret, "proprietary knowledge." So, what would be considered 100% sell-out? And this is a little known fact that nobody seems to care about. Yield management says that there is excess capacity in other resort properties, or within the RCI system, so, "in theory" we can never actually sell-out. But is this for the benefit of RCI and the developers, or for the members?

There could be an over subscription of the resort by 200%. Why? Because RCI allowed the resort developers to do this. If a developer has multiple resorts, with Points, you never actually know where you own. You might actually be purchasing property in "Timbuktu" when viewing a property in Hawaii. This is allowed with Points, but it stresses the Exchange reservation system with undesirable inventory, consequently not allowing a sufficient number of Exchanges, and/or not offering suitable Exchanges as expected by the members. If a particular resort location is very desirable, people will want to join there. And the main reason they will want to join is for the concept of the RCI Exchange system. Without RCI allowing this practice to occur, this would not be possible from the developer's side of the equation.

How can a resort "over sell" the available inventory? They could not unless RCI were complicit with the developer. The more sales the resort make, the more members enrolled into RCI, and everyone makes more money, which is what it is all about. But, what about the timeshare consumer?

How does this benefit the consumer? This is not about the consumer, it is about profits!

The resort will keep on selling, exceeding their yield/capacity because of excess capacity through the system of RCI with other resorts. It is all about yield management, income revenue, and corporate profits. And everyone deserves to be successful and to make a profit, but at what costs? What is the trade off? When is it proper to offer one thing, but provide something completely different than what was promised and paid for?

Also, as with Floating Time, the same is true with Points, there are no longer any undesirable units, time periods, or resort location to sell or worry about. Now, the resort developers can keep the prime inventory for rental purposes, and allocate any of their members to less desirable units on the property, much the same as Floating Time, except now, unlike Floating Time that has a finite maximum number of owners/members, with Points, there is no maximum number of owners/members. Sales continue unheeded by lack of inventory, because inventory is no longer a problem. They have maximized yield management!

How would you like to be able to continue selling something, even when you have nothing more to sell? How does that work?

Also, many times RCI members are treated as second class guests, even after investing large sums of money, the average timeshare purchase being $10,000 to $15,000. They are allocated the least desirable units and time periods when staying at their own, “home resort” or when trying to make an Exchange/Reservation to another resort.

There are now far too many owners trying to exchange into too few resorts through RCI. RCI members are promised anytime, anywhere, but in reality, it is not happening with the frequency or percentages reported by RCI.

RCI members are taking whatever RCI offers them in order not to lose their holiday. Yes, RCI may report they have a high percentage of Exchanges, but there are an equally high percentage of unhappy RCI members very disappointed with the reality of the RCI Exchange system. What is considered suitable is different than what was expected.

If the RCI member really wants a particular location or time period, and there does not seem to be any availability within the RCI system, RCI will, more often than not, offer to “rent” the RCI member that unit/week. Why? Because RCI will earn far more money from the rental than they would have from the regular exchange reservation fee. So now the RCI member who has already paid to purchase resort time, and to become a member of RCI, now has to pay rent to use the system they were promised would be always available for “Exchange.”

The question is? why if it is available for “Rent” it is not available for “Exchange?” The only answer is because this increases shareholder profits and the detriment of the RCI member’s benefit.

We will continue to explore and address these concerns further in this report.

Timeshare’s Downfall

The demise of the timeshare industry is for the following reasons:

1. RCI's loyalty to Wyndham's shareholders to the detriment of the RCI members;

2. The advent of the Points system vs. Weeks system;

3. RCI's Rental program(s) for Extra Holidays: (Last Call, Bonus Vacations, Short Breaks and Late Deals);

Both of these concepts, Rentals and Points were designed with only one purpose, and this was not to increase the benefits and enjoyment of the RCI members, but to increase revenues and profits of the shareholders.

Skimming

One of the most popular methods employed by RCI to increase revenues is by what is known as, "skimming."

Skimming is the practice of RCI taking the most desirable inventory that is "Deposited" into the RCI Spacebank™ by their members, and selling this inventory to 3rd party sources, or even renting this same inventory back to their own members, at prices that are greater than the price of the "Exchange/Reservation Fees" of either the Weeks or Points systems. How can this possibly benefit the member?

RCI acknowledges that they are allowed to do this as per the terms and conditions in the RCI catalogues and as a direct result of the recent Class Action case brought against them by their own members in the USA.

Clients are repeatedly told by the RCI there is nothing available with the "RCI Exchange/Reservation" program, however, but that there is inventory available via the "Rental Weeks" program, starting at only $299, $499, and $699 and even much higher prices, at $3,199, for a one bedroom, two bedrooms, and three bedroom timeshare units, respectively.

RCI explains this "Rental Weeks" program usually costs an average of $100 per day, regardless of unit size, and then they say, "Isn't this a great value?"

However, the reason most people purchase their timeshare and became a member of RCI was not to "Rent" but to make an "Exchange/Reservation." The rental should be an "extra" or bonus to the normal usage of exchanging the timeshare, if you want to take an additional vacation during the year. It seems that making an Exchange to where and when you want is the "extra" and/or bonus. And the rental is now the normal usage in order to get what you want, and when you want it.

So, it has to be asked, what is the incentive to RCI? "Why is there availability for rentals at $299, $499, and $699, and more, but there is nothing available for the RCI Exchange/Reservation Fee of $199?"

Do you think it might have something to do with REVENUES and PROFITS? And who do you believe benefits from this maneuver, the RCI member's, or the Wyndham shareholder's?

This practice of renting consequently dilutes the available inventory in RCI for the member's to use. Because of this diluted available pool of inventory, the members are routinely offered alternative resorts and time periods when they try to make an Exchange/Reservation, but these alternatives are usually at less quality resorts, and in less demanded time periods. Members consequently agree to take something, anything, just to have a vacation, but usually they do so, begrudgingly, and yet RCI boasts of their many so-called "successful" Exchanges.

