



EMBARC MEMBERS ASSOCIATION

MINUTES OF BOARD OF DIRECTORS MEETING

Location: Diamond Resorts Canada Office
326-375 Water Street
Vancouver, British
Columbia

Held on: February 5, 2019

Directors Present: Robert Reyes, James Orr, Mark Nuzzo, Konrad
Kawalec, Maria Kalber

Invited Attendees: Jason Toste (representing the Manager), James McBeath
(Recording Secretary)

There being a quorum present, the meeting was called to by the Chair, Robert Reyes, at 10:02am

The meeting was open to Members via telephone. At the start of the meeting no members were in attendance

It was moved by James Orr and seconded by Maria Kalber to approve the Agenda for the meeting as presented. Motion passed unanimously.

AGENDA

1. Discussion of AGM

Discussion was had on whether holding the 2019 Annual General Meeting should be dispensed with as permitted by and pursuant to Section 3.9 of the Bylaws. Robert Reyes noted that, as discussed last year, there remains a substantial cost to hold the meeting and he is of the opinion that it continues to be the case that a quorum would very likely not be reached.

It was moved by James Orr and seconded by Mark Nuzzo that in accordance with Section 3.9 of the Club Bylaws the holding of an in-person meeting for the 2019 Annual General Meeting be dispensed with, and the business to be conducted at the 2019 Annual General Meeting of the Club be conducted by way of electronic voting.

Discussion followed on the motion.

Konrad Kawalec stated that the Board discussed this last year and costs were investigated, and he said at the time that without going out to the members to determine that they want to bear that cost, it's hard to justify expending that cost. As a result a survey was conducted and we had a good participation but it was not a representative survey. There is still a vocal minority that say an AGM is required. Without having an electronic AGM, which Robert has said wasn't practical, Konrad thinks the Board should still give members the opportunity to bring items to be discussed forward.

Robert asked if Konrad means by way of an electronic meeting.

Konrad asked if when the Club holds electronic voting, can members bring items forward for discussion.

James McBeath stated that when the Club is dispensing with the meeting and voting electronically there is no opportunity for any discussion on matters.

Robert stated that there is also an issue with reaching quorum.

Konrad stated that he is referring to having a wholly electronic meeting. This would give members the opportunity to raise and discuss matters. Konrad noted that he continues to receive requests for a meeting.

Robert asked how many requests he receives. And noted that the Board as a whole don't hear from the majority of members of a desire for that.

Konrad stated that at the last board meeting, we discussed how the board gauges the will of the membership. We discussed having an advisory committee (12 people, some of them are CIOG), James Orr talks to members personally at the resorts, and Konrad browses the CIOG forums (approx. 4000 members). Konrad stated that he is getting as many members saying this as the rest of the board is. Konrad think it will send the right message if we can find a way to do that.

Robert asked if any other board members have any other comments. No other members had any.

Robert stated that he still doesn't feel there is sufficient member interest to reach a quorum. Robert considers it important that the Board give all the members the opportunity to be heard but it is very difficult to do that via telephone conference. Robert also noted that the quorum requirement changes based on the nature of the resolution too.

Konrad stated that he still thinks it is worthwhile looking into this, and that the Board has a meeting in April to put that into place for a meeting if required.

Robert noted that March 1st is when the mail-out process is started for the electronic voting in May. That would need to be delayed if the board wants to further investigate an electronic meeting for the 2019 AGM. Robert stated that it is his recommendation to find a way to canvas the entire membership, and to do so, and continue to the current electronic voting process until this has been done.

James Orr stated that he agrees with Robert. James Orr said there is a large silent majority. He noted that his meeting with members is not equal to the 4000 CIOG members. However, the majority of the members that he speaks with that express an opinion on holding an AGM do not want to hold an AGM.

Robert suggested that Management look into finding a mechanism to fully poll/survey the membership that will get a substantial and fair response of the desire of the members of the Club to hold an AGM in person or electronically. But until then, Robert recommends that the Club continue with the section 3.9 electronic voting process for this year.

Mark Nuzzo agreed with Robert and called for a vote on the motion.

Results of the vote – Konrad Kawalec voted against the motion. James Orr, Robert Reyes, Mark Nuzzo and Maria Kalber voted for the motion. The motion was carried.

2. Finance and Audit Committee Report

James Orr advised that the Finance and Audit Committee (FAC) had met this morning. The FAC reviewed the payments of 2019 dues, and reviewed the cancellation of memberships for non-payment. This information has been put forward to the board for review.

Robert Reyes advised that as of December 2018 for 2019 dues payments a total of approximately \$6.7 Million (18%) was outstanding. In 2017 there was 14.4% outstanding at this time. So the increase in delinquencies is a concern.

The Board discussed the potential challenges with an aging demographic. The most recent member survey indicated 73% of members were 55 years or older. The board sees this as a concern moving forward. An action item is to find ways to assist members with using their membership and transitioning the membership.

James Orr noted that the task force report made reference to this and the task force will be making some follow up items that may address some of these issues.

