



▶ THE 2006 ANNUAL MEMBERSHIP MEETING MINUTES .... 1



▶ THE LAST OF THE SIX NEW HOT TUBS IS IN ITS NEW HOME. THE NEXT TUBS WILL BE SMALLER THAN THE LAST NEW TUBS DUE TO THE VERY SPECIAL PRICING ON THESE TUBS.....8



▶ SEVERAL NEW VINYL INSULATED SLIDING DOORS HAVE BEEN REPLACED THIS YEAR, AND MORE ON THE LIST FOR NEXT YEAR ..... 8

# Apple Valley Resort



# the CORE

Owned by the membership of 'Apple Valley Resort®'  
'Apple Valley Resort Unit Owners Association, Inc.®'

## 2006 Annual Membership Meeting

### Inside:

- 2006 annual meeting report
- Unit Inventory
- Letter from RCI
- ARDA Industry Study
- 2007 Tentative Fee of \$498.65

#### Board of Directors:

**Russ Brown, President**  
7700 Road 58  
Galion, OH 44833

**John Seiling, Vice President**  
1696 Woodbluff Drive  
Powell, OH 43065-9296

**David Landrum, Secretary**  
P.O. Box 615  
Goodrich, Texas 77335

**Jon Logan, treasurer**  
1163 Nazor Rd.  
Galion, OH 44833

**Marva Moore, Parliamentarian**  
P.O. Box 466  
Lumberton, NC 28359

**Management**  
Universal Services Corporation  
P.O. Box 3868  
Crossville, TN 38557  
Email: usc1@citlink.net

The 2006 Annual Membership meeting was held at the Apple Valley Golf Course Pro Shop Conference Room on May 7th, 2006. The welcome announcements were given by Director Marva Moore. Director Jon Logan gave the Invocation. President Russ Brown led the Pledge of Allegiance and at 2:00 PM, called the meeting to order with the Quorum Call. Director John Seiling reported 125 proxies had been received and 29 units were represented by 48 in attendance for a total of 154 units represented, therefore a Quorum was declared.

The Minutes of the 2005 annual meeting were read by President Russ Brown, as Secretary David Landrum had a last minute conflict preventing his attendance. The minutes were approved with a motion by member Harry Whittaker, and seconded by member Eugene Shafer, with all in favor. The Treasurer's report to-date was given by Treasurer Jon Logan. Independent auditor Fred Houston, CPA, gave the 2005 Financial Audit Report.

The President called for the vote to fill the two seats on the board of directors, currently held by Directors David Landrum and Marva Moore, at the end of their current term. Being eligible, both directors ran for re-election to their current seat as held. There were no other candidates for consideration so the President appointed Election Inspectors from the floor to assist in the

counting of the votes and Proxies. The ballots were cast and collected for counting. After the call for the Vote, Association Manager Dave Burgess gave the Management Report. He began his report by introducing Matt Daugherty as the Comptroller for USC as well as the planner/facilitator for the building program. The Manager also introduced Sheila Strock and Valerie Lankford of USC's management team.

The Management report began with a comparison of each year's financial activity, as presented graphically. The Manager discussed the Operations Comparisons of prior years and the 2006 Projections, after which a discussion session prompted several comments from many owners. President Brown called for the vote results, **with 138 votes for David Landrum, 137 votes for Marva Moore, and 2 votes for a write-in** (Each unit could vote for 2).

A motion to adjourn was made by Ms. Trudy Wise, seconded by Mr. Moore, and all were in favor closing the meeting at 3:35 PM.

After the meeting ended, the board held a drawing for many very nice prizes. One drawing was for those in attendance, and another drawing was for those who sent in their Proxy only. The board then met briefly to elect new officers. All officers remained in their same seat for this year. The crowd then gathered at the resort office area & patio for refreshments with staff. 🍷

# 2006 Annual Meeting-Operations Reported for 2005

As you review the past five or more years for the various specific budget items represented here by graphical comparison, it is only natural to wonder how AVR fits in with the rest of the world of timeshare resorts. We know considerations must be made to get close to an Apples & Apples comparison, but where do we

start? We know we are not a Beachfront resort, or a Casino resort, or an Entertainment Attraction resort. If anything, we are somewhat partially divided between a Golf resort and an Urban/Lake/Historical-Cultural resort, which makes us part of four distinct classes of resort property, each unique in its scope of operations.

In addition, at AVR the operations financial picture is affected more significantly by 'in-year' adjustments of smaller line items than the larger resorts with larger memberships and therefore much larger budgets (but smaller maintenance fees as a result of their larger membership numbers).

(Continued on page #3.)



