THE COLEBROOK CHRONICLE
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Your source of current trends and developments in the timeshare industry.

Global Exchange Arrives In Texas

DEVELOPER SPOTLIGHT

In the early 1820s, American Stephen Austin led a group of about 300 families into a part of Mexico called Texas. After that, not much happened around there until 2017 when Rick Sargent opened a marketing operation for his thriving Global Exchange Development Corporation. Oh, there a was little dust-up at a place called the Alamo, and a lot of cowboys rode around stealing each other's cattle, but until Sargent galloped in from California, Texans couldn't even buy a decent vacation club product. Recently, the *Chronicle* caught up with Rick to talk about his company and the recent move into Texas.

Chronicle: *How did you get into the timeshare business?*

Sargent: In 1979, I was 19 years old and selling cars for a dealership owned by a gentleman named Larry Robinson. When Larry moved to Southern California and started a timeshare company called World Wide Vacations, he took his top salespeople from the car business with him and had us sell timeshare. That's how I got my start.

Chronicle: *Did you always want to run your own business?*

Sargent: I always had something going on the side, like a phone room or a marketing gig, even while I was working for other people. Other salespeople were chasing the money, looking to make as much commission income as possible, but I always knew I wanted to be a timeshare developer. I had the good fortune to work for Jim Watkins and Dave Walters [CEOs of Winners Circle Resorts and Pahio Resorts, respectively], who allowed me to learn how their businesses worked. That was a tremendous experience for me, and in 1999 I went off on my own selling RCI points conversions.

Editor's Note: Another Winners Circle executive and Jim Watkins protégé was Dennis Hof, who later became the proprietor of seven Nevada brothels, the most famous being the Bunny Ranch. Hof was featured in the HBO series *Cathouse* and wrote an autobiography called *The Art of the Pimp.* Although Hof and Sargent both learned much from Jim Watkins, they were apparently listening at different times.

Chronicle: *California has always been your primary market, and you've previously ventured into Chicago and upstate New York before pulling back. What led to your expansion to Texas?*

Sargent: That opportunity sort of fell into my lap when Holiday Inn bought Silverleaf. I'd worked for Bob Mead [former CEO of Silverleaf] as a consultant, and Texas had always been a good market for my product. Less than a year after the acquisition, Holiday Inn completely shut down the sales operation, which meant that sales people were available, marketing people were available, and sales facilities were on the market at very favorable rates. When we advertised for help, we had people lined up at our door, and were able to pick and choose and get some *really good* people. We worked out of a hotel in San Antonio for four months just to keep the team together while we built out the sales center. We were preparing to move into Houston when Hurricane Harvey hit and set everything back a year. But that was a sign that my luck was changing. In the past, I would have signed the lease and *then* the hurricane would have hit. This was better.

The timeshare business is no laughing matter to Rick Sargent, who strikes a determined pose for the *Chronicle*.

Chronicle: *Are your Texas owners different from those in California?*

Sargent: Our product is exchange and rental-based, and most of our owners go someplace different every year. Texans tend to be drivers who vacation closer to home, but there's no significant difference between them and our California owners.

Chronicle: *Nearly every developer in the timeshare industry finds tour generation to be a major challenge. You've been very successful in that area. What do you do differently?*

Sargent: We're fishing in a different pond than the brands. They're looking for people making $90-100,000 to take a tour and working their in-house programs. Their pond contains about 20% of America. Because of our price point, we're looking for people making $50,000 or more. Half of America is swimming in *that* pond. We believe in field marketing—doing shows, concerts, and sporting events. I've been in the marketing game for 41 years and have learned that things that used to work, like mail and box programs, don't work anymore. The cost of mail has increased and the response rate is too low. Regulations have killed direct mail. Now you need to have a permission-based lead. We like to work sports venues, where people go to a kiosk, sign up, and give us permission to contact them.

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Breckenridge Grand Vacations' Grand Colorado on Peak 8 Resort

