NOTICE

Apple Valley Resort closed its doors May 27th, 2016, after 30-years of wonderful memories for thousands of families.

Apple Valley Resort was developed in 1985, when the first timeshare deed was sold for the first condominium interval as a fee-simple, deeded ownership of floating-time interval vacation weeks. The resort became association managed (now known as a 'legacy' timeshare resort in the industry) in 1989, as a component of the larger development named 'Apple Valley'. Unfortunately, the developer-replaced management was inexperienced and unqualified, and the developer-appointed directors soon abandoned their responsibility. In 1996, an assessment was imposed by management to attempt to resolve accumulated unpaid taxes to the IRS. Several members rallied and set an emergency meeting of the membership. The organizers of this meeting contacted Universal Services Corporation by referral, asking for professional consultation regarding their issues at this meeting. During this meeting, these members successfully created an election for new members to the Board of Directors. The directors held an organizational meeting after the emergency meeting and determined to retain USC under an Emergency Management Agreement, to investigate the affairs of the association, its accounts, and organize operations.

USC's investigation discovered association delinquencies with many other entities and taxing authorities, such as the State of Ohio, Knox County, SSI, etc., which had not before been revealed to the membership. USC secured counsel for the association for routine issues, and the new Board determined to engage USC with a full-term management contract. USC then retained additional counsel for the Reorganization (Chapter 11) of the association's affairs, and provided financing for continued, safe operations.

The new Board of Directors believed in the Association's opportunity to survive as intended, as well as its opportunity to compete in the vacation oriented leisure-travel industry. As a result, within about 48 months, the non-profit association of resort members became the developer and owner of Apple Valley Resort when the Association purchased the property from the former developer as part of the reorganization process in 1999.

By the new millennium, the major players in the timeshare industry initiated an evolution toward a more modern concept which would provide increased flexibility as demanded by the Gen-X and Millennial generations. As a result, timeshare 'Points' became the new product of demand and eventually this product was sold by developers around the world, especially in the destination venues of demand by the current purchasers of the product. Although this new business model is very successful in high-activity venues demanded by the Gen-X and Millennial purchasers, its lack of compatibility with the earlier timeshare product of legacy resort properties caused serious obsolescence for the earlier product in any market, especially for the more rural resorts with limited inventory, membership, and opportunities to adapt. Hence, the earlier product and many legacy resort properties follow the path of the phone booth, cassette tapes, typewriters and film cameras.

In 2010, Apple Valley Resort embraced the 'Points' product in an effort to increase the member population. The effort, by an independent contract marketing and sales company, was only moderately successful, and for legacy resort properties, sales continued to weaken due to the 'shift' in the industry toward the new product. This new product was not compatible with the older products owned by the Baby-Boomer generation, as the resale opportunity for the former timeshare product evaporated. Additional sources of revenue (public rentals, thanks to local colleges and the Apple Valley Golf Course) were attempted for increased sustainability, which provided several years of sustained operations with no increase in annual fees until the 2016 billing.

The annual fees determined for the 2016 Budget included an 8.5% increase over the 2015 fee, which had remained at the same level for seven years. The annual fee, billed in the 4th Quarter 2015, with due date of January 1, 2016, would become past due after January 31st. On January 31st, only 202 accounts had responded with payment. After an additional 15 days past the delinquency date, only 320 accounts could be considered as actively supporting the association financially. This number of accounts covers only 29.5% of the typical operations expense as budgeted. The effect, as compared to 2015 billing and membership activity, indicates the loss of 229 accounts since the 2015 budget, which establishes an attrition rate of 36% over the past year. Since the overwhelming majority of the Association's members are aging Baby-Boomers, such an unusual loss of so many active accounts as compared to previous years indicated to the Board of Directors an adjustment of the membership's priorities had occurred. The Board had little choice but to hold a referendum of the membership, as determined by the Board in February 2016. The member's response indicated their overwhelming support of the Board for taking the necessary action to terminate the condominium and liquidate the Association's assets. After 30-years and multiple generations of family memories, the Association members who responded (exceeding 75% of accounts) voted **94.3%** <u>in favor of termination, dissolution and liquidation of the Association</u>.

The processes required to complete the objective is intense and time-consuming, including a title search on more than 1,500 deeds (to establish an insurable title), and the activity required to conduct a proper Partition Action in the Court of Common Pleas in Knox County, Ohio. Updates will be posted online in routinely as activity toward the conclusion of this process progresses.