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

# Colebrook Acquires the Majority Interest in Vacation Club Loans

The Colebrook/Vacation Club Loans partnership traces its origins back to 1979, when Bert Blicher was a Vice President of Oxford First Company and Bill Ryczek was an auditor for Aetna Business Credit, which had a relationship with Oxford. The timeshare finance industry was in its infancy and there was a camaraderie among the pioneers. Bill and Bert were both active in ARDA and Bert eventually became Chairman of the organization. They spoke on panels together, became better acquainted, and each reached the conclusion that the other knew what they were doing and could be trusted.

Debbie Ely, CEO of Vacation Club Loans

Both men followed an entrepreneurial path. Bill was a founding partner of Colebrook Financial and Bert, after serving as CEO of Oxford, launched several ventures, one of which was Blue Water Resort, located at Nassau in the Bahama Island chain. In 2011, Colebrook became Blue Water's receivable lender. Through that relationship, Colebrook met Blue Water's energetic young CFO, Debbie Ely, who seemed to have far too much personality and enthusiasm for an accountant.

As Blue Water's operations wound down, Bert and Debbie looked for a new challenge and targeted timeshare resale lending as their next opportunity. They formed Vacation Club Loans and began looking for business. Bert owned two resale companies and was acutely aware that there was no organized financing for resales. Receivable financing for front-line sales is based on developer recourse and a typical advance rate of 80-85%. In resales, there is no advance rate cushion and no developer. Individual sellers aren't about to assume recourse for the buyers.

The allure of resale financing, in addition to the fact that there was no competition, was the fact that resales are different than developer sales. Buyers of timeshare interests on the secondary market generally seek out the opportunity and close the transaction over a period of several weeks, rather than being solicited for a presentation and closing the same day, which can lead to buyer's remorse. Resales almost invariably carry a lower price tag than developer sales, which gives buyers a greater sense of value. It was logical to assume that those factors

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## The End of an Era

In May 2012, the first issue of The *Colebrook Chronicle* was sent to about 300 members of the timeshare and banking communities. It was intended to be a source of original information and insightful analysis about the timeshare industry and the people who make it work. Since we have no advertisers, we were able to avoid infomercials and give our readers something substantive to think about and perhaps apply in their business lives.

We also tried to provide a little entertainment, with human interest stories like that of the modeling career of the daughter of Boardwalk executive Roxanne Passarella and the baseball careers of retired banker Mike Schweighoffer and Breckenridge Grand Vacations COO Nick Doran. We offered a little humor, such as the tale of Bill and Mark running the Mexican-U.S. border along with Concord Servicing CEO Bob Bertrand and Juan Pablo Saiz. Hopefully, our new President hasn't seen the Spring 2014 issue.

But time marches on, and the world has changed since 2012. Print newspapers are struggling as electronic information displaces paper. The *Chronicle* is free and doesn't have to worry about such things, but we found that, particularly after the COVID epidemic, fewer people are working in offices and it's harder for mail to find them.

We've therefore decided that this will be the last print edition of the *Chronicle*. We will distribute an electronic version on a more frequent basis, and everyone who is on our mailing list will receive the new version. If you're not getting it, please let me know.

While serving as unpaid Editor-in-Chief, Sports Editor, Travel Editor, Circulation Manager, and in various other capacities, I have truly enjoyed reporting on the timeshare industry. It's the most fascinating business I've ever been involved with, and it's filled with some remarkable individuals. We'll continue to write about things that interest us and we think will interest you—but in a different format. I hope you'll find it informative, entertaining, and useful.

Bill Ryczek

# Looking Behind the Numbers

## Timeshare Industry Statistics

It's been a while since the last issue of the *Chronicle* appeared, and it's probably a good idea to summarize the results of the latest surveys of the timeshare industry. As I write these words, we are in the first days of 2025, and 2024 information is not available, so we'll talk about the 2023 ARDA survey (issued in mid-2024) and that of the third quarter of 2024.

