

Submitted Member Questions & Responses – Annual General Meeting 2021 Diamond Resorts European Collection Limited (“DRECL”)

1. STEVEN BELL - emails 1 April 2021

Question relates to points accumulating due to the pandemic cancellations with points being returned to accounts.

Will DR allow points saved to 2021 from 2020 to be saved to 2022.

It is impossible for everyone to use their points due to restrictions, travel bans and lack of availability when travel is allowed

As per the Rules of DRECL, points can only be saved from one year to the next. Therefore we are unable to save any points from previous years to 2022. The options for Members to use any remaining points from 2020 are to deposit these points into tier credits with Destination Xchange (“DEX”) for use within the next 5 years, alternatively points can be used with Interval International (“Interval”), for travel in 2021 or 2022 however the booking would need to be made prior to October 31st 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.

If we allowed Members to save points from 2020 along with annual allocations for 2021 this would pose significant availability concerns during 2022. In short, the number of saved points would far exceed the availability expectations.

2. PAUL DUNNING – email 4 June 2021

(a) As a result of the travel restrictions imposed over the last 18 months due to the COVID pandemic the default answer for members not being able to use their points appears to be to deposit points into the DEX system thus allowing an elongated period to allow the use of points for accommodation rather than them be forfeit. Whilst it is welcome the DR have attempted to redress the balance and provide alternatives for use of member's points, as with the Member Benefits programme where points can be used for 'non DR managed accommodation' purposes, can you please confirm whether by depositing points in the DEX system this also results in a similar situation to other Member Benefits options that DR will at a subsequent point following said deposit, remove DR managed inventory from that allotted to the wider member's annual availability inventory, equal to the quantity of points deposited in DEX, as is the case for any points used in the Member Benefits programme and for accommodation at affiliated resorts, in order that said removed DR managed accommodation is then made available in the rental market to generate revenue for DR. Member benefits provide members additional ways in which to use their points. Some members use them others don't. If the benefits aren't used, no inventory is removed from DRECL. If a member redeems points for a member benefit equivalent to [say] 7,000 points, inventory to the value of 7,000 is removed from DRECL. This inventory is then used by The Club to offset the cost of the member benefit provided.

As currently happens when exchanges are made with Interval International, when an exchange is made with points through DEX an equivalent amount of inventory will be taken from The Club and then placed into DEX for members to book or may be used by the DEX operating company against accommodation provided by a 3rd party into DEX.

(b) If the answer to question 1 is YES, which I assume is the case else how do DR generate the revenue required to pay for access to the DEX properties as I understand DEX is not funded by member's management fees, how in the wider scheme of things is the DEX programme viewed as increasing the member's options to provide additional nights worth of availability to maximise the opportunities to holiday, when in reality the sum total will result in the overall reduction of nights worth of availability, and in real terms at an increased financial burden on members, due to the fact that average points costs to enable access to DEX accommodation is higher than that for similar accommodation in the DR managed portfolio and, reportedly, at lower standard to that enjoyed at DR managed resorts. As the average points cost for the majority of DEX properties are well in excess of those that are required to stay at a DR managed resort in similar sized accommodation, this would result in the likelihood of more night's worth of accommodation being removed from the DR member's points inventory than DEX has provided as replacement, thus exacerbating the issues already identified by other members regarding lack of availability, resulting in an ongoing spiral of lack of availability at DR managed resorts and more emphasis and focus on the use of DEX to 'fill the gap' year by year, and of course an increased use of resorts by non member paying guests.

If a member deposits 12000 points and receives a tier 6 credit into DEX then DEX will be allocated accommodation from THE Club equivalent to the number of points deposited. This is the same way as the exchange programme with Interval International works. The DEX operating company has an agreement with 3rd party providers to increase the range of accommodation available at destinations where we know our members wish to travel in the DEX portfolio

Submitted Member Questions & Responses – Annual General Meeting 2021

Diamond Resorts European Collection Limited (“DRECL”)

and DEX in return will trade with these 3rd party providers. At this time, we have 400+ Partner resorts in 35 countries and we trade 4,300+ weeks per year with them. In turn, the 3rd party providers receive either payment or inventory from DEX to which their owners/members want to travel within our network.

(c) If the answer to question 1 is NO, can you please explain what happens to the DR managed inventory notionally associated to the points and it's availability in the system once a member places points into DEX? One would like to believe it remains as available points inventory in the points members wider allocation, to be consumed by members in the normal course of bookings, therefore demonstrating that DEX is indeed an addition to the sum total of availability of night worth of accommodation for points members, not an ‘instead of’ formula.

Please see answer above at 2 (a).

(d) Can you please confirm if the DEX programme is used to mutually exchange inventory between DR managed resorts and any resorts in the DEX programme to redress the balance of availability of inventory associated to points members ownership, or weeks members ownership, once points or weeks are placed in the DEX system?

Under normal circumstances (excluding concessions made due to Covid) if an exchange is made by a Member into DEX, an equivalent amount of inventory will be taken from DRECL or The Club and will be placed into DEX for other members to book (as currently happens when exchanges are made with Interval).

If an exchange is made by an owner of a week into Destination Xchange, the week owned by the owner will be placed into Destination Xchange weeks program for week owners and the owner will receive a tier credit to book an exchange week from the DEX pool of accommodation, owners do have the option to upgrade their tier credit within Destination Xchange.

(e) Is the member’s points availability ever knowingly and actively ‘underpopulated’ at the commencement of the year or other periods during the year, (anecdotal evidence exists of inventory being released sometime after the 13 or 10 month release windows) on the basis of trends indicating a certain percentage of members points are used annually on Member Benefit purchases and associated uses? If so, at what point in the year is the balance redressed if actuals do not align with projections?

Projections are made at the beginning of the year on both delinquency and member benefit usage, however Diamond Resorts (Europe) Limited (“DREL”) is typically conservative (in the sense of projecting too little space for its own use). The space is re-calculated during the year at which point DREL periodically reclaims additional space as the calculations allow.

(f) Why is DR managed inventory banked by weeks owners into the DEX programme not available to the wider DEX points depositors and why are the season cut off periods for weeks owners different than those for points owners, weeks 18 through to 27 in the Canary Isles for example?

DEX for owners and DEX for Club Members are separate programs and operate in different ways and owners and members have a different pricing grid that is used to calculate deposits placed into the programs.

3. RAY BRADBURY – email 4 June 2021

Is Diamond are going to take our points off us if we cannot use them. This year...I've banked as many as I can but a lot left over....I've heard you can put them into Diamond XChange but thats means paying fees when you use them.

Please see response to Q1 – Steven Bell

4. Judy burton – Email 14th September 2021

“Since the recent announcement was made of the takeover of Diamond Resorts by the Hilton Group I have received a significant number of phone calls from organisations offering me legal assistance. The claims are that Hilton will ride roughshod over the benefits and rights of current Diamond members and that this will

Submitted Member Questions & Responses – Annual General Meeting 2021 Diamond Resorts European Collection Limited (“DRECL”)

result in large increases in management fees. Also that Hilton will curtail the benefits of current members unless we agree to make additional payments in order to retain them.

