THE COLEBROOK CHRONICLE
Issue 10 • Summer 2017
Your source of current trends and developments in the timeshare industry.

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Colebrook Financial Turns 15

On July 2, 1993, Bill Ryczek went to City Hall in Meriden, Connecticut to bid on individual tax liens being sold by the city. With an offer of $17,887.39, he was the successful bidder for the lien on a single-family residence and gave his personal check in the amount of $2,683.11 for the deposit.

That $2,683.11 was the initial capital of the entity that eventually became Colebrook Financial Company. Bill, Jim Bishop, and Fred Dauch formed a partnership called Cross County Investment Associates and contributed the additional funds to purchase the lien. Attorney Harry Heller handled the legal aspects of the transaction. Bill, Jim, and Fred had worked together in banking and finance companies for a number of years, and had utilized Harry's services on several deals.

After the tax lien came a couple of condominiums purchased at auction, and eventually Cross County acquired a few small timeshare receivable portfolios. During the mid-'90s, financial institutions and receivers like the Resolution Trust Company were liquidating distressed assets, and companies like Cross County that had a little cash and were willing to do small deals could find some bargains.

After a few years of buying small portfolios and financing individuals buying timeshare weeks on the resale market, the partners had the feeling that if they devoted their full attention to the venture, they might actually be able to make a living at it. By the time the decision was made to launch the business on a full-time basis, Mark Raunikar had joined the group (Tom Petrisko became a partner in 2013).

On January 1, 2003, the partners had a new office, a new vision, and a new name. Cross County seemed a bit too parochial for a national firm, so the entity became known as Colebrook Financial. We asked Bill Ryczek how they came up with the name.

Ryczek: A few years earlier, I was self-publishing a book and needed to find a name for the publishing company. I pulled out maps of England and New England and looked for towns or cities with classic-sounding names. After eliminating those that were already taken by other publishers, I settled on Colebrook Press. When we were looking for a new name for the finance company, we decided to steal the name of the publishing company. No, the name has nothing to do with Colebrook, Connecticut or Colebrook, New Hampshire. People sometimes think it does, which occasionally leads to confusion, such as in 2007 when problems arose in the Colebrook, Connecticut fire department and

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there was a banner headline that read, "Colebrook Officials Caught in Sex Sting." For the record, that wasn't us.

Trades: Going off on your own was a leap of faith. What encouraged you to do it, and would you recommend it for others?

Ryczek: One of the most important elements for us was that the partners had conservative financial lifestyles and limited debt, and we were able to live on reduced incomes during the first couple of years of the company's existence. We'd had enough success on a part-time basis to encourage us, and we were the right ages, from late 40s to late 30s. Old enough to know what we were doing but young enough to have the energy for a start-up. And I'm sure in the back of our minds, we were thinking—young enough to start over if necessary. Fortunately, it wasn't necessary.

As for the second part of your question—self-employment is not for everyone. Many people, probably most, feel comfortable with and receive a sense of security from corporate structure and routine. It's a different feeling to come in every morning without a list of things you're required to do or a series of meetings to attend that fill up your day. You've got to figure out what's the most important thing you need to do that day to move the company forward, and do it, even if it's a task you'd rather avoid. If you don't do it, no one's going to yell at you or remind you. Mental discipline is probably the toughest part of self-employment, as well as being able to live without the certainty of a paycheck every two weeks.

Trades: How do Colebrook's partners complement each other, and how do you resolve disagreements when they arise?

Ryczek: We have similar values but different approaches to risk management. Jim Bishop, our CFO, will nearly always line up on the conservative side of an issue, I'll be leaning toward the more aggressive approach, and the others array themselves at various points along the spectrum. Jim has saved me from mistakes I might have made if left on my own, and I've led him to sound opportunities he would have passed up if I hadn't pushed. It's important to have different perspectives, and for each person to listen respectfully to the others. I grew up with parents who, in more than 60 years of marriage, hardly ever raised their voices to each other. We have a similar situation in our office. We disagree, but we don't get angry, and if someone senses that their idea doesn't have much traction, they'll defer to the majority. And I think it's also very important that after there have been disagreements, you avoid the little cliques that can go off and have a gripe session about the others. Jim and I go back 38 years, I've had nearly 30 years with Fred and Mark, and almost 20 with Tom, so it seems to work. No fistfights in the office yet.

