

Date: June 7, 2010

Subject: DEMA Responds to Petition Received in 2009

In 2009 DEMA received a petition asking the organization to change its current voting structure in the following manner;

1. Abandon the current voting structure in which votes are available in proportion to the dues paid by the member company and which corresponds to the member company's gross revenues, which are reported confidentially and voluntarily during the membership application process.
2. Adopt a system of voting which allows for one vote per member-company (regardless of size) and restrict the member to voting only within their respective membership category.

When the petition was formally presented to DEMA the President of the Board, Jim Byrem (A-4) indicated that the Board would address the content of the petition after the first Director's meeting in which all vacant seats on the DEMA Board of Directors had been filled. That meeting took place on May 13 and 14, 2010.

After extensive review of the data and documentation available through the association industry, the history of DEMA, review of past DEMA elections, and an analysis of the financial impact of the requested changes on the association, it is clear that the current DEMA voting, dues, and membership structure are appropriate and should not be changed.

In order to assist members in understanding the conclusion reached by the DEMA Board, DEMA has provided discussion below, with supporting data provided following the discussion.

One Vote Per Member - Summary

1. 79% of trade associations successfully follow a dues and membership structure similar to DEMA's.
2. "Gross revenues or budget" is the single most common category used for trade association dues structures. It has made sense for many years from an economic point of view, and also falls within the "each pays their fair share" doctrine cited in many of the publications available in the association industry. That is, larger companies pay a larger dues amount to participate and all members benefit by that because the additional funding supports the entire industry.

Adopting this methodology would require that membership dues for the association be the same for each member company. Such an approach would also require that the minimum dues be considerably higher than their present level. When these revised dues are measured as a percentage of the member's gross revenue, it is apparent that such a system would place the largest cost percentage burden on the smallest DEMA member companies. In all likelihood this would make it financially impossible for the smaller companies to join DEMA or renew their DEMA membership, which in turn will make it difficult or impossible for DEMA to fulfill its mission of promoting the sustained growth of recreational diving and snorkeling while protecting the environment. See table 2 below for further information.

3. Following re-evaluation of past DEMA elections using the "one vote per company" analysis it appears that using such a system would not have changed the outcome of the election. Changing the voting structure of the organization is not necessary to achieving a fair election result. See tables 3 and 4 below.

Members Voting Only Within Their Membership Category - Summary

1. The current voting structure of DEMA was designed to give all members a voice in their total representation. Especially in today's anti-trust climate, allowing all members to have a voice in the entirety of their representation and in the use of the non-profit's promotional and legislative funds is critical. This was the intent when the new DEMA was formed, opening the trade association to all segments of the industry.
2. The Diving Industry is a vertically integrated and interdependent industry. Changes that impact one stakeholder group will trickle to other stakeholder groups. To require that each stakeholder group focus only on their own category is in direct conflict with the nature of the industry and creates a less-integrated structure. Ultimately this means that there is MORE EXCLUSIVITY within each stakeholder category and a greater chance that anti-trust issues could arise.
3. In addition to anti-trust concerns, an analysis conducted by Gray Proctor & McMannis of past DEMA elections indicates that the outcome would not have changed when using the proposed "one vote per company" voting structure.

Changing the voting structure of the organization is therefore not necessary to achieve a fair election result. See tables 5 and 6 below.

Research and Sources

1. 79% of trade associations operate with a dues structure that is similar to that being used by DEMA.
2. The majority (54%) of ALL organizations (including both trade AND member organizations combined) operate with a similar dues configuration, and dues vary by demographic category
3. For trade association members the mean annual dues are \$1,717. The median is \$399 but this is somewhat skewed because of the differential pricing structure. *At the end of 2009 the mean dues paid by DEMA members was \$220 (\$312,820/1,421 members = \$220.14)*
4. DEMA is currently also on the very low end for dues for its smaller members – the lowest amount charged for dues in trade associations (lower 25th percentile of all trade organizations) is \$194 while \$750 is the lowest charge in the 75th percentile of trade associations.
5. The highest amount charged by trade associations is also much different than DEMA; median = \$6,950, 25th percentile = \$2,000, 75th percentile = \$23,475.
6. Dues structure charged by category is common within trade associations, but there is no benchmark to indicate that the “number of votes” is included as one of these categories (although to be fair, “number of votes” could theoretically be included in the “other” category as shown in table 1):

Table 1: Comparison of Trade Association Dues to DEMA Dues

Category	Trade Associations*	DEMA
Mean Annual Dues	\$1,717	\$220
Median Annual Dues	\$399	\$150
Median Highest Dues	\$6,950	\$2,500
Median Highest Dues (25 th percentile)	\$2,000	\$150
Median Highest Dues (75 th percentile)	\$23,475	\$150
Median Lowest Dues (25 th percentile)	\$194	\$150
Median Lowest Dues (75 th percentile)	\$750	\$150

*Sources: American Society of Association Executives and the Center for Association Industry Research, 2009

Table 2: Trade Association Category Dues Structures

If member dues vary by category, are member dues based on any of the following?	Trade Associations*
Number of employees in the member organization	18%
Amount of payroll in the member organization	3%
Gross revenues or budget	47%
Units of equipment	3%
Units of production	12%
Other	30%

*Sources: American Society of Association Executives and the Center for Association Industry Research, 2009

Table 3: Actual Past Election Results: (Candidate C Wins Election)

Candidates	# of Votes Received	%
Candidate A	188	33%
Candidate B	15	10%
Candidate C	422	56%
Total	625	100%
Total Voting Power of the Association at Close of Vote:		1,647
NOTE: A quorum = 33% of the voting power of association. Percentage of Voting Power Represented in this Election:		38%

Table 4: Election Results: One Vote Per Company (Candidate C Wins Election)

Name	# of Companies actually voting	%
Candidate A	49	33%
Candidate B	15	10%
Candidate C	83	56%
Total	147	100%

Table 5: Election Results of Vote Only Within Member Category: Uses Current Votes per Company (Candidate C Wins Election)

Name	# of Votes Cast from Candidates' Actual Category for Each Candidate	% of Votes in Election
Candidate A	2	1%
Candidate B	2	1%
Candidate C	151	98%
Total	155	100%

Table 6: Election Results of Vote Only Within Membership Group AND One Vote Per Company (Candidate C Wins Election)

Name	One Vote, One Company (Candidates' Actual Membership Category Only)	% of Companies Voting
Candidate A	2	18%
Candidate B	2	18%
Candidate C	7	64%
Total	11	100%