I would like to be reassured that these actions will not take place and that these claims are merely shock tactics. As a Platinum member I wish to retain all my current benefits and rights without any further financial investment. Please reassure me that this will remain the case, not only for the foreseeable future, but also for years to come.

Regrettably, claims management companies have no hesitation in disseminating mis-information with the sole intention of generating concern in the minds of our members. These claims management companies have no “insider information”. They make up the stories as they go along with the sole intention of extracting fees. To be clear, although we expect to be able to offer more choices and vacation opportunities in the future, your points rights will not be changed or diluted. Your points rights will remain the same, and you will continue to make reservations in the same way that you do now. Management fees will be fairly and correctly assessed at all times in accordance with the provisions of the European Collection Management Agreement

5. Setrag and Anita Chilingirian – Email 14th September 2021

a) Points not used from 2019 had to be used this year or lost and could not be carried over to 2022. This is unprecedented times and allowances should be made accordingly.

See response to Q1 – Steven Bell

b) Management fees should be adjusted accordingly as many properties were closed during lockdown and , therefore, members unable to use their points.

The DRECL board chose to return savings to members from 2020 in two ways.

a) Where savings were made over the whole year (for example UK business rate holidays, and reductions in entertainment post reopening), these were included as reductions to all members in the calculation of the 2021 fees.

b) Savings directly related to close down periods were targeted (through the credit offering) to those members who were unable to use their points, and did not save them for future use.

Similar options are being analysed for the current year and details will be shared in due course

c) It has been virtually impossible to book a Diamond Resort in the UK this year due to the masses having staycations.

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. DREL took a decision to release additional nights that it owned at UK resorts throughout 2021 and for the second quarter of 2022. So far, Members have made use of thousands of these room nights.

d) We have been told to use DEX to save points. We pay extortionate management fees so, therefore, why should more money have to be paid to save points – another wage earner for Diamond -!!!!

No change has been made to the point saving rules, you are able to save points from one year to the next as per the rules of DRECL and there is no charge to do this.. The options for Members to use any remaining Points from 2020 is to deposit these Points into tier credits with DEX for use within the next 5 years, alternatively points can be used with Interval International for travel in 2021 or 2022 however the booking would need to be made prior to October 31st 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.

6: Douglas Sheriff – email 14th September 2021

(a) New website Design

Currently it seems that whilst some members still have access to the “Classic” version of the DR website, it appears it’s a facility that many others are slowly losing access to (or no longer find a link to switch back). This for some members is leading to much frustration. Whilst the new version of the website certainly looks more professional, the functionality of the revised search engines with their different views is nowhere near

Submitted Member Questions & Responses – Annual General Meeting 2021 Diamond Resorts European Collection Limited (“DRECL”)

as effective as the Flexible search that exists in the Classic version. This is definitely not just a case of getting used to the new features, or understanding the new functionality provided. Comparing side by side the new search engines are far more laborious and what would be achieved with minimal input before, now requires lots of mouse clicks or swipes to achieve the same result.

So where is the issue?

Non Grouping of Information including Wishlist/Favourites

In the Classic version you can enter a resort criteria of “Golf Del Sur” for example and all three resorts in that area, if available, will be displayed in a single list (see the comparison images below). Fantastic for comparing unit sizes, dates and points values, and thus easy to reach a quick decision across all resorts at the same time. You are then able to sort this list anyway you wish. None of the search engines in the new system seem to offer this facility and instead provide results broken out by resort, which then have to be interrogated one by one.

This is the same for the **Wishlist/Favourites** function, which provide members the facility to group a selection of 5 resorts each. A grouping very specific to that user. There seems no way a user can group the availability for all your chosen resorts together.

Whether you use the **Basic** or **Time Finder** search the problem is the same. I tried using the **Destination Finder** however that didn't appear to return results outside of the US, but when clicked on Las Vegas it again seemed to want to show results per resort.

The problem is exacerbated by the way each of the search engines handle dates. Whilst the Basic search has an airline style “plus or minus” days function, this is best for searching where a specific and narrow date range is desired. The Time Finder seemingly can only search from present day forwards, thus there's no facility to place restrictions on the amount of information returned. By far the easiest for me was the **Matrix** view which at least allow the user to select a date range by month. But when you compare all these search types to what members have access to in the Classic website version, they are much more time consuming. Overall a step backwards for many members.

Why is this a big deal?

Simply because of the limited availability which has been aggravated by the pandemic, often there's a need for members to flexible in the way they spend their points and plan their holidays. So being able to quickly view the availability of all your favourite resorts, or desired locality (e.g. Mainland Spain), in a single list is becoming increasingly necessary. For example members may choose to stay at different resorts to patch together a longer stay. A simple display of all this information together is critical as members will also be throwing other criteria into the mix at the same time. Such as flight availability/cost, car hire costs etc.

So much more juggling and if the system times-out, then it's right back to the start again. With the changes to the date criteria that could result in a lot of effort getting back to the same place

So can Diamond please ensure the ability of members to have continued access to the “Classic” version and if this has been now terminated for some members, allow it to be reactivated on request. I notice clicking on the **Points Saver** option in the new website it does take members back to the Classic version, however sadly it doesn't seem to allow users to use the Flexible search via that route, returning you immediately to the new system if you click on that tab. So maybe this could be changed as a solution?

There's no disputing the information can be gleaned by both versions, the point is it often takes vastly more time achieve the same result and thus reach the point where a decision can be made. and the booking finalised.

Submitted Member Questions & Responses – Annual General Meeting 2021 Diamond Resorts European Collection Limited (“DRECL”)

Whilst we realise that with the HGV takeover we may get another website sometime in the future, until that point please understand that design of the search engines provided by the new system, are for many members, simply not fit for purpose.

