

Submitted Member Questions & Responses – Annual General Meeting 2020 Diamond Resorts European Collection Limited (“DRECL”)

1. NICK SARGENT - emails 1st July 2020

Destination Xchange

1. What Governance has been undertaken on the decision to change the Rules and Conditions of Diamond Resorts European Collection Limited to terminate our Interval International Membership and replace it with Destination Xchange?

i) 2.4.5 and 2.5 allow the Operating Company to change the Rules based on ‘reasonable business judgement’ and ‘at its sole discretion’ but only for ‘the principal purpose of improving upon the quality and operation of the Points System and furthering the collective enjoyment of the use of Accommodation Assets by present and future Members as a whole’. The first part of this sentence really reflects operational issues and the latter is about whether it benefits the members.

Please publish the documents on how this decision was made providing the cost/benefit analysis, detailed pros and cons and all other analysis from both the Member’s and Diamond’s perspective to demonstrate this is the right decision for the Members.

As you have correctly stated, Rule 2.5 of the European Collection Rules and Regulations permits the Operating Company to amend the Rules if it believes that to do so would benefit the membership as a whole.

By way of historical background, in the late 1990s, analysis was carried out in relation to membership use patterns. This analysis revealed that many Members were actively using their Interval membership and were making exchanges. It was on the basis of this research that negotiations were entered into with Interval International Inc., and agreement was subsequently reached pursuant to which the European Collection entered into a Corporate Membership affiliation agreement with Interval International.

In order to secure a reduced Corporate Interval membership fee, the terms of the agreement with Interval International prescribed that membership of Interval must be mandatory for all European Collection owners AND that Interval International must be the exclusive third party exchange provider for European Collection Members.

For many years, Corporate Interval membership worked well for our Members. However with the passage of time, our Members usage patterns with Interval changed, no doubt by virtue of the introduction of The Club® internal exchange programme in 2007 and the extensive portfolio of resorts now available to Members through The Club®

With the Corporate Membership affiliation agreement with Interval International due to expire on 31 December 2019 a review was carried out by Diamond. As at 31 December 2019, only 1,635 exchanges had been booked by European points members out of a total number of 66,023 reservations. The statistics spoke for themselves. Only 2.47% of the total number of reservations were used to deposit and make exchanges with Interval.

Further analysis indicated that Diamond was now in a position to offer a new exchange programme itself, which programme would enable exchanges to be made by Members at non- affiliated resorts, i.e. at resorts not previously available through THE Club® (or indeed through Interval International®).

On the premise that more choice must be better for Members, the new exchange programme Destination Xchange was developed, and a short extension to the term of the Corporate Membership affiliation agreement with Interval International Inc (of 12 months) was agreed to negotiate the terms of transition and exit.

Due to that intensive development work, Destination Xchange is able to offer our Members access to over 4,600 additional resorts. Coupled with this, Destination Xchange offers a streamlined and simplified booking process which will enable Members to view availability within The Club® and Destination Xchange on the same reservation screen.

Of particular note is that there is no annual joining fee to use Destination Xchange. This being the case, in respect of Members who have no wish to use Destination Xchange (or indeed any other third party exchange programme), they will not have to pay for membership.

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Conversely, for those Members who do wish to continue using Interval, they are entirely at liberty to do so. The annual Interval membership fee will have to be paid by the Member (directly to Interval) but otherwise, the exchange facility with Interval will remain in place.

We are firmly of the opinion that this offers a “win win” situation for all of our Members – whatever their vacation requirements.

ii) Is Destination Xchange owned by Diamond (either wholly or partly). Please confirm ownership and assuming it is affiliated with the Diamond Group explain how this impacted both the decision and the pricing of any transactions.

Destination Xchange, LLC, the Operating Company is a wholly owned by Diamond Resorts International, Inc.

We are highly cognisant of the fact that for the programme to be successful, we need it to be both price competitive and to offer a good selection of resort options. It is entirely up to Members as to whether they use the programme or not.

2. Transparency on points between Interval International and DestinationXchange.

(i) Interval International have a truly clear/transparent method for pricing accommodation to Diamond Members. The table categorises accommodation in a simple table as Economy, Moderate and Premium Quality with points based on this, the time of year (eg peak, off peak etc) and the number of bedrooms. In this way a 1 bedroom at peak ranges from 3500 to 6500 points per week, whilst at mid-time this range is only 2250 to 4500 points. This increases for 4 bedroom accommodation to a range of 7500 to 12000 points at peak and 4250 to 8000 at mid-time.

Destination Xchange now shows 6 tiers for 1 bedroom accommodation ranging from 2000 to 12000 points (previous Interval Premium max was 6500 at peak). It also then requires ‘enhancement fees’ of 2500 points for a gold member for every extra bedroom, which appears to be independent of season, such that a 4 bedroom would require an extra 7500 points even in lowest season!!). There is no explanation/transparency as to how a property fits into these levels but checking potential UK accommodation on Destination Xchange is genuinely concerning. In many instances 1 bedroom accommodation clearly way out of season is showing as 12000 points (ie top level 6) and I’ve even identified studios at 12000 points out of season.

A few examples: - MacDonald Spey Valley 20th Feb 2021 1 bedroom 12000pts, Barnsdale Country Club 6 Nov 2021 and 8th Jan 2022 1 bedroom 12000pts, Sutton Hall 12 Feb 2022 1 bed 12000 pts, Passage House Hotel 5 Feb 2022 studio 12000pts etc....

To date I’ve only located one direct comparable with Interval. MacDonald Spey Valley Golf Feb 20th 2021 where a 1 bedroom is 4000pts with Interval but 12000 pts with Destination Xchange making the new improved option 3 times as expensive!

We agree that the price grid is not working as anticipated, and we are making adjustments to our software to price the inventory appropriately. We are striving for a first quarter 2021 launch that will correct this issue.

Our pricing should and will be based upon unit size, quality of the resort, seasonality and demand for the location.

We see no merit in endeavouring to provide cost comparisons at this stage between accommodations in the Interval exchange programme and Destination Xchange. The end goal is for our pricing to be competitive with that of other third party exchange programmes.

There has never been any obligation upon a member of The Club® to reserve an accommodation if they feel that the points being charged are more than they are willing to spend. That judgement will be made subjectively and intelligently by each individual Member.

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ii) **Please provide explanation as to what fits into each of the new 6 levels and how this compares to Interval?**

We will have this available by the end of December 2020. We are also anticipating that we will have a similar grid for publication by the end of December 2020 too. Due to Covid, we had significant team member reductions which meant that we were unable to finish the pricing matrix for Destination Xchange as soon as we had hoped.

iii) **Explain why Destination Xchange is much more expensive in points than Interval International and how studios and 1 bed out of season are as expensive as a 4 bed at peak at an Interval Premium resort?**

Please see response to Question 2(i).

iv) **Explain how Destination Xchange is better for Diamond Members?**

As explained, Destination Xchange is an alternative exchange option for Diamond Members. If Members want to continue using Interval, then they can take out membership with Interval.

However we are satisfied that Destination Xchange offers excellent benefits and flexibility including:

- 5-Year Deposits (i.e. deposits with the flexibility to use any time within a 5 year period)
- Removal of exclusivity restrictions. If you want vacation options beyond The Club® exchange offering, you now have freedom to select the exchange company of your choice.
- No annual membership fee.
- Lower exchange fees than Interval.
- Access to over 4,600 new resorts.

As an aside, for our EU traditional week owners, under current arrangements, they make a deposit with RCI or Interval and are then restricted to travel in that same or lesser unit size and comparable seasonality. With Destination Xchange, they have the flexibility to upgrade unit size and seasonality.

v) **Explain how these point values have been negotiated for making this accommodation available to Destination Xchange and the impact of this on availability of Diamond accommodation to Members (ie does a 12000 point studio remove all those points from Members inventory to Developers inventory)?**

Taking your example, if an exchange is made by a Member into Destination Xchange, an equivalent amount of inventory will be taken from the European Collection and will be placed into Destination Xchange for other members to book (as currently happens when exchanges are made with Interval).

vi) **Please explain how the points system will work for Interval into the future.**

We are working closely with Interval to finalise arrangements and further information relating to the booking process with Interval will be available prior to 31 December 2020.

vi. **Diamond Membership has always included Interval International Membership. How much was included in our fees for this and how much will now be charged by Destination Xchange for what appears to be a vastly inferior product?**

As previously explained, no membership fee is being levied for Destination Xchange. As such, if a Member prefers not to use it, they won't pay for it.

vii. **Explain how Interval membership can now be removed from our long-standing arrangement without consent and/or appropriate compensation.**

This question has been addressed in response to question 1(i).

viii. **Will I still be able to exchange my points with Interval International when Diamond are recommending Destination Xchange and if so how much will it cost me in membership and exchange fees?**

Yes. For 2020, Interval exchanges can continue to be made as normal.

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From 2021, a Member will simply need to take out their own Interval membership directly with Interval if they wish to continue to use the Interval exchange facilities.

We understand that Interval are currently offering a reduced Interval membership fee of £74 for Diamond members. The current exchange fee with Interval is £124 (EU exchanges) or £139 (international exchanges).

3. Availability (or lack of) of Diamond Accommodation for Members

(i) This subject is raised at every AGM and the stock answer is rolled out that the Members only own certain parts of the accommodation and the rest is owned by the developers who can then ‘sell-on’ this accommodation either on Diamond Resorts Hotels or on other networks (eg booking.com etc) and even nearly give it away on buyagift.com (2 nights with 25% off offers at only c£75 before they take their cut). This is clearly inconsistent with the ‘Members Club’ we were sold, and we are shocked when we hear how much others have paid, particularly when it is significantly lower than our equivalent maintenance fee per point.

