

Submitted Member Questions & Responses – Annual General Meeting 2014

Diamond Resorts European Collection Limited

1. John WATERS – letter 8 April 14

1. The recent upheaval caused by costs, and conditions of changes to upgrades suggests that members should be notified in advance of all member benefits amendments.

2. It appears that DRI accommodation can be acquired through other websites, please explain how/why this is.

1. We always endeavour to communicate any news as regularly as we can and as soon as possible following any new offerings and/or changes to current ones. We are committed to sending out quarterly Club Newsletters by email and generally most updates are contained within that; we also send out information with (& within) the Notice of the Annual General Meeting mid-year and then towards the end of the year we always send out an annual update letter with the annual maintenance fee documentation. Our website always contains the most up to date information and we regularly publish articles on the Home page of the Member Area of the website under the 'What's New?' section.

2. Diamond Resorts Europe Limited ("DREL") (often referred to as 'the developer') owns weeks in its own right at many of the resorts and also owns points in Diamond Resorts European Collection Limited ("DRECL"), and subsequently pays the management charges on those weeks and points. The points which DREL owns can be redeemed for weeks of accommodation in DRECL just like any other member. As a result, DREL is entitled to use that accommodation as it chooses, and may use some of it for marketing purposes.

If used for marketing purposes, potential new members are introduced to our resorts and if they decide to join DRECL and THE Club®, this helps to maintain the membership base of DRECL, thereby helping to keep it financially healthy for the benefit of all members.

Various marketing campaigns are operated which may include offering accommodation to third parties who advertise our resorts, thereby introducing their clients to Diamond Resorts International® by independent & individual resources. Often these guests' bookings are subject to restrictive terms & conditions. These guests are also contacted by our onsite sales teams during their stay in order to promote DRECL. It therefore means that in addition to offering hotel reservations to existing members, accommodation could very well be rented via external suppliers as well.

In addition to this, THE Club® allows members the opportunity to redeem their points for various associated benefits such as management fee credit, flights & travel discounts, etc. As points are supported by inventory in DRECL, when points are redeemed for a member benefit (such as a monetary credit/discount) that relevant inventory is then released to DREL to use to offset the cost of the benefit that has been paid for by DREL. This inventory is withdrawn from the Collection on a fair basis across resorts & seasons and we can categorically assure you that this does not affect availability for members within DRECL in any way.

We would mention that the monies collected from reservations for hotel guests also contributes towards DREL's significant management charge liability for their owned weeks and points.

That said, as with any hotel reservation booking opportunities, there may be from time to time 'lead offers' and the prices of these are generally very competitive. These stays are restricted in dates, booking periods, duration of stay, size of accommodation and are often at times when an excessive amount of unused and unreserved accommodation has been identified.

2. Arne DYBERG – email 8 May 14

Upgrading of apartment has, since Platinum membership was introduced, been free during many years as stated in DRI benefit list. Conditions presented in this list are considered as included in intention and concept of contract signed Owners/DRI. Introducing an upgrade fee is not fair or covered by contract rules and has made many Platinum and other Premium members very disappointed. Consequently I (we) ask DRI management kindly to go back to previous conditions with free upgrading.

Please allow us to clarify the benefits offered to you with your Platinum points membership. Your membership provides access to accommodation placed in Diamond Resorts European Collection and access to other resort and affiliates via THE Club® (a separate entity within DRI). Diamond Loyalty® member benefits do not form part of your purchase agreement and are offered to you by THE Club®, therefore, they are a 'benefit' rather than a guaranteed contractual right. THE Club®'s benefit package does undergo regular review and the terms of participation and/or the offerings can vary over time. To clarify the situation with regard to cancelling an upgraded reservation, for Platinum members specifically, the upgrade charge will be refunded should that booking be cancelled.

Up to date information on the many benefits available to you are contained on DiamondResorts.com – you can access this by logging in to your account and clicking on the Diamond Loyalty® link under 'My Benefits' or

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downloading the current Annual Member Benefits Directory which can be found under My Community > Member Information.

3. John VIVIAN – email 25 May 14

Why, when accommodation is being offered on Groupon and Laterooms.com, can't it be offered to members first?

Please see our response to (1.2) above.

Should any member wish to supplement use of their points membership with a cash reservation, our team can be contacted on 0800 358 6992 and have all information about the latest offers. Any member who books directly with us will automatically receive a 10% discount on the lowest published rate available (this would include all online prices).

Specifically for Groupon offers, if they are during specific periods (i.e. mid & high) we do provide members with advance notice (approx one week) to the Groupon offer going live within the member's area of the website under the 'What's New' offering the same deal with a 10% discounted on the price for member bookings whilst the offer applies.

4. John ADAMSON – emails 26 and 29 May 14

1. Why is so much inventory of larger apartments (size greater than studio) released for rent by DRI in peak season throughout Europe so far in advance of occupancy date which denies the members the facility to book these apartments for points?