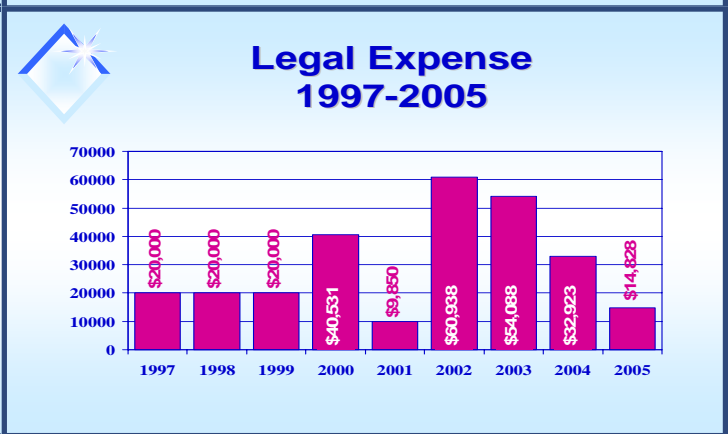
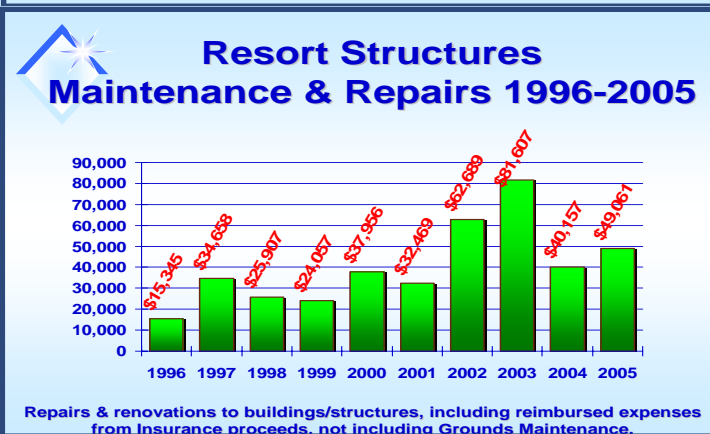
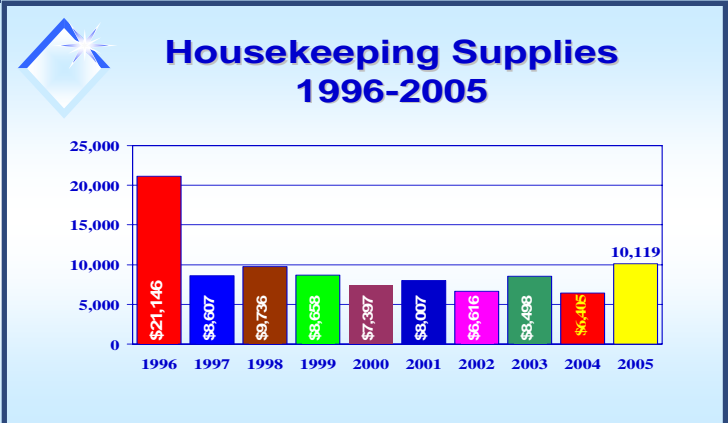
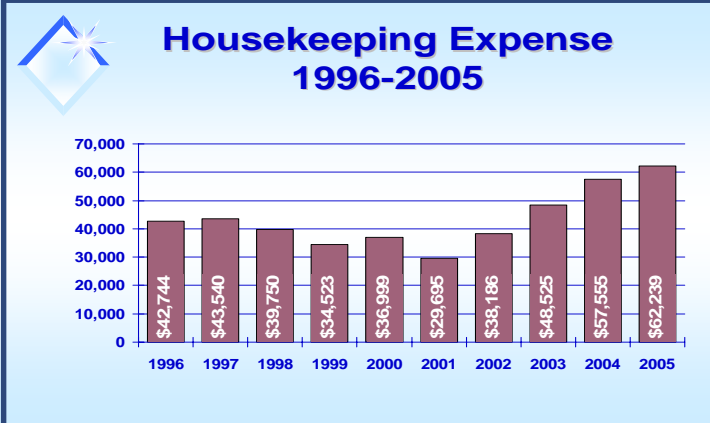
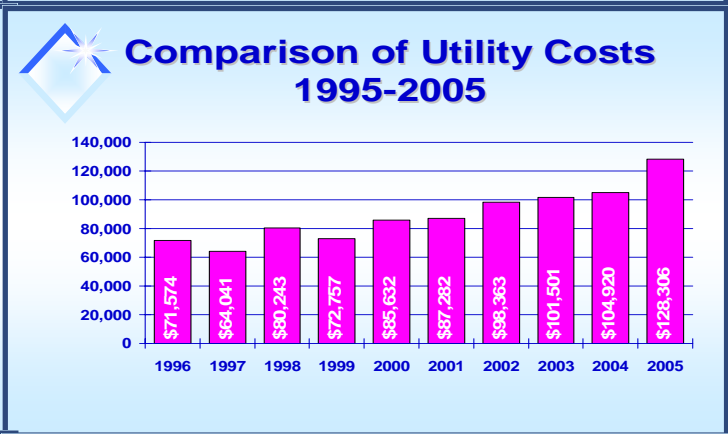
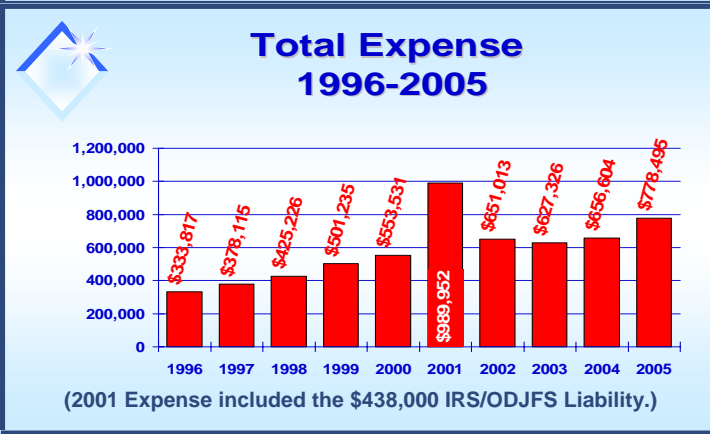
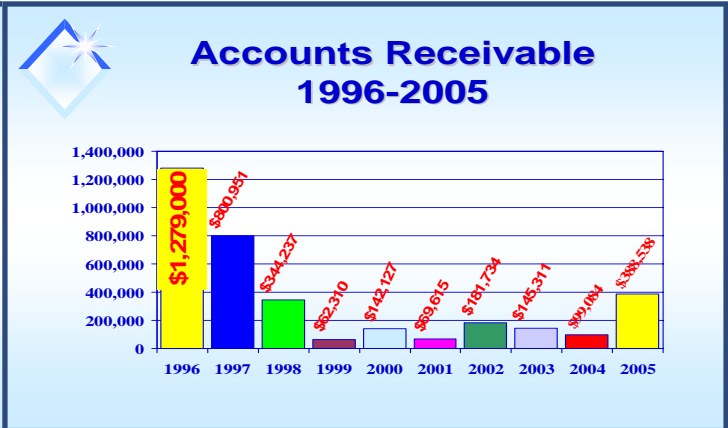
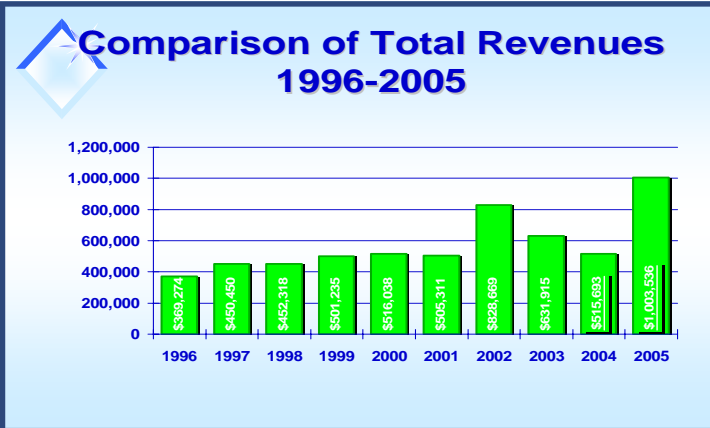
## AVR Unit Inventory Breakdown ↓