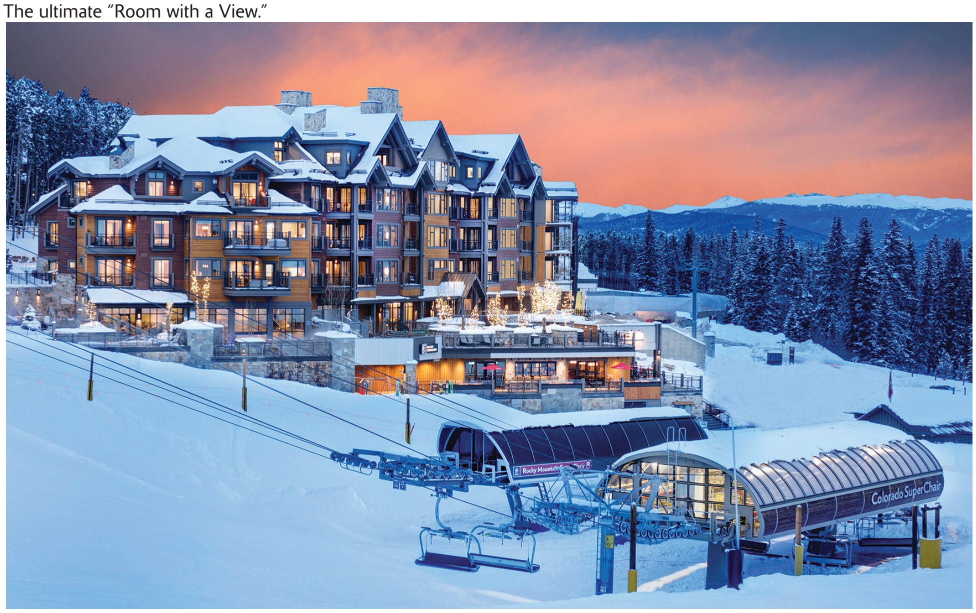
By Sharon Scott Wilson, RRP

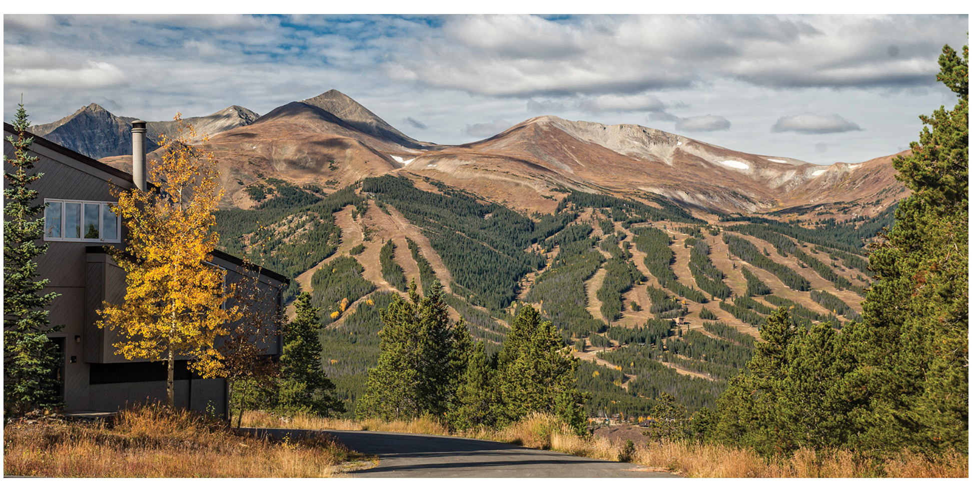
Breckenridge Grand Vacations (BGV) has become something of a phenomenon in the timeshare resort industry — a sustainable, growing business in an environment which is not always conducive to the success of an independent, entrepreneurial developer. One of the reasons for the company's success is its location in Breckenridge. With its proximity to Denver and the Denver International Airport, located in a valley surrounded by several highly skiable slopes, and being a town in which wise city management has skillfully combined the preservation of an old west flavor with a polished, upscale, modern tone, the resort company has experienced sustained, steady growth since its inception in the mid-80s.

Another ingredient to the mix has been a senior management team that consistently values independent thinking, understands branding, and appreciates quality, as evidenced by the numerous awards earned by BGV initiatives and team members. Each year they receive recognition from the American Resort Development Association (ARDA); not to mention earning three Kaiser Permanente Business Excellence Awards, annual acknowledgement in *The Denver Post's* "Top 100 Workplaces in Colorado" and high-ranking positions in the "Top 250 Private Companies" listed by *Colorado Biz Magazine*.

My first visit, almost 20 years ago, to see their newly opened resort, Grand Timber Lodge, was an eye-popper. The property was beautiful and the amenities were superb: ski-in/ski-out accommodations, pools and hot tubs-aplenty, a vast arcade and family fun center, a playground for the kids and a well-furnished fitness center for adults. The team members at the resort and in the back office — many of whom had been with the company for quite some time — were personable and good at their jobs.

The ultimate "Room with a View."





At the time, brothers Rob and Mike Millisor were co-owners and developers. Mike Dudick later joined the team as a co-owner and developer in 1998 and became CEO in 2016. Rob tragically and unexpectedly passed away in 2015 and his legacy continues to drive the company's mission — *Always Grand Vacations*. Other members of the senior management team are COO Nick Doran and CFO Blake Davis.

Today, the team operates four Breckenridge resorts: Gold Point Resort, Grand Timber Lodge, Grand Lodge on Peak 7 and the newest resort, Grand Colorado on Peak 8.

In 2013, the company purchased land only steps away from the Colorado and Rocky Mountain Superchairs, which serve Peak 8 of the Breckenridge Ski Resort. That same year, work began on the latest star in BGV's crown, Grand Colorado on Peak 8.

Construction of Buildings 1 and 2 was completed in March 2018, but presales commenced in 2014 and have already resulted in 3,700 owners. The company purchased additional land adjacent to the first two buildings and began work on Building 3 in 2017. The final stages of construction should be completed by 2020 and — given the mix of studios, two-, and three-bedroom 'lockoff' combinations — will result in the equivalent of a little over 126 two-bedroom timeshare units.