We shall endeavour to provide a more comprehensive explanation in the hope that the issue is clarified for you.

In using the word “Ordinary Member” in this response, we are referring to Members of the European Collection excluding Diamond Resorts (Europe) Ltd (“DREL”) which is the Founder Member as opposed to an Ordinary Member.

Whilst the European Collection is an exclusive Members Club (offering amongst other things free exchanges through The Club®, member benefits, member escorted tours, member communications and member discounted holidays), the resorts in the European Collection are not (and never have been), exclusively used by Ordinary Members. For example, a number of the resorts in the European Collection have their own independent (Diamond managed) timeshare clubs while a proportion of the accommodation is owned by DREL in its capacity as the Developer.

The accommodation owned by DREL has always been used for various marketing and promotional purposes, which presently includes making apartments available for non-members to book through a variety of on-line distribution channels. With a reduction in DREL’s direct marketing operations, DREL has started to use the on-line distribution channels as a means of introducing potential new members to our resorts. This in turn helps to maintain the membership base of the European Collection and keeps the financial position healthy for all Members. Many of our European Collection Members will, at some time, have visited our resorts as marketing guests (perhaps paying nothing or very little for the accommodation).

As a Member in its own right, DREL is entitled to use the points’ accommodation and weeks that it owns as it chooses. Just as Ordinary Members are entitled to rent out accommodation booked by them (subject to obtaining a guest certificate), DREL is similarly entitled to rent out its accommodation.

Much of the rental income derived is used to offset DREL’s annual maintenance fee liability. In this regard, DREL pays maintenance fees on all of the points that it owns. In fact, it pays more than the Articles of the European Collection actually require it to pay. Theoretically, DREL need only pay one base fee and the per point fee. However it actually pays multiple base fees based on the average points ownership of an Ordinary Member (plus the per point fee on its entire points holding).

Furthermore, whilst the question regarding the levels of inventory available through on-line distribution channels is a fair question (and the reason for raising it is fully understood), the response is not as straightforward as you might expect.

Firstly, inventory that is NOT Developer inventory is also marketed on the on-line booking channels.

These on-line booking channels are now used to market weeks placed by Diamond Fractional Owners in the Fractional Points Owners “Fractional Wish to Rent Programme” thereby increasing the likelihood of securing a successful rental for them. In 2018, 1,034 rental requests were placed with the on-line booking channels (of which 881 weeks were successfully rented out). In 2019, 767 rental requests were placed with the on-line booking channels of which 590 were successfully rented out.

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Secondly, a number of the member benefits involve the redemption by the Member of points in return for the benefit (with the monetary cost of the benefit being born in full or in part by DREL). This cash outlay is then offset by DREL by renting out accommodation through the on-line distribution channels equivalent to the number of points redeemed.

Thirdly, DREL owns approximately 20,000 weeks of timeshare which were never put into the European Collection (and upon which it pays maintenance fees to the underlying club resort). Additionally, it pays the maintenance fees on weeks in underlying timeshare clubs in circumstances where the timeshare owner is in default. These weeks are also be placed for rent with the on-line distribution channels with a view to offsetting (in full or in part) DREL’s maintenance fee liability on those weeks.

Reservations made through the on-line distribution channels are priced according to marketing opportunities and competitor analysis. In line with common industry practice, there are times when our rooms are offered at lower rates, either in low season or when a resort is experiencing lower occupancy. However it is equally the case that the hotel rates may exceed the maintenance charges that have been paid by Members for the same accommodation in high and peak season or at sought after destinations. With the passage of time, we have been able to increase our average nightly rates due to demand, popularity and awareness of the desirability of our accommodations amongst both consumers and suppliers.

The reality is that DREL’s rental programme has absolutely no impact on the amount of inventory available for Ordinary Members to book using their points. There is no benefit to DREL to offer cheap rentals. Indeed, the only European Collection member that is impacted adversely by a low hotel rate is DREL.

(ii) There have been numerous disposals of European Resorts over recent years but the answer is always that that doesn’t effect Members access as more availability is made available elsewhere (though whether many actually want to go to Bulgaria (always has availability) is another question.

Again, by way of historical background, you will be aware that the European Collection was established in 1994. By 1997, it had 9 resorts in its portfolio. With the passage of time, as the number of Members in the European Collection increased, DREL acquired new resorts to meet their accommodation requirements. Currently, there are 24 resorts locations in trust for the European Collection plus 2 non managed resorts and 12 canal boats (at UK marinas).

Over the last few years, there has been a reduction in membership numbers as a result of surrenders and the (relatively) newly introduced Non- Qualified Relinquishment option. When a membership is surrendered or relinquished, DREL takes back ownership of the points and assumes responsibility for discharging the maintenance fees on those points going forwards. DREL has also seen a decline in the level of sales across Europe (which we communicated to the membership at the end of 2017). Both of these factors have resulted in DREL owning far more inventory than it requires for its sales operations.

DREL places much of this surplus inventory for rent on the on-line distribution channels. However just as the number of resorts increased as the membership increased, it may also be necessary to reduce the number of resorts in the portfolio from time to time if the membership decreases.

The sale of a resort in the European Collection is always a difficult decision and has to be carefully considered to ensure that the Members will still have plenty of choice from the resort locations available to them. Of course every Member has their “favourite” and if their favourite resort is sold, they will inevitably be disappointed. However it is our hope that any reduction in the number of European Collection resorts is compensated by the wide choice of Diamond managed or affiliate resorts and cruise itineraries now available to European Points Members through The Club®. The Club® now offers in excess of 430 resort locations in 36 countries throughout the Continental United States, Central and South America, Hawaii, Canada, Mexico, the Caribbean, Europe, Asia, Australia, New Zealand and Africa.

The sale of a resort does not impact upon the amount of inventory available to Members. Rather, it merely serves to reduce the amount of inventory that DREL owns. It also reduces the amount of inventory placed by DREL on the on-line distribution channels. The quantity of inventory made available to the Ordinary Members remains exactly the same as before. It is just spread differently across the remaining resorts within the European Collection.

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(iii) Provide data for at least the last 3 years for each resort showing by season what is owned by the members, owned privately and what is ‘Developer’ inventory, and

(iv) Provide data showing the amounts paid in maintenance fees for these categories to clearly demonstrate developers are covering equivalent maintenance fees for all the accommodation they control.

The number of weeks available at each resort in the European Collection itself is detailed in the accounts of the European Collection (and can be found at page 13 of the AGM notice). Of course Members of the European Collection also have access to resorts in the Diamond Resorts Fractional Owners Club too (and vice versa).

The table below provides additional information. Points used by DREL includes points upon which DREL has discharged the maintenance fees in circumstances where the Member is in default with the payment of their maintenance fees (therefore entitling DREL to use the inventory, albeit ownership has not transferred to DREL).

| <u>Total points by year</u> | <i>2016</i> | <i>2017</i> | <i>2018</i> | <i>2019</i> | <i>2020</i> |
|------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| European Collection | 363,050,443 | 359,008,050 | 359,566,714 | 350,936,800 | 350,654,800 |
| DR Fractional Owners Club | 86,334,000 | 86,334,000 | 86,334,000 | 86,334,000 | 86,329,000 |
| Total | 449,384,443 | 445,342,050 | 445,900,714 | 437,270,800 | 436,983,800 |

| <u>Number of points paid for by Ordinary Members</u> | <i>2016</i> | <i>2017</i> | <i>2018</i> | <i>2019</i> | <i>2020</i> |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| European Collection | 255,601,529 | 257,443,153 | 262,444,911 | 235,718,964 | 220,039,667 |
| DR Fractional Owners Club | 82,777,144 | 72,229,547 | 67,675,136 | 59,671,669 | 55,382,111 |
| Total | 338,378,673 | 329,672,700 | 330,120,048 | 295,390,633 | 275,421,778 |

| <u>% of points paid for by Ordinary Members</u> | <i>2016</i> | <i>2017</i> | <i>2018</i> | <i>2019</i> | <i>2020</i> |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
| European Collection | 70.40% | 71.71% | 72.99% | 67.17% | 62.75% |
| DR Fractional Owners Club | 95.88% | 83.66% | 78.39% | 69.12% | 64.15% |
| Total | 75.30% | 74.03% | 74.03% | 67.55% | 63.03% |

| <u>% of points paid for by DREL</u> | <i>2016</i> | <i>2017</i> | <i>2018</i> | <i>2019</i> | <i>2020</i> |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
| European Collection | 29.60% | 28.29% | 27.01% | 32.83% | 37.25% |
| DR Fractional Owners Club | 4.12% | 16.34% | 21.61% | 30.88% | 35.85% |
| Total | 24.70% | 25.97% | 25.97% | 32.45% | 36.97% |

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| <u>Totals</u> | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|----------------|----------------|----------------|----------------|----------------|
| % of points paid for by Ordinary members of European Collection and DR Fractional | 75.30% | 74.03% | 74.03% | 67.55% | 63.03% |
| % of points paid for by DREL | 24.70% | 25.97% | 25.97% | 32.45% | 36.97% |
| | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |

| <u>European Collection - Totals by Year</u> | 2016 | 2017 | 2018 | 2019 | 2020 |
|--|----------------|----------------|----------------|----------------|----------------|
| European Collection Ordinary Members | 70.40% | 71.71% | 72.99% | 67.17% | 62.75% |
| DREL | 29.60% | 28.29% | 27.01% | 32.83% | 37.25% |
| | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |

| <u>DR Fractional Owners Club Totals by Year</u> | 2016 | 2017 | 2018 | 2019 | 2020 |
|--|----------------|----------------|----------------|----------------|----------------|
| DR Fractional Owners “Ordinary” Members | 95.88% | 83.66% | 78.39% | 69.12% | 64.15% |
| DREL | 4.12% | 16.34% | 21.61% | 30.88% | 35.85% |
| | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |

| <u>Total Weeks by Year</u> | 2016 | 2017 | 2018 | 2019 | 2020 |
|-----------------------------------|---------------|---------------|---------------|---------------|---------------|
| European Collection | 71,284 | 68,526 | 67,333 | 66,634 | 66,667 |
| DR Fractional Owners Club | 16,675 | 16,675 | 16,675 | 16,676 | 16,674 |
| Total | 87,959 | 85,201 | 84,008 | 83,310 | 83,341 |

| <u>Approx Split by Ownership</u> | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---------------|---------------|---------------|---------------|---------------|
| Ordinary Members | 66,232 | 63,072 | 62,195 | 56,279 | 52,528 |
| DREL | 21,727 | 22,129 | 21,813 | 27,031 | 30,813 |
| Total | 87,959 | 85,201 | 84,008 | 83,310 | 83,341 |

(v) Provide data on the occupancy rates. Members inventory should not be operating at 100%.