APPLE VALLEY RESORT UNIT INVENTORY AS OF 2005		#	Total
Total number of unit weeks 31 X 51			1,581
Active 2004 Accounts Billed			1133
Number of units abandoned due to Collection efforts or Assessment			143
Active 2005 Accounts continuing on Trial Balance			990
OF THE 990 ABOVE - Current Accounts owing more than \$50 as of today		127	
- Accounts in Payment Plan {REPRESENTS \$10,788 }		21	
- Un-collectable {REPRESENTS \$63,060.85} [to Foreclosure]			(32)
OF THE 990 UNITS ABOVE - SUPPORTING THE 2006 BUDGET =			958
Now Available for sale - Gold			32
Now Available for sale - Silver			220
Pending inventory from deed-back and Collections efforts			175
Deed-in-Lieu (Pending Avail.) - Gold			3
Deed-in-Lieu (Pending Avail.)- Silver			2
Write-Off Accounts (prior to '05) [for Foreclosure] {63=Gold, 91=Silver}			154
Bankruptcy-2004			4
Developer (AVFinancial) Units [to Quiet Title] {7=Gold, 20=Silver}			27
Dead Inventory (Legal Hold) [to Quiet Title] {All Silver}			6
Number of units Accounted for			1,581
Units Unaccounted For			0

Unit inventory is never static, as there is constant movement between the different classifications of inventory, depending upon the condition of the accounts represented by those units in inventory. These numbers are no longer the same today due to several sales as well as foreclosures which have occurred. Generally, however, this breakdown should satisfy those who have questioned the overall status of the inventory and its representative account activity.