Balanced Presentations

So, while the "letter of the law" is upheld, is the true "spirit of the law" adhered to? This is especially true when at the "Point of Sale" the salesperson did not perform and offer a "balanced presentation." Most timeshare sales presentations are unethical and potentially illegal. How can they routinely show and/or imply that timeshare is a good investment? That you can rent if you can't use, or sell if you don't want it any longer. Nobody rents timeshare, and as for selling, you can't even give your timeshare away. In fact, in many instances you have to pay others to take it off your hands. You cannot even give your timeshare to a charity, for they do not want the responsibility of the maintenance fee liability.

In the financial arena, if a stock broker and/or commodity broker were to offer the same so-called balanced presentation as offered in the timeshare world, which is still the current practice by timeshare resorts, (and with the full knowledge and blessing of RCI), the SEC, NFA, NASD, and CFTC would close down all timeshare resorts and sales operations and practices, immediately, for lack of full disclosure and for not offering a balanced presentation.

However, because of this practice, RCI has created an *"Information Asymmetry"* which states, "that if one party to a transaction has better information than the other party, which is not, *'full disclosure,'* and does not offer a, *'balanced presentation,'* this can be cause for violation."

Utility Maximization and Yield Management

In the case of RCI's profitability, because of their "utility maximization" and "yield management" curves for profitability, if there were full disclosure and evidence of all revenues sources, after careful analysis, we could prove conclusively our hypothesis of RCI's underhandedness for their windfall profits.

Given the right data, we could figure out the answers. And that is the problem, getting the right data and the correct information from RCI. There is an over-lapping of key information hiding the true revenue sources.

What is required is to devise a set of algorithms that can identify the use of the Weeks system against the Points system, independently and together, with and against, the use of Rental Weeks, and Points. This will discover the "why" and the "how" of RCI's windfall profits to the detriment of their members.

The first step would be in analyzing suspicious strings to estimate the probability of each system's success and revenues generated alone and in tandem with each other. This estimation is done using a multinomial lo-git framework with past and present revenue characteristics as explanatory variables. [1]

This begs to ask why these questions were not addressed, nor made public, in the first place, regarding the debacle of Settlement to the Class Action suit brought against RCI in the USA. Also, why did the time frame of the Class Action begin in 2000, and not to when Cendant first took over RCI in 1996/7.This additional time-frame will allow us to find enough empirical data to answer these questions. Is the answer related to the statute of limitations, or, should this time-frame begin from the client's purchase date, or the time the member became aware of this problem?

The above Class Action did, however, achieve the goals of Cendant, (now called, Wyndham), which is to increase revenues and profits for the shareholders, again, at the detriment of the RCI members.

The question, again asked, is this new strategy implemented by Cendant/Wyndham/RCI to make the timeshare owner's happy? What exactly are the perceived benefits to the members?

In fact, RCI, since Cendant purchased them, has never fully explained any of these issues with anyone in the public, or to the public, and yet it is now a public company.

Furthermore, it is generally accepted and understood that the internal policy for RCI/Cendant/Wyndham not to disclose any negative information to the public, for the consequences of such information would be the collapse of sales for the resort developers, and the loss of members to RCI, and this, of course, would not be good for the shareholders.

If a Butterfly Flaps It's Wings in China it Creates Hurricane in Europe

Little by little, and ever so gently, just like the butterfly flapping its wings, changes were in fact occurring, and they were being placed in the very small print at the back of the RCI catalogues, with no fan-fare or public notices to the members. Changes to the rules after the fact, and/or after the clients purchased their timeshares based on certain conditions, only to be later told (not explained) that that these conditions are now changed. This is regardless if these new conditions are acceptable and agreeable to the members, or not, whether for their ultimate benefit or not.

And more importantly, there has never been any real meaningful and/or proper training from RCI to the respective timeshare resorts sales management teams on how to train the front-line sales persons who actually talk to the public in pursuit of the timeshare sale. This is not entirely correct, for RCI does have representatives that visit resorts and train the sales forces. However, they are usually the 'new' recruits that get to travel and see first-hand what the resorts look like, which is important, but these new recruits generally have a limited knowledge of RCI, and/or what is said to clients in order to make a sale.

RCI representatives are reluctant with showing, explaining, and/or training any sales team the back part of the RCI catalogue with the terms and conditions, terminology, rules, changes, and especially the very small and fine print. Admittedly, this would have certain devastating effects to sales.

The RCI training consists mainly on how the exchange system operates so well and efficient, and how cost effective it is to the consumer, which in reality, well, is NOT the reality.

So, we have the salespersons talking to clients, explaining in great detail the merits of the timeshare concept, and how the Exchange system works. How everything is great, fantastic, wonderful, easy to use, etc. Again, this is an unbalanced presentation and far from the actual truth.

RCI has a wealth of information to show and explain to the prospective customer of, "only the good, but none of the bad." Nothing is ever said or mentioned about how inventory is being "skimmed" by the Points system for the Rental Weeks program, obviously, or how difficult it is to get an Exchange, or how the Points program is not really in the client's best interest vs. the Weeks program.

Also not mentioned about is the product called, RCI Pure Points, and the fact that you do not even need to own at a resort, or any timeshare for that matter, in order to use RCI. So, what inventory is being used and/or allocated by RCI for the owner of Pure Points?

The only people who like the Points system are RCI, the Developer's, and the Shareholder's, and maybe a few members if they have invested heavily into the concept, but certainly not everyone, if only they knew the truth.

Steering

Are the clients at the "Point of Sale" presented an option to purchase either, Weeks, Floating Time, or Points? Or are they "steered" into purchasing only one or the other? Is this correct? Is this balanced? Is this legal? According to many state statutes and real laws, this is not legal.