The premise that member space should not operate at 100% is somewhat flawed (especially for example in the school holidays), but actual usage has been:

The weeks used in Diamond owned resorts by members each full year (in total and as a % of total Member weeks above) is as follows

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| | 2016 | 2017 | 2018 | 2019 |
|---------------|--------|--------|--------|--------|
| Nights | 52,498 | 50,948 | 47,357 | 45,620 |
| % | 79% | 81% | 76% | 81% |

Please note that the usage numbers are also impacted by items such as usage in affiliate resorts, member benefits, exchanges, late bookings and trades between resort.

(vi) Basically since early June there has been no accommodation left at UK resorts for a week’s holiday through the remainder of 2020. This is presumably as UK based owners are looking to use their points in the UK rather than board planes. However, Diamond Resorts Hotels at that time had stacks of accommodation available throughout this year and prices were very reasonable. Covid has clearly effected availability.

Diamond took a decision to release an additional 7,000 nights that it owned at UK resorts during July and August 2020 for use exclusively by Ordinary Members, and a further 13,000 nights from September to mid-February 2021. So far, Members have made use of thousands of these room nights. Availability still remains in January and February 2021 for Members to book.

(vii) Explain how accommodation that has been lost to Covid has been split between Members Inventory and Developer Inventory.

Obviously, this is a consistently evolving number, but the impact of the lost accommodation will be shared by all members, including the Developer, approximately in the same proportions as the weeks shown in the table answering point (iv) above.

(viii) Explain how maintenance fees have been calculated during this period and demonstrate Developer inventory has continued to pay in line with Members.

You will be now have received the Credit Option. All Members including the Developer will have the ability (but not the obligation), to apply for 30% of their annual points allocation to be used against a credit that has been generated by savings from the lost (closed) period. The final calculation will be made once the year is finished and all variables are known, and will be discussed with the Board of Directors initially and explained as part of the 2020 accounting information at the 2021 AGM.

(ix) Explain why we cannot carry forward more points to future years given we have not been able to use them in 2020.

If we allowed Members to save points from 2019 along with annual allocations for 2021 this would pose significant availability concerns during 2021. In short, the number of saved points would far exceed the availability expectations. Various options were considered. This information has now been provided in Board Resort accompanying the AGM notice.

4) Explain what is meant by Management company fee, how it is calculated and what benefit Members receive.

Diamond Resorts (Europe) Ltd (in its capacity as the Management Company) receives a fee equivalent to 15% of the actual costs incurred in managing the European Collection.

This percentage is typical for the industry and was set when the European Collection was established in 1994.

The fee is expressly referenced in Clause 11 of the Management Agreement of the European Collection.

“11. Remuneration

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The 15% addition referred to in Clauses 6 and 7 of this Agreement represents the agreed remuneration payable to the Management Company in respect of the services agreed to be provided by the Management Company hereunder”.

The responsibilities of the Management Company are detailed in Clause 4 of the Management Agreement and are as follows:

- (A) maintain the records which the Management Company is required to maintain in terms of Article 11 of the Articles;
- (B) if it is required to do so admit persons to be Members of the Company and execute and issue Membership Certificates and Points Certificates all in accordance with the Articles;
- (C) administer the Points System and (without prejudice to the foregoing generality) shall fulfil or procure fulfilment of all the obligations of the Management Company and the Company contained in the Articles and the Rules and Regulations so as to ensure the Founder Member’s ability to transfer Accommodation Assets into the Company and to issue Points and Points Rights, the allocation of Points to the Members pursuant to their Points Rights, the Member’s ability to transfer Points Rights, the Member’s ability to exchange Points for Occupancy Rights and the Members’ enjoyment of such Occupancy Rights.
- (D) prepare and issue Members Reports all in accordance with the terms of Article 12 of the Articles.
- (E) prior to 1st September each year in accordance with the terms of Article 13 of the Articles, prepare and submit to the Board a budget prepared in accordance with accepted accounting principles relative to financial forecasts and including provisions for such contingencies, and other charges as the Management Company in consultation with the Board and the Founder Member considers prudent.
- (F) collect the Management Charge and any other monies payable by the Members to the Management Company or the Company;
- (G) levy additional charges on the Members as and when necessary in accordance with Article 13(f) of the Articles and the Rules and Regulations;
- (H)
 - (i) maintain, repair, redecorate (where appropriate), clean and where necessary renew the structure , exterior and interior of the Whole Units, Club Suites and the Common Facilities (to the extent that the Company is responsible therefore), whether exclusive, common, mutual or otherwise;
 - (ii) maintain, repair and when necessary replace the Moveables;
 - (iii) insure the Accommodation Assets other than Holiday Periods for the full reinstatement value thereof and any other insurances which the Board shall consider necessary and appropriate;
 - (iv) meet the whole outgoings incurred in respect of the Accommodation Assets including rates, taxes, management charges, maintenance fees, community association dues, the costs of all services and other charges or impositions, whether of an annual or recurring nature or otherwise;
 - (v) routinely maintain, clean and tidy the interior and exterior of the Whole Units and Club Suites and the Common Facilities (to the extent that the Company is responsible therefore);
 - (vi) carry out all works which are required to be done to comply with any statutory provisions or the direction or notices of any Governmental, Local or Public Authority;
 - (vii) meet any factorial and management charges or any other charges whatsoever which may be incurred in the management of the Accommodation Assets and the running of the Company’s affairs including all professional fees and all costs, fees, taxes and outgoings in connection with the Owning Companies, and all outgoings incurred by the Company under the Deed of Trust with the Trustee, including the fees, expenses and liabilities of the Trustee whether payable by the Company or otherwise;

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(viii) maintain a sinking fund for the replacement of capital items of the Accommodation Assets. All matters set out in this clause 3(H) shall be carried out in a good workmanlike manner with all due speed and diligence but not so as to interfere except insofar as reasonably necessary with the Members’ enjoyment of their Occupancy Rights;

- (l) meet all the Company’s obligations and pay any monies payable by the Company pursuant to the Articles or Rules and Regulations or otherwise.

It should be noted that although Diamond has the right to earn typically 15% of actual costs, it (at its own discretion) charges a lower rate on Sinking Fund expenses of 4%.

2. JOHN ADAMSON – emails 27 August 2020

- a. With the number of points that have been banked into 2021 from 2020, how do DR propose to manage this extra demand to enable members to use their points for reservations in 2021?**

A Credit Option has been offered to all Members of the European Collection as the number of points that had been saved from 2020, coupled with annual allocations for 2021, would pose significant availability concerns during 2021. In short, it was clear that the number of saved points would far exceed the availability expectations. To address this, an option had to be considered that allowed Members to redeem a portion of their points in return for a partial credit towards their 2021 fees. After discussion, the Board agreed to offer Members the opportunity to redeem a fixed number of points equivalent to 30% of their 2020 annual points allocation (for ease of reference “the Fixed Points Redemption”) and to receive a credit on those redeemed points equivalent to 75% of the 2020 per point fee (for ease “The Credit Option”). The European Collection is in a position to offer this Credit Option by using existing funds available as a result of the resorts’ closure periods and the reserve fund balance.

In the event that you wish to take advantage of this Credit Option, your Fixed Points Redemption must be taken from your unused 2020 points first (including any 2020 points that you may have saved over to 2021) and will then be topped up (if necessary) from your 2021 points allocation in order to reach the 30% Fixed Points Redemption figure. Furthermore, in respect of any 2020 points that are NOT redeemed as part of this Credit Option, the use of these remaining 2020 points (irrespective of whether they have been saved over by you to 2021 or not), will be automatically reallocated for use over a period of three years in three equal instalments.

If you have used all of your 2020 points but would nevertheless like to take advantage of the Credit Option, you can elect to redeem a number of points equivalent to 30% of your 2020 points allocation, but you can redeem all of the points from your 2021 points allocation. In this scenario, the credit applied to your 2021 fees will be the same as if you had redeemed your unused 2020 points.

On 1st December 2020, you will receive an email in which you will have until 31st December 2020 to confirm whether you wish to select the Credit Option. If you select the Credit Option, the balance of your 2020 points will be automatically spread over a three-year period for use in 2021, 2022 and 2023 respectively. If your unused 2020 points are already banked, Diamond will adjust those points evenly over this three-year period. If you choose not to take advantage of this Credit Option, there will be no reduction in your fees and any saved points from 2020 will remain available for use in 2021 together with your 2021 points allocation

- b. Why when a member deposits points into the 5 year use system in DEX does the member have to specify tiers into which those points are going to be deposited in advance (leading to a potential of many points being lost by members if a resort in a lesser tier is booked).**

Why can't a member just have a pool of points for future use in tier system?