There were 11 respondents to the 2023 survey, all large companies, many publicly owned, representing the bulk of industry sales volume. Since those companies are just a small percentage of the total number of companies in the industry, we'll close with some observations about the Colebrook customer base, which is much more diverse.

Per the 2023 ARDA survey, sales were up 1.8% to $9.2 billion. The numbers behind the sales are interesting. Sixty percent of all sales were to existing owners, consistent with prior years. However, the average sales price to new owners declined from $19,525 to $17,680, while the average sales price to existing owners increased from $44,640 to $50,698, indicating that a greater share of the volume shifted to the latter category. Maintaining a balance between front-line and in-house sales is one of the keys to timeshare success. In-house activity is more tempting because of the better results, but without new blood there is a danger of overloading existing owners or burning through the owner base. We were speaking to a developer recently who told us that tour flow must be managed to a ratio of 70% front-line and 30% per cent in-house in order to rejuvenate the owner base.

> Maintaining a balance between front-line and in-house sales is one of the keys to timeshare success.

The hub of timeshare activity continues to be Florida, which is essentially a year-round destination. Other areas are seasonal, and the industry distribution of sales by season was as follows:

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| First Quarter | 21.57% |
| Second Quarter | 26.50% |
| Third Quarter | 27.25% |
| Fourth Quarter | 24.68% |

Securitizations continue to provide funding for the large companies' receivable portfolios. Seven transactions totaling $2.3 billion were completed in 2023 at an average interest rate of 6.7%, up sharply from 5.2% a year earlier. The annual default rate for timeshare receivables increased from 9.0% to 9.7%, while the average portfolio FICO score remained essentially stable at 716.

Reflective of inflation and a slowing economy, sales for the third quarter of 2024 were down 5.3% from 2023 results. The number of tours was up, but closing percentages and the average sales proceeds from each tour were down. The latter statistic, commonly referred to as Volume per Guest (VPG), declined 10.3%. Portfolio performance was essentially unchanged from 9/30/23.

What does all this mean? Large timeshare entities consist of sales, management, and finance components. New sales generate customers who feed all three channels, providing finance income, HOA dues, in-house sales, and rental income. For the majority of companies, front-line sales are not profitable on a stand-alone basis, and forcing sales growth would probably increase costs to an unacceptable level. The ancillary income generated from the sales, particularly interest income, through the securitizations referenced above, is a major driver of financial success. The higher interest rates experienced during the past couple of years have had a serious impact on income, and the recent decreases will be helpful, more helpful than an uptick in sales.

While Colebrook has some interaction with branded companies, the vast majority of our customers are independent timeshare developers, sellers of vacation club interests, homeowners' associations and management companies, or re-purposing specialists.

Our customers have generally seen a decline in portfolio performance, attributable in part to inflation and economic conditions, and partly due to interest rates that have caused portfolio equity to build much more slowly than in previous years. Since the consumer receivables bear fixed rates and most hypothecation loans have variable rates, a greater percentage of consumer loan payments is going to hypothecation loan interest rather than principal.

Our clients that sell vacation club products have negligible product costs and can afford higher sales and marketing expenses. The key to their profitability is their ability to control those sales and marketing costs. Everyone complains about the high cost of obtaining tours and the challenge of getting qualified tours. Social media and AI create new marketing opportunities, but also more competition. As they say, if it were easy everybody would be doing it.

Our HOA clients deal with a number of issues, but one of the most challenging is the skyrocketing cost of property insurance, especially for waterfront properties. In Florida, stricter building codes arising in response to the collapse of a Surfside high rise have necessitated costly renovations and often the need for HOA loans.

Associations also deal with aging owner bases and a shift in income from maintenance fees to rental income, which is much less stable. Most HOAs have no way of selling the inventory that comes back to them through attrition. In another article in this issue, you will see what one resort, Indian Palms, decided to do. Other resorts have fewer options. On more than one occasion, we've gotten a call inquiring about an HOA loan and, after hearing about the situation, recommend they talk to one of our re-purposing clients.