Flexible Search within the Classic Version imputing Golf Del Sur

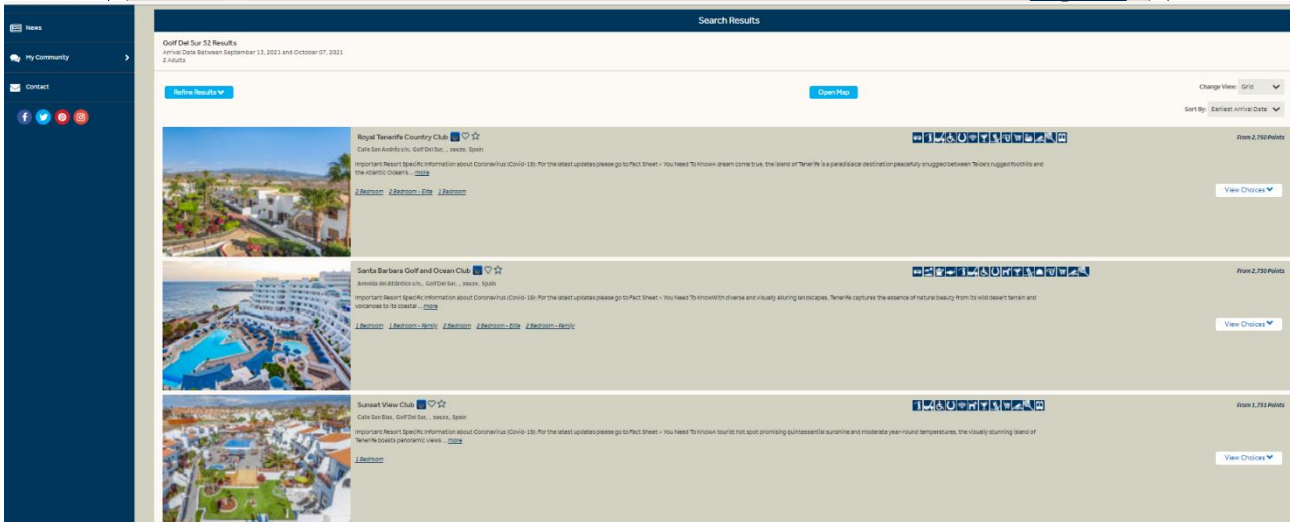
Same search in the New System showing the split of results per resort

SEARCH

Show entries Filter Records

View Prices In: Points BPS £ Points + BPS £

Location	Resort	Room Type (Occupancy)	Check-in	Check-out	Points	Tier	Book it
Tenerife, Spain	Sunset View Club	1 Bedroom(4)	18-SEP-2021	25-SEP-2021	1925	-	BOOK IT!
Tenerife, Spain	Sunset View Club	1 Bedroom(4)	19-SEP-2021	26-SEP-2021	1925	-	BOOK IT!
Tenerife, Spain	Royal Tenerife Country Club	2 Bedroom(5)	19-SEP-2021	26-SEP-2021	3300	-	BOOK IT!
Tenerife, Spain	Sunset View Club	1 Bedroom(4)	20-SEP-2021	27-SEP-2021	1925	-	BOOK IT!



This feedback has been forwarded to our development team for review.

(b) Resort Names Clean-up

In a previous website upgrade the designers introduced the facility to type in the first few letters of a resort which will then pull a selection of near matches from the back-end database. However it seems the list needs a good clean up as there are lots duplicate entries, or instances where the resort categorisations are wrong. Thus resorts fall out of groupings they should be included into.

This problem can result in members finding no availability when they have just selected the wrong instance of their chosen resort.

A good example of this is the newly re-introduced Irish resorts. If a member types in Dangan Lodge Cottages they will see the availability. Choose the DANGAN LODGE COTTAGE option which also appears when then start typing in the name, no availability will be displayed. If this is actually two slightly options at the same resort, can you please look into how this could be made clearer.

Submitted Member Questions & Responses – Annual General Meeting 2021
Diamond Resorts European Collection Limited (“DRECL”)

Am sure the St Maarten resorts also suffer from this issue too, but there’s probably a wider problem that needs urgently addressing.

This is the same on both instances of the website, so that’s not a factor.

We're aware of this issue and can only apologise. Our development team are currently working on a solution to resolve the issue (which revolves around a database fix to the ISO description). In the meantime members who are searching for resorts in St Maarten should use the search term Netherlands Antilles which will return resorts (if available) on the island. We have also added a What's New to the member site as a form of educational to clarify this point.

(c) Exchange Rate Refund

This year Diamond chose to reduce the management fees following the sterling to euro exchange rate performing overall better than expected over 2020. This was a very welcome move.

In 2021 the stability delivered by the December Brexit agreement has caused that difference between budgeted and actual exchange rates to be even wider this year with Sterling to Euro rates moving consistently between the 1.15 – 1.18 mark.

Therefore can we expect another refund off the 2022 management fees for UK members and it will reflect the wider gap between what was forecast and actuals? We as members understand that factors such as staff wages and inflation need to be considered, however taking these into consideration the gap in forecast to actual exchange rates has been consistently large all year. With the UK opening up it’s economy faster than many other nations it’s probably a fair guess that 2022 is possibly easier to predict than 2021. We of course understand that for some annual costs in the budget there’s no conversion seeing they are met in sterling anyway (Citrus House, UK resorts). But factoring all this together there’s surely justification for a sizeable refund.

The calculation and composition of 2022 management fees is still ongoing, but it is anticipated that

- a) any surpluses resulting from the currently GBP/Euro exchange rate vs budget in 2021 will be returned as part of that calculation
- b) That a more favourable exchange rate will be used for the 2022 calculations

It must always be noted that there are other cost pressures such as minimum wage increases and currently energy costs that will cause increases. However GBP/Euro currency fluctuations will have a positive impact, even with the current economic uncertainty.

7. Nicholas Sargent – email 17th September 2021 (member requested all content to be published)

Termination of Interval International was announced in March 2020 but details of DEX, having obviously been planned for some time, were not provided until May 2020. It immediately became obvious that pricing for DEX was not transparent and required an excessive number of points versus II, or equivalent Diamond properties. It also ‘rolled-in’ Club Select taking in the opportunity to similarly increase the points requirement (ref John Adamson 2020 Q&A Scandinavian Village Scotland points doubled). From May 2020 onwards I challenged the Corporate Governance behind this decision and requested to see the documentation that demonstrated this change was for the benefits of the Ordinary Members. I provided evidence, with a sample of exact comparables, that showed booking with DEX required between 1.7 to 3.6 times the number of points required versus II. No response was received despite numerous chases, other than ‘legal are looking at this’, until the Q&A for the 2020 Zoom AGM was released, though not publicised via the website, either the evening before or the day of the AGM.

As the Q&A failed to deliver adequate responses I requested to speak at the AGM via Zoom. This was initially refused until I pointed to clause 5a of the Articles that provide that an ‘Ordinary Member has the right to speak at the AGM’. This interlude is partially included in the minutes, though no reference is made to the issues I made on the lack of transparency and excessive points required for DEX (1.7-3.6* v II) or the analysis of actual UK availability on the day of the AGM, summarised below:-

UK Comparison IIvDEX	Interval (exc Diamond Props)	DEX
No of Resorts	15	4

Submitted Member Questions & Responses – Annual General Meeting 2021 Diamond Resorts European Collection Limited (“DRECL”)

No of Weeks	82	5
Accom Units	Studio, 1,2,3 beds	1,2 beds
Month	Jan-Apr, Nov, Dec	Jan, Feb
Points	2250 to 7250	8000 to 12000
Transparent Levels	Clear Table	6 Unknown Levels

Nor does it fully explain Diamond’s recognition that ‘we agree the price grid is not working as anticipated and we are making adjustments to the software’, (note ‘software’ not criteria fed into it), and ‘we will have a similar grid (ie to II) for publication by the end of December 2020’ but simply focused on DEX needing to be ‘competitive to succeed’, something we likely all agree on, though whether that measure is for the Ordinary Members, DEX or the Founder Member or ideally all of them is a moot point. It’s also noted that the chat function registered similar concerns on points for DEX and JM asked members to give Diamond the ‘chance to get it right’.

