



Dear Member,

Please find enclosed the 2017 Embarc Operating Budget and Resort Dues invoice, which represents an increase over the previous year of 6.8%. It should be noted that the underlying increase was actually 3.6% year on year, while the remainder was related to the contingency for other taxes. Embarc management continues to work diligently to limit the increased costs to members while maintaining the service and quality that members expect from their membership and their Embarc locations.

In 2016, Embarc continued to receive positive feedback from members regarding their vacation experience at the resorts. According to post-stay surveys, 91% of members rated their overall satisfaction score as meeting or exceeding their expectations. Also, once again six of the Embarc locations received the TripAdvisor Certificate of Excellence, including Embarc Whistler and Embarc Zihuatanejo, who also retained their TripAdvisor Hall of Fame awards for being recognized with the Certificate of Excellence for seven years in a row.

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

- **Whistler:** completed the high efficiency boiler upgrade program, continued the vacation home carpet replacements, started the corridor carpet replacement project and started the steam room renovation project for completion before the ski season.
- **Vancouver:** started the shower tile upgrade project.
- **Blue Mountain:** completed the program to upgrade pathways to stamped concrete and completed the vacation home carpet replacement.
- **Tremblant:** is upgrading the fire detection system to meet new code requirements and painted the exterior of the Amenity Centre.
- **Palm Desert:** continued the vacation home renovation project of buildings 12, 14 and 17, began the furnace replacement program and continued upgrading the exterior lighting.
- **Sandestin:** is completing the fitness equipment replacement project and the balcony furniture replacements and added a heater to the zero entry pool to allow all year use.
- **Zihuatanejo:** began a program to update the bathroom sinks and counters, and also started the program to refinish the dip pools.
- **General:** completing a program to upgrade the Wi-Fi at Whistler, Vancouver, Blue Mountain, Tremblant, Palm Desert, Sandestin and Zihuatanejo to allow faster download speeds and improved signal coverage.

#### Resort Dues Assessment

On September 19, 2016 the Board of Directors of Embarc Members Association approved the 2017 Resort Dues Budget, which set the assessment rate at \$6.57 USD per point which is a 6.8% increase over 2016. 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, 2016.** 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 after November 30, 2016 must pay the amount owing in full before resuming use of their points or making reservations. A 2.0% interest charge per month will be assessed on overdue amounts. 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



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

It is through Resort Dues 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.   | \$0.47               | 7%                           |
| Member Services                      | Cost of operators and telecommunications to provide service through EmbarcResorts.com and the toll-free telephone number.                                    | \$0.26               | 4%                           |
| Housekeeping                         | Includes cost of laundry, linen, cleaning supplies and wages for housekeeping.   | \$1.06               | 16%                          |
| 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.                 | \$0.65               | 10%                          |
| Cleaning & Security                  | Includes the cost of snow removal, window washing, cleaning exterior common areas and wages for cleaning and security.                                       | \$0.18               | 3%                           |
| General Administrative               | Includes the cost of Club operations and administration, annual audit fee, postage, printing, legal fees, web site support and Resort Dues collection costs. | \$0.88               | 13%                          |
| Getaway Time & Miscellaneous Revenue | Getaway Time nightly revenue and miscellaneous revenue including interest income earned on investments and Day Use fees.                                     | (\$0.22)             | (3%)                         |
| <b>Total Operating Expenses</b>      |  | <b>\$3.74 USD</b>    | <b>57%</b>                   |
| Taxes, Insurance & Levies            | Real property taxes, income taxes, property replacement, liability insurance and local resort association levies.  | \$0.72               | 11%                          |
| Other Taxes                          | Provision for other taxes.   | \$0.49               | 7%                           |
| Reserve Fund                         | This fund covers the cost of refurbishment of common areas and resort accommodation owned by the Club.   | \$0.96               | 15%                          |
| Management Fee                       | This is the fee paid to Diamond Resorts for management services.   | \$0.66               | 10%                          |
| <b>Total Resort Dues</b>             |  | <b>\$6.57 USD</b>    | <b>100%</b>                  |





## Budget Summary

The actual 2017 Resort Dues costs increased 6.8% compared to 2016. Resort Dues for US members converts to \$6.57 USD per point, an increase of \$0.42 per point. Of this increase \$0.20 per point is related to the contingency for other taxes.

### MEMBER RECEPTION

Member Reception and concierge costs increased 5% over the prior year. This includes a Consumer Price Index ("CPI") increase for all staff based on current trends as well as labour market adjustments required in Palm Desert to remain competitive.

### MEMBER SERVICES

This category has increased by 3% from the prior year due to standard anticipated wage increases.

### HOUSEKEEPING

Housekeeping costs have increased 4.5% from the prior year. Standard CPI salary increases and labour market adjustments in Palm Desert and Whistler makes up 2.5% of this increase. The remainder is a result of increased replacement of linens.

### UTILITIES

Utility costs have decreased 3% this year. Embarc continues to implement energy saving measures and utility prices in Mexico have decreased.

### MAINTENANCE, CLEANING and SECURITY

This category has increased 4% due to standard anticipated CPI salary increases and some additional staffing hours added in Whistler.

### GENERAL ADMINISTRATIVE

This category is consistent with the prior year. Standard CPI increases are being offset by cost savings in bank and credit card fees of \$0.03 per point.

### OTHER REVENUE

Other revenue has declined 3% due to declines experienced in interest income and Getaway usage.

### TAXES, INSURANCE & LEVIES

This category has increased 11% compared to the prior year. The majority of this is due to increases in insurance costs in the US for workers compensation coverage.

### OTHER TAXES

This represents the contingency for taxes other than income taxes. This category increased 68% from the prior year due to the government position that all revenue be subject to the Goods and Services Tax in Canada. We continue to oppose this position.