

PRESIDENTS MESSAGE: MARCH 8, 2022, IHVC AGM

“I would like to recognize our management staff in attendance with us today

Resort Manager – Bryan Ayakawa

And other staff members:

Jui Dutt-Spiller, Assistant Manager and Controller

Derek Carvalho, Operations Manager

Ceci Tan, Housekeeping Manager

Stephanie Reuter, Sales & Marketing Manager

Keola Willing, Guest Services Manager

Tony Gabriel, Reservation Manager

Also helping during the registration process were:

Madelyn Sales Executive Assistant and Human Resources

Jody Gamiao and Linda Yanagihara of Membership Services

Moe Tagovailoa, Manager On Duty (MOD)

Please take note of the Rules for Member Participation at Member Meetings which were made available at the sign in desk. We appreciate your cooperation in observing the stated rules during today’s meetings. If you did not pick up a copy, please, raise your hand and we can distribute a copy to you now.

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Thank you, and a warm welcome to the most important persons in the room, our Timeshare Owners. Welcome to the Imperial Hawaii Vacation Club Annual General Meeting of Owners and thank you for attending today's meeting. I and the IHVC Board thank you for your support, constructive comments, and ideas that the Board receives during this week of the Annual General Meeting.

If this is your very first AGM, A very special welcome to you and we hope you can attend every year. The week around the AGM is a great time to meet other owners and make new friends.

It has been two long years since we were able to meet. Covid has touched each of us in different ways and for those who have recovered from Covid we wish continued good health. Our sympathy and condolences to our owners who have suffered loss of a loved one and we pray and hope for a brighter future.

But now is the time for the Imperial, the Board, and our owners to look to the future. We can not change the past two years, but we have used the experience for the betterment. During the last two years of the Covid pandemic and my 3 years as President of the IHVC, the Board and the management team have:

- Successfully managed Imperial's cash flow to a positive result
- Continued to keep owner assessments significantly below the inflation rates of the islands and including most US mainland regions
- Employed a highly qualified controller to oversee our financials and who has been a great asset during the Covid economic downturn.
- Took advantage of the limited pandemic federal economic tax abatements or credits available to Owners Associations.
- Embarked on new and adventurous marketing and sales opportunities after hiring a Marketing Manager a staff position we never had before
- Continued to successfully market timeshare intervals despite the Covid pandemic
- Kept the Imperial open and fully operational during the entire Covid pandemic
- Maintained operations with very limited Covid infections or issues among our staff and our guests

- Reservations department developed opportunities that substantially reduced our commission costs on FIT bookings
- Upgraded our website and initiated online FIT reservation requests complete with pricing and reservation days availability
- Our Reservations team provided a service of utmost cooperation fulfilling many requests and guiding owners to alternate options of exchange or banking of their weeks.
- Member Services and Accounting aided and guided many owners who were affected by the pandemic to keep current with their annual assessments
- Continued to establish a strong social media presence promoting the Imperial and the Beachwalk area of Waikiki
- The Imperial had no supply shortages of cleaning, disinfectant, or personal protective equipment during the pandemic because of our forward looking Housekeeping dept
- Maintenance operations were scaled back in non-critical areas as occupancy plummeted while still maintaining health and safety protocols, equipment testing and certifications.
- Maintenance labor was utilized to service much needed areas when occupancy was low, initiated and completed projects in house instead of contracting to outside vendors at a greater cost.
- Maintenance and Housekeeping depts continue to effectively plan out labor and supply requirements to match any lower occupancy that may occur.

This overall team performance resulted in the Imperial Resort remaining open and effectively continuing operations 24 hours seven days per week during the onset of the Covid-19 pandemic and throughout the past two-year economic downturn while many hotels in Waikiki shuttered their doors.