Continued from Page 2... **2006 Annual Operations Report for 2005**



# A Letter from RCI

June 13, 2006

Dear RCI Affiliate:

At RCI, we are driven to find ways to better serve you, while maximizing the potential of your owners' vacation purchase. It's our number one commitment to you, and we are proud to continuously deliver the greatest choice and flexibility in global leisure travel.

RCI has listened to our RCI subscribing members, and have made great strides in responding to their needs. Based on member feedback, we have invested in a graphic and editorial redesign of **Endless Vacation®** magazine, and have delivered an electronic version which complements the printed product and provides outstanding content the way our members want to see it.

We have continued to invest in member services, launching the New Member Welcome and education process, as well as significantly reducing response times for subscribing member

inquiries. Additionally, we have expanded the hours for the check-in support line to 24/7 within North America, Latin America and the Caribbean. These are some of the investments that have resulted in on-going improvement in subscribing member satisfaction with RCI, as measured by our in-house FAME (Feedback from Automated Member Email) program.

Although we have implemented these improvements with no change in fees since September, 2004, each year operating costs continue to rise. Therefore, RCI is instituting a new fee structure for the RCI Weeks program effective September 10, 2006:

- Domestic Exchange Fees\* - \$164
- International Exchange Fees\* - \$199
- Exchange Cancellation Fee - \$119

*\*Special exchange fee rates may be offered periodically in conjunction with a promotion or unique program.*

In addition, our new renewal pricing structure will be:

- Subscription/Renewal Fees -
- 1-Year \$89 (no increase)
- 2-Year \$159
- 3-Year \$229
- 4-Year \$289
- 5-Year \$349
- 10- Year \$669 (no increase)

These rates will become effective on September 10, 2006, which is historically the time of year for price change implementation. Please use this communication as a 90-day advanced notification for your sales and or support organizations.

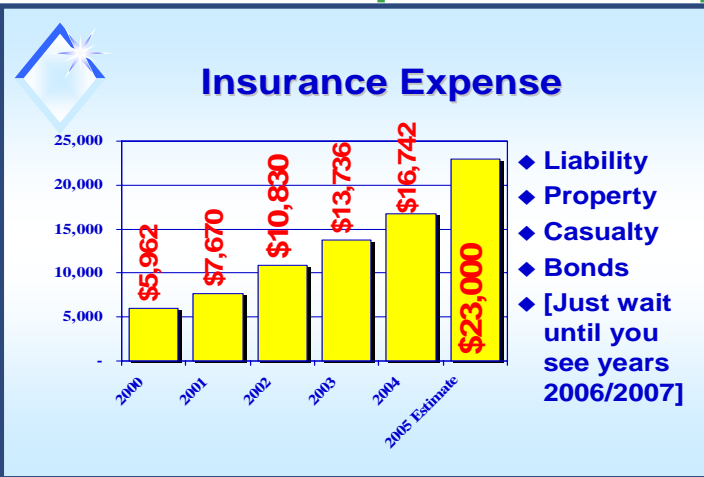
Please don't hesitate to contact your RCI Account Executive if you have any questions regarding the fee changes or any of our efforts to provide the best in products and services to you and your owners. Thank you for your valued relationship and continued support.

Regards,  
**Patrick Connolly**

Senior Vice President,  
Global Business Group North America



## 2006 Annual Operations Report for 2005 ...Continued from Page 3...



### 2005 In Review

- ◆ Growth Planning
- ◆ Roof repairs & Improvements
- ◆ Six New Spas
- ◆ New Roofs
- ◆ New sliding doors & windows
- ◆ Growth Planning

### Points to Remember

- Maintenance fees reported as revenue for the year are made up of fees collected for the period, plus the delinquent fees also collected, but for prior periods.
- The weeks in inventory will not become static until all are sold. Weeks are being sold regularly. At the same time, weeks are being returned to inventory as a result of Foreclosure, Deed-in-Lieu of Foreclosure, etc. This

number should decline until a 'sold-out' status exists.

- Bonus Time is nice for owners & creates rental revenue to the association. As inventory is sold, fees representing the new 'active' accounts support the budget which is of greater benefit than the rental revenue from Bonus Time. Units sold = less Bonus Time, & less rental revenue, but that's OK because of the total increased Income.