Robert noted that this discussion is for information only and there is no motion to be voted on. The current forfeiture process will be followed.

Robert identified to the board those memberships that are being presented for cancellation for non-payment of dues. At the July 23 board meeting the board passed the forfeiture resolution listing the members who hadn't paid 2017 resort dues. Those members identified then had 120 days to pay. The list now provided to the board is the list of members that have not paid after that 120 day period. Therefore, these are the memberships that are to be cancelled. Being cancelled are 288 memberships for 53,078 points, representing total fees of \$418,427.

It was moved by James Orr and seconded by Mark Nuzzo to confirm the cancellation of the identified memberships for non-payment of resort dues. Motion carried unanimously.

Konrad Kawalec asked if we have any information whether any of the members on the forfeiture list are on the buy-back list.

Robert said that the manager can cross reference the two lists and asked what the need for that information is.

Konrad said that special interest groups have been looking at how to help people to use their points if they are not currently using or can't pay. Are people simply giving up their points because they can't pay rather than selling or passing them on? Konrad thinks it would be interesting to see if any of these people were interested in selling them back or getting help with use rather than giving them up.

Robert indicated that this information could be useful and indicated that the manager will cross-reference the two lists to see how many were on the repurchase list.

Robert advised the board that KPMG has completed its audit of Embarc points and had provided a report. Robert summarized the results of the audit. KPMG found that the points balanced and everything to be in order.

James Orr noted that in regard to Mexico, KPMG was satisfied and that they are moving forward with the recommendations which are being put into practice.

There being no further comments, James Orr moved and Konrad Kawalec seconded that the points audit as presented by KPMG be approved. Motion passed unanimously.

Robert advised the board of KPMG's proposed audit plan for preparation of the 2018 financial statements. It was moved by James Orr and seconded by Maria Kalber to approve KPMG's audit plan as presented. Motion passed unanimously.

3. New Business –

i. Registration of Embarc Members Association in B.C.

Robert advised that the board had received a letter from a member asking whether the Club was appropriately registered in British Columbia in light of the provisions of the new British Columbia Societies Act.

James McBeath advised that this matter has been looked into and the Club's current registration as an extra-provincial corporation in British Columbia under the Business Corporations Act is valid and correct.

Konrad asked whether the British Columbia registration would affect the application of Delaware law to the Club. James McBeath advised that Delaware law and the Club's constating documents will still apply to the Club.

Konrad asked whether if the Club was registered under the Societies Act what application that would have on the Club. James McBeath advised that this was not looked into as there is no requirement to be registered under the Societies Act.

ii Preparation and filing of form T1044 in Canada

Robert advised that this letter from the member also asked whether the Club should have been filing this Canada Revenue Agency form given it's not for profit status. Robert stated that it has been the Club's position that this form was not required to be filed by the Club and had not been filed previously. However, at the board's request an opinion was obtained from the Club's tax advisors and it was their opinion that the Club is not required to file a T1044 as the Club is established in Delaware and is deemed to be a non-resident of Canada and so is not required to file a T1044.

iii Update on Unoccupied Club Space Program

Jason Toste gave a report to the board on how this trial program had gone. Jason advised that \$69,000 in revenue had been generated from 468 nights booked that would otherwise have not been used. The Club received \$48,000 to use towards dues. The Manager received a 30% fee. Jason noted that even with this program, there were still 5,036 nights that were not used and stayed empty with an overall 82% occupancy rate over that period.

Robert noted that even though 468 room nights were booked, there were still 5036 room nights unused.

Maria Kalber asked if these unused nights are historically the same or if there is something off in those numbers.

Robert stated that historically this is quite normal. The largest amount of unoccupied space is usually in shoulder season. E.g. Zihuatanejo in the rainy season. Certain periods in Blue and Panorama are the same. Unoccupied space is mostly seasonally based. But there are some prime space burns due to cancellations or weather.

Robert noted that Whistler and Tremblant didn't get many bookings under this program due to the lack of availability of nights.

Konrad stated that when the board discussed this program in September, one thing was to identify those members using Getaway time to see how many booked when this space was available. Konrad asked if we have detail from the website as to whether Getaway members clicked on this space. It is great to have the revenue from this program, but members have invested money in a select, private club, to have as much availability as possible. Konrad noted that he and James Orr were conscious that this program should not stop members from using the resorts. The question to ask is whether that small number of bookings is worth it if 1 member couldn't book because of it.

James Orr agreed with Konrad. He noted that even though the Club received this revenue, if 1 or 2 members couldn't book as a result he has concerns. But James noted that as this is a last minute booking program, members trying to book last minute run the risk even without the program being there, of trying to book last minute. James noted that only 9% of the burned space was actually occupied through the program so there is still a lot of space available.

Robert stated that the Manager did take into account the resorts that have high occupancy. E.g. Whistler, where only 8 room nights were booked. Tremblant had only 9 nights booked. Most of

the revenue came from Sandestin, with 321 nights booked with an overall resort occupancy at only 62% and 43% over that period. So there is lot of availability remaining for members. Robert stated that he does understand the comment and concerns, and as a member himself he tries to book Getaway time when he can, and so the Manager concentrated on those areas and dates where there is the most availability so as to not compete with members.