But back in March 2020 the board was concerned how the Imperial would fare as the Covid pandemic started to ramp up and strict government controls were implemented on travel and local businesses as we continued to observe many of the Hawaii hospitality industry shutting down operations and laying off employees. However, through our rigorous cash flow management, and the prior noted adjustments to our

operations we successfully worked through 2020 at the much lower than budgeted income from Free Independent Travelers reservations and remained open. But we had to face the continuation of the pandemic into 2021 and for how long?

The Imperial's 2021 budget was therefore conservatively planned out but not without some angst assuming the Covid pandemic would subside somewhat in late 2021 and hopeful there might be a recovery of the overall economy and a moderation of the pandemic. But the travel and hospitality industry were slower to recover in 2021 as governmental restrictions remained in place. Therefore, all non-essential projects continued to be on hold except for health, life & safety, security, and statutory required items. Cash management continued throughout 2021 as the top priority with a goal to be frugal but not cheap. Our owners and guests would, as always, remain our primary goal and the quality of services were not to be downgraded because of the pandemic.

Owner maintenance assessments delinquencies did increase during 2020 and 2021 as anticipated when all travel to the Islands due to the Covid pandemic was severely restricted and the overall world economies were very stressed, but the rate of delinquencies is now stable, and time share sales are slowly increasing every quarter. The Imperial is still the best timeshare value in the islands and our marketing plan continues to develop that image.

Owners' reservations for use years 2020 and 2021 were handled as equitably as possible within the Declarations and Policies of the IHVC and under the State and County imposed travel and quarantine restrictions. Owners utilized the Imperial Internal Banking Program (IBP) to deposit their weeks for future use at the Imperial for a small fee. Owners were also able to use outside Timeshare Exchange Companies to bank and or exchange their weeks until a time when travel restrictions might be removed. We recognized the difficult situation many owners found themselves due to the Covid-19 response and our dedicated staff did their utmost to accommodate requests within the limits of our policies, controlling documents and declarations and reasonable business decisions.

The pandemic sadly and unfortunately has taken a large toll on the peoples of the world community and imposed some significant economic hardships on most. And again in 2021 many businesses could not survive the continuation of the pandemic and closed their doors. Nevertheless, your Imperial Hawaii Resort has continued to remain open, and I am able to announce for the IHVC board of directors that fiscal 2021 was an

acceptable and positive year financially. The expected 2021 FIT income budget numbers were not attained due to the rapid advance of the Omicron Covid infection rate across the US and Canada from where most of our FIT guest travel. However, lower expenses and Federal tax credits offset the much lower FIT income for a positive result.

Hawaii Governor Ige recently announced the 2020 issued Emergency Order will be allowed to expire on March 25, 2022, and this should have a very positive effect on the Hawaii travel and hospitality businesses. Year 2022 at the Imperial has started favorably financially considering we are just now beginning to experience the removal of extreme travel restrictions. If no additional worldwide travel restrictions are imposed and with most domestic travel and quarantine requirements being reduced or eliminated, we expect the trending uptick for travel to continue. We have a good operating cash balance and our Capital Reserve for future projects expense is sound at over \$2 million and the Resort continues to be on sound financial footing with adequate reserves for future capital projects.

Fund Receipts of owner assessment payments in 2022 are on track but slightly below budget. However, we continue to receive late payments from some owners. The additional discount offered to early birds gave another solid start to our 2022 balance sheet. The 5% cash discount benefit to owners paying their 2022 Assessment in cash or by check during the month of November equates to about zero increase in the assessment those owners paid over their 2021 standard assessment payment. The Imperial Hawaii Vacation Club Board of Directors recognized the financial impact the Covid-19 crisis has had on all loyal our owners, and this was a good faith effort to acknowledge our owners support of the Boards efforts to provide the best overall timeshare experience.