# Timeshare, What Is It; Who's Buying It; & WHY?

Each year for several years ARDA, and/or RCI, has provided an important report of data related to the timeshare industry as a result of a study done annually to keep track of the changing trends of the industry. The studies help us all to estimate critical industry metrics which helps to educate the public in general about the impor-

tant role in the vacation market which timeshare plays as a 'product'.

The first chart shown below is of 2002 data showing the comparison between the USA and those same numbers world wide. If we compare those numbers to the USA numbers from 2004, ***the trend reflects growth in the industry.*** The 2004 US sales

volume was \$7.87 Billion, with **1,668 resorts** located in **47** states. The average size of a timeshare resort in 2004 is now almost twelve units larger, with 94.4 units, with the average price of the 2004 week/points equivalent is \$15,789. There are 3.9 million U.S. households owning timeshare in 2004, with 5.8 million U.S. timeshare weeks owned.

The last timeshare study done was this year, for information accumulated in 2005. This info is referred to as coming from "Today's Owners", when actually it is almost one year old info from a year-older demographic. The timeshare industry closed another \$8.6 billion in new timeshare sales in 2005, with almost 530,000 new weekly intervals sold. There are now 4.1 million timeshare owners in the U.S. In 2005 there were more than 22,400 timeshare units built, and 23,500 more were expected to be built in 2006 ( and even more committed for 2007).

Worldwide vs. U.S. Timeshare industry Comparison (2002)		
	Worldwide	U.S.
Resorts	5,425	1,590
Resort locations	95 countries	
Sales volume	\$9.4 billion	\$5.5 billion
Average price of a timeshare week	\$10,600	\$14,500
Average weekly maintenance fee	\$325	\$385
Consumers owning timeshare	6.7 million	3.0 million
Owner residence is in a total of	270 countries	
Timeshare weeks owned	10.7 million	4.9 million
Average size timeshare resort	60 units	83 units

## But...If WE Build It, Will They Come

States With Most Timeshare Resorts in 2004		
State	Resorts	% of Total
Florida	376	22.7%
South Carolina	130	7.8%
California	126	7.5%
Hawaii	91	5.5%
Colorado	90	5.4%
Resort Occupancy in 2004		
	% of Total	
Owner/guest	32.9%	
Exchange guest	33.4%	
Renter	12.3%	
Marketing guest	6.0%	
Average annual occupancy	85.6%	
Average Maintenance Fees (2004)		
Studio	\$242	
One Bedroom	\$376	
<b>TWO BEDROOM</b>	<b>\$505</b>	
Three Bedroom	\$670	
Total weighted average weekly Fee	\$479	

**Who Are Today's Owners?\*** The Median age of head of household in 2006 appears to be age **53**, and **84%** are married, with **95%** owning their home. The median household income of timeshare buyers today is about **\$85,000**. **46%** of today's buyers have attended college while **30%** hold a graduate or professional degree of some sort.

### **Why Do These Consumers Buy Timeshare?\***

Flexibility (location, unit size & season), the opportunity to exchange into other resort locations with a Certainty of quality accommodations, and a Credibility of the timeshare company selling the product.

**What IS the Satisfaction Rates Among U.S. Timeshare Owners Today?\*** Nearly **85%** indicate satisfaction with their purchase, while all owners own the equivalent of **1.8 weeks**.

**What is the Public's Perception of the Product?\*** Among the U.S. public who have never owned timeshare: 87% have heard of the concept while 68% have a positive or neutral opinion of the concept.

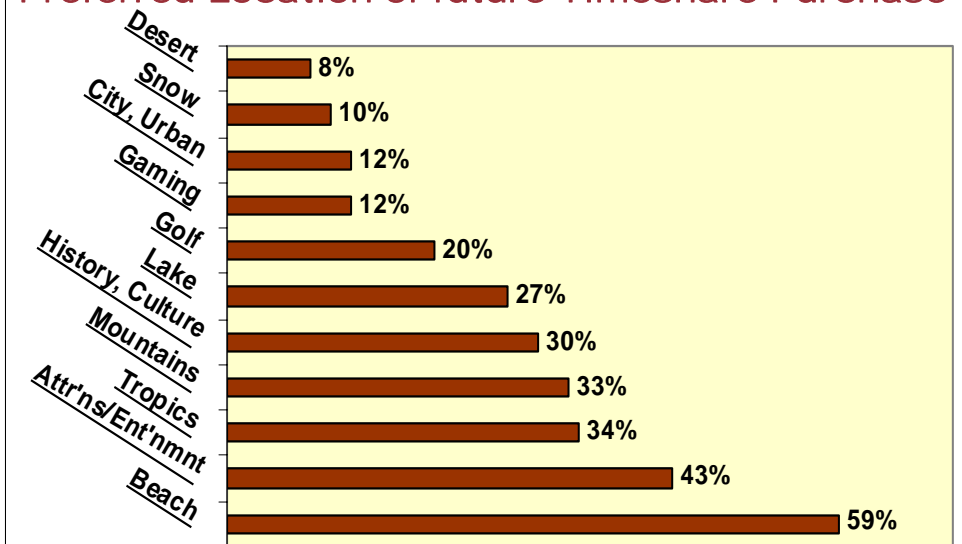
**What is the Resort's Occupancy rate by comparison?\*** U.S. timeshare resorts averaged nearly 82 percent in 2005- compared to a 67 percent occupancy rate for U.S. Hotels during the same period. Owners, their guests, and exchange guests accounted for over 69% of resort units occupied. Renters (10 percent) and marketing guests (3%) account for the remainder of units.

