"Show Me the Money:"
17 Ways to Find the Funds You Need to Survive

By Alan N. Schlaifer, PC
Exclusive to Resort Trades
//////////

////////////////////////////

As you no doubt realize, the quote in the title of this article, one of the most famous in film history, is from *Jerry Maguire*. Tom Cruise is an aspiring but desperate athlete's rep, and Cuba Gooding, Jr., is a football star who wants tangible financial results, not just empty words, from his rep.

Little did you know, however, when you viewed that popular movie when it was released in 1996, that the timeshare industry's double-digit growth would end abruptly more than a decade later. Nor could you have predicated that you would be uttering that line with such mixed results to previously reliable sources.

After all, timeshare experienced strong expansion for decades, going back to the 1970s. Born in challenging times for real estate, developers and marketers had created a seemingly invincible winning combination. Timeshare worked well for them, as well as allied companies, as it offered consumers great vacations for their families.

The irresistible products even had huge benefits for local communities, as timeshare owners, guests, and exchangers could be counted on to return,

---

[1] Alan N. Schlaifer, Principal in Law Offices of Alan N. Schlaifer, PC, is an attorney and writer based in the Washington, DC, area who has counseled clients varied resort, travel industry and business matters, including assisting some clients in capitalizing on the business opportunities they may have. He has had a monthly column in Resort Trades (www.resorttrades.com) for 16 years. Before entering private practice, he was a Senior Attorney at the Federal Trade Commission and Justice Department. (301-365-8999; anschlaifer@aol.com)

even in recessions and after tragedies, such as September 11. Virtually everyone was a winner, even in Las Vegas.

Revenue increases and the positive path upward were as reliable as similar patterns for, let's say, AIG, the American International Group.

Only that one-way street hit a dead end for AIG, as you know. With $150 billion relief funds from the Federal Government's TARP (Troubled Assets Relief Program), your friends in Washington have sunk much more into that troubled company than its current stock market value, or market cap (capitalization).

Banks, including many of the previously largest, such as Bank of America, Citigroup and Washington Mutual, in the U.S. and abroad have followed suit. Each of them and many others has required an infusion of many billions of dollars from the Feds.

Consider for a moment the old Citi slogan: "Citi never sleeps." While that initially referred to its global reach and presence, it is ironically anachronistic, given the bank's rapid contraction, with its market cap down by 93% in the past two years. Such performance would be an unfortunate, but perhaps overdue, reason for losing sleep.

Fannie Mae and Freddie Mac, previous stalwarts of the financial markets and stock market stars, crumbled under the weight of subprime and other loans in the falling real estate market.

In retrospect, former Republican Minority Leader Everett Dirksen may have been an optimist when he said, "A billion here, a billion there, and pretty soon it adds up to real money."

Wrong Way Growth

These days, most measures that rise consistently are negative ones: unemployment, layoffs, bankruptcies, foreclosures, corporate closings and the size of the stimulus program. With the total of federal relief now mounting into the hundreds of billions and even trillions, of dollars, so much money is going to relief that Washington, D.C., is not only your nation's capital in a governmental sense, but a financial one as well.

Battles are raging over the amounts, timing and uses of the funds. Politicians and pundits of all stripes are debating these issues, including whether there is sufficient short-term stimulus, the proper role of government spending, and the size and nature of any tax cuts. Similar discussions are occurring in nations around the world.

The media have been reporting some stories well, while distorting others. For example, most recent news about the 4th quarter GDP, or Gross Domestic Product, said it was down 3.9%. In fact, only a few reports noted that was the annualized rate, or about one percent for the quarter.

Resort Veterans' Views

Fortunately, the vacation ownership industry has creative, dynamic leaders who have survived many storms. We have comments below from several of them on the financial strategies and actions that are helping others and may work for you and your colleagues. Next month's report may deal with management, sales and other approaches.

Among them, the veterans quoted below have a total of more than a century of experience, and have been involved in over $5 billion in resort and other real estate sales and deals.

8 Tactics if You Think You Have To Sell

> "You got to know when to hold 'em, know when to fold 'em,
> Know when to walk away and know when to run.
> You never count your money when you're sittin' at the table.
> There'll be time enough for countin' when the dealin's done."
> ---Kenny Rogers's hit song, "The Gambler"

That is an apt backdrop as we make the segué from Kenny the singer to Ken Miller, RRP, CIPS, AMS, the resort industry guru and CEO of Global Marketing Group, New York City (212 247 6060, www.gmgsolution.com).