Trades: You compete with very large banks. How does a small company convince a prospective customer to borrow from you rather than from a multi-national financial institution with almost unlimited resources?

Ryczek: We offer a lot of things that customers like, such as being responsive, flexible, and accessible, traits not generally found in large institutions. When we started the business, we decided that the timeshare industry didn't need another broker. There was only a handful of lenders, and most people in the industry knew who they were. The need was for a lender that that could provide loans on terms that were more flexible than bank financing, but were not as pricey as that offered by high-yield finance companies. We did that by bringing in banks as participants to get good pricing and by carving out for our own portfolio those portions of the deals that banks are hesitant to do.

We also try very hard to provide good service. One thing people always mention is that we answer our phones almost 100% of the time. They're astonished, but it's really not that hard. You don't need an MBA or Ph.D. to lift the receiver and say, "Hello." The obstacle we had to overcome was getting people to believe we had the resources to come through on larger transactions. We've answered that concern by doing so consistently over the past 14 years.

Trades: Speaking of resources, where do you get your capital and how do you ensure that it's going to be there when needed?

Ryczek: We get our funds almost exclusively from a number of banks—14 at this time. We've never wanted to rely on one source, because we remember not only what happened in 2008, but what happened in the early 1990s, when some banks just shut their lending window. When the 2008 crisis hit, a couple of our banks got skittish, but we had the resources to take advantage of the situation and really grow our business. The financial crisis was the event that lifted us up from being a relatively small, boutique lender to a mainstream, very competitive timeshare lender.

We've been able to maintain the confidence of our banks most of all because the results have been good. We've done hundreds of millions of dollars in business with our banks and none has ever lost a dime. As ex-bankers, we also realize what banks need to operate within their regulatory environment.

Trades: What do you like most about what you do?

Ryczek: When I was in banking, I found that the higher I moved in the organization, the less time I spent doing things I liked, such as putting deals together and interacting with customers, and the more time I spent doing things I didn't like, such as sitting in meetings, debating policies and procedures, and dealing with office politics. Working at Colebrook means being able once more to work with customers to put deals together, and trying to keep my fingers on the pulse of the timeshare industry. That's what makes the job interesting.

Trades: What do you foresee for the next fifteen years?

Ryczek: Anyone who tells you they can predict fifteen years in the future is in for a hard lesson, but I think our future will be greatly dependent on the future of the timeshare industry. If consolidation increases, the nature of our business will have to change. Or perhaps consolidation will drive some of our competitors out of the market and we will thrive. If the business continues similarly to what it is today, I would like to see Colebrook gradually increase our market share and be a better company than we are now. We have a succession plan in place that should carry us through at least 15 years, and we wouldn't be true entrepreneurs if we didn't expect the second 15 years to be better than the first.

Colebrook Customers Clean Up at ARDA Awards Night

Each year, the ARDA Awards Gala is the culmination of the four-day conference during which timeshare developers, vendors, financiers, and support staff gather to make deals, attend educational sessions, and swap stories from the front lines.

On Wednesday evening, March 29, in a ballroom at the New Orleans Hyatt Regency Hotel, ARDA distributed its annual awards with all the pomp and circumstance of the Oscars, minus the embarrassing blunders and political rants. There were lights, there were cameras, there were dazzling visual effects, and there was the humor of comedian Nate Bargatze and his straight-man, ARDA CEO Howard Nusbaum. But most of all, there were awards.