I agreed to have further separate discussions to cover both DEX and numerous other concerns, both raised by myself and others via the Q&A. The outcome of this has not been published, nor did I ever agree to it, but many of the questions (on DEX v II, availability, maintenance fees, corporate governance etc ...) or follow-ons have never been satisfactorily answered.

None of these issues, other than ‘Approval of the Minutes’, feature in the Agenda for the AGM on 5th October 2021.

DEX v II

- a) At the end of July 2021 a new revised points/grid chart was published for DEX. This came via an email with no major announcement on the website. Although this appears an improvement on the previous version it is still not as transparent as the II charts, where there are 4 clear seasons and 3 standards of accommodation and for each property featured you can see exactly which season the weeks fall. Other than for a 4 bedroom (very rare I suspect) the DEX range is always higher and if supply is low then irrespective of season you can ‘defend’ high points prices by declaring that week has higher demand than it would be with II. This revision was published more than 6 months after it was promised at the AGM. Why did you get it so wrong at launch and then take so long to acknowledge/recognise it and attempt, albeit I’d suggest currently unsuccessfully, to correct it when the decision and planning to dispense with II likely started 2+ years earlier? Looking at the very limited UK availability, both with II and DEX, since this was published the only direct comparable found to date was a 2 bed at MacDonald Lochanally Resort on 4 Dec 2021. This was 3000 points with II and 6000 with DEX so still double the points. Whilst a sample of 1 may not show the total picture, it does suggest the problem is still not resolved. Can Diamond please explain how this new matrix really works and how it will be monitored and corrected to ensure comparable points pricing to II is established such that DEX can become truly competitive to II?

We have agreed that the price grid did not work as anticipated, and we made adjustments to our software to price the inventory appropriately. Each 7-night resort stay has a points value and an equivalent Tier assigned to it. Tiers are designated 1 through 6 with 6 being the high-demand locations and times of the year in the larger sized accommodations. As a member, you can use the Instant Xchange, which allows you to instantaneously book using your points, or you can convert your points into a Tier Credit to reserve accommodations at a later date. Tier Credits made with the 5-Year Advantage Xchange are valid to book accommodations up to 5 years from the date you create the Tier Credit. Each week is assigned a points value and a Tier which are determined by a number of factors including resort destination and location, availability, seasonal demand and size of accommodations.

So what does this mean? You can expect larger accommodations to be valued at a higher Tier /more points than smaller accommodations. Higher demanded times of the year such as holidays and peak vacation times (i.e. summer and school holidays) will also be valued at a higher Tier/more points than off-peak and low demanded times. Destinations with limited accommodations (i.e. ski resorts) will be valued at a higher Tier/more points versus locations with an abundance of accommodations.

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

Submitted Member Questions & Responses – Annual General Meeting 2021
Diamond Resorts European Collection Limited (“DRECL”)

- b) **The issue of what happens with these excess points, versus an exchange with II, has never been explained? (Note my previous example was a 1 bed off season at Macdonald Spey Valley for 4000 points with II versus 12000 points with DEX, which would be potentially the equivalent to a 1 bed for 3 weeks at Diamond equivalent property, whereas in the latest UK comparable above it may now be 2 weeks). My understanding from previous responses is that 12000 points would be removed from availability to Diamond Resorts Ordinary Members so unless the party exchanging their 1 bed actually receives these points and uses for 3, or now possibly, 2 weeks at Diamond Resorts in the equivalent season, they must transfer to DEX for them to sell/exchange and make profit, hence although that individual may be happy to utilise his 12000 points in that way it’s not helping availability for other Members. Explain the mechanics and who benefits from these high points values (ie party exchanging, DEX or Founder)?**

The only members of the DEX points programme who are able to make exchanges and deposits are those members with points in one of the Collections or Fractional points. However the DEX operating company has an agreement with 3rd party providers to increase the range of accommodation available at destinations where we know our Members wish to travel in the DEX portfolio and DEX in return will trade with the 3rd party provider. 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 either a payment or inventory from DEX to which their owners/members want to travel within our network.

- c) **Given you now accept the points matrix was wrong for DEX how are you compensating Members who paid these excessive points to exchange where you may now have lowered the points requirement?**

We have worked with all Members with impacted reservations.

- d) **II also offered periodic ‘accommodation certificates’ and still provides reduced points (50%) for exchange in the short term. DEX currently does not appear to have similar offers. How do you intend to benchmark the competitiveness v II in the long term and adjust the offering accordingly?**

DEX has a range of other features and benefits under development. We are highly cognisant of the fact that for the programme to be successful, we need it to be both price competitive, to offer a good selection of resort options and benefits.

- e) **II was previously included within Diamond Membership and the Rules had to be changed to remove it. The Corporate Governance behind this exceedingly rare change to the rules (apparently this is only the 5th change since established in 1994) is strange as it appears, from my requests, that no documentation or identification of pros/cons or benefits was made other than membership came at a ‘cost’, that can’t be advised due to confidentiality agreements with II, and usage of II Exchange was low. (Note I recently took up an Interval offer equivalent for standard membership at c£25/year which out of an Diamond Annual Fee of >£3000 is insignificant and I’d expect Corporate Membership to be cheaper). However Diamond went to the expense of establishing DEX (presumably with a view to a profitable business), launched it with high points and non-transparent pricing yet claim it as a ‘benefit’ to Ordinary Members without any further analysis? Clearly if it is competitive with II it could be a win-win for both Diamond, DEX (a sister company of Diamond) and the Ordinary Members but, with the excessive points usage required, this still doesn’t currently appear to be the case. Although no detailed cost benefit, pros/cons analysis was undertaken to make the initial decision could the Directors now undertake this, and share it, to fully justify the decision to Ordinary Members?**

As you have correctly stated, Rule 2.5 of DRECL 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 DRECL entered into a Corporate Membership affiliation agreement with Interval International.

Submitted Member Questions & Responses – Annual General Meeting 2021 Diamond Resorts European Collection Limited (“DRECL”)

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 DRECL members AND that Interval International must be the exclusive third party exchange provider for DRECL 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®).