Here's the deal…You sell that which the resort is. What this means is this, if it is a "Weeks" resort where you are employed, you sell the merits of the Weeks system. If it is a "Points" resort you are employed, you sell the merits of Points system, and so on.

If the client already owns Weeks, and they come to tour a Points resort, they will be told and sold only the merits of Points system, while the Weeks system is downplayed as old fashioned and out of date. Furthermore, the sales persons will try to convince the Weeks owner to trade-in, or upgrade, their Weeks for Points, and for the costs of many of thousands of dollars more.

And the opposite is true if you visit a Weeks resort and own Points, they will try to get you out of Points and back into Weeks. Whatever it takes to make a sale. This again generates revenue to RCI for each sale represents a new enrollment fee for RCI.

RCI telemarketers have been known to inform Weeks members that unless they upgrade to Points they may never get an exchange like they used to previously.

The new option that is also offered as a benefit at the Point of Sale is the availability to rent a week from the Rental Weeks program. This sounds great on the surface of things. This is supposed to be something in addition to the Exchange system and not to replace and/or supplant the Exchange system, but this has become the reality, now. If you really want to go somewhere in a particular time of the year, it seems the RCI Exchange system invariably knows this, maybe through their algorithms in their programming, and instead of getting the Exchange, you will be offered to rent.

For an average of only $699 per week, which is less than $100 per day, (cheerfully voiced by RCI Guides), you can rent a timeshare. So now, if you can't get the Exchange you desire, RCI will gladly rent a timeshare unit when and where you want to go. Many times it appears there is a bonus to rent you something vs. Making an Exchange. (There have been offers on the RCI website to visit a Disney resort in Disney World, during Easter, for a two bedroom unit, for one week, with a rental price of $3,200, this was in 2010.)

This all ties in with Points, for without Points there could not be as many rentals available and so openly promoted. The best resorts and time periods are always available for rent, and the resorts and RCI can hide this best inventory from their owners and other RCI members with impunity because of this very system, Points.

And who actually owns the timeshare unit in the Rental Program? Does it belong to the developer as unsold inventory, or to an owner who let RCI use it? And what does RCI do with it? Who are they responsible to? The Member's, or the shareholders? Will RCI "Exchange" it for the $199 Exchange fee, or will they rent it out for $699?

The unit could belong to the developer, which if true, then the developer should receive the rental income and contribute to proportionately to the management fees for that particular resorts unit/week cost. But the developer does not do this for two reasons: 1. Because if it is Points or Floating Time resort, they can manipulate that inventory to their benefit, and; 2. The developer is using the inventory for sales promotions to non-owners with the premise of new sales. This rental income should contribute to any maintenance fees, but they are not, again, the timeshare members are subsidizing the sales with paying the maintenance portion of this unit/week for the developers and the owners do not even realize it!

And, if the unit/week rented belongs to an owner of the resort, the owner should receive the rental income. But, if the unit/week was given to RCI to use, then they have the so-called right to rent the unit for $699 or more, and keep the money instead of giving it to either the owner of the developer. Of particular interest, this forfeits a potential Exchange for a member, again, for $199, and increases revenues for RCI by $699.

All this for the name of efficiency, profitability, and utility yield management, which looks good on the Annual Balance, Revenue and Profit & Loss Sheets, not too mention the shareholders' dividends.

This process is known as, "skimming," which is abusive practice of taking of the most desirable time periods and locations unit/weeks, thus maximizing the revenue income revenue streams all in the name of shareholder profits, and at the member's expense and detriment. This practice has been known to exist for years, and until now it was a “secret.” Only recently has RCI admitted to using these unit/weeks for rentals, but it is an admission without guilt, as per the RCI Class Action Settlement in the USA.

Which benefits RCI, more? What is the incentive?

How can RCI do this and get away with it? What other “secrets” might RCI have regarding Weeks vs. Points, and then also, Pure Points?

Asian Inventory Replacing Western/European Inventory

There is also considerable attention being brought upon European timeshare developers upgrading their members into foreign and/or Asian inventory without the member’s acknowledgment. With the introduction of Points, the developers are upgrading Weeks members into becoming a Points member, supposedly for the members benefit. However, the developer’s are purchasing and/or buying inventory is Asia, which has a management cost at a fraction of the cost in Europe. So now, when the clients let RCI use their timeshares, they are actually giving RCI inventory from Asia, and not from Europe. This practice then has a negative effect on the Exchange system.

In reality, the European timeshare owner is paying Western prices for management fees on which they unknowingly own in Asia, which can be as little as one third (1/3) the maintenance fees of the European resorts.

Who profits from this? The developers, of course. But so does RCI. Every time there is an upgrade RCI makes a new enrollment fee. Does RCI care? No. The letter of the law is upheld to the detriment of the spirit of the law. The profits are made for the shareholder’s benefit at the detriment of the member’s benefit.

This practice also gives the European inventory back to the developer and is made available to rent or sell again to someone else. The member’s believe their Points are backed with Western inventory, when in fact their Points are now backed with Asian inventory.

People wonder why the RCI Exchange system does not work as efficient or effectively as it once did, and/or why there is always availability at only a select handful of inferior timeshare resorts, or always at the same locations and times periods. What they did not realize is that they are actually trading Asian inventory for Europe and the USA, which causes an imbalance in the 'trading power' of RCI, hence, the exchange system deteriorating and not working as it should.

So, who comes first? Who is the most important, RCI, the Resort Developer, the Marketer, the Sales Team, or the Client/Member? Without one there cannot be the other. All are interdependent upon one another, but it could not have come about without RCI. All entities feast at table of RCI. Without RCI, the industry would have never been. At best, it is a symbiotic relationship, each feeding off the other, getting bigger, fatter, richer, greedier, together. However, RCI is a shark, and the other entities are minnows. The minnow will be eaten, but RCI will live. And the members are being eaten alive, and RCI are living well.