The timeshare industry is a lot different than it was when we started Colebrook 22 years ago. We're not just in the timeshare industry, we're in the business of seeking lending opportunities in a universe that includes timeshare, vacation clubs, re-purposing, glamping, fractional ownership, and whatever iterations come along during the next few years. It's never easy, but if it were everybody would be doing it.

# A Truly Grand Opening at RiverWalk

On June 8, 2024, Dennis Ducharme and Billy Curran threw one of the biggest parties in the history of the little mountain village of Lincoln, New Hampshire. After two years of construction, Phase II of RiverWalk Resort was finished, and it was time to celebrate. Nearly 300 invited guests, including Mark Raunikar and Melinda Miramant of Colebrook, danced to the music of the popular Boston band Syndicate, munched on tasty hors d'oeuvres, sipped drinks, listened to a fireside chat by Billy and Dennis, and cheered a ribbon-cutting ceremony featuring Dennis, Billy, and Tracy Gaylord, Senior Vice President of Western Alliance Bank, which provided the construction financing. "We spend so much time analyzing the construction plans, financing needs and project timelines," Tracy said, "that we don't even think about how beautiful the final product will be. This is just fabulous and we're so pleased to be a part of it."

River Walk developer Dennis Ducharme with Melinda Miramant and Mark Raunikar of Colebrook at the Grand Opening Reception.

The evening was climaxed by a spectacular fireworks display against the background of Loon Mountain. Looking up at the night sky, Dennis imagined the gondola that will take RiverWalk guests directly to the mountain in a couple of years.

"The Grand Opening event was a celebration," he said, "of all those who made the RiverWalk vision a reality. It took a village filled with many talented people to open RiverWalk and welcome our most extraordinary owners and guests."

Seven Birches Winery, located in the building, sent each guest off with a complimentary bottle of its RiverWalk special edition wine. "It was gratifying to see Billy and Dennis' dream become real and to see their families celebrating their accomplishments," Mark said. Melinda slipped the bottle into her oversized purse, continued dancing, and dismissed this reporter with a wave of her hand.

It was a great evening celebrating the second phase of a terrific project, featuring luxurious fractional residential units, the winery, a first-class restaurant, a conference and event space that can host weddings and special events, and a full range of amenities. Congratulations Dennis, Billy, COO Cathy Leyden, VP of Sales Brian Willette, and the entire organization!

# Mark to Market:

*Mark Raunikar Answers FAQs*

## What's Going to Happen to Interest Rates?

Interest rates are very important to us. Since money is our product, interest is both our main source of revenue and primary expense. If you're a timeshare developer with a large, fixed rate portfolio of consumer receivables, borrowing at a variable rate, a large chunk of your profit is dependent on the movement of interest rates. Because we're in the finance business, people frequently ask us where we think interest rates are headed. As the old saying goes, anyone who thinks they know the answer to that question is either a billionaire or a charlatan, or one about to become the other. But, unlike groceries, talk is cheap, so here's my opinion.

My partner Bill Ryczek, in an article written early in 2024, cautioned that the rate reductions anticipated early that year might not happen until later, if at all. He noted that while political pressures favored a decrease, the economics did not then and might not in the near term.

He was correct in predicting a delay and, depending on how you define rates, I could argue that a reduction still has not occurred. For while those rates that are lowered by decree from the Federal Reserve have indeed gone down, many rates that are determined by market forces have not.

Over the past year, the average rate for a 30-year mortgage has increased from 6.60% to 7.04%. A five-year Treasury bill yielded 1.76% at the beginning of 2024 and 1.91% at its end, while the 30-year T-Bill increased from 1.91% to 2.45%.

During the past couple of years, two of the most significant problems in the economy have been high interest rates and a high rate of inflation, which generally go hand-in-hand when the increase in the money supply outpaces the increase in actual production.

The COVID pandemic spurred a massive increase in government spending, and when the government starts spending, it's hard to slow it down, let alone stop it. We've had huge emergency pandemic programs, infrastructure programs, funding for several natural disasters, and the oddly named Inflation Reduction Act which was, according to the U.S. Treasury, "one of the largest investments in the American economy, energy security, and climate that Congress has made in the nation's history." Massive spending is an unusual way to combat inflation and predictably, it didn't help.