There is no need to consult with the members on any changes to the Rules and Regulations. All changes are made by the Management Company provided that the changes are deemed to be in the best interests of the member base generally. You have asked for a copy of the proposal showing costs/benefits and pros and cons of the alternatives. Discussions were held at senior management level. There is no detailed written business proposal and we will not create a document retrospectively to satisfy your request. As has been previously explained, the statistics detailing usage of Interval by members spoke for themselves. The terms of the Corporate Affiliation Agreement with Interval include confidentiality obligations. As such, we are not at liberty to disclose this information. As you would expect, the Corporate Affiliation fee per member was lower than individual Interval membership – not least because every member was required to pay it. It is worthy of note that the Base Fee has actually gone down for 2021 by £13 (when you would always expect some level of increase). By way of comparison, the base fee increased by £35 in 2020. Hopefully this may go some way to putting your mind at rest

- f) **The argument appears to be that Members can still pay separately to join II and DEX provides more choice, which can only be a good thing. However DEX exchange appears to come at a significant cost of higher points for comparable accommodation, so does come at a price. Given difficulties in finding availability at Diamond Resorts (none in the UK left in 2021 or summer 2022), resulting in the need to book 12-13 months in advance, then Members have a real choice of not being able to use their points or reluctantly paying higher DEX prices. I’m also concerned that if DEX are paying higher prices than II to encourage owners to Exchange with them this will reduce II availability, drive up prices and generally erode the value of Members points. Can you confirm DEX is not overpaying versus II or other Exchange organisations to attract Exchanges, for example by offering more points than the equivalent Diamond offering (eg for 1 bed out of season at similar quality property) or by providing significant discounts on converting to Diamond Membership and using the Exchange property as part payment at an inflated price?**

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

The accommodations within Interval International’s exchange network are weeks that have been deposited by the individual owner(s) thereof. It is these weeks/accommodation that you exchange points for. As with many of our own managed resorts, most owners within this industry own week(s) in a specific resort and of a particular unit/size of unit and if these owners choose to relinquish use rights of their week(s) during any year to the exchange company affiliated to their resort, the week is made available to members of that exchange company.

- g) **We were advised Membership/Maintenance fees fell for 2021 predominately because of Exchange rates and the latest management accounts suggest a profit for 2020, hopefully similarly leading to lower fees in the future. Can you confirm the savings from terminating II have been passed on in full,**

Submitted Member Questions & Responses – Annual General Meeting 2021 Diamond Resorts European Collection Limited (“DRECL”)

exclusively to the Ordinary Members? The comment is always that ‘no Membership Fee is paid for DEX’, but can you confirm no costs associated with DEX get included in the underlying calculations that result in the charge?

As previously explained, no costs are charged by the DEX operating company to DRECL for members of the European Collection to be enrolled on the DEX program.

Membership/Maintenance Fees

- h) Data provided in the response to the 2020 Q&A showed that Ordinary Members represented 67.6% of the ownership in 2019 falling to 63% in 2020. However the management accounts suggest they contributed 71.9% of the Income (excluding Interest/Other) in 2019 falling marginally to 71.1% in 2020. During discussions it was explained that the calculation is very complicated and it was agreed it would be helpful to provide further analysis/explanation. However the 2020 accounts provide no further information. Can you explain why the Ordinary Members appear to pay a disproportionate share of the fees in comparison to the Founder?**

The calculation and composition of 2022 management fees is still ongoing, but it is anticipated that

- a) any surpluses resulting from the currently GBP/Euro exchange rate vs budget in 2021 will be returned as part of that calculation
b) That a more favourable exchange rate will be used for the 2022 calculations

It must always be noted that there are other cost pressures such as minimum wage increases and currently energy costs that will cause increases. However GBP/Euro currency fluctuations will have a positive impact, even with the current economic uncertainty.

	Invoiced	No Use Credits Taken	Net per AGM Notice	Net Defaulters	Add Back Credit	Net excl Credit
Members	26,250,196	-1,959,780	24,290,417	-2,044,298	1,959,780	24,205,898
Diamond	11,921,734	-2,048,207	9,873,528	2,044,298	2,048,207	13,966,033
	38,171,931	-4,007,987	34,163,944	0	4,007,987	38,171,931
% Paid						
Members	68.8%	48.9%	71.1%			63.4%
Diamond	31.2%	51.1%	28.9%			36.6%

- i) It was suggested during our discussion that the maintenance fees calculations were based on who occupied the accommodation (eg Members or Founder/Diamond). Periodically Diamond have announced they are making additional inventory available to Members in what generally sounds like a free/kind offer. Who pays the maintenance fees when this occurs? The Founder made additional accommodation available in Jan-Mar 2021 in the UK when Covid meant these would be empty. Who paid the maintenance fees on this accommodation?**

As the resorts were closed in Q1 2021, the additional accommodation could unfortunately not be made available to members, and therefore remained as DREL developer space in the calculations. DREL makes space available to member 2 different ways. Sometimes this is done by exchanging space allocations between members and developer at different resorts at essentially equal value (a “trade”), however the Q1 additional availability (if it had been able to take place) would have provided from developer inventory at no additional cost to members.

- j) Ordinary Members were allowed to use a proportion of their points to cover Membership/Maintenance Fees for 2021 with an equivalent of 75% of the cash value and you note this was not as popular as expected. Will you consider increasing this to 100% for 2022 as Members continue to struggle to use their points due to continued lack of availability and fear of travel, in which case I’d suspect uptake would be much higher? Please explain what happens to the points and availability for Members when they are used in this way? Given physical accommodation is finite I don’t believe this actually ‘releases’ accommodation for other Ordinary Members, as had been suggested in responses, though should reduce demand from Ordinary Members who take up the offer (though with Members already carrying points forward due to Covid demand may already be greater than availability). Please confirm these points/inventory do not get reassigned in the year to the Founder Member to re-sell, thereby increasing their share of available inventory?**

Submitted Member Questions & Responses – Annual General Meeting 2021

Diamond Resorts European Collection Limited (“DRECL”)

All points (and consequently inventory) freed up by members taking the credit option were not reassigned to the Founder member.

- k) **The Management Company is allowed to charge cost +15% for the services it provides. This is defined as all costs and will include costs provided by others, already including their profit margin, and is spelt out in the ‘Management Agreement’. The Management Company appears to operate at no risk and although I’m sure it operates to manage costs appropriately (both for Ordinary Members and Founders) and is supported by all the resorts operating teams, this is pure profit to Diamond. Although +15% may have been appropriate when the agreement was established in 1994 (Q&A response ‘typical for the industry and was set when the European Collection was established in 1994’) this needs to be benchmarked against the current climate where many business in hotel, leisure and tourism will have been making losses. Can the Directors seek to review and re-negotiate this for the future and can the Management Company/Diamond consider providing rebates for at least the past 2 years (ie the period of Covid), thereby sharing some of the pain? (To put this into context, from the unaudited accounts, the profit/management charge did fall to just over £3m in 2020 as costs fell having been >£4m in 2019, such that in a more normal year every 1% uplift was worth c£0.4m). DREL (in its capacity as the Management Company) receives a fee equivalent to 15% of the actual costs incurred in managing DRECL.**

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

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

“11. Remuneration

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;

Submitted Member Questions & Responses – Annual General Meeting 2021

Diamond Resorts European Collection Limited (“DRECL”)

(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;

(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;

(I) 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 DREL 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%. A reduction in the 15% is not something that we would agree to. 15% is the maximum amount of profit that we can possibly secure. A profit of 5% would not be commercially viable.