"The resort boasts a full-service restaurant, a day spa, an ice rink, a family fun center, five movie theaters, ski lockers, a fitness room, a grand lobby & bar, a library, an escape room, a roof-top owners' lounge and a large indoor-outdoor aquatic center," says Davis.

While this massive project was underway, BGV continues to make improvements on its existing projects. "Recently, at Grand Timber," said Davis, "we made some significant improvements to the amenities made possible for the HOA by Colebrook. We downsized the spa area, added movie theaters (which had not existed at this resort), increased the size

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Brekenridge Grand Vacations, continued from page 2

of the fitness room, updated the game room and remodeled the restaurant. These changes were based on demand that we had seen at other resorts and we feel the additions will add to the owner and guest experience."

The Breckenridge Grand Vacations team has managed to stay aggressive in its development strategy while running one the country's largest privately-owned timeshare companies, managing over 600 employees, and delivering a rich, rewarding vacation experience to their constituency of timeshare and fractional owners.

Sharing a mutual commitment to unconventional outside-the-box thinking, from the beginning of Colebrook Financial and BGV's relationship, the two companies fell right in sync: "Colebrook has the ability to be more flexible than standard banks," Davis observes. "This flexibility has given us the ability to creatively look at various loan options to cover our cash flow needs, even beyond our hypothecation facility and HOA loan."

With a 30-year-long commitment to their thriving community, an ever-expanding ownership base of nearly 27,000, and an immense hospitality and entertainment footprint in this cozy Colorado valley, the BGV team is committed to following its blueprint for sustained growth.

Howard Nusbaum to Retire as ARDA CEO

By Bill Ryczek

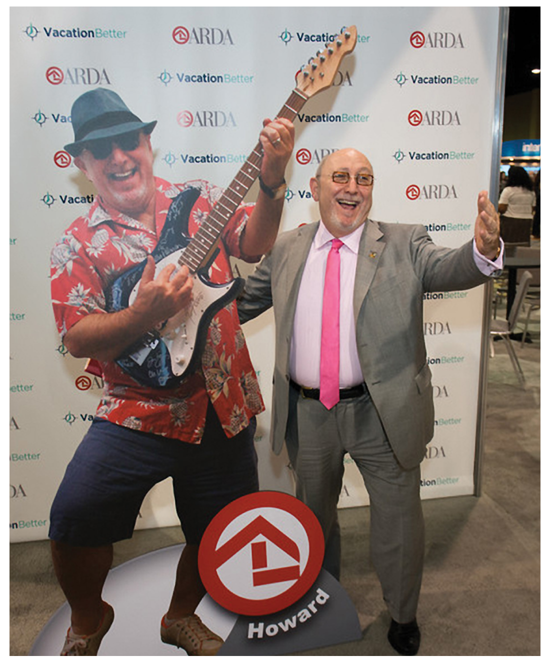
When many ARDA members learned of CEO Howard Nusbaum's impending retirement, they felt like Americans did when Franklin Roosevelt died in 1945. Howard is the only President they'd ever known.

In November, Nusbaum announced his intention to retire sometime during 2019, depending on when the organization is able to hire a successor. It won't be an easy task, since Howard, while not the only president ARDA has ever had, is the only one to serve in this century. Since taking over leadership in 2000, he has been the voice of the industry in Washington, D.C., Florida, and wherever else he could find a receptive audience.

The announcement got me thinking about my memories of Howard. He is a lobbyist, and my initial perception of a lobbyist is someone stuffing dollar bills into politicians' pockets in return for their support of questionable legislation, slapping backs and telling lame jokes all the while. But that isn't Howard at all. ARDA's chief lobbyist is a man with a very persuasive personality who has a knack for expressing strong opinions in an inoffensive way. And perhaps most important, he listens carefully and reads people very well.

Howard, while an indefatigable cheerleader for the timeshare industry, always appears sincere, and that resonates with his audiences. It's hard to believe someone so enthusiastic is faking it. What makes Howard even more effective is his clever, often self-deprecating sense of humor and his willingness to take part in on-stage silliness at ARDA functions (as seen in the accompanying photo).

You don't have to agree with Howard to like him. He and I hold very different opinions on politics, yet we've had a number of lengthy political discussions over the years without ever coming close to fisticuffs. He is polished and chooses his words carefully, but he is a very easy person to like, and if you like Howard, you might get to like the vacation ownership industry while you're at it. That's what lobbying's all about.



Interested in this job? ARDA has an opening.

We at Colebrook will always be grateful for the fact that Howard spoke at our first seven Lender Education Seminars. Not only did he kick off each session by giving an overview of the industry, he was instrumental in obtaining other industry leaders as panelists. Colebrook is not Wyndham or Marriott, and I was always amazed at how much Howard helped us over the years. During the financial crisis of 2008-9, when Colebrook was one of only two active timeshare lenders, we were crucial to the success of the industry, but after the crisis passed and the field of lenders expanded, Howard continued to show up year after year.