2. Why when DRI rent these apartments out do they not rent them at higher cost than what management fees members have to pay?

3. Is the removal/costs increase for use of member benefits going to be an on-going process by DRI (I have now seen the variance clause in the document in small print). Surely benefits should be added to/improved by DRI?

4. As a Platinum member I receive certain added value items when I holiday such as free internet. Why do my associate members & any of my guests not receive the same when I book them on a holiday using my points in a separate apartment?

5. Apparently sales representatives are now spreading the news that DRI are building new resorts in mainland Spain and Tenerife.

1. Please see response to (1.2) above.

2. Again please refer to our response (1.2). Hotel reservations are priced according to marketing opportunities and competitor analysis. It is our objective as a company to achieve maximum occupancy at the optimal price. There are times when our rooms are offered at lower rates, either in low season or when a resort is experiencing lower occupancy. This is common industry practice. However it is equally the case that the hotel rates may exceed the management charges that have been paid by DREL for that inventory. With the passage of time, we have been able to increase our average nightly rates due to the awareness of both consumers and suppliers. Indeed, demand and therefore the rates levied have increased over the last 3 years as compared with general decrease in room rates in the hotel industry. We monitor pricing constantly and are pleased to confirm that our hotel reservation pricing has increased by 7% across Europe within the last year.

3. See the response to question (2) above.

4. All Silver, Gold and Platinum members are entitled to receive in-resort member benefits such as complementary weekday newspapers, internet usage and upgraded bathroom amenities when staying at a Diamond Resorts managed property (pool towels are now available to all members/guests of members). However we would confirm that these are indeed exclusively available for you, the registered/named members, and would only be provided if you were occupying the allocated accommodation and staying for the duration. Regrettably these benefits are not extended to guests or Associate Members; they are in recognition of your personal membership status and valued custom.

5. We are not building any new resorts and have no plans to at this time.

5. Linda ANDREWS – email 26 May 14

1. Why can't wifi and safety deposit boxes be free of charge for all members?

2. Why do my associate members and any of my guests not receive the same added value products when I book them on a holiday on my points in a separate apartment?

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3. **Why are larger apartments (size greater than studio) released for rent by DRI in peak season throughout Europe so far in advance of occupancy date which denies the members the facility to book these apartments for points?**

4. **Why are, people booking through other agencies, eg Groupon, Booking.com etc., offered free grocery packs. On some occasions restaurant vouchers are an added extra as well.**

1. As you will know, there is always a cost to operate internet and WiFi services. In the main, most businesses can incorporate this into their pricing and so appear to provide a free service, although in reality the cost is being passed on to the consumer through the business's pricing plan & strategy. In order for DREL to do this, each resort's individual Board/Committee would have to approve the cost of providing this service free of charge. Some of the resort Boards/Committees, at this time, believe that each individual guest should pay those costs if they require & use the service, and so have decided not to include these costs within their respective resort operational budget (this would subsequently increase the maintenance fees) as this would effectively charge those members and owners who didn't use the internet. We are in discussions with our resort operational teams and the resorts' Boards/Committees, and are actively reviewing terms with internet service providers; we hope to be able to introduce a new programme to give our owners & members access to a complimentary WiFi service at most of our managed properties in the future.

With regard safe rentals, some resorts have contracted with an outside company on a long term contract for the maintenance and hiring of the unit safes/deposit boxes. The costs charged for the rental of safety deposit boxes are to cover those rental costs. It is not a charge that we like to make but is required for the reason stated.

2. Please see response to (4.4) above.

3. Please see response to (1.2) above.

4. Please see response to (3) above. All hotel promotional stays have different terms & conditions and occasionally some offers do include varying incentives.

6. Jim and Shirley BLAKEMORE – email 27 May 14

1. **How does the inventory get allocated by DRI and is there any way of knowing how many weeks at a resort are owned by DRI and how many are owned individually?**

2. **I know DRI are now offering an annual insurance policy against losing points if you have to cancel accommodation at short notice. Would DRI consider looking at an insurance policy where you could insure the payment of membership fees against the death of a partner.**

1. FNTC (First National Trustee Company) is DRECL's trustee and as such all accommodation (units/weeks) are held in trust with them on behalf of the members. Part of their role is to ensure that units/weeks are allocated fairly amongst the resort properties in trust and that there is always sufficient accommodation to satisfy the number of points sold and unsold, i.e. the total number of points in the Collection. All sales of points are registered with the trustee prior to completion and as part of the contract process all purchasers are provided with an 'Inventory Schedule' which clearly details all accommodation in trust on behalf of DRECL members. As explained in 1.2 above DREL owns weeks in its own right at many of the resorts with an underlying timeshare club and also owns points in DRECL. The individual clubs know the number of weeks owned by individual members, DREL and DRECL.