RCI Pure Points

And this is what happened. RCI has cut the developers out of the picture, almost, by introducing their own product, RCI Pure Points. RCI now offers a product, similar to timeshare, but without the consumer having to own at any particular resort.

Week's members own, “bricks and mortar,” and that Points members own, “air,” and if this is true, what do RCI Pure Point members own, “vapor?”

However, RCI couldn’t really afford to do this to the developers because they need the developer’s inventory to service the Pure Point members.

Remember, RCI does now own any resort. However, they are owned by Wyndham, the world's largest timeshare developer who have many hotel brands under their company banner, also. Might there be a conflict of interest here?

What do I mean? RCI Pure Points offers members use of the Exchange/Reservation system, but, there is nothing to back them. There is no resort property for either Weeks or Points. So, how then, how does RCI service RCI Pure Points? It can only be from available inventory they "skim" from RCI member's inventory placed with RCI, or from the developer's inventory. Why the developer's tolerate this practice is still unknown, but there must be an incentive somewhere?

However, RCI is doing even worse than this, for they are slowly killing the goose that laid the golden egg! The Exchange concept upon which RCI was initially founded

RCI Rental Weeks

What am I referring to? RCI seemingly no longer cares about their own members, which they have neatly placed at the bottom of the proverbial totem pole. If you are a timeshare owner, specifically a Weeks member, and no less important, a Points member, RCI no longer caters to them regard the Exchange/Reservation system, for although this is a revenue source, this is not as profitable a revenue source as the Rental Program.

The Exchange/Reservation Fee is approximately $199 per Week, and the Average Rental Price is approximately $599. What is the incentive for RCI to make an Exchange/Reservation vs. a Rental?

If RCI/Wyndham were more specific with their reporting on the financial statements, they would clearly define and outline the revenue sources, exactly, coming from: RCI's Annual Subscription Dues; RCI Exchange/Reservation Fees; RCI Rental Weeks revenues; and RCI Pure Point sales, but they don't. They blend these together. Why? So the public cannot see what revenues are generating the most revenues and highest efficiency for RCI. They do not want anyone to learn there is more profit in Rentals, thus more important, than Exchanges. Remember, it is not about are the benefits the members, but what is best for the shareholders.

The same is true of the RCI Pure Point's members. This is "pure" revenue with no cost of actual "bricks and mortar." RCI has no cost of inventory. The inventory is the developers, and/or resort members which is skimmed and re-sold for the Exchange/Reservation Fee of $199, or even more if a Rental.

Thomas Jefferson, 3rd President of the United States, noted while reflecting on this tiny "incentive"...how a two (2) cent tax was the cause that led to the Boston Tea Party, which in turn led to the American Revolution. "So inscrutable is the arrangement of 'causes and consequences' in this world, that a 2 penny duty tax on tea, unjustly imposed in a sequestered part, (back room deal), that it changes the conditions of all its inhabitants."[2]

With only 2 cents there was a revolution that changed the way the world is today. Do you believe with only a few dollars here, and a few dollars there, the moving of a goal post, and changes to the rules, after that fact, which resulted in billions of dollars of windfall profits for the mighty, "800 Pound Gorilla," RCI, that this might possibly also cause a revolution?

Most families work hard for 50 weeks a year, and have come to accept and believe that taking a holiday with their families is a way to re-charge the batteries, to help relieve stress, and to bring the family unit back together without all the day to day clutter of daily living. And RCI, more than any one company, is responsible for putting forth this dream and expanding it to the “Nth Degree.”

RCI deserves to make a profit, as does any company. But what is reasonable? What is fair? Members were sold a “bill of goods” on one premise, and later RCI changed that premise, and to who's benefit? What was the incentive? They have changed the rules after the fact, and they have not properly told and/or explained to any of the members exactly what these changes were all about with any kind of advance notice. They “just happened, little by little, bit by bit, just like the flapping of the butterfly's wings...

Timeshare is Now Worthless

The perceived product of timeshare was good, however, it is now tainted to the point of being virtually worthless as anyone can plainly see with the bids and offers as auctioned on EBay. There are timeshares that many members spent an average of $10,000 to $15,000 and are now being offered and bid for as low as $1.00. Many members accept these offers in order to be rid of both the annual obligations of the RCI Subscription Dues and the resort Management Fees. Timeshare was sold as an asset, but many realize it has become a liability, and a product of little to no real value. Timeshare was sold with the use of lies, false-hoods, promises, greed, and corruption by the: Developer; Marketer, and the Sales Teams, all with mutual consent and full knowledge from RCI.

Why did not RCI protect the industry they created?

If RCI would have “policed” the policies of all participants, which is their responsibility, and if not, then their moral duty and obligation, the industry would not be in a state of non-trust that it currently enjoys.

It used to be said, “Turn your vacation dreams into reality.” “Why rent when you can own?”

Now it is said, “Why own when you can rent much cheaper?” And the so-called dreams have become nightmares. The false promises have become the unwelcome reality, unless you consider the loss of one’s investment a belated reality, and the fact the timeshare has become virtually worthless, and a liability instead of an asset.

Depopulate the Resorts

Another practice is to “de-populate” the timeshare resort. During the early part of this century, (2000), when the real estate market was HOT, buying and selling whole ownership condo units vs. timeshare units were a lucrative venture.

Getting people out of their timeshares, no matter which way, ethical or not, by methods such as arbitrarily increasing maintenance fees, or having exorbitant special assessments, created undue financial pressure on the owners. If the member was 15 days late paying the maintenance fee, the developer’s snatched back the timeshare, usually illegally and without due process of law, as foreclosure, and consolidated the Weeks and/or Points into whole ownership units. These previous timeshare leasehold units now became whole ownership freehold units, and were then sold with virtually no cost, and for 100% profit. Actually, 200% profit, for they were sold as timeshare the first time around.