Historically, Republicans were the fiscally austere party while Democrats favored a higher level of government spending. During the recent presidential campaign, it was apparent that both major party candidates favored loose purse strings, promising a flood of expensive new programs if they were elected. It's hard to argue that government spending is going to moderate, let alone

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# A Fresh New Look at Indian Palms

Photo Source: indianpalmsintervals.com

Colebrook has financed several timeshare re-purpose transactions during the past few years. The situations are remarkably similar. A resort sold the bulk of its timeshare interests in the 1980s. Owners are dying off or unable to travel. The resort needs a significant overhaul. Inventory is coming back to the HOA faster than it can be re-sold and the property is turning into a hotel.

Faced with these obstacles, many associations decide to terminate the timeshare regime and convert the property to another use. The Indian Palms Interval Owners Association, located in Indio, California, has the same story with a different ending.

Indio is perched in the heart of the Coachella Valley, 23 miles from Palm Springs. The warm winter weather is a primary attraction, as is the vibrant local arts and cultural community. The area's signature event is the Coachella Music and Arts Festival, held just a mile from the Indian Palms property, which has drawn as many as 250,000 spectators for the two-day program.

Those who prefer food to music might choose the Indio International Tamale Festival, which holds the Guinness Book of World Records mark for the largest tamale festival (attendance of 120,000 in 2000) but unfortunately lost the title of world's largest tamale, which they'd held with a creation measuring over a foot in diameter and 40 feet in length. The record was obliterated by a very hungry gathering in Villahermosa, Mexico that built a tamale 164 feet long.

But we digress. One day during the summer of 2022, Colebrook received a call from a veteran accountant named Owen Hopkinson. Owen has been treasurer of the Indian Palms association for many years and, along with a core group of owners, wanted to keep the property alive. They'd been vacationing at the resort for decades, had many treasured family memories, and didn't want to give it up. They realized that the property needed a shot in the arm, but there wasn't enough money in the reserve account for a major capital project.

Owen started searching the internet for someone who would lend money to timeshare associations and, through the miracle of search engine optimization, found Colebrook. We had a good conversation, Owen sent a lot of financial information, and Colebrook agreed to extend a loan for an extensive renovation of the project's amenities. Over the next several months, under the direction of property manager Stephanie Myers, the pool area was completely re-done, decorative stonework enhanced the appeal of the entire common area, and service buildings were renovated.

"The owners love it," Owen said recently. "It took longer than we expected, but I tell people there are three elements to construction—quality, cost, and timing. We got the two most important." A group of feisty senior timeshare owners showed that re-purposing isn't the only answer for older resorts. May they enjoy the fruits of their efforts for many years to come.

***Mark to Market***, *continued from page 3*

decline, and therefore inflation will be difficult to tame.

If the prime rate continues to move in one direction and market-based rates move in another, what does that mean? For a lender borrowing on a market-based index and lending on a prime-based index, it means trouble. For the financial world in general, if the federal funds rate and prime rate are out of step with the market, it may dictate a movement away from the prime rate and toward a market-based index. Many financial institutions use the Secured Overnight Financing Rate (SOFR), which measures the cost of collateralized borrowing for bank and non-bank financial institutions. SOFR adjusts continuously, rather than on a decision by the Fed. It declined from 5.40% to 4.33% during 2024, about the same decline as the prime rate. That's interesting, given the increase in other market-driven indexes. As a relatively new index (it essentially replaced LIBOR a few years ago) it is not completely clear what effect various scenarios will have upon SOFR.

As you can see, the question of interest rates is not a simple one. I've told you what's happened in the recent past, where we have different rates moving in different directions, some in apparent contradiction of economic conditions.