I only recall incurring Howard's ire on one occasion, when the *Chronicle* ran a favorable article on someone he believed was not acting in the best interest of the timeshare industry. The conversation began, "Bill, we've been friends for a long time." Any dialogue that starts with that line isn't going to be pleasant, and it was a tough call. It turned out that I had been fooled by someone who talked a good game. Howard wasn't. As Abraham Lincoln once said, "You can fool some of the people all of the time and all of the people some of the time, but you can't fool Howard Nusbaum." He is one of a kind, and we'll miss him.

What a Long, Strange Trip it's Been

40 Years in the Timeshare Business

By Bill Ryczek

Today's timeshare development companies are smoothly humming machines, paragons of business efficiency powered by engines like Wyndham, Hilton, Marriott, and a number of strong independent developers. It wasn't always like that. In the 1970s and 1980s timeshare was like most other nascent industries; being a participant in it often involved feeling your way along and frequently running into strange things in the dark.

The "property inspection" has traditionally been pretty easy duty for timeshare lenders. They travel to a resort location, get a 30-45 minute tour, ascertain that the property is still standing, and leave. It's clean, it's easy, there's no heavy negotiating, and not much work.

But occasionally something happens, like when my colleague Jim Bishop went to "inspect" a Las Vegas property during the mid-1980s. Jim was pretty young and rather excited about the prospect of going to Vegas, for that was before you could legally gamble in every city, town, and village in America. The brief diversion on the way to the casino became more complicated, however, when the cab pulled up and Jim's eagle auditor eyes told him that the resort was on fire, with flames shooting out the windows and licking up the walls of the upper floors.

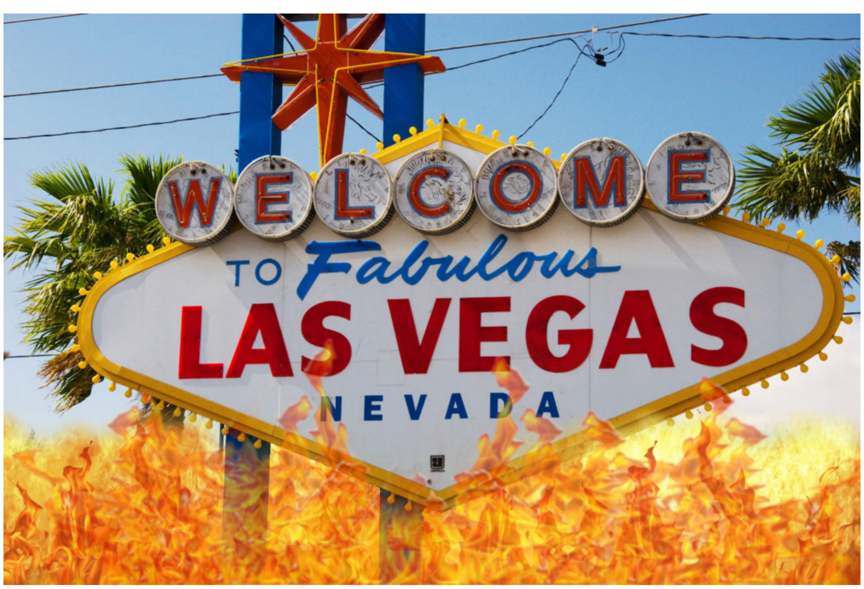
As Jim emerged from the cab, he thought, "I guess that's why we do these things." The manager rushed over to assure him the blaze was just a minor one and nothing to worry about — certainly no reason not to make a loan on the property. "We'll have it out in no time," he said confidently and, indeed, the blaze was soon extinguished, Jim got his tour, was off to the tables, and we made the loan.

It must be something about Las Vegas, because I once had a very unusual experience with a renovation loan in America's gaming capital. The purpose of the financing was to facilitate the conversion of a strip hotel to a timeshare project. There were multiple lenders, with each holding deeds of trust on specific units. That was problematic enough, with the issues involving common areas and easements, etc. but the trouble really started when, to effect the renovation, walls were knocked down and units reconfigured. The holder of the deed on hotel room 234 now had an interest six feet into condo unit 235, while what had been their very own lien on Room 234 was now divided among two or three lenders, whose deeds of trust had crept into their unit when the walls were moved. They now shared a lien on the kitchen with one lender and that on the bathroom with another. It was timesharing taken to the highest level.

They always say that if a loan pays off smoothly, no one ever knows whether the documents were any good. Of course, this loan didn't pay off as scheduled and the lenders became uniformly distressed when they realized what had happened. These were the pre-computer, pre-CAD days, so we copied the old floor plans on tracing paper and overlaid them on the new floor plan to attempt to determine who had what. Then the bargaining between the lenders began. "I'll trade you 7 feet and 4 inches of Unit 308 for the southernmost 4 feet 2 inches of unit 612," and so forth.

Since the situation had become problematic, I was sent to Vegas to sort things out. My first meeting was with the CFO to determine what percentage of the inventory subject to the deeds of trust had been sold. He looked at a myriad of orange letters on what we called a CRT (cathode ray tube), which was somewhat like a computer screen. He punched a lot of buttons, furrowed his brow, looked up and said, "117%." "Aren't you supposed to stop when you hit 100%," I asked. "Well," he replied, "we know everybody won't show up." Vegas is all about playing the odds, and our CFO was correct. The odds were that all of the timeshare owners wouldn't show up, and the company would get to keep the 17% of extra sales. That situation ended badly, and what I remember most vividly was that the developer had a very, very bad toupee. We decided not to put a deed of trust on it for, given our experience, we didn't want to end up splitting hairs.