Colebrook's customers made a steady procession to the stage, and at some points it seemed as though it would have been appropriate to have a moving sidewalk between the stage and the Breckenridge Grand Vacation tables. As seen below, the company was a big winner:

ACE Innovator Award	Welk Resorts
Business Administration Manager	Amy Hoffman, Breckenridge Grand Vacations
Business Administration Team Member	Mindy McGowan, Breckenridge Grand Vacations
Owner/Customer Relations/ Administrative Support	Greg Jordan, Breckenridge Grand Vacations
Technical Project Team, Small Resorts	Breckenridge Grand Vacations
Activities Program	Inspired for You, Welk Resorts
Marketing Programs, Small Resorts	Karen Hackett, Breckenridge Grand Vacations
Sales Management Executive, Small Resorts	Dave McEnery, Breckenridge Grand Vacations
Salesperson, In-house	Glen Brady, Breckenridge Grand Vacations
Salesperson, Traditional Line, Small Resorts	Peter O'Neill, Breckenridge Grand Vacations
Social Media Campaign Photo Contest	Vacations for Life Summer Family Fun Diamond Resorts

A former Colebrook customer, the late Tom Franks, principal of Outfield Marketing, was the recipient of the most coveted of honors, the Lifetime Achievement Award, primarily for his service as President of ARDA from 1990 through 1997. For eight years prior to that, he served as Senior Vice President of the organization. Tom passed away in December 2016, at the age of 63, and the award was accepted by his widow Mary and daughter Jordan.

As noted earlier, Breckenridge Grand Vacations had a number of honorees. Colebrook has little involvement with the sales team and technical staff, but we have a lot of involvement with Mindy McGowan, pictured right, who processes the consumer receivable fundings. Tom Petrisko, who works closely with Mindy, says, "I can see why she won. She's so meticulous about the documentation. It's always complete, always in the right order, and if there's anything unusual, she tells me in advance. And she has a great personality. I love working with her."

Congratulations to all the winners!

Deloitte & Touche Releases Industry Data for the Fourth Quarter of 2016

Deloitte & Touche has released their fourth quarter report on 2016 timeshare operations, in which they surveyed 18 large developers and compared the results with those from the fourth quarter of 2015. Sales were up 6.4%, increasing from \$1.664 billion to \$1.771 billion. In contrast to prior periods, fee for service sales actually decreased, from \$219 million to \$188 million. Fee for service transactions worked very well with existing inventory, particularly in a distress situation, but the economics are often more challenging for newly-constructed projects, due to the high fees charged by the marketers (typically around 70% of sales). The 2016 decrease was primarily attributable to one large developer.

Although every developer talks about the challenges of finding tours, tour flow was up 1.8% year-over-year. Since sales were up at a greater rate than tours, it is apparent that sales operations were more efficient, getting more dollars from each tour. Thirteen of the 18 developers reported the split between in-house and front-line sales. In-house sales accounted for 39% of the total, a relatively low total for large developers.

On the negative side, the percentage of current receivables declined from 91.4% to 90.4% and defaults for the quarter were 3.0%, up from 2.6% a year earlier. One must remember that these statistics include all receivables, not just the A credits funded by Colebrook and other lenders. As seen in a separate article, however, the delinquency in Colebrook's portfolio also increased slightly. This is a trend that bears watching, and we will keep you updated.

Helping Bring Prosperity to Puerto Rico

By Sharon Scott, RRP

Around the time the Rolling Stones were getting their start, another rock musician, Keith St. Clair, was trying out the '60s music scene. Many roads, haircuts and life experiences later, he stands to be a major instrument in helping Puerto Rico rebuild its economy. A British-born, American citizen, St. Clair became a permanent resident in the territory in 2015 under the government's Individual Investors Act, which grants residency to high net worth investors in Puerto Rico and provides them with tax exemptions on dividends, interest, and capital gains. "Nobody else is committed to bringing $100 million to the island in terms of visitor spend, employment and development," he says enthusiastically.

Keith's company, ESJ Collection, has just broken ground on what will be a $30 million purpose-built timeshare-and-hotel mixed use property on Isla Verde Beach in Puerto Rico, having completed a $3.3 million renovation of an existing 40-year-old hotel, the ESJ Tower. The new project, the ESJ Verde, will open in December 2018. In the meantime, St. Clair has committed $35 million to building what will become the company's flagship, a four- and five-star property to be called the ESJ Noir. He's evolved a long way from the long-haired young rocker.