## If We Build It, Will They Come?

If we build it, will they come? The same with any real estate activity that drives 'Value', it is common knowledge that **location, location, location** is crucial to **any** real estate development, especially Resort or Hospitality development.

The latest AIF research reveals that in the next three years, 15% of experienced timeshare owners surveyed (those that purchased timeshare before 2005) would like to purchase more timeshare with their existing company. Another 16% would be interested in purchasing more time, but with a different company. When asked where the existing owners preferred to buy their next timeshare, perennial favorites ranked high, i.e. beaches; & attractions/entertainment. Based upon the responses, the chart here identified as "Preferred Location of Future Timeshare Purchase" details 11 types of resort locations and the proportion of experienced owners who selected them as their preferred future timeshare purchase location. Since this is

Preferred Location of future Timeshare Purchase



generic feedback with no relationship to properties, regions or attractions, etc. it is a minor ingredient in the mix of what drives people in their decision to buy a unit in a specific location.

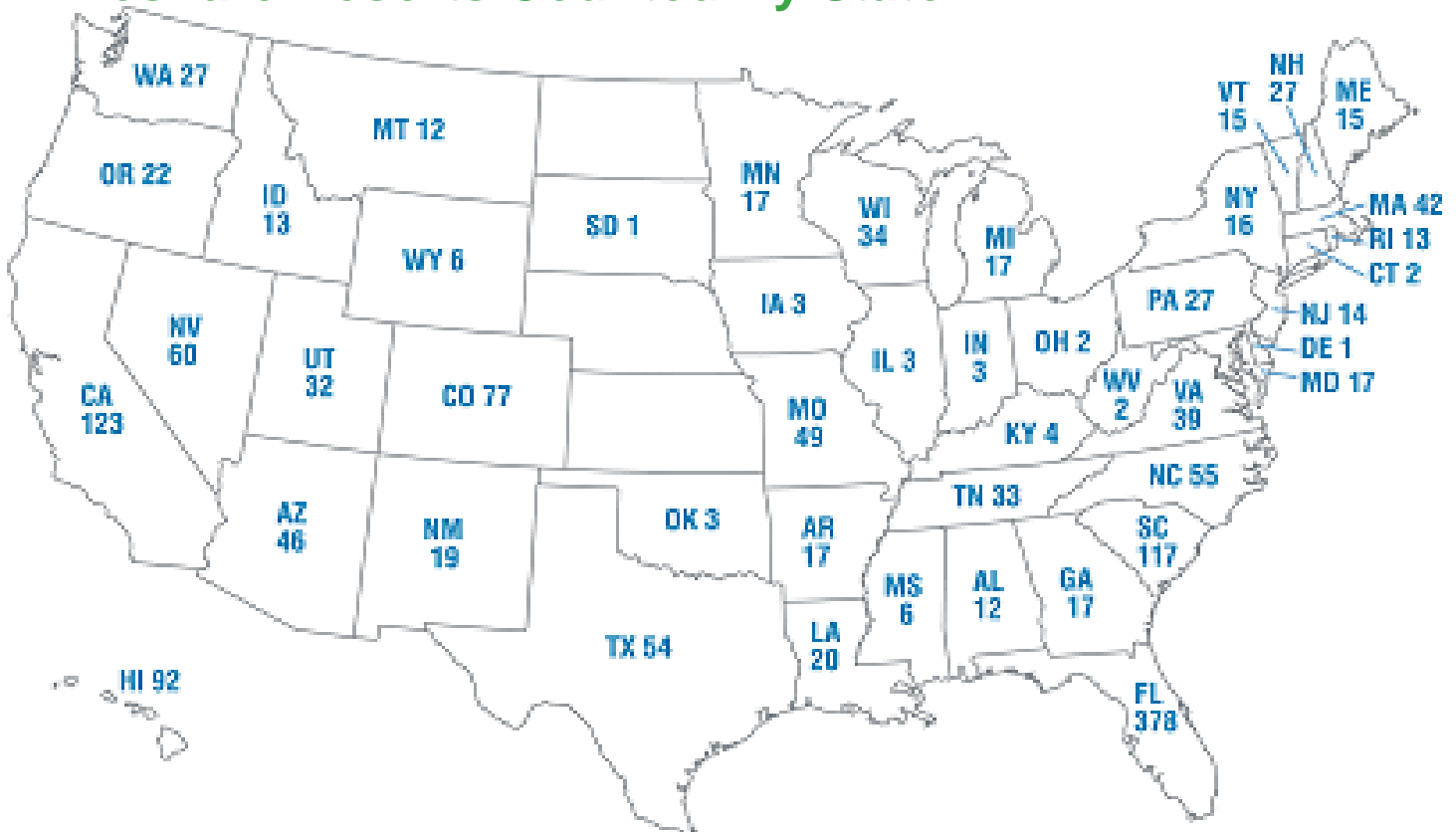
The USA map below indicates how many resorts are located in each state. In Ohio, there are two, one is AVR, affiliated with RCI, and