2. To clarify, we offer the Reservation Protection Plan (RPP) which is available to purchase per reservation which protects members against loss of points up to 24 hours prior to check in; there is currently no annual RPP available. Regrettably due to the type of protection you are suggesting this not something we are able to further at this time and we would suggest that this is something you would have to source personally if you feel this to be important to the future use of your membership.

7. Dev RAM – email 27 May 14

With a record first quarter 2014 shown on the NASDAQ stock market can members expect an affordable maintenance fee for 2015?

DRECL is a private company limited by guarantee and not having a share capital, the members of DRECL are effectively its shareholders. The maintenance fees for DRECL are determined by the Board of Directors as are fees relating to other resort properties and/or other Collections.

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8. Oliver TURNER – email 29 May 14

1. Being a Platinum member I find it difficult to understand that if I book using my Platinum points, my associate members are not given the same benefits as myself. For example, no free WiFi, no newspapers. Why does this not happen, as the points have been paid for by a Platinum member?

2. When will Diamond invite all guests, not just Diamond members, to attend an "Update" as this could be a source of new members.

1. Please see our response to (4.4) above.

2. As we briefly mention in (1.2) above, we actively operate marketing campaigns and consider all non-member guests as potential customers. We can assure you that every effort is made to meet with them during their stay at our resorts to introduce them to our products and accommodation available to them if they became a member.

9. David LUDLAM – email 31 May 14

1. You will be aware that Diamond Resorts has received much bad publicity on the Internet, arising from members who are very dissatisfied with their situation. The strongest complaints seem to be about the rapidly increasing annual charges, together with the fact that you offer owners of points no easy way to dispose of them. I presume that you analyse the publicity, draw your conclusions about the issues and consider ways to rectify the situation. What actions do you intend to take to solve the problems and improve the company's reputation for the mutual benefit of the company and its members?

2. This question about the sale of points through The Travel and Leisure Group is made up of three parts:

- How many owners have been trying to sell points during the past year and how many have been successful in doing so?

- For the deals that have been completed what are the minimum, maximum and median values of the number of points sold?

- For the deals that have been completed what are the minimum, maximum and median values of the price per point?

1. We have team members exclusively focused on monitoring social media, discussion forums/blogs and managing online alerts. Every effort is made to make contact with anyone who we believe may require assistance and to handle each case we identify individually. Unfortunately, as we are sure you can appreciate, social media is a communication channel that promotes anonymity and whilst our objective is to make contact this is not always possible. Claims, such as "rapidly increasing annual charges" are clearly not true with only small increases in fees being experienced in recent years. We continue to build upon our own channels (Facebook, Twitter, Pinterest, DiamondResorts.com) and so hopefully drive communication to us directly rather than encourage unofficial discussions. If members have any suggestions as to how we can improve upon this we would love to hear from them – email AssistanceEurope@DiamondResorts.com.

2. We do not have access to Travel and Leisure's database so cannot provide you with how many members have registered with them. We can advise, however, that the maximum points sale transfer we have processed was 23,500, the minimum 3,500 and the median was 13,500. Again, as for the price achieved this is not information we have access to and indeed that would be subject to private arrangement between Transferor and Transferee.

10. SG and LD PARKER – email 2 June 14

What can we do if we are no longer able to use our membership or pay the management fees?

Members of DRECL are able to sell their membership and points in a number of ways. Below gives you the various options open to you to sell or transfer your points in accordance with Article 8 of the Articles of Association of DRECL.

- Points can be directly transferred by you to an immediate family member, i.e. Spouse, Sibling, Child or Parent.

- You can sell your points privately on the open market to an existing DRECL member provided that no resale company has been involved. Should you choose to sell your points to an existing member, you can advertise them in newspapers, shop windows, magazines, internet, etc. Some members have advised us that the internet has proved to be very successful. Often members already know of other members who want to increase their points holding.

- You can utilise the services of The Travel & Leisure Group which has been appointed by the Founder Member as an authorised third party resale company. The Travel & Leisure Group will be happy to assist you in selling your points and to arrange sales on your behalf to either members or non members. Should you wish to

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sell your points using their services, you can contact them on 0800 988 7168 or you can submit an enquiry form through their website www.travelandleisure.co.uk. Please note, in order to protect the interests of all members and prospective members, at no time are you able to sell your points via a resale company or intermediary other than The Travel & Leisure Group. This restriction is there to ensure that potential purchasers are given full and accurate information about the product that they are buying. Travel & Leisure has committed that it will provide this information. We reserve the right to reject any transfer so requested if we believe that the services of an unauthorised resale company have been used (which will mean that the change in membership will not proceed).