The use of tiers enables the operating company to understanding the requirements of our Members and therefore balance the accommodation accordingly and to manage the programme in the most effective way.

- c. Because of resort closures for a great number of months and many ancillary personnel (sub contractor cleaners for example) laid off and DR personnel furloughed. Can European members expect a significant rebate/reduction in fees in 2021?**

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The fees for 2021 have decreased by an average of 2.31% compared to 2020 using the same exchange rate as last year of €1.10/£1.

Budgets for 2021 include inflationary increases, historic wage agreements in the Canaries and the minimum wage increases in the UK. However the overall decrease has been made possible principally due to the credit resulting from the favourable GBP/Euro exchange rate in 2020 which is being returned as part of the 2021 fees, in addition a Credit Option has been offered to all Members of the European Collection – please see Question 2 (a) for response.

d. We have seen many resorts close in Eu destinations whilst others remain open at that same destination for example Sunset View and Sunset Harbour (presumably because DR wanted to reduce costs due to lack of overall demand in that geographic region) DR have demanded that members should be flexible and be prepared to move to a nearby resort but what payback are DR giving members.

We have worked with all Members with impacted reservations to relocate them to an alternative resort in the area or waive any cancellation fees if the Member wishes to cancel the reservation altogether.

e. With what is likely to be a heavy shift in demand onto DR resorts bookings in 2020 and to compound that DR are introducing greater restrictions on members being able to exchange points for travel (reducing 100% max of value down to 30% of value as max redemption) would DR consider delaying the imposed reduction on redemption to ease some of the demand on it's own managed resorts.

For 2021, there have been no changes to the travel services programme and Members will still be able to continue to use the points for travel services as they have been able to do so in 2020.

f. In 2020 when demand is likely to outstrip supply will DR once more consider reintroducing the discount on all apartments booked by members from DR developer stock (under the banner of DR hotels). Also once booked at a price could the member if they desire submit a points for travel redemption request against this reservation?

Thank you for your suggestion. It has been forwarded for consideration.

g. Have DR officially agreed the points exchange matrix with Interval International going forward beyond 1st January 2021, it was mentioned some time ago this was being re-negotiated?

Further information on how exchanging with Interval International will work will be provided prior to the end of the year.

h. As many members have found it difficult financially this current year will DR be looking to adjust it's direct debit payment terms in 2021 and thus allow a member to pay by 12 equal instalments Jan - December 2021?

There are currently no plans to change the terms of the payment terms for Diamond Resorts Financial Services Ltd in 2021 which is of course an interest free credit facility.

i. Why can't DR introduce a RPP policy that not only covers standard reservations but also those reservations created in DEX? Alternatively an annual blanket plan for reservations in DEX.

Thank you for your suggestion. It has been forwarded for consideration.

j. It was bad enough members losing the advantage of being able to book "Club select" resorts at competitive points/cash values and these moving to "Global partner" resorts for points only. However, DR have now migrated these resorts into DEX and now to book a week at resorts which were once in club select ie. Scandinavian Village resort in Scotland which could have been booked for 5000 points in Club select is now valued at 10,000 points (plus the exchange fee) - why?

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We agree that the price grid is not working as anticipated, and we are making adjustments to our software to price the inventory appropriately. We are striving for a first quarter 2021 launch that will correct this issue

k. After the unavoidable shambles of 2020 I can possibly foresee many members walking away from their ownership in 2021, what plans do DR have in place to cover this?

Diamond Resorts offers Members a number of options should they no longer wish to own.

Members can choose to transfer them to an immediate family member, sell their Points privately on the open market, utilise the resale services of Worldwide Timeshare Hypermarket Ltd and/or the Travel & Leisure Group, or surrender some or all of their points using the Exceptional Circumstances or Non-Qualified Relinquishment surrender options (NQR).

To surrender in Exceptional Circumstances, the Member must meet one of the following criteria in order to qualify:

- Death of either Member – either the original or a certified copy of the death certificate will be required (if sending in an original this will be returned).
- Bankruptcy or CAB/solicitor's involvement to resolve serious debt issues – specific documentary evidence detailing income, outgoings, assets and liabilities will be required.
- Over 75 years old – either the original or a certified copy of birth certificate will be required.
- Medical problems/terminal illness necessitating reduced travel and/or decrease in financial resources to maintain membership

Members must also be up to date with their annual Management Fees.

The NQR surrender option may be used where a Member does not meet the Exceptional Circumstances criteria. The Member must be up to date with their annual Management Fees and pay a Relinquishment Fee which is equivalent to two years Management Fees.

We understand that during these unprecedented times, Members may be experiencing difficulty and may wish for exceptions to the above criteria to be considered. We would urge Members to contact us directly, whereupon requests will be looked at on a case by case basis.

l. Will it mean DR possibly closing/pulling out of resorts such as Cala Blanca in Gran Canaria?

There is no proposal to remove any resorts from the European Collection at this time, and with particular reference to your question, Club Cala Blanca offers year round “sunshine” holidays and is a good fit for our Member offering.

Before considering the possible sale of a property, Diamond Resorts undertakes a full review of the resort portfolio to determine what the ongoing maintenance and operating costs are going to be. These costs are included in the European Collection’s annual budget and thus each Member’s annual management charge. These costs are sometimes deemed to be higher than the average property in the portfolio and outweigh the benefit of the number of vacations the property can offer due to limited space/rooms and seasonality. We want to assure you that any sales have no impact on overall Member availability in the European Collection. Accommodation is made available to Members of the European Collection based on the total number of points owned by all the Members and this cannot be altered.

m. Why did it take DR till 26th August 2020 to realise there were too many unused points floating around in the system and nowhere near enough apartments (due to the current crisis) in the correct locations to allow members to fulfil their demands. Once resorts had reopened in Europe their has been low demand from EU members travelling there due to Government advice not to do so, however, DR have successfully filled those resorts with local non member tourists. Now resorts where you allocated additional rooms (nearly all in November and December) have been snapped up at full points and none allocated across half term holiday break time for families. It is abundantly clear lots of availability still exists across the whole of the UK on your rental site so what do you intend to do next?

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Diamond Resorts began releasing Developer inventory to increase Club availability at the end of June 2020 for UK destinations. In total over 6,000 nights were released across summer months in the UK before the 26th August 2020. After several reviews of ongoing demand, it was decided that a greater release of inventory for later in the year would be actioned and communicated. With regards to Diamond Resorts successfully filling the open EU resorts with local non-member guests, unfortunately this statement is not correct and Diamond Resorts saw lower occupancy and at greatly reduced rental rates compared to previous years.

n. It was announced by our member directors the news of the Canary islands Covid insurance, however, what was not mentioned was that most DR resorts have failed to meet the criteria to qualify to be covered under this insurance - why is that ?

The Canary Islands Covid Insurance with AXA is available for anyone travelling to a recognised tourist accommodation. Diamond Resorts properties in the Canaries are members of the Hotel Associations and meet the criteria.

Please note however. The insurance only covers holidaymakers who become infected during the course of their holiday while staying on an island. It does not afford cover if the holidaymaker arrives with a positive PCR.

Additionally, the cover only applies to holidaymakers who stay for a maximum of 30 days.

o. Under DEX, DR claim that exchange fees are considerably less expensive than when using Interval International. Why is it members are charged different exchange fees, with the lower points members who pay more per point in management fees being penalised by having to pay a greater exchange fee? The same is true also with exchange enhancement fees. When you look at these exchange fees for lesser point owners it makes the exchange no less expensive than using Interval international.

Every Member will pay an Exchange Fee for every exchange reservation booking made through Destination Xchange.

The Exchange Fees collected are determined by the exchange type and loyalty level. These start from £93 for a platinum Member (online reservation) to £123 for a standard Member (online reservation).

We understand that Interval are currently offering a reduced Interval membership fee of £74 for Diamond Members. The current exchange fee with Interval is £124 (EU exchanges) or £139 (international exchanges).

Vacation Enhancement Fees will be charged if you choose to book into a larger occupancy sized accommodation than Standard Accommodation (sleeps up to 4), or a higher Tier from your original Tier Credit.

The fee is determined by The Tier Level increase and your loyalty level.

p. What is happening to all the money DR paid to Interval International (which was part of our paid management fee) is this being deducted from each members future management fees?

No annual membership fee is being levied for Destination Xchange. As such, if a Member prefers not to use it, they won't pay for it.

q. I am certain quite a number of members will have reservations in the system that go beyond the end of October (cut off date for depositing into II or DEX), what options will a member have to use those points if subsequently those reservations have to be cancelled beyond end of October because of Government imposed restrictions on travel?

Members will have the option to use any remaining 2020 Points towards the Credit Option.

Alternatively, if you have unused Points from 2019 that you didn't previously deposit into a Tier credit into Destination Xchange (“DEX”), then:

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a) provided you have a minimum of 2000 points from 2019 to use in 2020, and
b) provided your Management Fees are paid (including the fees for 2021),
we will automatically (and free of charge) deposit a Tier credit into DEX for use within the next 5 years.

This deposit will take place on 16th January 2021. We will then allow an exchange back to a Diamond Managed Resort based upon availability. Alternatively, you can use your Tier credit to make an exchange at any of the 4,800 (non-Diamond managed) resorts featured within DEX.