Mr. Miller summarizes the current seemingly "perfect storm:" "Challenges. Confusion. Uncertainty. Stress. Denial. But opportunity abounds," according to him.

As Kenny Rogers sang, you have to know *when* to hold, fold, walk away or run. If you actually have to follow one of those paths, and that is not necessarily a given, Ken Miller tells you *how* to do so.

For over 30 years, he and his firm have been involved in over $3 billion in property sales, providing solutions for developers, especially in challenging times. They were among the first to use new methods to market property: condo conversion, timeshare, flexishare, international marketing and creative product enhancement, and will soon announce a wellness spa with a powerful lead-generating website to enhance projects value and drive business.

Mr. Miller says, “While our firm continues to explore innovative paths to market and sell, I am struck by the depth and width of the today’s financial situation. My experience is that during down markets and uncertainty, great fortunes are made not in spite of the confusion and uncertainty, but because of them.”

Historically, he says his firm has prospered, given innovative solutions, and clients understanding the need to go outside their box in times such as these. “The news is universally bad. At the same time, wise professionals, being healthy and optimistic, are thriving and excited about the opportunities.”

He cautions, “While I am not a Pollyanna and have been financially impacted, we are focusing on working with positive professionals who operate by understanding how to benefit in challenging times.”

But he notes that, given today’s challenges, if you have property for sale, you have one of two decisions you can make. The extremes are either to sell or not sell, “to fold ‘em, or hold ‘em.”

He advises, “Don’t sell. If you do not have to sell, don’t. Find ways to hold tight and wait out this temporary and uncertain period. Put a fair price on your property, and be patient until you are offered an acceptable price.”

If You Really Need to Sell

These are approaches he suggests you consider if you have to sell part or all of a significant project, piece of land, or other real estate or resort asset, or *think* you have to sell. These approaches may allow you to hold what you can and be in better shape when the market and economy rebound.

1. Aggressive marketing program

He says, “Obtain a true value of your property in today’s market. Retain a credible marketing company that has been successful in down markets – it’s no time for hoopla marketing. It’s money talk time.”

Prepare an SOS Plan, such as Miller’s firm uses:

- What is your Situation?
- What are your realistic Objectives?
- What is your Strategy to reach your objectives?

2. Auction your property, a potentially smart move in this market.

Do so domestically, internationally, or both. The key is to work with the best and most experienced team in tough times. It is wise to have an auction expert on your team who understands the process and can add marketing savvy domestically and internationally.

Your expert should be successful in the USA, Europe or other markets, and specialize in your type of property, such as a resort. He or she should enhance their auction sales process by innovative marketing and exposing the auction to their international and domestic database. You want to assure you have all you can working in your favor.

3. Market internationally

While the dollar has risen some 15 to 30 % against many currencies in recent months, it is still down compared to many currencies and to its past. About a decade ago, for example, the Euro had a value of about 85 to 90 cents. Now, even at about $1.25 to 1.30 or so as we go to press, and with the Euro is still down from its peak of about $1.60 last year, it is still up 40-50% against the dollar over the past decade.

Further, as Miller notes, “the world knows the historic value, safety and stability of the USA and the Caribbean.” The U.S., in particular, has again had a smooth political transition to new President Obama.

Thus, he says you should consider packaging your property for an international investor. The caveat Mr. Miller offers “is that this must be done wisely. Simply running a few ads in international journals, offering commissions to international brokers, hoping a listing on an Internet site gets picked up or attending an international expo may not be the answer.”

At a minimum, it is a combination of the above. Developers and financial institutions need a focused global marketing plan designed by an international marketing expert who then executes the plan effectively.

4. Broaden your project base

If you have unsold condo units, consider converting some units into timeshare, fractional or private residence club. "It's easier to sell a $15,000 timeshare week or a $100,000+ fractional than a $500,000++ condo."

5. Expand your project's appeal

Real estate and resort development marketing must be broadened to be more like hotel/hospitality with this kicker: you own your place. "Pride of ownership is alive and well. Developers should take ideas from successful hospitality marketing programs."

This tracks the "VacationBetter.org" campaign that ARDA has crafted, and that we described in last month's issue (see resortrades.com)

6. Build Green and Healthy

You've heard it before, and you will hear it many times, even in the current economy, Mr. Miller says, "Think green and healthy. This will expand your market share; build loyalty and increase your sales and profit.