Please note that as the 15% fee is generally calculated on actual cost, DREL's fees were reduced for that reason.

l) During the lockdown there were a number of concerts advertised and streamed on line. However these were all timed for US viewing (ie very late night UK time). Diamond also sponsor a big golfing tournament in the US, plus there seem to be numerous other US centred events that Ordinary Members in the UK don't seem to have access to. Can you confirm whether any of these costs were borne by DRECL.

None of the costs to operate the Events of a Lifetime or the US Golf Tournaments have been borne by members of DRECL, Rather, all the funding is provided by the US corporate entities. For the avoidance of doubt, marketing activity throughout Europe had to be paid for by DREL not DRECL. At this time we have no immediate plans to operate Events of a Lifetime within Europe but we will continue to review the potential for reintroducing these events back into the EU market.

m) The Hilton takeover announcement referred to 'rebranding' of the Diamond resort portfolio. Can you confirm costs of this nature will not be included as part of the Membership/Maintenance Fee?

In line with previous rebranding exercises, pure re-branding expenses will not be included in management fees.

Submitted Member Questions & Responses – Annual General Meeting 2021 Diamond Resorts European Collection Limited (“DRECL”)

Corporate Governance & Control

- n) **DRECL is ‘Managed and Controlled’ by Diamond as all the staff and Directors (with exception of ‘Member’ Directors) are employees of Diamond Group companies and are bonused and incentivised accordingly. The Articles of Association allow the Founder Member to nominate 3 Directors whilst Ordinary Members can only select 2. Hopefully, this ensures a high level of management expertise but given, based on responses to Q&A last year, 63% of the inventory, and hence a significant Majority, is owned by Ordinary Members then it is critical that their interests are fully represented/respected and the organisation is run for the benefit of Ordinary Members, and not just the Minority (Founder/Diamond).**

Any change to the Articles will require >75% of a vote at an AGM/EGM, so although Ordinary Members may not like some of the terms in the Articles, particularly for example on the ability to sell your points or the 15% uplift per the Management Company agreement, the hurdle to make any changes is high and practically totally dependent on the Founder(Minority) agreeing to any changes. To illustrate this point can you advise at the last AGM what percentage of the vote was cast by the Founder, on behalf of itself and proxies granted, versus Ordinary Members?

You are correct that all three Directors that sit on the Board of DRECL are employed by a Diamond Group entity. That has been the case since DRECL was established in 1994. As such, it is prima facie correct to state that DREL has control over any decisions made. However our non- Executive Directors could very easily resign if they were unhappy with any decisions made at Board level. To date no non- Executive Director has ever resigned. Furthermore, the Executive Directors also leave certain decisions to the non- Executive Directors to make (as was the case when deciding upon the percentage to be applied for the Credit option).

In 2020, the only matters voted on were the motion to elect Auditors and authorise the Directors to fix their remuneration, this was proposed and seconded, and approved by a majority using the ballot forms received in favour. DREL did not vote.

- o) **Can Diamond confirm that any changes to the Articles, Rules & Regulations, major contractual arrangements and material changes that effect Ordinary Members will be fully reviewed by ‘Member Directors’ with appropriate documentation, highlighting the pros/cons and demonstrating the benefits and where necessary they will be put to the Ordinary Members in such a way that the Founders block vote is not used to force changes through?**

Changes to the Articles are always discussed with the Member Directors on the Board prior to any resolution being proposed and (in any event) cannot be passed without a 75% majority vote in favour. The Founder Member does not have the ability to force through any changes if the Ordinary Members do not agree with the proposal.

Rule 2.4.5 and 2.5 of the Rules and Regulations 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’.

As a principle, the Operating Company does not have greater powers to change the Rules and Regulations than the powers afforded to the Directors in the Articles of Association. Furthermore, article 18(c) of the Articles makes it clear that if there is any conflict between the provisions of the Rules and Regulations and the Articles, then the Articles prevail. This provision ensures that the best interests of the Ordinary Members are safeguarded at all times.

- p) **Can Diamond give full commitment to ensure any proposals put forward by Ordinary Members are given full consideration and that they will allow modifications to Articles or Rules & Regulations, without casting their block vote, when the Member Directors support such changes?**

Please see response to Q8 e) in relation to changing the Rules and Regulations.

DREL as the founder member of DRECL is entitled to cast its vote pro rata to the number of points it owns in the same way as Ordinary Members are entitled to vote. DREL has no ability to force through any changes to the Articles, often abstains from voting and always acts in the best interest of the European Collection and its members.

Submitted Member Questions & Responses – Annual General Meeting 2021 Diamond Resorts European Collection Limited (“DRECL”)

Communication

- q) At the start of the last AGM MK reiterated that Communication is ‘pivotal’, but I’d stress this needs to be 2-way and not of the old ‘timeshare selling mentality’. It shouldn’t also have to wait until the AGM to respond to Members Questions in a way that gives no/limited time for review of completeness or opportunity to respond. The documents with respect to the 2021 AGM were only received on the 13th September less than one month before the AGM that still looks, in the ‘abridged’ version under News on the website, as if it is ‘postponed’. The detail says ‘A copy of the questions along with a written response will be available at the AGM and will also be posted in the member information area on the website DiamondResorts.com following that meeting’. Although I’ve now been advised they will be made available before the meeting this year, this should not mean that issues cannot be raised by Ordinary Members per their right to speak at the AGM. Practically I’m not convinced the AGM is the best way of having dialogue with Members and discussing/resolving these issues. Can Diamond introduce periodic sessions with Members during the year to obtain feedback, explain situations, listen to concerns/suggestions and agree actions where required?

Following feedback raised at the 2020 AGM we have confirmed that the answers to the questions submitted will be available prior to the AGM.

We are looking to host more member webinars over the next year

- r) The last AGM saw presenters taking us through a powerpoint that had not been published in advance. It would be beneficial if these presentations were made available in advance and time allowed for questions to be raised on them.

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

- s) The News section of the website, potentially the main communication outlet, still requires significant improvement. On 27th Jan the 1st and 12th item were presentations ‘selling’ DEX to Members whilst the 16th item was a 2 day old Covid-19 Update. This can’t be the right priority. On 14th Sept, after logging into the Members area it was nearly impossible to find the Covid update which was available at the top of the screen under ‘Travel Update’ before logging in. DEX, that was being sold so strongly previously, surprisingly didn’t even get a mention in the News section when the new grid/matrix was published, despite the potential significance of the change to the matrix and pricing. Can you continue to review and improve the News section to ensure important items, such as Covid, changes to benefits, DEX updates etc.. are easily available to Members? Can Diamond also consider running more online seminars, with real Q&A opportunities, to explain changes (eg DEX, ‘maximising points’ etc) and leaving the presentations on the website for review by Members?