The 2019 points will automatically appear as a Tier credit on 16th January 2021, so please refer to your account after this time to redeem the applicable Tier credit(s).

r. Members have had to pay a considerable amount of money on Management fees for 2019 and 2020 and many have found it impossible to make reservations that can be fulfilled because of Covid and Government restrictions, all DR have offered is banking into 2021 or deposit into DEX in the future as a solution. If a member had booked a traditional vacation in 2020 they would have received a full refund of money paid had it proven impossible for that member to take that vacation. Why have DR never offered any financial compensation against money paid on holidays which simply are not available?
Even if DR rebated members an amount of £0.10/point as a credit on their account in exchange against points in 2019/20 which quite simply cannot be used to book holidays within the DR managed portfolio of resorts?

Please see response to Q2 (a) John Adamson

3. RHIANNON REES – email 27 August 2020

It is evident from the members Facebook group that many individuals have successfully rolled over cancelled 2019 points into 2021, this has been dependent on person the individual has spoken to. Unfortunately, I spoke to the “wrong” person and told my only option was DEX, which is not a suitable alternative for my circumstances. This inconsistency is highly frustrating and very unfair, what do Diamond intend to do to make it fair for all?

As per the Rules of the European Collection, Points can only be saved from one year to the next. Therefore we are unable to save any Points from previous years to 2021.

The options for Members to use any remaining Points from 2019 is to deposit these Points into tier credits with Destination Xchange for use within the next 5 years.

4. JOHN ADAMSON – emails 28 August 2020

a. The exchange rate of pound to euro today is at 1.1081, slightly above the 1.10 settled at with Diamond, though for the majority of the year it has been significantly higher than this, almost making 1.20 for a period of time, how much is the rebate on member management fees will amount in 2021 because of this?

The reduction in costs caused by the stronger than budgeted GBP vs Euro has been returned to Members, and is the main reason why fees are decreased year on year by 2.3%. Without the currency benefit, fees would have increased in line with wage and inflationary pressures.

b. Will DR be adding any of their unsold developer inventory to DEX for members to book for points?

There are no plans to place any additional Developer inventory into Destination Xchange. As Members are aware, throughout this year, the Developer has placed a large amount of its own inventory into the European Collection for use of the Members.

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c. DR must have a contract with other timeshare organisations such as McDonald's to take their inventory and offer it to members under DEX, what are those companies getting in return from DR?

Destination Xchange trades Destination Xchange inventory with other timeshare developers with the goal of creating availability at destinations where we know our Members wish to travel. At this time, we have 400+ Partner resorts in 35 countries and we trade 4,300+ weeks per year with them. In turn, they receive inventory from Destination Xchange to which their owners/members want to travel within our network.

d. How do DR intend to benchmark and grade apartments/resorts being offered in DEX compared to their own resorts, for example I would rate Kenmore as 4 star compared to a resort such as Scandanavian Village resort which I would only rate as 2 1/2 stars?

Destination Xchange compares external resorts through Interval International, RCI, Trip Advisor etc against the Diamond Resorts properties to derive the appropriate Point values.

e. In July I noticed a week in DEX at CLC Benal Beach resort one bedroom apartment for 5000 points from 25th January 2021. I now have logged in and see this value has escalated to 6000 points.

Next to Benal Beach resort are two superior DR resorts Pueblo Quinta and Sahara Sunset and to stay in either of these resorts in a one bedroom apartment would only cost 3000 points.

How can it be justified to expect a member to pay 6000 points plus the exchange fee to stay in this lesser quality resort/apartment complex.

Interval International exchange valuation is 2250 points for this season.

Please see response to Question 2 (i) Nick Sargent

5. Debs Hemmingway – email 1 September 2020

Are Diamond, planning on a reduction for the Maintenance Fees this year, based on members not being able to use their holiday ownership during lockdown in 2020 when resorts have actually being closed for at least 3 months.

People have had site refunds for caravans in England during site closures & the Diamond points system works on the same method as resorts have been closed & we have been prevented from using our holiday ownership during an unprecedented Worldwide Pandemic.

We should in my eyes have had a refund back this year, but I would be happy if it was offset on the next maintenance charges.

Please see response to Question 2 (a) John Adamson

6. Roger Jones – email 4 September 2020

a. On 26 August you announced 13,000 UK nights were to be released from Diamond stock through to February 2021 at considerable cost to Diamond but as this is outside the normal holiday period in the UK

- Whilst this will go some small way to relieve future demand that will be experienced by the club, how many nights have been lost in Europe because of the Covid-19 pandemic?

Currently over 200,000 nights have been lost so far this year for both Members and the Developer within the European Collection.

- Have members been banking their unused points forward for future use?

Yes, Members have been banking Points from 2020 into 2021.

- How much of these extra 13,000 nights are actually being booked?

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Before the 2nd national lockdown we had seen 100% usage of the 2020 nights. We were and still are seeing very low usage of the 2021 January/February nights that were made available to Club. We recommend that Members book this space to avoid potential unsatisfied demand later in 2021.

- **Is there going to be unsatisfied demand of carried forward points in Europe despite the extra 13,000 points being put into the club that could strain the supply of nights to the members of the club?**

It has been recognised that not all Members wished to (or could) travel, and that the number of Points that had been saved, along with annual allocations for 2021, would pose significant availability concerns during 2021. In short, it was clear that the number of saved points would far exceed the availability expectations. To address this, an option had to be considered that allowed Members to redeem a portion of their Points in return for a partial credit towards their 2021 fees.

In addition, the situation will be monitored regularly. Members may need to be more flexible than usual with their dates of travel. It is also going to be important that inventory is fully utilised in the first quarter of 2021 where (under normal circumstances) we would see higher levels of unutilised Club inventory.

- **If members have banked points forward from 2019 and have not been able to book inventory in 2020 using those points because of the pandemic will these points be lost to them on 31 December?**

Please see response to Question 2 (g) John Adamson.

- **Considering the extra 13,000 night being put into the club how much of this stock could have been used by Diamond for its normal activities?**

Based on previous year's performance and the seasonality, Diamond Resorts would have expected to use over 95% of the 13,000 nights.

- **Will the cost of these extra nights be recovered from the members of the club through their management fees?**

The Developer, Diamond Resorts (Europe) Limited (“Diamond”), agreed to make available a significant amount of its own inventory. This is being provided at considerable cost to Diamond. However there will be no additional charges to the Members of the European Collection.

b. Whilst asking about the financial implications relating to the shutdown of the resorts because of the pandemic there should have been a significant cost savings within these resorts but the membership of the club have paid their management fees in full. With the savings in running cost I would expect there are significant cash reserves within the resorts, we hope the cash has been earning some interest even though low, so can we expect either no increase or reduction in fees for 2021 using the savings from 2020.

As you will now have seen, there is an underlying decrease in 2021 fees, coupled with a Credit Option should Member wish to take this up.

Please see response to Question 2 (a) John Adamson

c. With regards to the maintenance and refurbishment programmes has it been possible to advance this programme during the lockdown and maybe even bring forward some of the work planned for 2021?

Essential/priority works have been initiated where necessary. However during the lockdown earlier in the year, almost all work was prohibited. We are also aware of the fact that in spite of recent developments such as vaccines, our refurbishment programmes are likely to be impacted for a number of months yet. As such, it is prudent to delay non-essential works until the full financial impacts of the pandemic are known.

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d. The WHO is suggesting Covid-19 will be around for a further two years so considering this statement from them it is conceivable restrictions on travel could also last for much of this time therefore have plans been considered for this eventuality?

The position is unknown at this time. However the Board will continue to monitor the position and will review future options as appropriate.

e. During the lockdown there has been reported widely an increase in the levels of scams and frauds perpetrated. We know the timeshare industry has been subjected to these activities so have Diamond seen this type of activity against its members increase and what action has been taken to help protect the club members during this difficult time?

There has indeed been a significant increase in the number of scams being perpetrated. Our Legal team works relentlessly with the Regulators and enforcement authorities with a view to assisting them to close fraudulent operators down. Unfortunately, investigations of this nature are very time consuming and progress is slow.

We also try to assist Members who have been the victim of a scam to the extent that are able to do so.

The Legal team sends out advisory updates from time to time, including the update provided with this year’s AGM notice (copied and pasted below). The best way for our Members to protect themselves is to carefully review the advisory updates and follow the advice provided.

AGM advisory notice.

We remain concerned about the number of unsolicited telephone calls, texts and emails being received by our Members from “claims companies” who suggest that they are in a position to facilitate the Member’s release from their timeshare ownership. Often, these assertions are coupled with promises that they will also secure a refund/partial refund of the purchase price paid by the Member for their timeshare.

Inevitably, a (sizeable) upfront fee is required and our experience is that these claims companies generally do very little of any substance in return for the fees that they have been paid. That said, they are very convincing and use various scare tactics including:

- i) Casting doubt on the validity of timeshare contracts,
- ii) Falsely asserting that it is Diamond’s intention to withdraw the surrender/relinquishment options,
- iii) Erroneously asserting that all requests for surrender/relinquishment have to be submitted to the U.S. for approval, will take over 12 months to consider and are likely to be declined
- iv) Erroneously asserting that memberships that were previously successfully surrendered at the Member’s request and with Diamond’s agreement will be reinstated, and that the Member will be pursued by Diamond for Maintenance Fee liabilities that have accrued in the interim,
- v) Erroneously asserting that Diamond is going to ‘asset strip’ and close down all of the Diamond U.K. resorts in the next 18 months,
- vi) Erroneously asserting that due to a recent European Court ruling, from 12 December 2020, timeshare Members will have to pay a 21% local Government tax on top of their Maintenance Fees if they wish to stay at any Diamond accommodation in Europe,
- vii) Erroneously asserting that Diamond is able to (and will) prevent the sale (in 2027-2029) of accommodations that were placed in trust for the Diamond Fractional Owners Club,
- viii) Erroneously advising Members that their memberships have been successfully terminated by the claims company when they have not, and
- ix) Advertising false testimonials from alleged members who they purport to have assisted.