The legal process can get a bit dreary, and one often appreciates an attorney with a sense of humor—to a point. During the 1980s, we used a Los Angeles attorney who dearly loved his "seal joke." The seal joke took place during a closing in which the customer was desperate to get their money, as most timeshare developers were at that time. At some point as documents were being revised and final points negotiated, the lawyer would casually say to the customer, "Do you have your California seal?" The reaction was uniformly surprise and shock, and they stammered that they had no idea they were supposed to have a California seal.



The attorney would then smack his forehead and say, "My secretary was supposed to tell you. We can't close without a seal. There's no way we're closing today." When sweat started pouring off brows at the thought of the checks that had been issued in anticipation of the

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Long, Strange Trip, *continued from page 4*

funding, our comedian would say something like, "Well, we'll see what we can do," and he would exit the conference room, shaking his head and appearing highly agitated.

After a sadistically long period of time, often lasting hours, a young associate would appear in the doorway and state that after exhaustive research they had discovered a 19th century treaty between California and (fill in customer's home state here) that allowed for the closing of loans without a California seal.

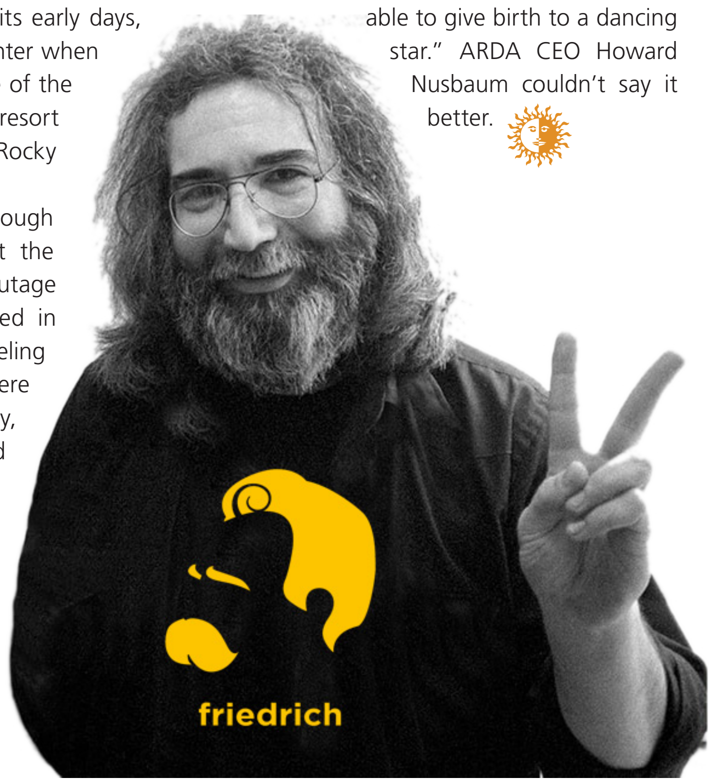
The first time our legal prankster pulled this gag, we thought it was clever and original, supplemented by some pretty fair acting. The second time wasn't as amusing and by the third performance we were heartily sick of it. So before the next closing we went to a stamping works and had a California seal made, complete with script reading "Official California Seal" and lots of fancy engraving. We gave it to our customer and when he was asked, "Do you have your California seal?" he handed it over without a trace of a smile, putting a permanent and merciful end to the California seal joke.

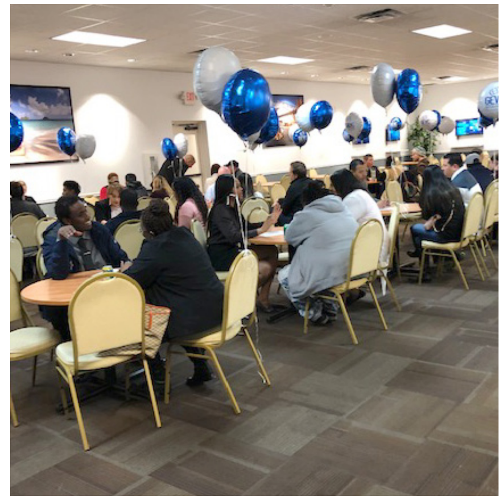
The title for this article was taken from a song written by Jerry Garcia of the Grateful Dead, a group quite popular with Colebrook principal Mark Raunikar, as well as many individuals who enjoy the occasional use of drugs with questionable medicinal benefits. There were a few of those people in the timeshare business in its early days, and I had my initial encounter when we were underwriting one of the earliest projects, a small resort nestled in an exclusive Rocky Mountain ski village.

