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Vacation club adds a bonus

Fort Collins company to issue dividends on realty holdings

By Jason Blevins
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A luxury vacation club company in Fort Collins says it has come up with a way to attract new members that goes beyond serving up sandy beaches and mountain vistas.

It's going to start doling out a dividend on its newest club's real estate holdings.



Richard Keith founded Private Escapes LLC.

Founder Richard Keith of Private Escapes LLC says dividends are the "nagging missing link" that will further separate vacation clubs from fractional and time-share ownership. Vacation clubs typically offer more choice and availability than time shares. But unlike time shares, they don't represent actual ownership.

"What we're doing is the best of both worlds," he said of his company's new dividend program, which began last week. "This marries investments with vacation club ownership."

Colorado is one of the centers of the nascent vacation club industry, which offer multimillion-dollar mansions, yachts and even shared ownership of jets. At least three such companies — Exclusive Resorts LLC, the Portofino Club LLC and Keith's Private Escapes — are based in the state.

Such clubs eschew the traditional time-share model by allowing members to travel almost any time they wish as opposed to predetermined weeks of visitation. Most clubs have five to six members for every property, allowing easy availability.

Another local company, Denver's Alpine Quarters, has combined second-home



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La Buscadora, above, an 85-foot yacht in the British Virgin Islands, is offered to members of Fort Collins-based Private Escapes vacation club.

ownership with fractionals by selling quarter-shares of select mountain homes.

At least one industry observer suspects Private Escapes' move may spark a trend. But one of Keith's competitors says he's skeptical.

Tom Goetschius, who owns a Florida consulting firm that helps train sales and marketing teams in the vacation ownership industry, said the company's model will be embraced by others.

"You will see clones as it becomes more and more successful," he said.

Under the plan, the company will have the homes in its new Private Escapes Platinum appraised each year. It then will

Defining vacations

Time share: Also known as vacation ownership, time shares traditionally offer buyers one week a year of deeded ownership in the same unit.

Fractional: Fractional ownership tends to be more exclusive than time-share ownership and typically provides more than two weeks of deeded ownership.

Destination club: More like a country club, with members paying hefty dues for limited access to a collection of luxury homes, yachts and, occasionally, jets. Destination clubs do not offer ownership, only membership.

distribute 18 percent of the real estate's appreciation to members.

Keith expects the portfolio to appreciate 8 percent to 12 percent a year. In a few years, using a 10 percent appreciation rate, that could amount to more than \$3,000 per year in dividends paid back to individual members, he said.

Members can receive the cash or they can use the dividends to offset dues, which run \$9,500 a year, or fees, which are \$125 a night.

Keith honed his vacation-ownership skills as a member-turned-executive at the pioneering Southport, Conn.-based Private Retreats, the first to offer fractional ownership of multiple luxury resort homes to small groups of members in 1998.

Today, Private Retreats has been absorbed by luxury vacation giant Abercrombie & Kent, and founder Rob McGrath has two clubs with 650 members enjoying more than 200 properties. Several other clubs, like Keith's Private Escapes, have followed the Private Retreats model.

Keith learned from McGrath and launched his own vacation club. But instead of the membership fee of \$250,000 to \$475,000 to own a sliver of several spacious castles, Keith pared the cost to as little as \$75,000 for a collection of cozy homes and condos

within a few blocks of those castles.

The Destination Club by Private Escapes, which Keith founded with partners Kären Siwek and Ed Powers, has thrived since launching eight months ago. Last week Keith and his crew launched Private Escapes Platinum, which ups the membership cost to \$180,000 and the club's homes to million-dollar mansions.

"They still are all copycats, said McGrath, who suspects Keith could run afoul of federal regulations as he promises returns on investment. "I hope Richard finds a small niche in the market, but it is very, very tough. There are security issues. Maybe he has found a way around those issues. If so, there are opportunities with the idea he is presenting."

Keith said he has studied potential securities issues and believes he is steering clear of any federal regulatory problems by eliminating any downside that would come with actual ownership of the properties. He's just providing access, not ownership, he said.



A new version of the club gives members access to resort homes like this beach house on Kiawah Island, S.C. Members of that club will share, via dividends, in any appreciation of the club's real estate portfolio. The properties will be appraised annually.

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