As you know, we have been working for some time with the Timeshare Task Force, the police and Trading Standards to prevent such unlawful activity. There have been a number of successful prosecutions already, and we are confident that there are more prosecutions to come.

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If you would like to relinquish your membership, we recommend that under NO circumstances should you make payment to a claims company prior to contacting Diamond, so that we can discuss your options with you. The options we may be able to offer you are likely to be significantly cheaper, quicker and simpler than anything the claims companies purport to be able to offer. Our team members are there to assist you.

For exit options, please call 0044 (0)345 3590007.

To report unsolicited contact or to discuss any other concerns you may have regarding claims company activity, please call our Customer Services Department on 0044 (0) 345 359 0010.

On this point, we are aware of a recurring provision in the contracts of a number of claims companies requiring the Member to refrain from contacting Diamond (or any independent adviser), and purportedly placing the Member in breach of contract if they were to do so, entitling them to retain all fees paid and, in respect of at least one claims company, impose an additional financial penalty. This clause is wholly inappropriate and we believe in contravention of section 62 of the Consumer Rights Act 2015 (in which case unenforceable). The clause is clearly incorporated for one of two reasons: either to prevent a simple and cheap resolution from being achieved by the Member directly with Diamond OR to minimize the risk of adverse information about their operations being disclosed about them by Diamond to the Member.

We also strongly recommend that you refrain from providing any unsolicited caller (including any unsolicited caller purporting to be calling on behalf of a Governmental agency) with personal information or from making any payments without first verifying their identity/authenticity and company status. Regrettably, almost all companies making unsolicited contact have been shown to be rogue in nature.

Free Help with Checking and Due Diligence KwikChex Ltd, via the Timeshare Task Force, provides a free service to consumers wanting to check the legitimacy of businesses operating within the timeshare sector. It also provides assistance to Timeshare owners who may have concerns or questions about their timeshare ownership. Kwikchex works closely with law enforcement bodies, including the police and Trading Standards, and is a Corporate Affiliate member of the Chartered Trading Standards Institute. It is the only resource of its kind that is officially vetted and approved by U.K. Trading Standards.

Given the vast scale and nature of the problem, KwikChex is urging consumers to use the Timeshare Task Force resources (accessible on the following link: www.timesharetaskforce.org) to check the legitimacy of businesses offering timeshare relinquishment and claims. Please report ALL unsolicited contact to Kwikchex.

Kwikchex has also recently launched a new website: <https://timeshareexitconcerns.co.uk>. This website contains additional advice about the latest timeshare ‘exit’ scams and enables active participation by affected consumers. The attachment to this notice (“Spot a Scam, Stop a Scam”) has been provided from the website with Kwikchex’s kind permission.

For the sake of transparency, the Timeshare Taskforce initiative is funded by the Resort Development Organisation - the European trade association for the vacation ownership industry.

f. During the period of lockdown and the inability to take holidays I would expect there would be a number of older members are considering exiting the club due to ill health either physical or mental caused by Covid-19 and the inability to take holidays during 2020. Have Diamond considered or will consider helping those members who wish to exit the club where they have paid their 2020 fees and not used their time entitlement?

Please see response to Question 2 (k) John Adamson (27 August 2020)

7. Steve Forrester – email 1 October 2020

It is clearly a problem to use points only in the UK if it is not possible to travel beyond the main land. How are DR planning to accommodate the increased demand on the few remaining Uk resorts? The company

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must surely realise for many members holiday priorities have changed. I personally have been made redundant at age 60 with zero chance of a new job.

With the travel restrictions regularly changing, we are seeing that demand for European resorts still remains strong when Members are able to travel. As such, the increased demand for UK destinations is expected to be temporary rather than permanent. Our aim is to avoid creating additional demand challenges elsewhere by permanently shifting inventory to the UK from other EU destinations

8. Kathleen Miller – email 5 October 2020

Does Diamond have any preliminary plans for next year if we are still unable to utilise our points due to the pandemic? While I realise that resorts have to be maintained, staff employed at open resorts etc.etc. as members who cannot quarantine due to work, animals etc I do not relish the idea of paying out £5000 over 2 years when we cannot take any holidays!!

Please see question 2 (a) John Adamson

9. Douglas Sherriff – email 22 September & 6 October 2020

a. Diamond Resorts Inventory

Over the past few years we have maintained a record of the number of unit/weeks per unit type for each of the resorts in the current portfolio. This allows for us members to track the changes over time. We appreciate that these numbers do not directly translate to availability as members opting to book through Interval/DEX, affiliate resorts and cruises will mean that this pot of unit weeks will be reduced. However it does allow us to track the base starting point each year.

Please see in the answer further below, a complete schedule of all inventory as disclosed in the AGM’s over recent years. This takes in account all inventory billed to the European Collection.

(i) Can you therefore provide explanation and assurances for some of these changes to the numbers between 2019 and 2020. There’s hardly been any changes over the last few years, but now we do see some :- Overall there’s been an annual reduction of 9 unit/weeks across the portfolio.

Please see explanatory schedule below.

Diamond Portfolio Sept 2020

| | Studio | | | | | | 1 Bedroom | | | | | | 2 Bedroom | | | | | | 3 Bedroom | | | | | | | | | | |
|------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|--------------|--------------|--------------|--------------|--------------|--------------|------------|-------------|-------------|-------------|-------------|-----------|-------------|------------|--|
| | 2013 | 2014 | 2017 | 2018 | 2019 | 2020 | +/- | 2013 | 2014 | 2017 | 2018 | 2019 | 2020 | +/- | 2013 | 2014 | 2017 | 2018 | 2019 | 2020 | +/- | 2013 | 2014 | 2017 | 2018 | 2019 | 2020 | +/- | |
| Benal Beach | 179 | 132 | | | | | | 827 | 703 | | | | | | | | | | | | | | | | | | | | |
| Royal Oasis at Pueblo Quinta | | | | | | | | 1519 | 1452 | 949 | 949 | 949 | 949 | | 90 | 90 | 119 | 119 | 119 | 119 | | | | | | | | | |
| Los Amigos Beach Club | 546 | 80 | 76 | 76 | 76 | 76 | | 866 | 144 | 78 | 78 | 78 | 78 | | 1716 | 575 | 430 | 430 | 430 | 430 | | | | | | | | | |
| Woodford Bridge Country Club | 416 | 408 | 408 | 408 | 408 | 408 | | 1570 | 1545 | 1545 | 1545 | 1545 | 1545 | | 2581 | 2537 | 2537 | 2537 | 2537 | 2537 | | | | | | | | | |
| Pine Lake Resort | 958 | 939 | 939 | 939 | 939 | 939 | | | | | | | | | 3977 | 3916 | 3916 | 3916 | 3916 | 3916 | | | | | | | | | |
| White Sands Beach Club | 280 | 255 | 255 | 255 | 255 | 200 | -56 | 753 | 750 | 750 | 750 | 750 | 690 | -60 | 2146 | 2062 | 2064 | 2064 | 2064 | 1783 | | | | | | | | | |
| Club Del Carmen | | | | | | | | 1650 | 1641 | 1642 | 1642 | 1642 | 1642 | | 927 | 867 | 865 | 865 | 865 | 865 | | | | | | | | | |
| Alpine Club | 335 | 327 | 327 | 327 | 327 | 327 | | 1107 | 1081 | 1081 | 1081 | 1081 | 1081 | | 834 | 815 | 815 | 815 | 815 | 815 | | | | | | | | | |
| Sunset Bay | 1324 | 1337 | 1334 | 1334 | 1334 | 1334 | | 2549 | 2698 | 2696 | 2696 | 2696 | 2696 | | 974 | 1171 | 1171 | 1171 | 1171 | 1171 | | | | | | | | | |
| Sunset Harbour | 1213 | 1209 | 1209 | 1209 | 1209 | 1209 | | 2019 | 2006 | 2006 | 2005 | 2005 | 2005 | | 151 | 149 | 149 | 148 | 148 | 148 | | | | | | | | | |
| Royal Sunset Beach Club | 395 | 395 | 395 | 395 | 395 | 395 | | 2233 | 2224 | 2224 | 2224 | 2225 | 2225 | | 489 | 483 | 483 | 483 | 483 | 483 | | | | | | | | | |
| Sahara Sunset | 168 | 168 | 168 | 168 | 168 | 168 | | 1325 | 1321 | 1321 | 1321 | 1321 | 1321 | | 1882 | 1878 | 1878 | 1878 | 1878 | 1878 | | | | | | | | | |
| Royal Tenerife Country Club | | | | | | | | 231 | 188 | 188 | 188 | 188 | 188 | | 2089 | 2064 | 2064 | 2064 | 2064 | 2064 | | | | | | | | | |
| Santa Barbara | 142 | 216 | 216 | 216 | 216 | 216 | | 8198 | 4435 | 4181 | 4181 | 4181 | 4181 | | 2933 | 2256 | 2205 | 2205 | 2205 | 2205 | | | | | | | | | |
| Kenmore Club | | | | | | | | 950 | 935 | 935 | 935 | 935 | 935 | | 1273 | 1253 | 1253 | 1253 | 1253 | 1253 | | | | | | | | | |
| Sunset View | | | | | | | | 1611 | 1250 | 432 | 432 | 432 | 432 | | 202 | 80 | 34 | 34 | 34 | 34 | | | | | | | | | |
| Garden Lago | | | | | | | | | | | | | | | 2408 | 2388 | | | | | | | | | | | | | |
| Cala Blanca | | | | | | | | 2349 | 2327 | 2327 | 2327 | 2327 | 2327 | | 394 | 391 | 391 | 391 | 391 | 391 | | | | | | | | | |
| Royal Regency | 338 | 328 | 328 | 328 | 328 | 328 | | 734 | 714 | 714 | 714 | 714 | 714 | | 158 | 151 | 151 | 151 | 151 | 151 | | | | | | | | | |
| Thurnham Hall | 232 | 232 | 232 | 232 | 232 | 232 | | 672 | 668 | 668 | 668 | 668 | 668 | | 248 | 248 | 248 | 248 | 248 | 248 | | | | | | | | | |
| Cromer Country Club | 480 | 473 | 382 | 382 | 382 | 382 | | 1033 | 884 | 722 | 722 | 722 | 722 | | 609 | 579 | 432 | 432 | 432 | 432 | | | | | | | | | |
| Wychnor Park | | | | | | | | 415 | 407 | 407 | 407 | 407 | 408 | | 1512 | 1581 | 1581 | 1581 | 1581 | 1581 | | | | | | | | | |
| Broome Park | | | | | | | | | | | | | | | 676 | 655 | | | | | | | | | | | | | |
| Vilar Do Golf | | | | | | | | 104 | 102 | 102 | 102 | 102 | 204 | 102 | 2964 | 2907 | 2907 | 2907 | 2907 | 2907 | | | | | | | | | |
| Palazzo Catalini | 676 | 612 | 612 | 663 | 663 | 765 | 102 | 260 | 255 | 255 | 204 | 204 | 204 | | | | | | | | | | | | | | | | |
| Jardins Del Sol | | | | | | | | | | | | | | | 1195 | 49 | 49 | 49 | 49 | 49 | | | | | | | | | |
| Club Mougins | 52 | | | | | 51 | 51 | 1976 | 1938 | 1938 | 1938 | 1938 | 1887 | -51 | 884 | 765 | 765 | 765 | 765 | 918 | | | | | | | | | |
| Le Manoir Des Deux Amants | 208 | 204 | 204 | SOLD | | | | 780 | 764 | 764 | | | | | 832 | 816 | 816 | SOLD | SOLD | | | | | | | | | | |
| Residence Normande | 26 | 26 | 26 | SOLD | | | | 288 | 288 | 288 | | | | | 13 | 13 | 13 | SOLD | SOLD | | | | | | | | | | |
| Gala Norway | | | | | | | | | | | | | | | 255 | 255 | 255 | 255 | 255 | | | | | | | | | | |
| Cypress Pointe | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total | 7948 | 7341 | 7111 | 6932 | 6932 | 7030 | 98 | ## | ## | ## | ## | ## | ## | ## | 34157 | 30994 | 27591 | 26761 | 26761 | 26684 | -77 | 1843 | 1766 | 1610 | 1610 | ## | 1588 | -22 | |