Robert noted that as this is the end of the 6 month test period it is up to the board to decide if they want to continue with the program. Robert noted that the Club still burned 5000 room nights during these 6 months which members aren't booking. So this program can help to reduce the dues, which is also of concern to members.

Konrad agreed that anything that is not going to be used should be rented out. But conversely, anything that the Manager and the board can do to help members get in to this unused space, we should do it. Konrad asked whether in a similar trial the members could be given the opportunity to use DRI block bookings.

Robert asked for clarification, and whether Konrad is saying that based on what the Declarant owns and what they need to monetize, that DRI give that space to the members to use if it is not used by the Declarant.

Konrad stated that the members have paid the dues on these points and that he is talking about any points that DRI or members haven't used. Some of those are booked for exchanges, but for any remaining inventory, other members make points available to other members, and as DRI has a large number of points on commercial sites, if we could make those points available to members it would make members feel that DRI is not just monetizing but making those available to them.

Jason noted that for the points DRI owns it has paid dues for them. Jason asked if Konrad was talking about the 14 day period if DRI hasn't used it then make it available for members to occupy.

Konrad stated that he thinks it is the same as the current insurance program where if members have to cancel they get their points back. DRI is already making those points available for a fee. Konrad is trying to balance access for the members against generating revenue.

Robert stated that he needs to correct the view of DRI. DRI is a member as the Declarant and is paying dues on its points and so they have the right to use them as they wish. This is no different from all members. Konrad is saying that if a member is not using the points the member is going to give it to another member to use even though they have paid the dues on those points. In Getaway Plus, DRI does make its space available at a discounted price, but they need to recoup their costs.

Konrad agreed that DRI is a member. Konrad said that he is not proposing that any member has the ability to use their points taken away, just that he is trying to find a way to find to increase availability rather than taking away their usage. Konrad apologized for any confusion.

Robert stated that's why in this program the Manager stayed away from high occupancy resorts so they were not competing with members. E.g. the 65% occupancy rate at Sandestin means there is still a lot of space for members to book.

Konrad thanked Robert

Robert asked the question of whether the board wants to continue with it, and whether there is a concern that it is competing with members.

James Orr stated that one thing the board could do is see if there is any opportunity to make the members aware of this burn space.

Maria Kalber said that is something the Manager can try, and that although members are versed in the website they do call to check availability. The available space could be added to "What's New" and see if that generates some movement.

Robert asked again whether the board wants to continue the program for another 6 months.

James Orr moved and it was seconded by Konrad Kawalec to continue to the program for another 6 months, but Konrad asked that the Manager also look into if there is something more that can be done to capture those members wanting to book last minute. Motion passed unanimously.

iv. Task Force Update on Communication

James Orr advised the board that since the last meeting the Advisory Board Task Force has been doing some in-depth work on certain areas, e.g. member survey. One major item being looked at is event-based vacations, e.g. food and wine events, golf tournaments, grilling events. The Task Force is working on pricing options for this before bringing forward and discussing with an executive members panel. James advised that another "Did you Know" on this will be coming out.

Maria Kalber stated that in regards to the events at resorts, DRI has a company that it has had success with. This company currently does the Journeys for members. Maria has reached out to them and is waiting on costs. Once that is received she can then discuss it with the Advisory Board.

James Orr noted that the goal is to increase overall usage and to have older members' usage increase as they want event-based vacations.

Maria also noted that another goal is to add a sense of community for the members.

James Orr noted that he was on an exchange and attended an event, and he learned that members had been attending this same event for years.

Maria Kalber discussed the results of the survey conducted and provided the results and areas of improvement to board.

v. Website Failure

Maria Kalber advised the board that on Sunday January 20th the manager received various emails in regards to an IT issue. A resort manager had advised the Manager that 8 members couldn't log on to the website. Maria advised that the Website was back up and running within 2 hours of the issue being brought to the Manager's attention. Maria stated that the issues were server based (caching of servers, servers non-responsive) and this was the first occurrence of this. The Manager contacted those 8 members directly afterwards

vi. Member Survey Follow-Up

Maria Kalber followed up from the earlier discussion and advised the board the proposed next questions had been provided to the board and she is looking forward to receiving the board's feedback on those questions.

Robert Reyes gave some further context for the board. He noted that the survey was conducted in August but from the results of that survey, the manager felt that another survey on members' services and website should be conducted as the manager feels there is opportunity for improvement on those areas. Robert advised that the manager will drill down further and make recommendations.

James Orr asked that the board does review the survey and gets their feedback to Maria as soon as possible so these can be addressed before the April board meeting.

4. Next Board Meeting

Robert Reyes proposed Tuesday April 30, 2019 as the date for the next in-person board meeting that would be held in Vancouver. The proposed date was tentatively approved by the board.

There being no further business, it was moved by James Orr and seconded by Konrad Kawalec to adjourn the meeting. Motion approved unanimously. The meeting was adjourned at 11:21 a.m.