SIDEBAR-Start///////////

Finding the Gold in Green

The economics still have to work. With cash and credit much tighter than before, your green investment in your project and operations need to make economic sense. We have written several articles about this topic in *Resort Trades* in recent years: two pieces about "Green: The New Red, White and Blue" in the fall of 2007, and other comments since then.

Basically, you might consider doing an ROI, or Return-on-Investment, analysis. Elements include factors such as these:

- **Your outlay/expense/investment side**:

    - Total outlays
    - Timing of those outlays
    - Ease of implementation, and costs of training staff
    - Need for newer equipment
    - Financing available
    - Tax credits
- **Your returns**
    - Operational savings you can realize over time (such as higher gas mileage from hybrids, or reduced power usage from compact fluorescent bulbs)
    - Revenues, such as from owners or guests who are more likely to choose your project or purchase (for example, guests with allergies who will be more likely to choose your project, or even cleaner air rooms)
    - Reduced staff turnover
    - Great productivity: reduced “presenteeism,” where employees are a project or onsite, but not productive; lower use of sick leave; higher morale; more energy
    - Higher referral rates from owners, as well as added purchases

END SIDEBAR///////////////////

7. Be charitable

“All charities and nonprofits are hurting,” Ken Miller says,
“Do humanity and yourself a favor by donating a portion of your sales to a charity that helps families now. It will do good, while helping you do well.”

It may even help you and your employees get out of your doldrums and self-pity. This process can build employee and consumer engagement. Seeing others who face greater hurdles can help you realize that, even with your challenges, you are still more fortunate than others.

8. Get your project healthy by marketing health

Mr. Miller says he sees “an outstanding opportunity in a business that creates value and sales for developers and helps families attain better health.”

After years of research, his team of advisors, consisting of professionals in resort and real estate development, spa development, health and wellness, created “Wellness Place.” You can, or will be able soon, to visit it at a resort, a hotel or at home via the Web. It provides families with convenient and pleasant places to achieve better health. Wellness Place will, he says, “be the wellness brand that delivers health and well-being for families that visit our locations.”

Pioneer’s Perspective

Besides Ken Miller, we were privileged to speak to other industry veterans who have weathered many of our nation’s and industry’s storms. Each gave insight that may help you.

First, Keith Trowbridge was one of the earliest pioneers in timeshare, still strong after three decades. While his focus is now on executive search at Executive Quest, Ft. Myers, Florida (239-454-1100; keith@execq.com; execq.com), Keith’s understanding of the industry is among the best.

He says, “I see a light at the end of the tunnel as I read about bank presidents starting to buy their own stock and the government putting our tax dollars into fixing our monetary crisis. This is also the root of the problems in the vacation ownership industry.”

Mr. Trowbridge continues, “The financial crisis that our industry faces began in the credit market and eventually will end in the same place. Our business is a negative cash flow one, so if you cannot fund your paper, ‘the more you sell the behinder you get.’”

He adds, “A big factor in the vacation ownership business is securitization of our paper created in the sale of unit weeks. Three decades ago, when I first entered the business, banks or finance companies provided three out of four credit dollars.”

Today, he notes, “Securitization has dropped the banks to loaning only one dollar in three. Unless developers can securitize, credit for our business will remain tight, even if banks resume lending.”

9 Financial Options

Ward Financial Company’s partners, Bill Ward, Jr., and Tom Ward, have a similar view of the nature of the industry’s challenges. They also have nine approaches you may be able to use if you are a developer seeking to survive the downturn.

Their views are highly credible because Ward Financial Company has been securing financing for its resort developer clients for more than 28 years. Established in 1980 by Bill Ward, Sr., it is now led by his sons, Bill Ward, Jr., and Tom Ward. As specialists in debt and equity for the vacation ownership industry, Ward Financial Company has obtained more than $2 billion dollars of funding for over 200 specialty resorts, including fractionals, timeshare, private resident clubs, hotel conversions, and mixed-use developments. (Contact: Wardfinancial.com; (412) 563-6944)

Overview: Backdrop of the Crunch

The timeshare industry is currently facing its biggest challenge in its history. Since September, when Lehman Brothers went into bankruptcy and the credit markets suffered a devastating collapse, credit available for timeshare developers suddenly became scarce.

Over the last 20 years, the merits of timeshare finance caught the attention of major financial institutions. Timeshare developers successfully used the note securitization market for issuance of large volumes of timeshare notes receivable.