The problem with predictions is that they're generally based on an extrapolation of prior trends. The outcomes that *vary* from prior trends are those that truly need predicting and therein lies the difficulty. As for the immediate future, it appears inflation will continue at some level, but there may be other factors, including government intervention, that have a greater influence on rates. One can make a plausible case for almost any scenario. Therefore, I echo Bill's advice of last year. You can hope rates go down, but don't count on it. If inflation picks up, it's possible that rates could even go up. The bottom line is that you shouldn't gamble on any specific rate scenario. Don't make a heavy bet in any direction and hedge where possible. If you're risk averse, you may want to lock in a fixed rate. Prediction is a tricky business.

***Vacation Club Loans****, continued from page 1*

would lead to better portfolio performance.

In the 1990s, when Colebrook's initial partners were operating its predecessor on a part time basis, they saw timeshare resale financing as a tremendous untapped opportunity. Over a period of a few years, they closed about $1 million in resale loans. The performance, as anticipated, was excellent, much better than that of typical timeshare portfolios. The difficulty was administrative, as evidenced by the fact that it took several years to close $1 million in loans. The resale industry was so fragmented that we spent inordinate amounts of time on transactions that were generally less than $5,000. The internet was in its infancy and there was a lot of calling, faxing, and mailing, all of which cost money and took up a lot of time. We eventually decided that, despite the terrific performance of the receivables, resale financing, as structured in the 1990s, didn't have enough profit potential. We got out of the business.

Vacation Club Loans had two things Colebrook lacked—21st century technology and the marketing skills of Debbie Ely. She is based in Florida, the heart of the timeshare industry, and began developing relationships with resale brokers. Personality only goes so far, and if the brokers wound up losing commissions because the financing didn't come through, charm wouldn't win them back. But when Debbie got her foot in the door, she delivered. Deals closed, they closed on time, and the brokers got their commissions.

Although she initially financed sales at small independent properties, Debbie quickly learned what Colebrook discovered a couple of decades earlier. Making loans in ones and twos isn't profitable. She began focusing on major brands, eventually cornering a significant share of the market for Disney Vacation Club resales. The company prospered, and as seen below, VCL's growth attracted the attention of the South Florida Business Journal, which named it one of South Florida's Fast 50.

VCL needed financing, and given Bert and Bill's long relationship, they turned to Colebrook, which provided 100% of the company's loans from its inception. As VCL grew, its financing facilities grew with it; Colebrook has funded over $60 million of VCL receivables over the eight-year relationship.

In 2023, Bert was ready to sell part of the company, preferably to an entity that (1) had the capital to fund the tremendous growth, and; (2) would keep the operation and staff intact. Colebrook, with its intimate knowledge of the company's operations and its people, was the most logical purchaser, and in April 2024 Colebrook acquired 51% of the company, leaving Bert and Debbie as minority owners.

An acquisition can be a traumatic event. When a large company acquires another large company, one of the first things they do is eliminate redundancies, which means eliminating people. Ironically, that often does away with the people and culture that made the company what it was—the qualities that made it attractive for an acquisition.

When Colebrook became the majority owner, we had no doubt about what made the company one of the fastest growing in South Florida. It was the initiative and enthusiasm of CEO Debbie Ely and the solid, reliable support of Chris Golden. The last thing we would do was change what they were doing; we wanted to enhance the existing operation.

We did that by finding ways we could assume some administrative tasks, allowing Debbie and Chris to spend more time developing new business opportunities and servicing their resale brokers and retail customers. Personal customer service is the hallmark of VCL. Debbie and Chris, like Colebrook, do something very few people do in today's business environment. They answer their phones. If Melinda Miramant, Maria Stublarec, and Rachel Belardo of Colebrook generate financial statements and take over a portion of the administration, Debbie and Chris can answer more calls from customers and brokers.

The next step for VCL is to see if it can replicate its Disney success with other brands such as Hilton, Wyndham, and Marriott. It has the energy and know-how, and now it has capital and back-office support. The *Chronicle* has its money on Debbie.

# Vacation Club Loans Named to South Florida Fast 50

The *South Florida Business Journal* recently named Colebrook's subsidiary Vacation Club Loans to its South Florida Fast 50 list. The Fast 50 is comprised of those companies that exhibited the most revenue growth from year to year. VCL had the eighth highest growth rate among companies with less than $25 million in annual revenue.