We have recently reviewed what’s new and made appropriate updates, we will attempt to make the content and relevant and appropriate to our European members.

- t) The website also has a number of links to benefits that effectively take you to non-existent pages (eg My Benefits-Travel with Points- Resorts & Hotels-Club Select and My Benefits-Diamond Luxury-Diamond Luxury Tours-Book Now). Can Diamond review its website links for completeness, particularly where potential benefits seem to have disappeared?

Thank you for raising any discrepancies which you have found – we will look to resolve these straight away.

- u) In the Q&A’s from 2020 there are a number of places where the response is ‘we will give your suggestion serious consideration’. Can Diamond provide an update on what actually occurred and what if any changes have been made?

The response to question raised by John and Christine Middleton -

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.

Submitted Member Questions & Responses – Annual General Meeting 2021

Diamond Resorts European Collection Limited (“DRECL”)

As advised in our response previously, 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 and at this time there is no change to the deposit that is required however if this does change in the future we will be sure to communicate this with our members.

Question raised by John Adamson

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?

Currently this is no discount in place on accommodation booked via Diamond Resorts and Hotels, however any bookings made can be used towards the travel redemption benefit.

Question raised by John Adamson

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.

As mentioned in the response to Q8 (d) DEX has a range of other features and benefits under development

v) Availability

This is an ongoing issue, exacerbated by Covid and points likely being carried forward. Every year the response is the same that the Founder is free to sell on its inventory at whatever price it chooses, leaving Members of the ‘exclusive’ club we bought into frustrated. Once again there is no availability left for Members in the UK for the rest of 2021 or generally for the summer of 2022 though access via Diamond Hotels is abundant. Given the increasing age and high UK based Membership shouldn’t Diamond be making more inventory available in the UK and seeking out new Resorts?

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 DREL and therefore increase DREL’s management fee liability.

w) **No availability currently exists at the Affiliated resorts in Malta or Crete for 2022 (note there may be more examples I’ve not researched), whilst for late summer 2021 the 50% reduction for bookings in the near future for Crete seems to have disappeared. What is happening with these resorts, do they no longer wish to be associated with Diamond, are they seeking to renegotiate terms or are they being removed from inventory available to Ordinary Members?**

Negotiations are ongoing with these affiliated resorts, we are endeavouring to ensure the best value is obtained to keep fees as low as possible.

x) **The acquisition by Hilton may well prove to be an exciting future, but, given their current limited International presence can Diamond confirm that Hilton Members will not be prioritised and there will be no negative impact on availability for Ordinary Members, as Hilton Members seek to take advantage of the Diamond portfolio of resorts? The stock market announcement seemed to focus primarily on synergies, generally meaning cost savings. What guarantee can Diamond provide against further reduction in resorts and hence availability as Hilton seeks to drive cost savings etc to maximise the return on its investment?**

Although we expect to be able to offer more choices and vacation opportunities in the future, your points rights will not be changed or diluted.

You will continue to enjoy your usage rights in inventory in DRECL and The Club in the same way that you do now. Over time, we hope to provide details of options that will enable members to benefit from the Hilton merger including access to Hilton properties.

y) Ability to Dispose of Diamond Points

Submitted Member Questions & Responses – Annual General Meeting 2021 Diamond Resorts European Collection Limited (“DRECL”)

Diamond go to great lengths to inform/update us on the need to be careful with fraudsters, both at the AGM and 2 pages included with our 2021 fee documents, but it would appear you have little concern with how these people obtained our names/telephone numbers or why you have dissatisfied Members that might be interested in seeking help to exit Diamond. You suggest if people want to exit they should contact Diamond. This is one of the few places the Articles are clear and transparent, though not extremely helpful. Death, age, bankruptcy or illness are the ‘Exceptional Circumstances’ and if you don’t meet this the NQR still requires a relinquishment fee of 2 years Management Fee. Any transfer can only be to relatives or via a resale organisation appointed by the Founder. These terms, although in the Articles, do seem unnecessarily harsh and make Members feel trapped and hence positively encouraged to seek support from charlatans. Diamond need to spend more time understanding why Members are dissatisfied and enticed by these fraudsters and allow more freedom for Members to sell/transfer their assets. When asked (Paul Murphy Q&A 2020) if these restrictions are unfair and contravene UK legislation concerning unfair terms and conditions you failed to answer that specific question but referred back to the Articles quoted above, suggesting by inference that they supersede law. I understand the need to only sell points to, or via, a party that fully understands how DRECL and points operate to ensure no mis-selling occurs but the current articles are very prohibitive. Can you answer the legal question originally posed, without referral to the Articles? Can the clauses be reviewed to make sale easier and allow ‘resale’ points to become recognised fully, thereby enabling a clean exit and allowing Members to get some return on their initial investment? I realise this will require >75% support so can the Founder not use their block vote to prevent this happening when reasonable changes to the Articles have been agreed?

It is untrue to say that Diamond has no concern as to how these claims management companies have obtained the data of Members. Successful criminal prosecutions have been secured in the past (due in part to the assistance provided by Diamond) and hopefully there will be more prosecutions in the future. Having read and heard the scaremongering and lies told by these claims management companies however, it is also self-evident why some Members are persuaded to use their services.

Any change to the Articles would require a resolution to be passed with a 75% majority vote.

As a matter of note, Article 8 (h) has been amended twice. On both occasions, it was the Founder Member that proposed the change to the Articles but on both occasions it elected not to vote at all, leaving the decision to the Ordinary Members.

That said, DREL as the Founder Member owns points rights and is entitled to vote pro rata to the number of points it owns if it chooses to do so.

This question has been previously responded to in 2019 and also 2020 and there is no change to our position at this time.

8. John and Margaret Baker – email received 19th September 2021

We have been members for almost 20 years and during that time we have seen the number of resorts that we signed up for in 2002 steadily reduce. For example, Flanesford Priory, White Sands Country Club, Stouts Hill, Broome Park, Alpenclub Schliersee, Benal Beach, are among those no longer available to members. There have always been apparently good business reasons for this e.g. the capital required to refurbish, the standards not being those required by Diamond. However, these resorts have only been replaced by alternatives that have a ‘lower status’ in the hierarchy of types of resorts. For example, new additions are only Affiliates or Destination Exchange. As a result, the availability and value to members of resorts in the European Collection continues to diminish. We have found, through extensive and regular reviewing of availability, and use of the Platinum automated search facility, that Affiliates offer first to their own members, so never have the same level of availability as Diamond owned resorts. Affiliates and Destination Exchange also tend to be higher points values and offer less flexibility of short stays e.g. 2-6 nights than Diamond owned resorts. Destination Exchange offers availability at unappealing times of the year (e.g. UK in winter) and for unrealistically high points values compared to the Diamond owned resorts that we signed up for. In short, it seems that Diamond are progressively diminishing the value of member’s investments by reducing the number of owned resorts and increasing the points value that members have to pay for alternatives.