Because of the current state of the securitization market, the timeshare industry has lost a major source of liquidity. Equally importantly, however, the industry has recently lost its most active bank and credit company lenders.

Core Idea

All of these lenders enjoyed successful timeshare lending operations. In every instance, the lender's decision to withdraw from timeshare lending pertained to circumstances completely unrelated to timeshare receivable lending activity.

A few lenders are still active. They are picking up the slack that has been created by the sudden pullout of other lenders.

But these new lenders also have their own limits on how much they can increase the total loan commitments they can issue before they have to raise more capital. These days, it is very challenging for banks to raise capital, as is evident by how many banks took the TARP money from the

Treasury. In addition, the remaining active lenders are becoming more selective as to borrowers they approve.

Nine Detours Around the Roadblocks

1. Use Other Ample Sources

One of the biggest concerns by lenders today that did not exist before is that they are looking carefully at the amount of existing capital and financing commitments to support the developer's sales targets. The lender wants to see adequate financing commitments from other sources besides the financing they are going to provide.

2. Find New Sources

Ward Financial has been actively working with developers to secure additional financing commitments. In some cases, a developer may have reached the limit of its current hypothecation commitment, and we have been able to arrange for a new source to refinance a portion of their exiting loan to free up availability with their lender. We do our best to get the most competitive terms. But, in this environment with the lack of financing, terms have become more expensive.

3. Consider a Partial Portfolio Sale

In some cases, new financing may involve selling off a portion of the existing portfolio in order to create the availability (described above) with the current lender. Most developers prefer not to do this, as they forfeit future interest income. Yet, in today's challenging marketplace, it may be the only alternative.

4. Look at Local Banks

Another avenue we have pursued has been working with the developer's local banks that have provided a construction loan on a new project. If sales have stalled as a result of the developer being unable to obtain end loans, we have been working with the local bank to help it provide end loan financing; this essentially trades construction debt for receivable debt.

Most banks prefer not to have idle construction loans on their books, because they usually burn through the interest reserve. Without sales, the loan goes into default. In these cases, Ward Financial's role has been to educate the lender on how receivable financing works and provide it with the necessary lending model to help it implement end loan financing.

5. Be Prepared for More Stringent Credit Underwriting
Going forward, receivable lenders will require more scrutiny on credit underwriting of timeshare buyers. Previously, developers enjoyed minimal requirements. Some lenders had no credit score requirements. Instead, lenders relied on the developer's guarantee to replace defaults with new financed sales.

6. Make Stronger Collection Efforts
It will be extremely important for developers to step up collections and do the best they can to maintain good performance on their existing portfolios during this period. If a lender is going to enter into a new relationship, it wants to know the developer can display good performance with its receivables.

7. Comply with Higher Standards of New Lenders
In addition, if a developer wants to attract a new lender to timeshare receivable financing, the new lender may have a higher standard of performance than what prior lenders required. This will be especially true for a while, as the logical source of new financing will come from banking institutions, not credit companies that have in the past accepted more risk than traditional banks.

Credit companies can no longer rely on commercial paper as their main source of funds. This means that for the immediate future, credit companies will not be a competitive source of lending.

8. Be Prepared for Federal Aid
Thanks to the assistance of ARDA, detailed in the January *Resort Trades* (resorttrades.com), future timeshare lending may get a much-needed boost. This could occur if securitization is included in the Term Asset Backed Securities Loan Facility or TARP created by the Federal Reserve for supporting the issuance of asset-backed securities collateralized by student loans, auto loans, credit card loans, and loans guaranteed by the Small Business Administration (SBA).

If this happens, it would ease pressure on existing lenders and allow developers to move some of their portfolios to this secondary market. In addition, this process would offer evidence to new lenders that this financing is viable and credible to be included in the TARP program.

9. Find New Major Lenders
Looking ahead, we are hopeful that some new major financial institutions will see the merits in timeshare lending and become players in the industry. So far, prior lenders have had no major problems with their timeshare receivable portfolios. The financing void exists is due to issues unrelated to this type of financing.

This is a positive story we have been telling potential lenders. We are optimistic that we can persuade some of them to take advantage of this extraordinary opportunity.

Conclusion
Merrill Lynch used to say it was "bullish on America." Given the issues they have been facing, we are not sure if that is still their position.

At Ward Financial, we have been "bullish on timeshare and vacation ownership" for nearly three decades, and that remains our commitment.

# # #

"