The route to becoming a leading developer in the Caribbean included a side journey as a leading figure in the U.S. travel industry. "I'm a 'lift man,'" he remarked. "I've operated an airline and owned an independent travel distribution company worth $550 million." His rich experience in moving vacationers throughout the world and his recognition of the enormous potential inherent in the ESJ Tower created his determination to undertake the development of this ambitious project.

Keith has been welcomed wholeheartedly into the Puerto Rican community and the governor, Ricardo Rosello, attended the recent groundbreaking ceremony for ESJ Verde. "It was actually pouring down rain that day," muses St. Clair. "Bill Ryczek and Tom Petrisko of Colebrook Financial Company were there to attend the event; Governor Rosello and his entourage were poised to take a shovel in hand; all the arrangements were in place. But the torrential downpour was making it look like we would need to take a raincheck. All of a sudden, there came a break in the squalls and out we rushed to start the celebration in a moment of brilliant sunlight!"

St. Clair is an "all-in" kind of guy. And he is definitely all-in when it comes to his full-throated commitment to improving the local economy through the development of the ESJ Collection properties. "I can build something very significant here," he says, "Currently, Puerto Rico's GDP represents only 0.17 percent of the world economy. I know that the ESJ Collection will bring an enormous benefit to the island. With the amount of tourism and employment we are introducing, there's nothing but opportunity! We've got a new government and they've made it clear that Puerto Rico is 'open for business.' I'm here to help create the economic development engine for the island to ensure that growth."

Keith and his team are poised for sales on a grand scale after their successful renovation of the existing building. The company is in the process of remodeling all 450 units, which contain a mix of studio apartments and one-, two-, and three-bedroom suites. (There are more rooms in that building than in any hotel in the vicinity, according to St. Clair.)

"We did all 17 stories, even to the extent of installing new walls and landings, LED lighting, new carpeting, plus, we remodeled all the common areas, meeting rooms, bars and so forth. We remodeled the old restaurant, put in a new bar, and remodeled all of the lobby. We opened up the beach access, created a vacation ownership sales desk and a games room."

Prospects for success are bright. According to *Business Insider, Inc.,* out of 25 Caribbean destinations, "Puerto Rico takes the No. 1 spot thanks to its affordable hotel rates and a staggering 1,056 activities travelers can enjoy. It's home to tropical terrain that has helped it earn its 'Island of Enchantment' name and Keith notes that *USA Today* lists the beaches in his locale as number one in the world.

St. Clair has not completely lost touch with his earlier musical experiences of the '60s, and played a role in bringing Sting over to the island for an engagement.

Keith is an entrepreneur who remembers his early days, but is firmly rooted in the present. He brings the same energy to today's endeavors as he no doubt brought to the stage in the U.K. Same energy… different island.

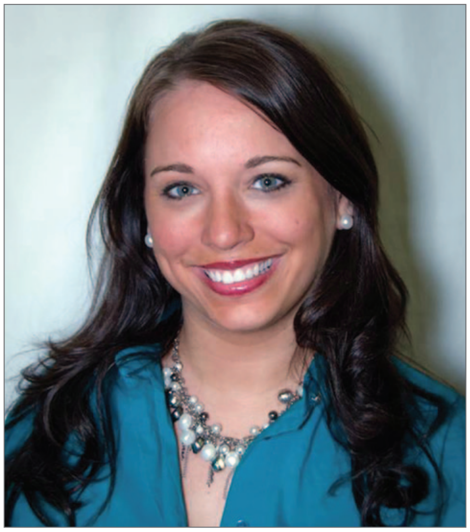
Note: Colebrook recently closed a hypothecation loan to provide financing for the sales at ESJ Azul.

Left to right, Colebrook Attorney Harry Heller, Tom Petrisko, Bill Ryczek, Keith St. Clair, and Puerto Rico Minister of Tourism Jose Izquierdo at ESJ Azul.

Model Mother

FantaSea Resorts' Roxanne Passarella supports daughter's modeling career

By Sharon Scott, RRP



One day Roxanne Passarella's then-five-year-old daughter, Emersyn Rose, announced to her mom and dad that she wanted to be a model. Roxanne was skeptical, thinking it would be extremely unlikely for her daughter to be successful in the incredibly competitive field of child modeling. Plus, as president of FantaSea Resorts, Roxanne had her hands full running the company's three resorts, the 440-unit high-rise Flagship Resort, Atlantic Palace, and LaSammana, located in Brigantine, just across the inlet.