Submitted Member Questions & Responses – Annual General Meeting 2021

Diamond Resorts European Collection Limited (“DRECL”)

- (a) **We would like to know why the European Collection is pursuing this apparent policy of downgrading the options that members have and why it is not maintaining the benefits that were available through the owned resorts?**

In the main, decisions taken to sell resorts thus far have been based on either the popularity of the resort amongst our members based on usage (e.g. Alpen Club in Germany, Le Manoir in Normandy) or financial/ logistical reasons such as required expenditure/disproportionate running costs (e.g. Broome Park). 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.

We are proud of the extensive number of resorts in our portfolio. Longstanding members who joined DRECL back in 1999 will recall that, at that time, there were 9 resorts in the portfolio and there was no exchange facility with THE Club®.

As the member base of DRECL and the other Collections have grown, so too did the number of resorts in the portfolio and members now have access to over 420 worldwide destinations.

- (b) **In relation to this, when we have been to ‘updates on new and exciting developments’ with sales people at various resorts we have always been told about the huge benefits of new offerings such as Destination Exchange and our ability as members to gain access to a very wide range of new resorts around the world. Our extensive research has shown that the only properties available in the UK are in the depths of winter at very high points and similarly in Europe they are high points at very limited times. We know the sales teams are not directly employed by Diamond, but they are sub-contracted by Diamond and hence you are responsible for the sales messages they deliver. Please do not use the reason of COVID in your response as this misleading sales pitch has been consistent both before and during COVID. Destination Exchange has repeatedly been 'oversold' in an unacceptably misleading way. We expect a higher level of integrity from the Diamond organisation. Can you please explain why you are permitting your sales staff to over sell a benefit that is not being delivered?**

DEX trades DEX 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.

9. Michelle Hammond - emails 19th September 2021

- a. **"Booking.com," "Group on" and similar offer systems - When there is no availability for members at particular resorts, but then if you look at these sites, there are vacancies at that the desired resort. Do the board not think that this is unfair to paying members?**

Our member base currently continues to reduce year on year due to surrenders and delinquency, when this occurs the developer receives the inventory that was previously owned by those members. As the inventory increases the developer has to become more and more creative in its strategies to ensure the management fee cost of that additional inventory is covered. At certain times of the year where demand is lower than the level of inventory supplied to the developer, rental promotions may be used to generate additional demand.

- (b) **Due to the Covid pandemic availability is under pressure, as members we are then in a position where we are trying to use up all transferred points of up to 3 years in 1 year.**

Would the board not consider reviewing the membership exist conditions, as their must be members like ourselves who have been happy Diamond Resort members for many years, but their lifestyle/circumstances have now changed.

Because of these changes in their life they would be happy to just relinquish their points and walk away from the system, without refund or compensation claims.

DREL does offer a relinquishment programme and accepts a surrender under Exceptional Circumstances and the Non-Qualified relinquishment opportunities provided to EU members. Overall the relinquishment options have certainly been well received by many of our members. Having said that, the relinquishment programme comes at a significant cost to DREL, not least because (when a surrender/relinquishment request

Submitted Member Questions & Responses – Annual General Meeting 2021

Diamond Resorts European Collection Limited (“DRECL”)

is accepted), DREL takes back ownership of the points and assumes responsibility for paying the management fees on those points. DREL’s points’ ownership has therefore increased as a direct result of this programme.

- (c) **Some years ago when there was another take over, members were asked if they wanted to sell back to the new company their points. As a member you had to state how much you wanted for your points, I presume that the least amount of money a member requested for their points, the buy back offer by the company was then accepted. This would then lessen the demand on accommodation availability FOR OTHER MEMBERS.**

Thank you for your suggestion. This is not something we have plans in the immediate future to implement.

10. Angela Colley email dated 19th September 2021

- a) Why are point’s members unable to convert their points to a fixed week?**

Members are able to convert Points into a week or weeks of equivalent Points value (Article 8(h)(i) refers). Please note that if the weeks you chose to transfer to do not equate to the total number of points you own, any points over 1,000 points would need to be either retained or relinquished by you in accordance with the Exceptional circumstances option (if this option applies to you) or the Non-Qualified Relinquishment Option (in which case, the relevant relinquishment fee will need to be paid). Any points under 1,000 can simply be relinquished with no charge. On conversion of your points to week/s, the said week(s) can then be placed with a resale company for sale.

The transfer of Points into a week is carried out by us free of charge. However, upon transfer of a week to a third party, a transfer fee is payable and again, this cost should be confirmed at the commencement of the transfer process.

- b) Why can standard members only pay 20% in points of the total for a hotel stay?**

Late in 2019, we announced a change to the Travel Services member benefit which now provides redemption for all members all year round and from 2021 a cap on the number of points which can be redeemed in one transaction. As members are aware, all points have a prescribed redemption value in terms of accommodation usage rights. As and when points are redeemed for a member benefit (such as a monetary credit/discount), the cost of that monetary credit/discount is born by the Developer of the Collection (which in the case of DRECL is DREL). In return for paying for the benefit, accommodation equivalent to the number of points redeemed for the member benefit is released back to DREL. That accommodation is then used by DREL with a view to covering (in full or in part) the cost incurred for the member benefit. Also by reducing the amount of points redeemed towards benefits ultimately means fewer rental guests at various resorts which from time-to-time have been a source of irritation to members.

- c) Why can we cancel direct hotel bookings up to arrival day without penalty, yet when we book via Diamond we could lose our points?**

In order to ensure that there is maximum usage of the accommodation within DRECL and to ensure there is sufficient time for other members to be able to utilise the accommodation the cancellation policy of DRECL is in place, if the accommodation is unused this is to the detriment of the members.

DREL may book accommodation using the points allocated to it as the founder member upon which it has paid the management charges and then may choose to use these reservations within the rental programme in order to try to offset the Management charges. DREL sets a cancellation policy for the rental guest. If a rental guest chooses to cancel a reservation then DREL we try to rent the accommodation, however on occasions the accommodation may be unused. DREL does not necessarily cancel the reservation for the accommodation with DRECL. However in the event DREL wished to cancel a reservation it had made using points it would need to do so in accordance of the DRECL Rules

- d) Why are UK resorts becoming few and far between?**

Please see response to Q5 (c) Setrag and Anita Chilingirian

Submitted Member Questions & Responses – Annual General Meeting 2021
Diamond Resorts European Collection Limited (“DRECL”)

- e) **The current Diamond website is not very user friendly; it needs a quick and simple method for checking possible options for the use of points.**
Please see response to Q 6 (a)_Douglas Sheriff
- (f) **The photos haven't changed for years! Any chance of updating it?**
We can assure you we refresh images when provided/ required. Professionally photographing resorts globally is an expensive and time-consuming exercise, we do regular schedule photo shoots throughout the year and update the website as and when these images are received.