Overall occupancy was 61% last year but continues stronger this year anticipated to be above 74% in the first quarter of 2022 on pace to meet budget. Free Independent Travelers continue to constitute a balance of about 30% in the Resort; the remaining being Imperial Owners and Timeshare Exchanges. Our Timeshare Sales program or VPO5 continues to be successful without the high-pressure sales techniques often associated with timeshare sales. We will be continuing this program throughout year 2022 with the possibility of varied and different incentives, although some incentives could be discontinued at any time. Stephanie Reuter, Imperial Resort Sales & Marketing Manager is your contact for information on additional timeshare purchases.

Now we all know every new board president has a least one “great idea” to pursue but eventually without fruition! Sounds very counterproductive. NOT ENTIRELY SO, investigation, innovation and search for improvement are the way forward. I am not proposing and “new great idea” but legacy timeshare operations like the Imperial, as great as the Imperial is now for our owners, must keep moving forward. It is the law of the jungle, “stand still and get eaten, run in the right direction and survive”. The IHVC board of directors and the dedicated staff at the Imperial understand there cannot be a passive operation or oversight. We must constantly be aware of our surroundings, the new developments within the timeshare industry, tourism, social media, and competition from outside the immediate timeshare industry.

Your Board of Directors has worked diligently this past year and recent years to upgrade the Imperial unit’s interiors, commons areas and utility infrastructure. We hope you continue to be pleased in the results. Our goal is to maintain and improve the Imperial Hawaii Resort within reasonable cost to our owners. We still have several delayed projects under study or in the investigation phase and any progress will be reported from time to time in the Monthly Imperial Hawaii Resort Newsletter email blast. Also, you may go to the recently revamped in 2021 Imperial Website and the linked Owners Only section where you can find all your personal owner information and reservations.

The onsite Resort upgrades and improvements made in the past few years along with our dedicated staff and employees’ excellent guest services is being recognized by Online Travel Organizations such as Booking.com’s Guest Review Award and we are achieving one of the highest review scores. The Imperial received the RCI Silver Crown Resort award for the third year in a row and previously received Interval International’s Quality and Excellence Recognition award based on owner, guest and exchanger comment cards and surveys. And we expect to receive additional recognition again this year.

Earlier I addressed how we successfully met the many challenges of 2020 and 2021. But the near-term focus of the IHVC Board and the Imperial Staff is now 2022 and 2023. Our goal is maintaining our increased efficiency of operations that was implemented during 2 years of Covid, maintaining and improving quality of service to owners and guests, increasing hotel operations revenue, and continuing to operate within the 2022 Budget for each department of the Imperial Resort and Vacation Club. I have no doubt in the ability of our management, our support staff, and workers along with the oversight from

your elected board of directors that 2022 will be an excellent year of continued operations and performance in service to our loyal owners and all our guests. We may still face economic disruptions that affect the hospitality industry, but we are strongly positioned for continued success as the best timeshare value or midsize hotel in the islands.

As for everyone's favorite subject of Property tax the Imperial's property tax increases were very moderated during the Covid pandemic years, and we benefitted from little or no property tax increases. However, we should expect some property tax increases next year in 2023 as state and local governments struggle to shore up their balance sheets after lower tax revenues in 2020 through 2022 and the federal emergency support funds are either used by each state or expire. Property and other General Excise Taxes have been steady at approximately 20% of revenues and assessment incomes. Also the Association of Apartment Owners, AOA, will soon begin internal discussions in preparation for discussions to establish the annual Land Lease rent adjustment for the next 10-year period of Jan 1, 2023 through Dec 31, 2032.

Last, I want to again thank each of you for attending the 2022 annual General Meeting. I hope I have given you a broad but reasonable overview of the last two years. We are all owners and together we can enjoy one of the gems of Waikiki, a place everyone wants to visit at least once in a lifetime – and remember – you own a piece of property in beautiful Waikiki and can come to this beautiful place year after year and enjoy, make lifelong friends, become part of the imperial Ohana and join with the staff as great part of that Ohana.

Thank you and Mahalo for your attendance today.

The chair now recognizes IHVC Treasurer, John Tokarcsik