We're very proud of Debbie and her staff. A good idea and a lot of hard work have made the company one of South Florida's most dynamic institutions, and with Colebrook's financial and administrative support, we expect the growth to continue.


CEO Debbie Ely and minority owner Bert Blicher accept the South Florida Fast 50 Award

# Harry and the Commodore

Stephen Decatur was an early American war hero. Son of a Commodore who served in the colonial navy during the American Revolution, Stephen became, at 25, the youngest captain in the history of the U.S. Navy. When the War of 1812 began, Decatur, then a Commodore, went to sea against the British Navy, the most powerful military force of the 19th century.

On the 25th of October 1812, Decatur, commanding the USS United States, encountered HMS Macedonian, a 44-gun frigate boasting 18-pound guns, sailing the Atlantic near Madeira under Commander John Carden. Decatur's 24-pound cannons took down three masts and shattered the Macedonian's hull. The British ship struck its colors, only the second time a British vessel had surrendered to the American Navy.

While Commodore Decatur was able to defeat John Carden's 44-gun frigate, supported by the mighty British Navy, today his legacy faces a far more formidable challenge from Attorney Harry B. Heller of Uncasville, Connecticut, sailing along Connecticut highways in a 2004 Lexus with nearly 500,000 miles on the odometer, supported by a generous quantity of duct tape.

How did an early 19th century naval hero cross paths with a 21st century attorney and partner in Colebrook Financial? The connection is a parcel of land in Ledyard, Connecticut that was the site of a War of 1812 fortress known as Fort Decatur. Harry represents a developer that proposes to build an industrial facility on the land. Apparently, Commodore Decatur has a large and rabid local following, for there is a movement underway to pass legislation declaring the parcel a National Historic Site and thereby prevent the proposed project. There have been a series of heated public meetings and extensive testimony before the State Legislature and municipal agencies. One hearing had to be cancelled when so many people showed up that it violated local fire codes. Articles with inflammatory headlines such as "Developer could wipe CT's War of 1812 historical site off the map," and "Proposal Would Blow Up Gales Ferry Hill," have appeared on-line and in print.

Harry has been at the center of the storm, presenting his client's case at the hearings, jousting with an angry public, testifying before local committees and the Legislature, and advocating for his client with his usual tenacity and ingenuity. Attentive readers of the *Chronicle* will recall the story of Harry bringing in a miniature horse to testify in a zoning case (Issue 3, Spring 2013). Although the legend of Stephen Decatur is a daunting opponent, we have our money on Harry.

The land use side of Attorney Harry Heller is unknown to most lawyers who work with him in his role as Colebrook's counsel. It's hard for them to imagine that the reasonable, accommodating documentation attorney at the center of the storm in heated, confrontational zoning controversies. But it's the same man. The *Chronicle* recently had the opportunity to talk with Harry about recent legal developments in the timeshare industry.

**Chronicle:** *Many developers now use electronic consumer documents. What are the documentation issues related to their use?*

**Harry:** The transition from physical format documentation to electronic documentation is happening in all areas—residential mortgage lending, commercial lending, and commercial real estate, in addition to timeshare lending. The changing medium in which documents are formulated and executed falls into two categories: electronic execution and electronic documentation. Both are legally authorized by statutory fiat with provisions enacted in most jurisdictions to keep pace with recent technological developments. It consists of uniform as well as state-specific legislation. The legal framework is now in place to fully protect the interests of consumers, developers and lenders alike and we can expect a transition to completely electronic documentation in the foreseeable future.

**Chronicle:** *We know Colebrook has been involved in several re-purposing projects. What are the biggest legal challenges in that area?*

**Harry:** Without question, the most significant issue in the repurposing of legacy resorts is title. Due to the daunting scope of title work required to ascertain all ownership interests that may be outstanding, ascertaining record title to potentially thousands of outstanding interests is a task that the market has not seemed to embrace with any material level of competency or enthusiasm. Reputable title companies like First American, Stewart and Chicago, which have had a presence in the timeshare industry, do not seem to have an appetite for this body of work. Absent the most reputable national title insurers, issues have been constantly arising. I'm glad to see that First American has recently become active in this area.