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pot from the same period? I realise that the 5 year scheme will differ from the Classic version as members move points without deciding at that point on the period to use them. Therefore in both cases it would be good to understand the logic behind the re-allocation process employed by Diamond.

As currently happens when exchanges are made with Interval International, an equivalent amount of inventory will be taken from the European Collection and will be placed in Destination Xchange for other Members to book.

b. Covid 19 strategy for end of 2020.

Can Diamond please explain what solution will be offered to members if the unfortunate situation arises that due to Covid 19, further resort closures are required (particularly in the UK) before the end of the year. Or in the event local lockdowns are implemented which forbid any distance travel (e.g. outside of a members own county). Raising this as of course by the time this question is answered at the AGM, the window for moving points to II will be closed and it maybe only possible to transfer points into DEX by paying an additional fee (November only). This is relevant to both users of 2019 and 2020 points in the final months of the year. Therefore would be useful to understand Diamonds planning for this eventuality in December as well as November. We have already noted that many of the EU resorts will be closed until a few days before the end of the year.

Please see response to Question 2 (p) John Adamson

c. DEX Membership Fee

Can Diamond please confirm whether members will be offered a refund if choose not to use the DEX scheme. As far as I'm aware within the base management fee there was always an annual charge levied for membership of II. However whilst this was surely agreed by each individual member as most likely part of the deal when they first purchased their timeshare, this cannot be said for DEX. The Destination Exchange schemes have been introduced with no prior consultation with individual members nor has any agreement been sought from ourselves to sanction charging for it.

See Answer to Question 1 (i) John Sargent

d. Many members like myself have expressed that they are not interested in the DEX scheme so would be good to clarify whether there is an “opt out” option for this non agreed service. Also whether we will see a reduction in the annual maintenance fee from 2021 seeing it will be up to each member to fund membership of II independently if they so choose to use it?

There is no need (and therefore no option) to opt out of the Destination Xchange programme. However unlike Interval International, no membership or joining fee is payable to use Destination Xchange and you are under no obligation to use the facility.

10. Jim Haluch – email 7 October 2020

Many members, particularly Platinum members with large holdings, will find themselves in 2021 with almost double their annual points allocation due to the inability to use points in 2020 either due to resort closures or travel restrictions. This will result in members essentially paying fees in 2020 for a very restricted service and paying again in 2021 to use the same points. What does the Club intend to do to ameliorate the situation?

See response to Question 2 (a) John Adamson

11. Paul Murphy – email 8 October 2020

Having seen many questions and answers over the years, I believe that DR are very good at skirting round the actual point of the question by trying to baffle or confuse members who then never know if it was a ‘yes’ or a ‘no’

On that basis I submit the following question.

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Are there any plans to increase resorts in Europe? Could you please reply in the first instance with a simple ‘yes’ or ‘no’ and then go on to explain the reasons why?

No.

There are currently no plans to expand the resort portfolio other than affiliated properties. To do so would serve to increase the inventory owned by the Developer and therefore increase the Developer's management fee liability.

12. Arthur Kinder – email 15 October 2020

Many members have used 2019 points for reservations in 2020. Many resorts have been closed for a prolonged period of time, there has been little availability in the U.K, therefore members have not been able to take vacations, would Diamond therefore allow:

- deduct the unused points from 2021 allocation
- refund maintenance fees on unused points
- some members have been allowed to carry 2019 points to 2021, others have not - why is there no consistency?

Members have already paid maintenance on these points, it seems somewhat unfair to be told to use Dex, therefore incurring more expense - along with over inflated points values - even when booking a DR resort.

The above points also apply where members have had to cancel a prolonged holiday due to a serious D.R administrative error, therefore left with an high number of points sitting in their account and likely to be lost.

D.R do not appear to be fulfilling their part of the contract with members.

Please see response in question 2 (a) John Adamson

13. Paul Murphy – email 15 October 2020

DR sells points to members who then pay the purchase price and relevant annual maintenance fees. These points are able to be used (tier dependent) without restrictions. Why then do DR impose restrictions on their use if the original purchasing member(s) sell/give to another existing member. The restrictions are unfair and must contravene U.K. legislation concerning unfair terms and conditions.

European Collection Members are able to transfer their Points in accordance with the Articles of Association (Article 8 - Transfer of points and points rights). However with the exception of Points transferred to family members, Points transferred under resale or exceptional circumstances are known as Resale Points which do have restrictions of use attached to them.

Resale points can only be used within the European Collection but do not count towards the Membership Tier Level. Nor can they be used towards Member Benefits and they cannot be combined with any other Points holding to make a single booking.

Exchanges within The Club® and Club benefits are additional benefits of European Collection membership and are provided by The Club®. They are not automatically conferred on European Collection Points Members per se. They are only granted if the Points being used to make The Club® exchange or member benefit have been sold by the Developer.

That said, for the purposes of using Destination Xchange, Resale Points can be used to make exchanges and will be classified as holding a standard loyalty tier level.

Resale Points can also be upgraded to enjoy full usage rights.

Resale Points acquired on the second hand market can be upgraded to “full use” European Collection Points upon the purchase from Diamond of a minimum of 50% of the Resale Points being upgraded.

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The following stipulations apply:

- The Member must already own the Resale Points which means that the transfer has been completed and the Points are registered in the name of the Members
- Resale Points can only be upgraded once in the lifetime of their membership
- If a Member only elects to upgrade some of their Resale Points, then the remaining Points will stay as Resale Points and it will not be possible to upgrade them in the future
- If a Member purchases further Resale Points after they have upgraded Resale Points, then these Points will remain as Resale Points and cannot be upgraded.

14. Susan Goodwin – email 16 October 2020

a. Why are the points values so high for what would appear to be cheaper properties? I saw canal boats on DEX that were twice the cost for a smaller boat compared to using points with DR. Same dates, same marinas just twice as expensive. I have also just seen DEX Burnside for 12000 points when it can be booked for 6000 on DR. There is also a resort in Crete at 12000 points on DEX for a 1 bed apartment. You can book the same resort online for £385 but it is a 2 bed apartment and they also include breakfast for 4 people. As a silver member that would cost me around £1470 plus exchange fee £113 plus upgrade fees to move to a 2 bed and the mandatory utility surcharge of 105 euros! Why would I want to pay 4 times the online rate.

Please see response to question (2) (i) Nick Sargent

b. Why are some people being allowed to carry 2019 points that they are unable to use this year over to 2021 and others not? I appreciate the argument re availability if everyone carried over all their points, however a lot of people have used all of their 2019 points and other who are still working would not be able to just double the amount of holidays they can take next year due to work commitments. Is there some compensation we will be given if we cannot use all of our points through no fault of our own? Could they be carried over but have to be spread through say 3 or 4 years? DEX is not in any way a compensation it penalises us due to the extortionate pricing.