Nevertheless, Passarella was not one to stand in the way of the young girl pursuing her dream. After warning Emersyn that the odds were stacked against her, she researched the top agencies in New York and arranged to take Emersyn to an open call.

"The line was around the block," says Passarella. "I figured there was no way! But they took one look at Emersyn and signed her on the spot to a three-year contract."

Emersyn's career took off like a rocket, and she quickly became a top child model. Today, the six-year-old flies back and forth from New York to Los Angeles for modeling gigs. "Kid models are usually called upon a couple of times a year," Roxanne said. "Emersyn works quite often for major outlets like H&M, Coach, Bloomingdales, Betsy Johnson, and Oscar de la Renta. She loves it. She wakes up in the morning and hopes she will have a job that day."

Emersyn's mother does have a job every day, and it's a pretty interesting one. Roxanne graduated from law school in 2003 and joined FantaSea as In-House Counsel one year later. She credits developer Bruce Kaye for helping her expand her horizon and for standing behind Emersyn's development. "He's been incredibly supportive," she remarks. "It's not always been easy for my husband [an Operating Engineer] and me to balance our three very demanding careers, plus ensure that Emersyn has a 'normal' childhood, but Bruce has always encouraged us and has been like a member of the family. In fact, Emersyn loves to tell people the story of how Bruce stocked shelves at his father's luncheonette and now is extremely successful. She says it proves that with hard work anything can happen. "

Roxanne explains how modeling has enhanced her daughter's life. "She has made some good friends in the industry. Before this, she was quiet and now she's confident and outgoing. I continually stress that we need to look at the whole person. It's not the beauty outside, but on the inside that matters," she says. "Modeling places a strong focus on looks, but each day Emersyn and I discuss how it's the inside beauty that matters. I was very proud this past week she was named the Star Student in her school, as well as Student of the Month. She was also recognized by her school's Bucket Filler program, which encourages children to fill each other's buckets emotionally with kind words and deeds."

Roxanne believes her daughter has also been able to grow from watching her mom's example as the head of a multi-million-dollar, employee-owned company. "Above everything, I think she learned the value of having a strong work ethic. I learned that from my father. Success requires hard work. Things don't necessarily come easy; it takes effort. I'd like to think she has learned how commitment —seeing stuff through 100 percent— can lead to a fuller sense of accomplishment and that as working women we can be at the top of our field."

Roxanne is enjoying this journey with her daughter and whatever Emersyn's future holds, from modeling or becoming the surgeon she speaks of, she will always be on the 'sidelines' supporting and cheering her on.

A Conversation With National Timeshare Owners Association CEO Greg Crist

Timeshare owners have no more ardent advocate than Greg Crist, CEO of the National Timeshare Owners Association (NTOA)—*if* their claim is legitimate. Greg's even-handed approach, acting as an "honest broker" trying to facilitate an equitable solution, has earned him credibility with both consumers and developers. If he doesn't think a complaint is valid, he won't support it. "The complaint can't be emotionally based," he said. "It has to be fact-based."

"Contrary to the popular saying," Greg said, "the customer is *not* always right. Let me tell you about two situations." The first involved a takeover of a Canadian timeshare developer by a large U.S. developer that resulted in some loss of usage for the Canadian owners. "I have contacts at the executive level of almost every large developer," Greg said, "and I got in touch with this company and tried to work out a solution. As it turned out, they had a fair amount of unused inventory that they could dedicate for the use of these consumers. They agreed to do that, and the majority of owners were happy. That's our goal, to work out an amicable solution, to reach across the aisle. If we have a potential problem, it's a 'yellow light' situation. We contact the developer, and if they aren't cooperative, then we've got a 'red light' and we might take another approach."