**Chronicle:** *When you began documenting timeshare loans, most consumers paid by check. Now only about 20% do so. How does that impact servicing and lockbox agreements?*

**Harry:** The electronic flow of funds makes servicing more efficient. Lockbox arrangements have become obsolete. Consumer remittances now flow to bank accounts titled in the lender's name and are administered through either a blocked account control agreement or a deposit account control agreement, and we're even seeing less use of the latter two documents.

***Chronicle:*** *Colebrook makes loans in foreign countries such as Mexico, generally to finance receivables from U.S. purchasers related to the credit sale of non-deeded vacation club interests. What are the most important legal issues?*

**Harry:** The primary source of loan repayment, the income stream from the consumer receivables, is no different from a loan to a United States developer. Understanding the nature of the product purchased by the consumer and the manner in which Colebrook obtains a security interest in that product is the key. Understanding the intricacies of the Uniform Commercial Code and the manner in which the Code and choice of law provisions contained in loan documentation interact is critical in order to obtaining and perfecting an enforceable security interest in the product.

***Chronicle:*** *Colebrook also makes loans to vacation clubs. What are the key legal issues when making loans to vacation clubs?*

**Harry:** An interest in a vacation club is a personal property interest, for which a security interest is perfected under the Uniform Commercial Code. In addition to attachment and perfection, it is important to analyze the legal structure of the vacation club to determine that fulfillment will be ensured to purchasers in the event of a developer default. Lack of fulfilment will almost certainly lead to increased defaults in the receivable portfolio. Fulfillment can be protected through a variety of vehicles including the creation of an independent trust that holds title to the real property interests or the conveyance of the real property interests to the vacation club association.

***Chronicle:*** *What's going to happen to Fort Decatur?*

**Harry:** The media tends to sensationalize issues. Fort Decatur is recognized by our client as a place of importance in the history of the United States notwithstanding the fact that no battle ever occurred there. The fort will be preserved; only the scope of that preservation is open to debate. Our goal is to resolve the conflict absent the inflammatory rhetoric.

# Til Death Do Us Part

Philosophers who claim that love is a stronger bond than money might be puzzled to learn that while the average United States marriage lasts eight years, Colebrook's customers have been with us for an average of ten years. Three have been customers for more than 20 years, four between 15-19 years, and seven others for at least ten years. That's a pretty high percentage of our total roster.

Further, those clients that left us generally did so when they either sold their company, stopped selling timeshare interests, or no longer had a need for financing. Of the sixteen clients on our books at the end of our first year in 2003, two are still with us, two stopped selling and paid in full in 2022, and virtually all the others had no further financing needs. Only one re-financed with another lender.

There are many similarities between long-standing business relationships and marriages that endure. Traits like compatibility, mutual respect, good listening skills, and empathy all play a role. And we don't insist on monogamy. We're OK with you having another lender on the side.

A good choice in marriage usually results from an understanding that the best long-term partners may not be the ones who are the best-looking or have the flashiest car. We're not the biggest company in our field and we don't have some of the bells and whistles of our larger competitors. What we have is an understanding of our client's business and a unique perspective that comes from the fact that we generate our funds from banks and know what it's like to be a borrower as well as a lender. The documents we ask our customers to sign are almost identical to those we sign with our banks. When a prospective customer asks, "Would you sign these documents?" we can answer, "Yes, in fact we have."

Most timeshare lenders have a clause in their documents that requires customers to reimburse them for expenses when they visit them to catch up or look at properties. We do that for due diligence expenses on new applications, but when we're visiting a long-time customer, we foot the bill for our expenses. We started out billing the client, like everyone else, but then got to thinking. How would we feel if one of our bankers took us to lunch and we left with a good feeling about the relationship, only to get a bill for the meal and their mileage reimbursements? Some of the good feelings might dissipate. So we stopped charging long-time clients for travel expenses for regular visits.