The developers were doing this with impunity and again, with full acknowledge from RCI. Why RCI tolerated losing the membership base is a mystery, but actually, it is not. Remember, these “de-placed” foreclosed timeshare owners could still be a member of RCI! It is all about Annual Subscription Dues and

Exchange/Reservation Fees, and should we forget, Rentals!

Timeshare developers have literally forced 1,000's of timeshare members out of their timeshare via huge and unregulated management fees, and special assessment fees, only to then sell the units for hundreds of thousands, if not millions of dollars, more.

By contrast, today, if you try to give the deed back to the developer, paid-in-full, the developer will take you to court and force you to pay the maintenance fees, threatening you with bad credit ratings, etc. Why? Because the real estate market is down, and the developers are very aware timeshare is not as asset, but instead a liability! For they understand the loss of the maintenance fee revenue will create a short-fall they will either have to absorb if the timeshare does not re-sell, or pass this short-fall on to the other members, or to cut-back on the maintenance of the resort, in general.

Before, the resort developers took away your timeshare without due process of law, and today, they have reversed their tactics and force you to continue paying your management fees with the due process of the law.

The liability is so large that developers do not want to pay for the defaulted timeshare inventory. They realize the non-payment of the management fees, and the underlying deeds are worthless and are no longer desirable in today's market.

In The Beginning

RCI, in 1974, was the company who changed the way Americans, and then the rest of the world, would take holidays for the rest of their lives. And they have been very successful.

It was a good system…in the beginning. So, what happened to it? Where did it begin to fail and fall apart? When? Why? The answer lies in how…How much did they have to gain? How much was the "incentive?"

So, what happened? After John and Christel's divorce, Christel was awarded RCI, and as a private company, and under her protective wings, she expanded it with tender loving care. She took it as far as she could, and then she sold it, believing that by selling RCI to the corporate giant, Cendant, that her baby was in good hands, and would continue to grow and prosper. And prosper it did, but at the detriment of the members.

John and Christel DeHaan birthed RCI in 1974 on their kitchen table with 3 resorts to exchange, only the USA. By the time she sold RCI to Cendant, it had grown and expanded into 1,000's of resorts all over the world. Only later did she realize that her "baby" and "family of members" would have been better serviced and cared for if she had kept the company, private. If only she knew how wrong she was, and how wrong Cendant, now Wyndham, was, and still is!

Christel cared about how she serviced her members. She had all the money she could ever want because of RCI. She did her job for the glory, not the money. Yes, the money came, but she did it on the principle that the member comes first, and if they are happy and satisfied, then she too would gain. She in fact sold RCI for $850 million because of this principle.

But why did Cendant want to buy it? There was no inventory, per se. So, what was it? Cendant knew the potential, and they were right, for it is now a multi-billion dollar company. Cendant realized there were thousands of resorts with millions of members paying Annual Subscription Dues all who own millions of unit/weeks of inventory that they pay RCI to use, for free.

Why? for the potential to Exchange, which they do for $199, or to Rent for $599, and more. Which option do you think RCI really prefers?

Cendant realized they have the right to use millions of weeks of inventory any way they want, at their sole discretion, and with the full knowledge and consent, (supposedly), of the RCI members. Again, the members pay RCI to do that! RCI can rent the timeshare to anyone they want, for any purpose they want, at their sole discretion, and keep the income.

RCI makes money for "skimming" the timeshare two ways: Rentals, and Annual Subscription Dues. Yes, they also make Exchanges/Reservations, and receive revenue from this source, but they cannot generate the profits they report from only the Exchange/Reservation Fees, and this is why the blend the revenues from all sources.

However, instead of having RCI member's best interest at heart, the same endemic problem arose as with many public companies on the NYSE. Greed started creeping into the equation, and not for the member's benefit, but for the shareholders.

Cendant, now Wyndham, has a fiduciary relationship and an obligation to the shareholders, first and foremost. Profits come at the expense of relationship building, and at the expense of keeping the RCI members happy and satisfied. Efficiency is paramount to the bottom line, even if it erodes public loyalty and membership satisfaction rates. The bottom line is: revenue and shareholder dividends at all costs. As for the members? Who cares? Hence the arrival of alternative exchange companies who are now competing for RCI's members.

What's the Incentive?

"They" know best. Cendant started with all their new "incentives." And let's talk about that for a moment…incentives.

Please note the quote of an economist by the name of, Steven D. Levitt, Harvard undergraduate, PhD, from MIT, and winner of the John Bates Clark Medal (a junior Nobel Prize for young economists under 40). His credentials and pedigree are impressive.

As Levitt sees it, economics is a science with excellent tools for gaining answers but with a serious shortage of interesting and probing questions. It's is all about asking the right questions, sifting through the data, and finding a story that no one else has found. His abiding interest is "incentives" and how they relate to cheating, corruption, and crime. 3

What are the incentives for RCI that brought about the Class Action in the USA?

What do these incentives mean in potential terms of cheating?

What is the story the US lawyers are not finding?

There are many theories, and from the experts' (RCI's lawyers) mouths to the judge's ear, and to the members' minds, they become conventional wisdom. There is one problem, though, they aren't true.

For example, the: Exchange system; RCI Rental program; and RCI Pure Points; are in fact methods for "skimming" inventory. And it should also be mentioned at this time that RCI owns subsidiaries that offer private promotions, such as, FREE GIVE AWAY ACCOMMODATIONS. They sell these promotional products for massive profits, and use the member's timeshares to fulfill these promotional incentive programs, to all the members' detriment.

