



To give you a better appreciation of how the Operating Fund is allocated, we have included the following explanation of the types of expenses incurred in the daily operation of all Club locations, including property taxes and local resort levies.

It is through the Operating Fund that Club members pay for the day-to-day costs of the Club facilities and Reservation Services. Resort Dues form the basis of the Operating Fund.

Expense	Definition	Cost Per Point (USD)	Percentage of Operating Fund
Club Reception	Cost of providing Check-in and Guest Services.	\$0.49	8%
Member Services	Cost of operators and telecommunications to provide service through EmbarcResorts.com and the toll-free telephone number.	\$0.22	4%
Housekeeping	Includes cost of laundry, linen, cleaning supplies and wages for housekeeping.	\$1.21	19%
Utilities	Includes the cost of providing heat, water, power, cable TV, internet and telephone.	\$0.46	7%
Maintenance & Repair	Cost of repairing appliances; preventative and emergency maintenance; upkeep of exterior/interior of buildings, pools, spas and landscaping.	\$0.61	9%
Cleaning & Security	Includes the cost of snow removal, window washing, cleaning exterior common areas and wages for cleaning and security.	\$0.14	2%
General Administrative	Includes the cost of club management, annual audit fee, postage, printing, local resort association dues, legal fees, web site support and Resort Dues collection costs.	\$1.29	20%
Getaway Time & Miscellaneous Revenue	Getaway Time nightly revenue and miscellaneous revenue including interest income earned on investments and Day Use fees.	(\$0.30)	(5%)
Total Operating Expenses		\$4.12 USD	64%
Taxes, Insurance & Levies	Includes taxes, property replacement and liability insurance.	\$0.72	11%
Reserve Fund	This fund covers the cost of refurbishment of common areas and resort accommodation owned by the Club.	\$0.91	14%
Management Fee	This is the fee paid to Diamond Resorts for management services for operating expenditures.	\$0.72	11%
Total Resort Dues		\$6.47 USD	100%





Dear Member,

Please find enclosed the 2018 Embarc Resorts Operating Budget and Resort Dues invoice. We are pleased to present this budget, which represents a decrease over the previous year of 1.52%. Embarc Management continues to work diligently to manage costs to members while maintaining the service and quality that members expect from their membership and their Embarc locations.

In 2017, Embarc continued to focus on delivering exceptional vacation experiences to members. Implementation of Diamond Resorts International's Quality Assurance program and additional reporting improved the consistency of the operations and the services provided. Feedback from members regarding their vacation experience at the resorts continues to be very positive. Post-stay survey results for 2017, year-to-date show that 93.2% of members rated their overall vacation satisfaction score as having met or exceeded their expectations. In addition, six of the Embarc locations were again awarded with the TripAdvisor Certificate of Excellence. Embarc Whistler and Embarc Zihuatanejo also retained their TripAdvisor Hall of Fame awards for being recognized with the Certificate of Excellence for eight years in a row.

Each year, a portion of your annual Resort Dues is allocated to the Embarc Reserve Fund in order to maintain the quality and style of the Embarc locations expected by members. From this Reserve Fund extensive refurbishments took place in 2017 at almost all of the locations. Some of the highlights include:

- **Whistler:** completed the Steam Room renovation project, replaced the Sun-Peaks barbeques and fire pit, installed new elevator cabin floors, replaced and repaired sections of the waterslide and started on the first year of a two-year project to replace the bathroom exhaust fans.
- **Vancouver:** installed new carpet in the corridors and lounge, replaced the telescopes and continued with the shower tile upgrade project.
- **Blue Mountain:** replaced the Boathouse stairs and vacation home area rugs, and started on the pool and hot tub retiling project, and fitness center updates.
- **Tremblant:** completed upgrades to the pathways, stairs and handrails, repaired and replaced air conditioning units, re-upholstered sofas and painted the exterior of building 600.
- **Palm Desert:** completed kitchen and living room updates, replaced awnings, continued painting of the building exteriors, and started the first year of a three-year project to replace pool furniture.
- **Sandestin:** completed painting of the building exterior, replaced studio kitchenette sinks and installed a new bike storage area.
- **Zihuatanejo:** continued with dip pool refinishing, and began projects to repair and replace palapas and terrace rooftops and the replacement of air conditioning units.
- **Panorama:** replaced vacation home carpets and screen doors in Taynton.

Resort Dues Assessment

On September 19, 2017, the Board of Directors of the Embarc Members Association approved the 2018 Resort Dues Budget, which set the assessment rate at \$6.47 USD per point, which is a 1.52% decrease over 2017. The Board and Management continue to work hard to maintain the Resort Dues at a reasonable level while ensuring that the high standards of Embarc Resorts are maintained.