The second example involved a consumer complaint regarding an attempted rescission. After a little investigation, Greg's staff determined that the complaint had been lifted almost verbatim from a web site. "They borrowed someone else's facts," he said. "I told them we couldn't help them because they'd already perjured themselves. We were able to get a tape of their exit interview, and it was 22 minutes long and very clean. If it was 90 minutes, you'd know there had been a problem and they were trying to re-sell the customer. This was just a case of buyer's remorse." Greg is a big proponent of recording the closing process so that the transaction is memorialized in the event that each party has differing recollections. "I wish," he said, "that they would keep the recordings for more than 90 days. Often a problem arises a year after the closing, and under many companies' policies, the tape is gone."

The roots of the NTOA were planted in 1993 when a gentleman named Ed Hastry formed an organization called the Maryland Timeshare Association. When owners from other states expressed a desire to join, Hastry changed the name to the National Timeshare Owners' Association in 1997.

In 2013, Hastry was looking to retire, and was introduced to Crist, who had an extensive background in health care advocacy. Greg's family had been in the timeshare business for 40 years, and he was a member of a Florida owners' group. He agreed to take over management, and changed it from a non-profit to a social purpose organization, which is permitted to engage in political activity and lobbying. Membership is open to any timeshare owner in the United States or Canada, at two levels priced at $89 and $99 annually. NTOA has a significant Canadian owner base, and works very closely with the Canadian Vacation Ownership Association (formerly CRDA).

"Our mission is based on three pillars," said Crist. "The first is education. Know what you bought and how it works. Sometimes a company is acquired and the rules change a little. You've got to keep up with the changes." A critical component of the education pillar is the Timeshare Owners' Study performed for NTOA by Intuition Brand Marketing that was described in the last issue of the *Chronicle*.

"The second pillar is use. If you don't use the product, you're going to be dissatisfied. My goal is to encourage owners to get the most beneficial use of their ownership interest that they can, either at their home resort or through an exchange."

"The third and final pillar of our mission is advocacy. We're not by definition pro-developer, but we are definitely pro-timeshare. If there's a problem, I am the owners' advocate. Often it's only a matter of making management aware of what's happened and helping them understand that there is a problem."

The most pressing problem among timeshare owners is the lack of a viable resale market, and as an owner advocate, NTOA is in the midst of the discussion. "I probably spend 70% of my time dealing with the bad actors in the secondary market," Crist said, "and it's like an endless game of Whack-a-Mole. I understand it's not in the best interest of developers to have their product being sold at a price well below their prices, but by ignoring the issue, they leave an opening for unscrupulous re-sellers who end up getting their owners even deeper into the quagmire."

"We work very closely with the regulators to try to police the resale market, and in one instance we were instrumental in helping to gather evidence that resulted in an indictment. On a more positive tone, I've been talking to some of the big developers to try to convince them to make it easier for their

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owners to sell by allowing subsequent buyers the same rights the initial owner had."

In addition to resales, a second legacy issue concerns the Homeowners' Associations of aging resorts. The NTOA will perform a financial and situational analysis for an association, identifying problems and potential solutions, a service particularly useful for smaller, self-managed resorts. "Many resorts have been robbing Peter to pay Paul," Crist said. "They don't want to raise assessments or have a special assessment, so they take money from the reserve account and defer maintenance. We've helped turn some of those associations around, but others have been so set in their ways that there was no hope. It's a slow painful death."

Or perhaps a death that's not so painful. A few older resorts that have lost owners have been sold as hotels, with the net purchase price divided amongst the remaining owners. "We've been working with ARDA," Crist said, "to try to make it easier for associations to re-position a project by lowering the percentage of owners that need to vote in favor of a change. If I've been an owner for 30 years, have taken 30 years of vacations, and get a check for $500 at the end, that's not a bad deal."

NTOA's relationship with ARDA is an interesting one, for the former is the advocate for the owners while the latter is the advocate for the developers. Yet, each has a vested interest in helping the other constituency. "ARDA is not an enforcement agency," Crist said. "They're a trade association. What I'd like to see them do is to embrace the leaders who raise the bar and stop acknowledging those that don't adhere to the standards."