Remember the proverbial butterfly. They say if a butterfly flaps its wings in China, it causes a hurricane in America. Remember the 2 cent tax, again, and how that changed the world! The same is true with how all these little changes with Cendant, after it purchased RCI, brought in billions in revenues for RCI. In fact, there are more revenues than can be explained from the current Weeks, Floating Time, or Points programs, and so, how can revenues of this magnitude be generated?

Today, the world has grown more and more specialized. Everyone has become an expert, from doctor's, lawyers, stock brokers, real estate agents, mortgage brokers, insurance agents, to "vacation/holiday consultants" selling you a piece of the dream of taking beautiful, luxurious timeshares vacations villas and condo's at a fraction of the normal cost of hotels. Why rent when you can own?

All these "specialists" enjoy huge informational advantages, and it is because of this advantage that they help us to get what we want, and/or to believe that what we are getting is what we want, what is best for us, and obviously, for the best price.

However, experts are human, and humans respond to incentives. How any given expert, or so-called specialist, treats you, will be in direct relation to that expert's incentives. What is in it for the timeshare salesperson, the developer, and ultimately, to RCI, to Cendant, and now, Wyndham?

We all know the answer to this, and it is a commission, a profit, a dividend, and a Return on Investment (ROI) to the shareholders, ultimately.

Before plugging in the data and doing the research, it is better to first ask: What is the real incentive behind RCI? Obviously to be profitable, but at what cost to their members? And, how far will they go?

The Brilliant Brainchild…the Birth of Points

The Weeks program, when first introduced, was as simple and ingenious as this. If there is one (1) unit/apartment, the unit can be divided into 52 slices, one slice for each week of the year. There can never be more that 52 owners per unit. If you have 100 units, there can be a maximum of 5,200 unit/week owner/members.

Again, remember there are various sizes of units that sleep 2, 4, or 6 persons or more and that there are various seasons, high, medium, and low.

There are various resorts around the world with similar facilities, and if you want to go somewhere else, all you have to do is make a Deposit into the Spacebank™ , make a Request, (reservation), the more time in advance the better, and wait for a "match" in order to Exchange with another member somewhere else in the world. The system worked.

"Like for like" was how it was sold. The units and seasons are crossed-checked throughout the Spacebank™ database, and if there is availability, or a "match," the Exchange Request and Reservation was completed to everyone's satisfaction. The Exchange process worked, so, what happened? Why did it change?

Remember earlier, “Utility and Yield Management.” How could they get more revenues out of the same system? They couldn’t, because there were only so many members per unit/week.

There is a maximum yield per unit with the Weeks program.

What could Cendant do with RCI to possibly create more “yield,” more revenue, and more MONEY?

RCI realized that historically, there is a 17% non-usage of unit/weeks of timeshare owners. If only RCI could use this inventory without anyone knowing about it. But they could not do this, morally, especially if the members did, or did not, Deposit their Weeks into the Spacebank™ .

How could RCI use these ‘non-used/un-used/un-Deposited and/or Deposited Weeks and get away with it? Again, how can they increase yield, and thus create more revenue, without anyone knowing or realizing it?

Thus came forth the birth of Floating Time, and soon afterwards, Points, and this was absolutely brilliant for RCI.

The RCI Points systems was supposedly invented and introduced to improve the benefit to the member through the Exchange system and to bring about greater transparency. Nothing could be further from the truth.

With Weeks, we know exactly the maximum number of members that can own one unit, and this is 52 members, one member per unit week, or 5,200 unit/week members for a 100 unit resort.

With Points, nobody can nor will say what it the maximum number of members per unit. It is “proprietary knowledge.” If there are 100 units at a Points timeshare resort, what is the maximum number of members that can purchase there? They would have to admit that they over-sell the unit by as much as 140%, if not more. How’s that for yield management? They can now sell more than 100%, and nobody will be the wiser nor know any better.

All RCI has to say is that there is nothing available for the location or time you want for the Exchange/Reservation, unless of course, you want to rent. RCI will offer you alternatives, and you either accept it, or you lose your timeshare for that year. It is not RCI's fault, it is your fault. You are not flexible.

Historically, everyone wants the prime time and the high season vacation periods. With Weeks, it was a ‘like for like’ Exchange system, with no over-bookings, or over sold resorts, to stress the viability of the system.

Points changed all this. Now you almost have to have a university degree in “timeshare” to figure out how to use the myriad products of Points and their Reservation system. They actually have classes on the internet, and at the resorts, for the members to learn how to use RCI.

To help compensate for the difficulty with understanding how to make an Exchange/Reservation, and also with the frustration of not getting what you wanted, RCI started the Rental Program, one more ingenious idea for RCI. Now, instead of trying to figure out how to use RCI all that is required is to call and pay for a rental, like a traditional travel agency. But why then did the members purchase timeshare in the first place? Was it to Exchange for $199, or to Rent for $599, or more? Or even to lose their timeshare usage for that year?

RCI also used to say they would never own a timeshare resort, manage a timeshare resort, nor rent timeshares. That too changed after Cendant. They now do all three, but with their parent company, Wyndham, as the front and supposedly, legitimate excuse for this loophole. Again, there is cause for concern of their being a conflict of interest with this arrangement. Wyndham, the largest timeshare developer, now owns RCI.

The only way you are supposedly allowed to use the RCI system is to become a member at a resort. It does not matter where you own, as long as you own somewhere. Your membership into a timeshare resort was your key, or ticket, that let you into the RCI system. You could not join RCI without first joining a resort and purchasing your timeshare, Weeks, Floating Time, or Points.

Well, Cendant changed everything, bit by bit, little by little, every so gently, just like the flapping of the butterfly's wings.