Our organizational structure also gives us an advantage. We're not a regulated institution that is bound by inflexible rules that don't make sense in some situations. We don't have committees or a lot of policies and procedures. We can decide what works best for a certain situation, and while we have standards and guidelines, they're flexible. When someone asks why we do something, we should be able to explain why, rather than saying, "That's our policy."

We try to add value where possible, either by passing along knowledge we've gained over the decades or by connecting our customers with those who have unique knowledge. For example, some of our developers have transitioned to electronic consumer documents and others are considering a switch. Several years ago, we realized that electronic documents were coming, and we (and our counsel) learned how that would affect financing documentation. When we receive an inquiry regarding a potential shift, we can provide our customer with an understanding of the required documentation and connect them with other developers who've had the experience and can share the challenges associated with the transition.

Don't ask us if we provide good service. Better to ask our customers, whose actions, or lack of action, speak louder than their words. Til death do us part!

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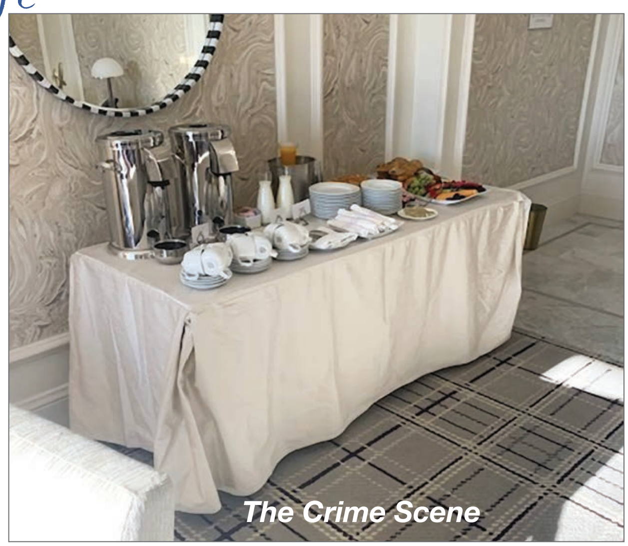
# Colonel Mustard in the Colebrook Hospitality Suite With a Butter Knife*

Colebrook had a fruitful ARDA Conference in Las Vegas in April 2024. We met with existing clients, prospective clients, service providers, and old friends. One meeting led to a signed loan proposal, and other discussions were productive and enjoyable.

Our home away from home for the three-day event was a hospitality suite at Bellagio Hotel and Casino. Las Vegas hotels know how to do hospitality. The food was plentiful, tasty, on time, and attractively displayed. Las Vegas hotels also know how to charge for hospitality. Where else can you get a $79 small fruit plate and a $19 cup of coffee?

On the final day of the conference, the cold cut platter arrived promptly for lunch, accompanied by a plentiful and varied assortment of condiments, which is where our story begins. Between meetings, with the generous remnants of the buffet lunch still laid out on the table along the wall, we were nibbling on the leftovers, checking messages, and preparing for the next meeting. As Melinda scurried past the edge of the table, too close to the edge as it turned out, she caught the handle of a butter knife resting in a bowl of mustard. The impact caused the knife to spin clockwise and launch a dollop of mustard roughly the size of a deflated basketball in a majestic arc toward the gray patterned carpet. By the time Melinda and the rest of us noticed what was happening, it was too late. We watched, transfixed and helpless, as the yellow sphere hurtled through the air, landed with a thud, and spattered in all directions.


***The Crime Scene***

Coincidentally, the maid happened to be cleaning the suite at the time the incident occurred. She quickly analyzed the situation and realized she needed to summon help. The Bellagio excels in emergency response, and a maintenance worker appeared in a flash, hauling the heavy equipment needed to return the carpet to its original condition. He was efficient and witty, a source of comic relief in a tense situation. When our next guests arrived, they walked over the crime scene oblivious to what had occurred just minutes earlier. What lands on the carpet in Vegas doesn't stay on the carpet in Vegas.

*If this headline doesn't mean anything to you, check out *https://en.wikipedia.org/wiki/Cluedo.*