The due date for Resort Dues is November 30, 2017. We encourage members to pay their Resort Dues online by logging onto the member area of the EmbarcResorts.com website. Members with Resort Dues unpaid by November 30, 2017 must pay the amount owing in full before resuming use of their points or accommodations. Please review the attached Assessment, Billing and Collection Policy for details on payment due dates, delinquency notices and board actions. If you have any further questions regarding the Operating Budget or Resort Dues, please address them to MembersInBox@diamondresorts.com or by mailing the address below.

Thank you for another successful year and your continued support.

Sincerely,

Ronan O'Gorman
Embarc Members Association
President





EMBARC MEMBERS ASSOCIATION 2017-2018 ASSESSMENT BILLING AND COLLECTION POLICY

Annual Assessment Billing

The annual assessment notice for the next year's assessment will be sent in October. Assessments are due regardless of whether the billing notice is actually received. If a bill is not received, it is up to the member to request it from the Embarc Members Association ("Embarc") and to notify the Association of any address change.

November 30- Payment Due

Note: A \$30.00 USD charge will be added to the member's account for any payment that is not honored, regardless of the reason. If the assessment is not paid in full by **December 10**, the account becomes delinquent.

The following charges will be added to all delinquent accounts on **December 11**:

1. An interest charge of 2% per month from the due date, which will continue to accrue until the account is paid in full.
2. An administrative late fee of \$25.00 USD.

December 11- Delinquency Notice

If the assessment is not paid in full by December 10, the Association will send a notice providing the amount due and informing the member that the following actions detailed below will result if the account, together with all late charges and interest, is not paid in full within 30 days from the date of the notice. If the notice is sent on December 11, then the account must be paid in full by January 10. A notice fee of \$15.00 USD, or 5% of the past due amount, whichever is less, may be assessed against the member's account.

January 10- Board Action

1. The Association may accelerate payment of the member's remaining obligations, enforce its lien on the member's membership, or bring an action to recover a money judgment for the unpaid assessments.
2. Reservation requests will not be accepted and a member may suffer suspension of use and voting rights, in accordance with the Embarc Declaration and other governing documents.
3. Previously confirmed exchanges or use rights may be cancelled and an exchange (deposit or confirmation) cancellation fee of \$25.00 USD, if applicable.

Use rights revoked because of delinquencies may be used by the Association and the net proceeds therefrom may be utilized by the Association for collection costs.

Furthermore, the Board may authorize any necessary actions to collect outstanding assessments, including the following:

1. Determining whether to send delinquent accounts to an attorney, which will result in additional collection and legal fees.
2. Engaging a professional collection agency.
3. Recovering points through enforcing its security interest.
4. Initiating a small claims suit or legal action.

All related costs for the above will be added to the delinquent member's account.

May 30 of the following year- Absolute Forfeiture Resolution

Eighteen months after the original due date for the assessments, the Board may pass an Absolute Forfeiture Resolution on any unpaid balance due. The member's membership will be absolutely forfeited on the date that is 120 days after the Absolute Forfeiture Resolution is passed unless the delinquent member makes his or her account current before then.



Budget Summary

The actual 2018 Resort Dues budget decreased 2.66% over 2017, Resort Dues for US members converts to \$6.47 USD a decrease of \$0.10 per point. A decrease to taxes, insurance and levies and increased efficiencies are responsible for the decrease.

MEMBER RECEPTION

Member Reception costs increased 3% over the prior year due to standard anticipated wage increases and standard CPI index changes.

MEMBER SERVICES

This category has decreased by 16.1% from the prior year as a result of being part of a larger company in Diamond Resorts and increased efficiencies being realized.

HOUSEKEEPING

Housekeeping costs have increased 13% from the prior year, 10% of this increase is due to financial statement reclassification from maintenance, cleaning and security. A switch to contracted housekeeping at certain locations to maintain Embarc standards, higher occupancy rates and standard CPI increases also had a minor impact on the increase.

MAINTENANCE, CLEANING and SECURITY

This category has decreased 10% due to financial statement reclassification to housekeeping.

UTILITIES

Utility costs have decreased 2% this year as Embarc continues to implement energy saving measures.

GENERAL ADMINISTRATIVE

This category has increased 45% over 2017, 37% of which is due to financial statement reclassification from taxes, insurance and levies. Local Resort Association dues are classified as general administrative expenses in 2018 vs 2017 where they were classified as taxes, insurance and levies. Reclassification of salaries from other categories as well as standard CPI increases also contribute to the increase.

TAXES, INSURANCE & LEVIES

This category has decreased 42% from prior year, 37% is due to financial statement reclassification to general administrative expenses. Local Resort Association dues are classified as general administrative expenses in 2018 vs 2017 where they were classified as taxes, insurance and levies. Revised 2018 budget assumptions resulted in the remaining decrease.

OTHER REVENUE

Other revenue has increased 39% this year due to increased Getaway usage and slight anticipated gains in interest income.