- Should you prefer to utilise the services of a resale company other than The Travel & Leisure Group or wish to sell to a person other than an immediate family member or an existing DRECL member, you must first convert your points into a week or weeks of equivalent points value (Article 8(h)(i) refers). The week(s) can then be placed with a resale company for sale. The transfer of points into a week is carried out free of charge. However, upon receipt of a request to transfer a week to a third party, a transfer fee is payable. This cost should be confirmed at the commencement of the transfer process. Please note, if you wish, you can convert your points into a week/s and use the resale services of The Travel & Leisure Group.

The management company may also allow a member to surrender their membership and points in exceptional circumstances. Each case will be considered on its merits and the management company exercises its discretion in a fair and even handed way.

Exceptional circumstances that are currently considered are:

- The death of either member with no possibility of transferring to family members. In such circumstances a copy of the death certificate will be required.
- The bankruptcy of a member or the involvement of the Citizens Advice Bureau or a solicitor to resolve serious debt issues. In such circumstances, specific documentary evidence detailing income, outgoings, assets and liabilities will be required.
- Medical problems/terminal illness of the member necessitating reduced travel and/or decrease in financial resources to maintain the membership. In such circumstances, medical evidence will be required.
- Where the member is over 75 years old and family members do not want the membership transferring to them. In such circumstances, a copy of the member's birth certificate will be required.

11. Roy & Diane WEST – email 5 June 14

1. How, once we have had enough of our membership, due to age, financial, health, can we leave?

2. Four of our five children are associate members but are denied the in resort Platinum members “perks” such as free newspaper, free Wi-Fi etc. - why? Then we are charged to use a safe, and I have just been charged for electric at Pine Lake?

1. See (10) above which explains the options available to you.

2. Please see our responses to (4.4) and (5.1) above. Pine Lake Resort is now the only European resort that charges separately for electricity.

12. Stuart HARDING – email 6 June 14

Lots of people within the club take longer holidays of more than 2 weeks. Could discounted rates for safes + parking be introduced for holidays lasting longer than 3 weeks as this becomes an expensive additional cost to your holiday

Thank you for your suggestion; we will consider if we can offer this at those properties where charges apply.

However, please note that some resorts have contracted with an outside company on a long term contract for the maintenance and hiring of the unit safes/deposit boxes so discounted rates may not be possible.

13. D & G Locke – email 9 June 14

Having revisited last year's Member question regarding selling or giving back points and answers, I seek clarification regarding DRECL last point when responding to member question 4. This last point stated that “medical problems/terminal illness of the member necessitating reduced travel and/or decrease in financial resources to maintain membership. In such circumstances, medical evidence will be required”. The written answer appears to consider two criteria one medical and the other financial. I understand medical evidence would be expected as written but the answer provided no indication what criteria DRECL considers to be a sufficient ‘decrease’ in member's financial resources that DRECL would foresee as being difficult for the member to maintain paying membership fees. Please could we

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have clear criteria, definitions, benchmarks and a process that DRECL uses in order to consider whether a member has the financial resources necessary to maintain membership?

We apologise for any confusion. As stated in our response to (10) above, with regards to financial hardship this would be considered as bankruptcy, potential insolvency or the involvement of the Citizens Advice Bureau or a solicitor to resolve serious debt issues. In such circumstances, documentary evidence detailing income, outgoings, assets and liabilities that has been provided to or compiled by the aforementioned parties will be required.

****PLEASE DON'T FALL VICTIM TO THE OPERATIONS OF DISREPUTABLE RESALE/CLAIMS COMPANIES****

We would like to take this opportunity to remind all of our Members to be cautious when dealing with resale companies, particularly if cold called and/or offered services such as compensation claims, resales, disposals or participation in a class action.

As some of you may already be aware, various tactics are being used to manipulate timeshare owners into parting with cash. For instance, some operators are asserting that a member's timeshare will continue in perpetuity and will automatically transfer to their children upon their death. For Diamond Members, this information is incorrect. Whilst you may pass your membership on to a loved one, if the beneficiary does not wish to inherit the membership, they can simply disclaim it.

Members that have been persuaded are then being asked to pay an up-front fee. Very often, no service is provided.

For a list of companies that we have been warned about (either by Members/owners or by Mindtimeshare) please check the link on the Members forum of our website or visit Mindtimeshare's website directly (<http://www.mindtimeshare.com/Cold-Caller-List.htm>) before you pay any cash or sign up to anything. May we also warn you against paying any upfront fees to companies (particularly where the company does not accept payment by credit card).

Should you require further information about any company that contacts you, please do not hesitate to call our Customer Service team on 0845 359 0010 or send us an email : AssistanceEurope@diamondresorts.com. Alternatively contact RDO, Mindtimeshare or TATOC.

Questions above are confirmed to have been received by fully paid up members of Diamond Resorts European Collection Limited as at 9 June 2014.