Our audit got off to a rough start when we arrived at the office to find a power outage and were literally, as noted in an earlier metaphor, feeling our way. Since there were no windows in the hallway, we had to trace the raised lettering on several doors before finding the correct one. Once we were inside, the windows provided light but once we took a look at the receivable documentation, we realized we were figuratively in the dark again, for the only accounting records were hand-written slips of paper piled in shoe boxes. On each slip was written the amount of cash collected for each receivable payment. The boxes, and the pile of contracts, taken as a whole, might be considered a trial balance in the rough.

Such a shambles of record-keeping begged explanation, but although our developer had promised to meet us around 10, he did not arrive. He was not there to join us for lunch, and did not appear in the office until nearly four o'clock. He seemed a little shaky, appeared to have a near-terminal case of the sniffles, and often ducked and bobbed suddenly, as if he was dodging flying objects. We didn't need to hear his explanation to figure out why the records were in such sorry shape. Our company didn't make the loan, but a more stable and less sniffly developer acquired the property and developed it successfully. I don't know what became of our fellow.

The early days of timeshare were quite an adventure, and having survived them the temptation is to cite Friedrich Nietzsche's overused quote, "What does not kill me, makes me stronger." But the timeshare industry deserves more originality, for it has truly been a unique business evolution. Another Nietzsche quote describes it better: "One must still have chaos in oneself to be able to give birth to a dancing star." ARDA CEO Howard Nusbaum couldn't say it better.





Global Exchange's new Texas sales facility.

Rick Sargent, *continued from page 1*

Chronicle: *You get most of your inventory from legacy resorts. Why would a resort sell to you rather than another developer?*

Sargent: Some developers require that they get the management contract in order to sell inventory. We don't. We want the contract if it's available, but we'll work with management. They know we're not going to try to take the contract.

Chronicle: *There's a risk in selling inventory at a project you don't control. How do you deal with that?*

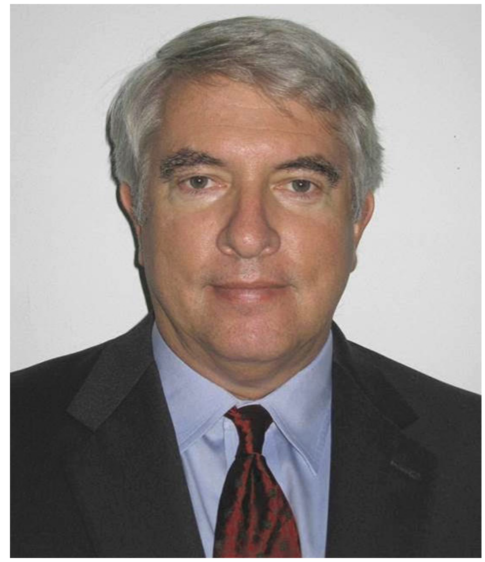
Sargent: We have votes. We want to know what's on the agenda for the annual meeting, but we don't go to the meeting unless we're asked. If something on the agenda bothers us, we'll call and talk about it. But we've never had a problem.

Chronicle: *How has the Texas operation worked out for you?*

Sargent: We literally doubled our sales volume overnight. We went from a little company doing $20 million a year to $40 million. We've also built up a lot of equity in our receivable portfolio and were able to tap some of it for the capital to fund the expansion.

Rick Sargent is somewhat of a contradiction. He is a gregarious, animated sales and marketing expert who is also a careful, cautious planner who looks and thinks very carefully before he leaps. Seizing the opportunity to leap into the Lone Star State has enabled him to grow his company in an environment where many of his competitors struggle. It's been quite a ride for the 19-year-old car salesman.

Attorney Raymond (Skip) Gaskill Announces Retirement



Skip Gaskill may be the most well-kept secret in the timeshare legal field. He doesn't make a big splash at conventions, doesn't advertise, and doesn't plaster his name on the side of transit buses. Skip is a sole practitioner who works from his house in Irvine, California, yet he represents some of the most prominent developers on the West Coast and has been the "go-to-guy" when it comes to registering California timeshare offerings for the past two decades.

After earning a Bachelor's Degree in Political Science from the State University of New York at Stony Brook in 1972, Gaskill graduated from Southwestern Law School in Los Angeles in 1978 and went to work for a small litigation firm in Costa Mesa, California. In 1981, he became in-house counsel for State Savings and Loan in Stockton, California which, through a series of mergers, became part of American Savings Bank.

The early 1980s were a heady time of rapid expansion in the savings and loan business, due to de-regulation, and American Savings, like so many of its brethren, grew too fast and ended up in receivership. Gaskill, who had been hired to close loans, became a workout attorney, attempting to resolve the bank's many problem loans. It was an invaluable experience for the young lawyer, who became General Counsel for New West Federal Savings and Loan Association, the institution established to handle the workouts.

By 1989, the bank was taken over by federal regulators and Skip received a call from a recruiter asking if he would be interested in a job as General Counsel for Glen Ivy Resorts, then one of the leading timeshare developers in the country. The company's $80 million in annual sales was a credit to its sales orientation, but when Gaskill arrived on the scene, he found that in the quest to drive volume, the legal area had been sorely neglected. Public reports were outdated and registrations were well behind. The administrative problems eventually led to the demise of the company, but once again, Gaskill learned that fixing a troubled business gave him tremendous insight into the workings of an industry.

