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For Additional Information Contact  
Franklin Khedouri at 480-860-8077  
Or Joe Malone at 508-563-0127

## **CANADIAN DEVELOPERS BECOME FIRST SHELL VACATIONS SYSTEMS FRANCHISEES**

March 18, 2005 – Northbrook, IL -- Three Canadian developers with a vacation ownership (timeshare) resort in San Antonio, Texas have become the first Shell Vacations Systems (SVS) franchisee.

Partners Gary Buckley, Ian Sarna and Meril Rivard, of the Salado Creek Villas recently completed the signing of all SVS franchise agreements and are moving forward in transforming their resort into a Shell Vacations Systems branded property.

In making the announcement, Tracy Sherles, President of Shell Vacations Club and the architect of Shell's franchising initiative commented: "It is important to understand that what we have done is truly unprecedented in the timeshare business. For us, signing this franchisee was the first mountain in the range. Now that we've climbed this mountain, we anticipate future dealings will be much faster."

"The signing of Salado Creek by Shell Vacations Systems (SVS) is an integral element of the implementation of our strategic focus which is geared towards increasing market penetration by our points-based Vacation Club. The development and launch of SVS was designed to allow us to increase our market share while maintaining a long-term sustainable competitive advantage in an industry where real innovation is relatively sparse. This is the beginning of a new and exciting era for Shell Vacations," said Sheldon Ginsburg, President and CEO, Shell Vacations LLC.

"The signing of nine different types of agreements (for software licensing, broker, escrow, rentals, etc.) and about 200 pages of documents were required to launch San Antonio," said Sherles. "It was a daunting experience, but Gary Buckley and Ian Sarna worked with us side by side as we traveled this path together and helped us to evolve our new product."

*What caused them to take this significant step?* Explained Buckley, "We knew that points were the way to go, but it is too expensive for an independent to create the entire system. We were attracted to the concept as well as our impression of the Shell people.

After visiting their offices near Chicago and sales people in several strategic locations, we could see that they run a class act. We felt we could count on them for great support as we move ahead. We were also impressed with how much Shell Vacations has grown and evolved as a company and the great job they've done at developing alliances."

Added Sherles, "As Canadians selling in the U.S., they recognized that they didn't have the needed knowledge of regulatory issues. When they realized how much they were at risk for noncompliance, it made them even more certain of the value of the franchise. They are happy because of our people and support. We are excited because this affiliation helps us provide balance to our Club and gives us a great destination for our members. The challenge for us is to be able to prove that we can help an independent become more successful".

"We also knew that buying into an established club system is much better than being a single resort developer", commented Buckley. "It makes us a part of something larger and puts us on a higher level for our customers. It helps us compete with the brands and public companies, lets us tap into their preferred vendors and enables us to attract better sales and marketing talent. Becoming a franchisee gave us a more competitive product. It's also a better value proposition and highly cost effective because utilizing all their support systems gives us so many more options."

### **Developers' Background: Crossing Borders**

How did this partnership evolve? To understand how these Canadian developers ended up with a Texas hotel and became the first SVS franchisee, is a rather circuitous story.

Gary Buckley has a 20-year background as a Canadian hotelier in Manitoba and Ontario. He began with one hotel in Brandon, Manitoba and grew his business to five locations thru various acquisitions. He is still involved in the hotels and several other businesses.

Ian Sarna had established a timeshare program in 1982 at the Elkhorn Resort, about 2 ½ hours from Winnipeg. The property was a mixed-use project with a small timeshare component. Ian served as director of sales for the Elkhorn's timeshare program for about 11 years until 1993 when he went into the golf business.

Paul Albertson, who owned the Elkhorn, orchestrated an introduction between Gary and Ian, and in 1999, the two purchased the resort from Paul and became partners.

Explains Buckley, "We soon discovered we had something good as a team. I had a strong hotel/hospitality background and he had a solid understanding of the timesharing sales process; the combination was good for us both."

Today, the Elkhorn Resort Spa & Conference Centre has 60 hotel rooms and about 35 freestanding chalet timeshare units. It is the only 4-star hotel in Manitoba. Buckley and Sarna have total ownership of the project, which includes a conference facility, restaurant and horse stables.

Says Buckley, "We were already in this partnership at Elkhorn. The truth is, we went to San Antonio to look to buy a golf course development but the deal wasn't right for us. Someone suggested looking at the Hill Country Inn & Suites and we ended up buying it!"

They admit it was not initially purchased with the intention of converting to timesharing. As a 192-room hotel, they later decided it was marginally successful and possibly over built for its location. Their research revealed the ideal hotel size in San Antonio was about 130 rooms. Having operated a mixed-use resort in Canada, they concluded that the solution would be to convert the hotel rooms to 130 timeshare units.

Although there are no purpose built timeshare resorts in San Antonio and only a few units in one property, there were two resorts or hotel nearby with names that were similar to Hill Country Inn & Suites. So the new owners decided to rename the resort Salado Creek Villas since it was located near a creek with the same name, which translates to Salty Creek in Spanish.

Built around ten years ago, the single level property is located on seven wooded acres in northeast San Antonio, on the 410 Loop, one of the area's main beltways and convenient to all area attractions. Amenities include a heated pool and cabana, two hot tubs, children's playground and barbeques. Major nearby attractions include Sea World and Schlitterbaun, which is said to be the largest water park in North America.

## **Canadians Become SVS Franchising Pioneers**

About a year into their timeshare sales program, Buckley and Sarna decided they needed help. Sales were not at anticipated levels. They heard about Shell Vacations franchising plan and decided to jump in, feet first.

Ian Sarna added, "With a single site resort in Canada, frankly, we soon recognized that we didn't know U.S. marketing techniques. Our limited experience showed us that what worked in Canada did not necessarily work in the States. The mentality of a Canadian and American is quite different. Canadians think price and Americans think payments. This makes the sales process much different."

"As a franchisee", he continued, "we knew we wouldn't have to reinvent the wheel. We could leverage from a company that has been successful for 20 years, giving us a real jumpstart and putting us years and huge sums of money ahead. As a small developer, it would take us five years to get where we are on Day One as a SVS franchisee."

## **Next Steps**

Since their decision to franchise, the 192 guest rooms of Salado Creek Villas will undergo an extensive \$7 million renovation and ultimately be converted to 105 one- and two-bedroom timeshare units. As soon as the state registrations, financing and procedures are in place, the computer system is installed and we have hired the right sales and marketing professionals, the next step is to begin the sales program as a franchisee. We anticipate that this will happen later this summer."

Says Buckley, "With Shell training us in their systems, providing their Club infrastructure and converting our units into Shell Vacations Club points, we will be a SVC resort on our first day of operations."

Adds Simon Crawford-Welch, Shell's Executive VP of Sales & Marketing, "As a regional resort, it is well suited to points because the average stay is short. Having a resort there allows Salado Creek Villas owners to use their points for stays and also to have access to the entire Shell Vacations Club system.

How does it feel being a pioneer? Says Buckley, "As much as there is a downside to being a first guy, there is also an upside. Right now we have their undivided attention and feel like we are 'attached at the hip' to make this a success. If we were the 100th franchisee, we might be nervous. But with Shell Vacations standing in the wings, knowing that they are equally as eager for our success, we anticipate a most successful partnership. We are confident being a Shell franchisee will make us more profitable and successful than we'd be as an independent."

Concludes Sherles, "They know we will be here tomorrow, we have proven processes and –as an independent company - can quickly adapt to changing marketing conditions.

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