Cendant purchased the USA’s largest timeshare resort, Fairfield Glades, which later was re-branded as Wyndham Resorts. This purchase created a conflict of interest with their subsidiary, RCI, in many analysts’ opinions. Who would get the best exchanges, members of non-Cendant/RCI/Wyndham resorts or members of Cendant/RCI/Wyndham owned resorts?

Cendant/RCI/Wyndham began managing resorts, and then they started to rent out timeshares directly to the public. This was in direct violation of what RCI said there activities would be, and yet, while RCI does not do these things, directly, their parent company, does.

Whose inventory is RCI renting, is the question? Obviously RCI says it is Wyndham's inventory, or even their own inventory for they believe the inventory belongs to them, and not the members. Again, who should get the rental income from such practices?

All of these conditions, which were to the member’s benefits, initially were located in the back section of the RCI catalogues. This was before Cendant. After Cendant, all this small print and disclosure for the member’s benefits slowly started to vanish, little by little, bit by bit...

Cut the Tie to CPI

RCI also used to say the Exchange Fees and Annual Subscription Due would only go up as per the Consumer Price Index CPI, at the time. This too vanished from the RCI catalogue.

For the period from1998 to 2008, both the, RCI Exchange Fees, and, Annual Subscription Dues, went up faster than inflation. The aggregate amounts of Exchange Fees charged average of $12 per year more than they should, and Annual Subscription Dues are only about $3 more per year than they should be during this ten year period. Again, let’s explore how these small butterfly wings cause a tidal wave of profits.

What's $12 dollars per year to RCI? Well, if RCI does over 1 million exchanges per year, as their independent audit indicates, this is an extra $12 million per year, or $120 million over ten years added to their bottom line. Good for the share holders, but bad for the members.

RCI Annual Subscription Dues increased $3 per year more than they should. Well, with over 3 million members, then, (and now approaching 5 million), today, this is an extra $9 million per year, or over ten years, this equates to $90 million extra dollars to revenues for the shareholders dividends. Again, this is good for the shareholders, but bad for the members.

Again, this is what "yield management" is all about.

With these two simple little exercises, above, the extra $12 per year more for the Exchange/Reservation fees, and the extra $3 more for the Annual Dues, Cendant created with the sole use of the RCI money making machine, a revenue generating vehicle churning out a windfall revenue stream of more than $210,000,000 in revenues over this ten year period from 1998 to 2008, alone.

Knowing what to measure, and how to measure it, makes a complicated world much less complicated. If you learn to look at the data in the right way, you can explain riddles that otherwise might have seemed impossible, because there is nothing like numbers to scrub away layers of confusion and contradiction.

Economic Incentives

Economics is, at root, the study of incentives: how people (and corporations) get what they want, or need, especially when other people want or need the same thing. An incentive is a bullet, a lever, a key: and often a tiny object with astonishing power to change a situation.

We all learn to respond to incentives, negative and positive, from the outset of life. [4]

Adam Smith wondered, what was the effect of economic forces on the way a person thought and behaved in a given situation? What might lead one person to cheat or steal while another did not? How would one person's seemingly innocuous choice, good or bad, affect a great number of people down the line? During Smith's era, cause and effect had begun to accelerate wildly; incentives were magnified tenfold. [5]

The gravity and shock of Smith's theories during his time are no less shocking than now with all the corporate fraud being perpetrated and in the news on almost a daily basis. The same is true with the incentives of, RCI, today, also.

RCI's Numbers

According to ARDA, the American Resort Development Association, and RCI itself, there are currently over 4.4 million timeshare members in the USA, alone. * (As per 2008)

There are approaching 4,000 resorts around the world, in almost 100 countries.*

RCI does approximately 3.7 million exchanges per year.*

We need to ask the right questions.

The question is: Does RCI actually want to do Exchanges/Reservations?

RCI has created RCI Pure Points, which is a system whereby you can join RCI without buying a deed, or joining a membership at a resort. You can jump right into the RCI system without owning anything, anywhere.

This generates massive revenues for RCI in the hundreds of millions! Much more than the Exchange/Reservation fees would ever be able to generate the enormous revenues reported by RCI.

The question is: Where does RCI gets the inventory to service their RCI Pure Points members?

The answer: RCI receives the inventory from the members who own at timeshare at Weeks or Points resorts and who Deposit the Weeks and/or let's RCI use the Points, and yet these same members are seemingly unable to get the Exchanges/Reservations wanted or desired.

Yes, the members are offered alternative Exchanges/Reservations, but usually in low season weeks, or older less desired resorts.

If there are over 4 million RCI members, let's imagine there are 10% of them are not happy with RCI because of the lack of successful Exchanges/Reservations. And the figure could be much higher.

By RCI's own admission, they admit they Rent weeks to the detriment of members, as per the "Class Action Settlement," or what should really be referred to as an "unacceptable punitive stipend." The Settlement is not in the best interest of the RCI members, but the judge did not understand the nuances of the timeshare concept, or did not care. Also, the lawyers for the members did not perform their function in the member's best interest, either, and this was self-evident by the lack of disclosure request to by their part. This is another subject, though, and one that will be addressed for the UK Group Litigation.

Assuming, 10%, dissatisfaction rate, or 400,000 members are aggrieved each year, and/or lost the use of their timeshare to the benefit of RCI being able to use it, for an average of $460 in average rental income as per Wyndham's Operating Results Of Reportable Segments, 2008, the revenues RCI collected via the Rental Program, this is equal to $184,000,000 per year!

From years 1998 to 2008, and this comes to an astonishingly $1.84 BILLION dollars! ($184 Million x 10 years)

Again, these figures assume 10%, only. And what if there are more than 10% dissatisfied, and/or lost their usage rights, other wise known as "spoilage."

If the figure was a low as one per cent, 1%, this would still be $184million dollars over the 10 year period.