When Glen Ivy folded, Skip opened his own practice in 1992, assisted by his wife Tracy. Many of his former Glen Ivy associates went to work for other timeshare developers, and when they were asked to refer a lawyer, they recommended Skip. With control over his own destiny for the first time, Skip wasn't fixing problems created by someone else. His business grew and, in addition to the financial rewards, he was able to enjoy some of the other benefits of self-employment.

"I had no commute," Gaskill said, "and I could set my own schedule, which meant spending more time with my family, going to soccer games and recitals." The disadvantage of working alone was that he didn't have a tax partner, a labor law partner, or the resources of a large firm. If his clients had needs in those areas, he sent them to a network of referral sources he developed over the years. A second downside is that Gaskill has no backup, and said that during his time as a sole practitioner, he'd never taken a vacation longer than a week. "I stay in touch to the extent that I can," he said, "but I can't draft a 50-page document. I tell my clients of my plans so they can schedule around them."

There are many reasons why sole practitioner Skip Gaskill became one of the most sought-after lawyers in the timeshare industry. "My fees are probably lower than they would be at a big firm," he said, "because I don't have the overhead." Skip has an excellent relationship with the regulators, who know they can rely on him to be thorough and straightforward, and that's very helpful to his clients. Everyone also knows that nearly any time they call after 7:00 a.m. Pacific time, he will answer the phone. "I figured," he said, "that if all I had to do to be a good lawyer was answer the phone, I could do that. There's a saying that a good attorney is someone of average intelligence who returns phone calls."

Since Skip is of well-above average intelligence and returns phone calls religiously, he is a valuable asset to his clients, and has never been at a loss for work. That means he doesn't have to accept clients unless he's comfortable with the way they conduct their business. "When a prospective client calls," he said, "one of the first things I do is to ask for a copy of their regulatory approvals. If they say what they're doing has been approved by the Attorney General, that's a big red flag, because the Attorney General doesn't approve anything."

One of the challenges in working with timeshare companies, which tend to be very sales-oriented, is that he sometimes has to tell them that one of their terrific ideas happens to violate the law. That tends not to sit very well. "I'm very careful to put everything in writing," Skip said. "Some people are very quick to say, 'Skip said it was OK,' but I don't work that way. Everything is in writing." Do clients get upset when he tells them they shouldn't do something? "My long-term clients will support me," he said, "but there's always someone who tells me they should be able to do something because this brand or that brand is doing it. I say, well, they're not my client. You are."

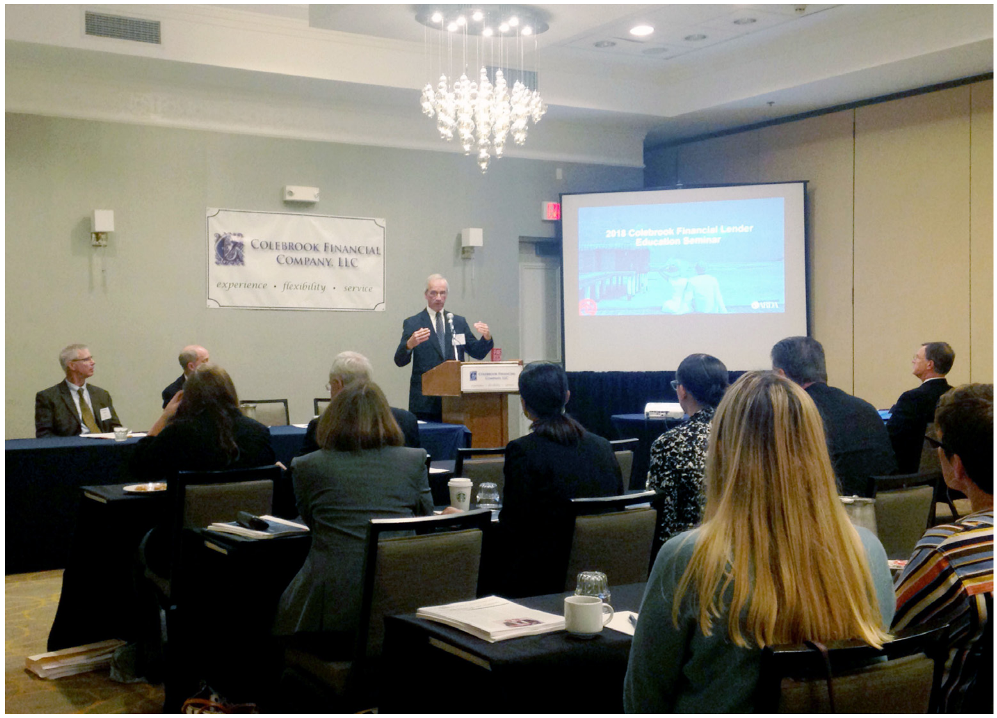
After 26 years as a sole practitioner, Skip decided to retire at the end of 2018, and for the first time in more than a quarter century, he will have the luxury of a lengthy vacation. He and Tracy recently bought a motor home and intend to do a bit of traveling. They've always enjoyed sailing in the Caribbean and have gone camping every Memorial Day and Labor Day for the past 30 years. Skip likes reading history and intends to do more of it in retirement. He also plans to become a more serious golfer and, like many naive retirees, believes he can become much better with more play. While Skip has plenty of plans to keep busy, he will be missed in the timeshare industry, for his extensive knowledge, his inscrutable integrity, and his unmatched ability to answer a telephone have made him a valuable asset to his clients, many of whom are also Colebrook clients. Give him a ring to see how he's doing.