the other is an Interval International affiliated resort at Erie Islands.

I understand its developer was also in trouble, even deeper than AVR had once been as well. Eventually, the bank sold it at auction, I'm told, and today it is owned by a new developer.

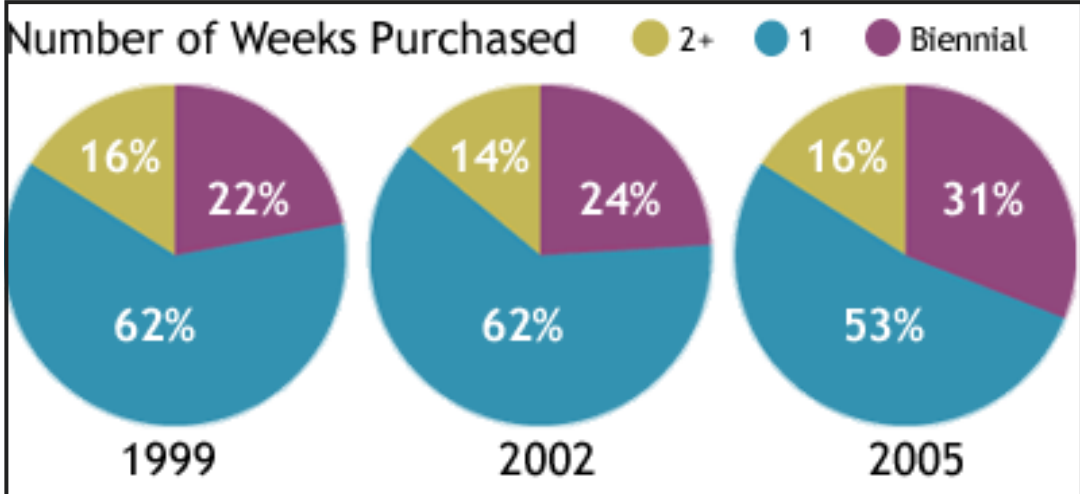


## Timeshare Resorts Counted By State



Source: *State of the Vacation Timeshare Industry: United States Study, 2006 Edition*, AIF. Research conducted by Ernst & Young, based on a survey of 1,604 resorts with 596 resorts responding (37% response rate).

# Consumers Are Buying!



Timeshare products are diversified, and consumers are buying! According to the study "Resort Timeshare Consumers: Who They Are, Why They Buy", a trend among recent buyers of timeshare shows that the proportion of biennials (every other year) purchased has slowly grown from just under 22% in 1999 to almost 31% in 2005. Compared to recent buyers who purchased one or two-week annual intervals, those indicating they had purchased a biennial were more likely to have children living at home (44%), yet also more likely to be **unmarried** (76%). Biennial owners were also the **youngest** among the different product types, (49 years), with the **lowest** annual household income of **\$70,000.**

{Shots from the 2006 Annual Meeting, and afterward at the resort for refreshments.}