Add to these figures to the above figures from the over-payments of Annual Subscription Dues and Exchange Fees, and we arrive at the following:

	Worldwide				**UK Only**
Maximum:	$2.05 Billion dollars; (Assuming 10%)	x	*8%	=	$192,000,000
Minimum:	$390 Million dollars; (Assuming 1%)	x	*8%	=	$35,200,000

* (The UK vs. the USA revenues are approximately 8% as Wyndham's Operating Results of Reportable Segments)

Again, this is good for shareholders, but bad for the members.

Conclusion

A Settlement Offer from RCI should be made as follows. (And if a Settlement is not offered then a Class Action/Group Litigation (UK) should be initiated for each Weeks member and/or Points member, for the following: The practice of "skimming" the inventory from the members thereby breaking the fiduciary duties of RCI to their members, for the sole benefit of RCI to their members detriment; and/or for anyone who did not get an Exchange, or; if they got an Exchange and it really was not to their satisfaction, or; they took a lower season and/or inferior time periods and/or resort location, or; had to use the Rental Program to take a holiday, or; because they lost the usage of the timeshare through no fault of their own but through

RCI and took a normal tour operator “package holiday” thereby paying additional monies beyond their timeshare purchase, or; they tried to sell their timeshare but found it worthless, or; they paid resale companies to try to sell their timeshare only again to find it worthless, or; they had their timeshare repossessed by the developer, or; they upgraded to Points to their detriment.)

This list can be expanded to fill the page, but at this time, this should suffice to get the message across to all concerned.

In my opinion, the Settlement Offer should be as follows:

1. *$460 per Week x 10 Years = $4,600;

2. Their timeshare purchase price, whichever it the greater of No. 1 or 2.

3. Interest and penalties for the 10 year period of time equal to the annual percentage rate of increase RCI used over the last 10 years calculated to be approximately 8%, which would double the amounts of either of the above.

If an offer of, $10,000 to $15,000 is put forth from Cendant/Wyndham/RCI for each member of RCI Europe, it is believed everyone will accept this fair and equitable arrangement.

The resale value of timeshare, as previously mentioned, is virtually non-existent because of the potentially fraudulent practices of RCI. Why should the members suffer at the gain and benefit of RCI?

Why should RCI have profited from this windfall to the members detriment?

We need to construct an algorithm that can shed light on the mass of data RCI/Cendant, and now Wyndham, have in their possession. This algorithm will show any anomalies from year to year memberships to revenue yields.

We need to learn how there may have been revenue increases indirectly proportional to membership applications levels, and/or exchanges requests from year to year over the past 13 years, from 1997 to 2010.

We need to search for unusual patterns. It is believed that there exists a pattern of deceit, but we will never know unless they produce their all their internal records.

The question is: Why did the USA lawyers for the Claimants not request this information during discovery?

We also need to learn why RCI/Cendant/Wyndham has started splitting the company up into smaller and smaller entities. Is it to dilute the liquidity, to hide the cash reserves, and shelter the asset base in the event enough members try to pierce the corporate veil of culpability and potential fraud via a Class Action suit such as this one developing in the UK and Europe?

The courts should make a disclosure order to open the proprietary and secret knowledge surrounding RCI and their Spacebank™ Exchange/Reservation system so that a forensic examination of the Profit and Loss Statements, Balance Sheets, and all transactions thereby diluting cash reserves and yet expanding profitability of shareholders should be made available to the court.

Acknowledgements:

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2. Ibid. An Explanatory Note, pg. x , xi.
3. Ibid, pg. 12
4. Ibid, pg. 37
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About the Author…

Graduated of East Tennessee State University in 1981, with a degree in business, and a major in Real Estate.

Worked in timeshare industry since 1975 in all areas including: OPC, Sales, Sales Management, Marketing, and with Development, (father-in-law is/was owner/developer of Gold Crown Resort – Corinthia Group - Mistra Village, 30th largest hotelier in the world), in Malta.

In Malta, opened first timeshare resort and organized the start of the Central Mediterranean Timeshare Association, CMTA.

Sponsored an industry trade timeshare conference in Malta at which both RCI's and II's Managing Directors attended, along with other numerous industry leaders and developers.

Opened the first timeshare resort in Cyprus.

marketed The Allen House, and, Club Praia de Oro, CPO. Also did consulting work for, Frank Chapman, the first timeshare developer in the UK and acknowledged "Father of Timeshare in Europe." Opened off-site marketing offices in UK with Roy Peires's Club La Costa's timeshare resorts.

Marketed extensively in: Croatia; Hungary; Slovenia; Poland; Estonia; and the Czech Republic. The group was responsible for "Off Site" marketing and selling over 5,000 unit/weeks of timeshare in 36 months.

Both ARDA and RCI recognized our efforts at their various conferences and/or in their trade magazines. Also made various speeches about being one of the pioneers in Eastern Europe, and the challenges and perils these opportunities posed at the time of these emerging markets were opening.

Sponsored conferences in Zagreb, Croatia and Budapest, Hungary, where industry leaders attended, such as, Roy Peires of Club La Costa, Spain, and Tony Ghent of Royal Holiday Club, Mexico, as did Ron Haylock and Collin Collins from RCI Europe.

In Poland, personally had many high level meetings with the Ministry of Finance responsible for over-turning the STOP PAYMENT MANDATE of wire transfers to various timeshare Trustees in the UK.

Specialized in "turn-around" and "start-up" projects for off-site timeshare sales operations in: Greece, Bahrain, Singapore, and Thailand, and the Czech Republic and Brazil.

Marketing in the highly competitive environment of Orlando, Florida producing over 10,000 tours per year for the Summer Bay Resort located there during 2001 and 2002.

Currently involved with an independent company in Spain with more than 30,000 members who are dissatisfied with timeshare industry and the numerous false promises made at the "Point of Sale," and who desperately want rid of their timeshare liability and out of the timeshare trap.

END.