Colebrook Hosts Ninth Lender Education Seminar

Lenders need to learn how to weather storms, and in the timeshare business that is not mere metaphor. There are many ocean-front resorts, and when hurricane season arrives, the partners of Colebrook Financial become avid storm trackers. On September 18, at Colebrook's Lender Education Seminar, Tom Petrisko talked about what happens when a devastating storm hits a resort that Colebrook has financed.

Hurricane Maria swept down upon Puerto Rico in September 2017 and was one of the worst storms ever to hit the island. It inflicted significant damage to the ESJ Azul property, a timeshare operation whose receivables are financed by Colebrook. Tom laid out the situation, the risks, and the steps that Colebrook and, far more importantly, the developer, took to repair the property and put it back into service for the timeshare owners. In the aftermath of the storm, the developer, with Colebrook's consent, granted a two-month payment moratorium to all Puerto Rican residents. Tom tracked portfolio performance before the storm, throughout the time the resort was closed, and during the recovery. At the end of the moratorium, virtually all accounts resumed payments.

The story has as good an ending as can be hoped for after such a serious weather event. There was no loss of life or serious injury at the property, the building was repaired relatively quickly, and the portfolio bounced back nicely. In the ensuing months, timeshare sales recovered and are now stronger than they were before Maria.



Bill Ryczek addresses the audience at Colebrook's most recent Lender Education Seminar.

The ESJ story was just one of the presentations Colebrook's partners gave to an assembled group of about 40 bankers. Bill Ryczek led off the session with a talk on the current state of the timeshare industry, utilizing statistics provided by ARDA and adding his personal observations. Mark Raunikar gave a tutorial on the analysis of financial statements for homeowners' association and how Colebrook underwrites and structures loans to associations.

Fred Dauch discussed a second case study in which Colebrook protected itself against weaknesses in a transaction and guided the situation to a successful resolution. Jim Bishop finished off the session by talking about Colebrook's financial results and unraveling the mysteries of Gain on Sale accounting, which allowed everyone to work up a healthy appetite for lunch.

The seminar was the ninth time Colebrook has gathered its lenders together for an educational session. Timeshare lending is a relatively specialized field and the key to success is understanding the industry and the way to effectively structure a timeshare loan. The goal of the Lender Education Seminars is to assist Colebrook's bankers to do both well.

Colebrook partners (left to right): Fred Dauch, Mark Raunikar, Bill Ryczek, Tom Petrisko, and Jim Bishop.

Timeshare Sales Continue Upward Trend

Delinquencies Also Creeping Up

Deliotte and Touche LLP has issued its survey on timeshare industry trends for the second and third quarters of 2018. Compared to 2017 results, overall sales were up 6.8% during the second quarter and 7.3% during the third quarter and the weighted average transaction price was up 1.4% and 2.2%, respectively. Marketing trends were very good, with tours increasing by 3.7% and 5.1% and Volume per Guest, the most common measure of marketing efficiency, up 1.6% and 2.3% to $2,739 in the third quarter. Perhaps the best news of all is that tour flow in the third quarter was up 5.1% from 2017.

The percentage of receivables that were current declined from 91.5% at 6/30/17 to 90.8% at 6/30/18 and further to 90.6% at 9/30/18. The currency percentage had been relatively steady at 91.4% in December 2015 and 91.5% at December 2016. Charge-offs increased from 5.1% during the second quarter of 2017 to 5.3% in 2018 but slowed in the third quarter, declining from 4.9% in 2017 to 4.5% in 2018.

Colebrook tracks overall delinquency in its 44 financed portfolios, and given the slight uptick in delinquency nationwide, it might be helpful to examine the statistics for the Colebrook portfolio:

Date	Current	30 Days	60+ Days
12/31/15	96.23%	2.15%	1.62%
12/31/16	95.93%	2.57%	1.50%
12/31/17	94.36%	2.39%	3.25%
12/31/18	95.38%	2.46%	2.17%

As can be seen from the above chart, delinquencies are higher than they were two years ago, but lower than last year. The 2017 statistics were impacted by one fairly large portfolio with an abnormally high level of delinquency. The loan associated with that portfolio was paid in full in early 2018, which accounted for the decline in delinquency in 2018. The 2016 to 2018 comparison is probably more accurate and that, like the national trends, indicates a slight uptick in delinquency, not enough to create concern, but something that should be monitored in future months. Getting timely replacements when necessary and maintaining collateral formulas is key. Colebrook has had no timeshare losses since 2013.