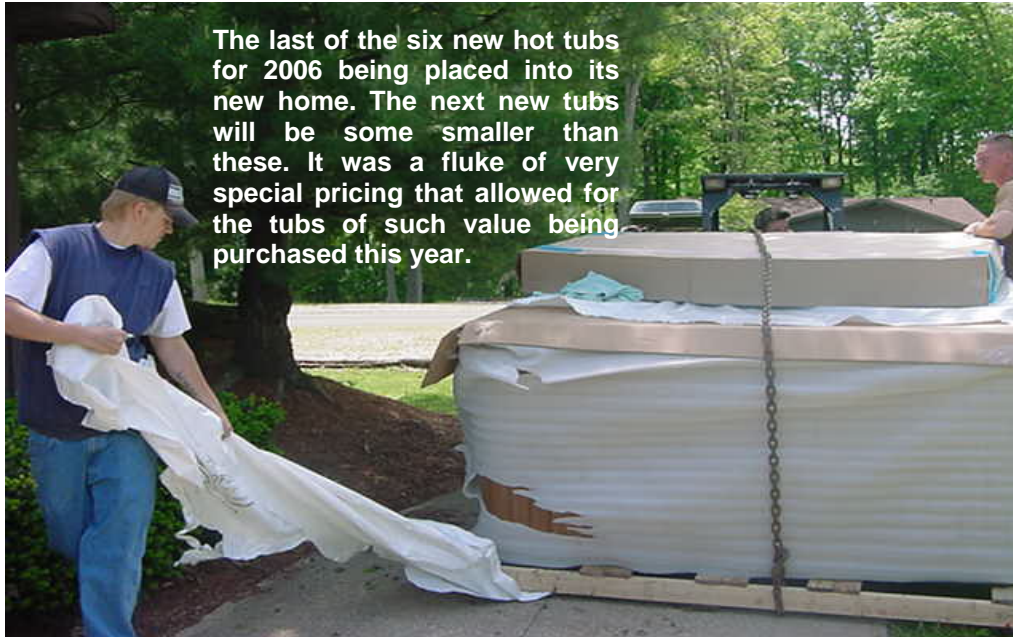
## And in General,...

It only takes one fire to make sure staff receives proper and more frequent training in the use of fire extinguishers and other fire control methods. Here, a gasoline fire is brought under control. The idea is to let staff deal with actual fire situations so they will better understand what to do and what not to do when any fire occurs.



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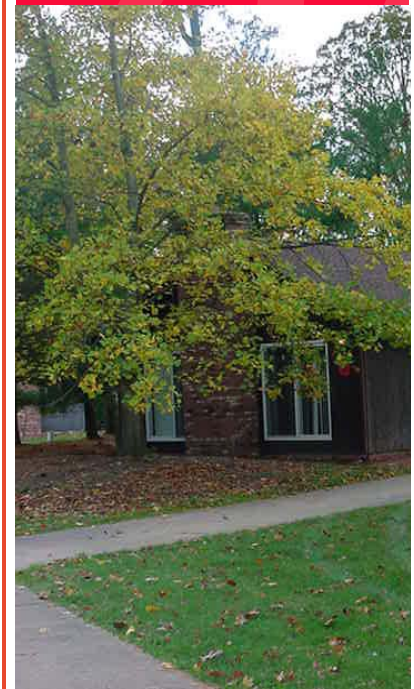
# the CORE



The last of the six new hot tubs for 2006 being placed into its new home. The next new tubs will be some smaller than these. It was a fluke of very special pricing that allowed for the tubs of such value being purchased this year.



What you are seeing in these two shots of the buildings are 1.) cleared overgrown shrubbery removed to allow for plentiful air circulation, and 2.) new maintenance-free sliding glass insulated doors installed in both buildings.



## Tentative Maintenance Fees for 2007

The first Battle of the Bulging Budget has revealed several things for 2007. Much of this will be discussed in the next issue after the 2007 budget becomes its final working guidepost for the new year. Meanwhile, both a tentative budget and a tentative 2007 Maintenance Fee had to be established so the billing could occur. After the board applies their final stamp of approval on the 2007 budget, it becomes a 'working' budget and its supporting fee structure becomes an established 'set' fee. Therefore, the fee for next year appears to land at \$498.65. We do not know what the tax will be as yet, but it is expected to be close to what it was last year.

The fee increased by 8% for 2007. Thankfully, the economic attitude we live within began to adjust teasingly as 2006 bore-on and some utilities have begun to moderate by small bites at a time, and other factors have allowed for various expense areas to smooth-out enough for us to get a 'feel' for the remainder of this year (4th Qtr) allowing us to predict reli-

bly enough for 2007 to feel comfortable.

One forecast we can easily predict is a reduction in a few particular operating expenses, and a new approach to unit sales activity.

Rentals have always been good, but after review of the studies now available to us, they can be much better. Eighty percent of all US resorts offered rentals last year, and their published daily rental rate (rack rate) reported for high season was \$263. (That's the rate they tell the world they charge for their rooms.) However, their high season average daily rate was actually reported at \$188. (That's what they actually get for the room rental rate per night after the various promotions, discount programs, and other incentives to get the renters through their doors have been deducted.) The next newsletter will go out probably in December, after the budget has been approved by the board, and any unlikely adjustment to the fee will be billed or credited when the property tax bill hits. The tax bill could be sent in December, 2006 or January, 2007.