Decades of connections with the timeshare industry have given Greg Crist an understanding of the different aspects of the business, and he uses empathy, sympathy, determination, and balanced judgment to try to see that owners get what they paid for. That's not easy, for often the crux of the problem is a difference of opinion as to what the developer believes they sold and what the buyer thinks they bought. The answer can often be found in one of Crist's three pillars: education. Some days Greg must feel as though he could use, four, five, or maybe a hundred pillars, but he's a big man on a big mission, and the *Chronicle* wishes him the best.

Merchant Processing Market Better for Timeshare Developers

Two issues ago, the *Chronicle* ran a story about the difficulty some timeshare developers were experiencing with the merchant processing function. Recently, we spoke with Larry Gildersleeve of Gildersleeve Partners, LLC to get an update on the situation.

Chronicle: Has there been any change in the situation since we last spoke?

Gildersleeve: Things have loosened up a little, and I like to think some of the improvement is attributable to our efforts in cleaning up some misinformation, or sometimes a lack of information, about the timeshare industry. We'd talk to a processor and learn that timeshare was on the prohibited industry list. We'd ask why, but they really didn't have an answer other than because we were on the list. Once we spent some time with them explaining how the industry operates and why they may have over-estimated the risk, we were frequently able to change their minds.

Chronicle: Has the change been across the board or in certain segments of the timeshare industry?

Gildersleeve: The larger companies are doing fine. The brands operate under the halo of their parent companies and don't have any problems. Companies with significant lender relationships can get favorable rates through the lockbox banks. The smaller developers are the ones who have the most difficulty.

Chronicle: Are there any other issues out there that our readers should be aware of?

Gildersleeve: We've found that developers with legal issues are having difficulties finding a processor, and it's a problem that's very difficult to overcome. Even a class action suit with two plaintiffs might disqualify them, just because the phrase "class action" is so daunting. The processors also look at Better Business Bureau statistics. It's very important for a developer to respond to complaints, because nothing looks worse than having a lot of unresolved complaints.

Chronicle: Speaking of legal issues, we've seen an increase in regulatory investigations. Has that had a similar impact.

Gildersleeve: Absolutely. Any action by a regulator is a red flag, and the Consumer Financial Protection Bureau (CFPB), which is a relatively new agency, has become extremely pro-active, even warning companies that they might be found culpable if they process for an entity that runs afoul of the CFPB. One of the first things most processors initiate during the due diligence process is the CFPB search.

It's encouraging to see a reversal of the trend noted in our previous issue. Legal issues and consumer difficulties are legitimate reasons for concern, and very different from the denial of a company simply because they are part of a certain industry. We will continue to follow the issue and provide updates as warranted.

Good News

Following current events on television or any other form of media can be depressing. Local news is a litany of car crashes, fires, and murders, while it seems as though the primary goal of national reporting is to convince us that Armageddon is just around the bend. No one reports about the person who goes to work, does a good job and goes home to a functional, loving family. It's not newsworthy.

It falls upon journals like the *Chronicle* to remind us that there are a lot of good things happening every day—boring, mundane, positive things that we never hear about in the mainstream media. One of those rays of sunshine is the remarkably consistent performance of the timeshare portfolios owned by or pledged to Colebrook.

Date	Current	>60 days	Colebrook Chargeoffs
12/31/14	96.41%	1.31%	$0
12/31/15	96.23%	1.62%	$0
12/31/16	95.93%	1.50%	$0
3/31/17	95.62%	2.28%	$0

The narrow range of the statistics is almost amazing, with the percentage of current accounts varying less than 1.00% over a two-and-a-half-year period. Sixty-day delinquency rose slightly during the first quarter of 2017, due primarily to one portfolio in which delinquency increased significantly from 12/31/16 to 3/31/17. Colebrook has been obtaining replacement collateral and monitoring the relationship, and the effective advance rate is a conservative 80%.

During Colebrook's history, we have experienced only nominal charge-offs in the timeshare industry, and none since 2013. The key to performance is the structure of the transactions, for there have, of course, been losses on the portfolios. The level of advances and recourse to the developers have insulated Colebrook from those losses.

We hope to report more boring news in future quarters.