Please see response to question 3 - Rhiannon Rees

15. Simon Gorst – email 2 November 2020

Like many areas of the leisure industry, are the board considering suspending fees during the current pandemic given the fact that customers are unable to travel and as such, use the facilities they are expected to pay for?

A Credit Option has been provided with the 2021 billing. This will be reviewed again once the impact on 2021 becomes clearer. The European Collection does continue to incur costs even during a closedown period, such as essential maintenance and refurbishment, as well as skeleton staff and services required to keep the resort in order and secured. These cost are shared by all Members (including the Developer).

16. Andrew Lang – email 2 November 2020

Can there be some dog friendly accommodation at more of the UK resorts, not just Kenmore Club? It would be great if Pine Lake and Thurnam Hall had some dog friendly accommodation so that we could plan and book weekend breaks from our home location of Selkirk, Scottish Borders and get a bit more use from our points. Don't think I would be the only member wishing to take their dogs on holiday with them.

Allowing dogs at the resorts is not a decision made by the Board of the European Collection or the Management Company.

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Each timeshare club resort has a constitution and a set of rules and regulations which generally states that pets are not permitted.
If you feel strongly about this, you should make representations to the Committees at the resorts in question.

17. John and Christine Middleton – email 7 November 2020

I refer to the rule, below, whereby a charge of 75% of the members management fee is levied.

If members require more points for a reservation than they have available in their current year's allocation, they can borrow up to their annual allocation of points from next year's allocation by paying a deposit towards the following year's maintenance charges. This amount will be deducted from the following year's maintenance fee bill.

- *If borrowing points from next year's points allocation for a reservation this year, a deposit equal to 75% of the current year's maintenance fees are required.*

I have previously raised this issue with DRI as I believe it is an unreasonable charge and also unfairly penalises higher tier members.

I understand that, if a charge against future management fees was not made, then there is potential for members to take a holiday and then not pay the future years management fee.

My concern is that the fee charged bears no relationship to the risk and liability to which DRI is exposed and, as it is a fixed % of a member's fees, it unfairly financially penalises higher tier members.

I believe a more equitable arrangement would be to calculate the charge based on the management fee corresponding to the number of points borrowed. In this way the risk to DRI is covered and the charge to all tiers of membership is fair and proportionate.

I would ask that you recognise the inherent unfairness of the current rule and undertake to introduce a more equitable arrangement.

Under the European Collection Rules and Regulations – Rule 3.13 prescribes that “In order for a Member to complete a borrowing transaction, that Member will be required to make a deposit against future Club Dues and assessments to be levied by the applicable Association with respect to the Points to be borrowed and pay any borrowing fee charged by the Operating Company.”

Currently, in order to make a reservation, a deposit is required and this amount is equal to 75% of the current year's maintenance charges.

Nevertheless, we will give your suggestion serious consideration. However, as part of those considerations, it is clear that if a Member wishes to borrow Points, but does not wish to borrow in accordance with the current arrangement (i.e. a deposit equivalent to 75% of the current year's maintenance fees) alternative arrangements would need to be implemented. These alternative arrangements could (for example) require the payment of a deposit equivalent to 100% of the maintenance charges on the Points to be borrowed on the first occasion in any Use Year and thereafter (in respect of any second and subsequent deposit requests) a deposit equivalent to 100% of the maintenance charges on the Points to be borrowed PLUS an administration fee. An administration fee would certainly need to be levied to cover the time required to calculate and process the deposit manually. We will analyse the feasibility of this proposal further.

18. Mrs P Presland – email 9 November 2020

I am concerned that we continue to receive unsolicited phone calls from companies who seem to have acquired our details concerning our Diamond Resorts membership. They seem to have very specific information about our membership. We receive phone calls very regularly - maybe up to twice a week, asking us if we would like to take action against Diamond Resorts, as we have been mis-sold points or that Diamond Resorts are having extreme financial difficulties etc etc, which we should be aware of. Each time we ask them to remove us from their database, but still they come.

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We have previously reported this to Diamond Resorts, but last week we received 2 more phone calls, so this has not yet been resolved.

Please can we ask how these companies are getting our phone number and if any other members are receiving the same phone calls? Has there been a breach of our personal details and online security? Are the company not able to resolve this satisfactorily?

Please see answer to question 6 (e) above – Roger Jones

19. Nick Sargent – email 13 November 2020 (further questions).

1. The Directors report mentions the difficulties from Covid but provides no analysis of what has happened with Income & Expenditure (ie Fees and Costs). It simply advises that the 2021 fees will decrease by an average of 2.31% principally due to Exchange rates. I'd expect to see analysis showing that costs had gone down significantly due to resort closures, but likely costs increased on a resumption due to higher cleaning and safety costs. Although 2020 is not yet completed and the future may still be unclear please provide a meaningful explanation of the financial impacts, (note this links in with my earlier question on explaining how Members and Developers Fees have been dealt with when resorts are empty), and the risks/opportunities for the future.

2. Why have the Directors not proposed allowing points to be used to pay Maintenance Fees in full, as opposed to the 75% of variable fee proposed. How comfortable do they feel not giving a full credit to Members for cancellation of holidays.

In spite of the resorts being closed, there remain underlying costs that need to be shared amongst the Members, such as skeleton staff, essential maintenance, insurances and utilities. The European Collection still has an obligation to pay for these costs either through its ownership in weeks of underlying timeshare clubs (which are prepaid at the beginning of a year, and for which there will be a partial credit), or directly for resorts that are 100% owned by the European Collection. After projecting likely costs at the time of the budget meeting, it was calculated that 75% of the variable fee was the maximum that could be afforded from the European Collection fund and reserves whilst keeping enough money to meet future obligations. If the European Collection provided a full refund, it would be insolvent, which is clearly a situation that we cannot allow to happen.

3. Diamond Resorts Management Division Unaudited Statement.

a. This shows income from Points Club Owners and from Diamond Resorts Europe Ltd, presumably related to Developers Inventory.

i. For Points Owners show how many points this relates to and split the charge between fixed (Membership Fee) and variable (Maintenance Fee). Do the same for Developers Inventory to demonstrate both are contributing on the same basis.

ii. In the same way as showing weeks by location for Members do the same for Developers and convert both to equivalent points.

Please see response to Q 3(iii) and Q 3 (iv) - Nick Sargent email 1st July 2020.

b. Is a separate Income & Expenditure available to show how Membership Fees are utilised. If so please provide.

We are satisfied that the AGM notice provides all required information by providing the detail of the fees spent at each resort.

Over or under usage of resorts typically results in a deficit or surplus on an annual basis, and is taken into account when the subsequent years fees are calculated.

Nevertheless, we will refer your question to the Non- Executive Board Members at the next Board meeting for further discussion so that they can satisfy themselves of the correct allocation.

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c. Identify for each of the cost categories how much represent charges from other Diamond Companies. Explain how these charges are negotiated and agreed as ‘arms length’.

All Diamond Company recharges have been negotiated and agreed with the resort Committees over the years.

The amounts listed below include the European Collection’s share of expenses borne by the underlying resorts. Both of these recharges relate to costs across the European Collection portfolio of 30+ resorts.

Approximately £320,000 was paid to Diamond Resorts (Europe) Ltd regarding the rental of Diamond owned space. This relates to all resorts including those with underlying timeshare clubs for which the European Collection pays a week-based fee. This is included in the rental part of the cost category breakdown.

Approximately £4 million was paid to Diamond and associated companies for additional services, including Resort Supervision, Accounting, Legal, Purchasing and other centrally sourced services. These form part of the Accounting and Administration in the cost category breakdown. The majority of this is employee related and includes employees that work for more than one resort (resort specific employees are shown as Staff expenses in the individual resorts) ranging from Resort Area Managers to local accountants. It also includes agreed allocations of Diamond employees for the work they do directly for the European Collection and underlying timeshare clubs.

d. Explain what is meant by Management company fee, how it is calculated and what benefit Members receive.

Please see response to Q 4 - Nick Sargent email 1st July 2020.

e. Payroll represents the biggest category of costs. In light of Covid closures how much is this expected to reduce in 2020.

As resorts open and close, this is a moving target, however there are obvious significant savings while the resorts are closed (the majority received through the Government furlough scheme or equivalent scheme in overseas jurisdictions). However this cost will still exist in the future for those Members using their saved points.

f. The sinking fund/reserve fund has fallen for each of the last 3 years (ie 2017 to 2019). What does this represent and should it be a concern to Members as properties get older and potentially require more repairs.

Sinking Funds have been predominately flat over the period, the apparent reduction is driven by the return of surpluses from underlying clubs which show as a negative expense, as does miscellaneous income earned from resorts which also falls into this category.

g. Accountancy and Administration costs increased by 10% in 2019. Why such a large increase and what is being done to control these costs and/or ensure they are essential and provide value.

The impact of transactional currency gains and losses within this category, moved from a 240k profit (cost reduction) in 2018 to a 440k loss in 2019, explaining the vast majority of the increase. The great majority of these costs are also reviewed at club committee meetings. Normally the exchange impact is relatively limited in this line, however we are reviewing this going forward and will probably show this as a separate line in future years.

h. 2018 and 2019 show losses, despite the decline in the sinking/reserve fund. What are management doing to reduce this deficit.

The deficits are being funded from reserves, effectively returning prior year to Members. This is not expected to continue, especially as all excess reserves are currently earmarked for the credit program.

i. Given more people than normal will be carrying points over to 2021 then how is this accounted for. Do they still show as income in 2020 or as a prepayment and deferred to 2021. Similarly what accounting treatment is applied to Developer Inventory Member/Maintenance fees?

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We can confirm that 2020 will show a surplus, but this will be used to fund the excess costs of additional weeks as the points as used. Diamond pays for these as any Member would.