

1. Looking at your presentation about the IRCG package, I see you said that with all synergies in place, Diamond bought the company at a 3.9x EBITDA multiple. ICRGs own slides say it was about 10.8 times trailing 12 months EBITDA. What explains the difference?

Our slides specifically state that the 3.9x EBITDA multiple is pro-forma for full synergies. When we evaluate an acquisition we look to what the purchase price is at its current operating performance and also at its value after we eliminate the redundant costs and implement revenue-enhancing programs. As we have proven through our many acquisitions over the past 5 years, we are able to eliminate redundant costs such as duplicative accounting, legal, technology, treasury, human resources, and other G&A functions. With our scalable back-of-the-house, we are able to unlock tremendous value for our shareholders. This is the case in the projections that we made public.

2. What is the driver of the sharp, steady maintenance fee increase at Diamond properties?

The generalization that there have been steady, sharp maintenance fee increases at Diamond properties is not accurate. Historically, we acquired businesses that, frankly, were in distress and in need of investment. Without that investment, the quality and service that is consistent with our brand philosophy and the expectations of our members and owners would not be possible, and the HOA would continue to struggle with a shaky financial profile. We recommended to the HOAs fixes to the core infrastructure of these mismanaged assets to enable their long-term stability. As is typical in these cases, an increase in fees commensurate with these repairs and improvements is standard practice and necessary to shoulder the additional costs. The resorts that have already undergone this repair and are financially stable experience more subtle adjustments as required.

It is important also to understand how maintenance fees are set. Each HOA has a Board of Directors that is made up of elected members who owe a fiduciary duty to the association including those members who may be Diamond Resorts employees. In all cases the board is integral in creating the budget. Every budget is put to a vote and the board must vote to approve the budget and the associated maintenance fees before the management company can bill on their behalf. Maintenance fees that result from the budget that the board approves go to fund the expenses of the Association including the operations of the resort and to the ongoing upkeep of the property.

We note that, without the significant investment that Diamond Resorts makes in many of the properties that we manage, either through paying our own maintenance fees for all of the unsold inventory or through the delinquent inventory that we agree to purchase from the HOA's, member fees would be significantly higher or the resort would significantly deteriorate.

3. Diamond has been mentioned prominently in reports about abusive sales and business practices in Europe. What has been the effect of a new EU regulatory regime on the company? Is management concerned about that occurring in the States? If so, what are they doing about it?

We would appreciate it if you would please provide the reports about abusive sales and business practices that you are referencing.

Diamond Resorts does not tolerate abusive sales and business practices in Europe or

anywhere else. When violations in this area are discovered appropriate corrective action is taken in terms of customer relations and with respect to the employee involved.

Timeshare legislation was introduced in Europe in 1992. Our European sales operations have been providing point of sale disclosure, plus 14 day cooling off periods (with no deposits), and prescribed content cancellation notices since 1992.

The new regulatory regime did introduce some significant changes, but specifically it regulated timeshare exchange, resale and "long term holiday products." With regard to the impact on our timeshare sales operations, it has simply required us to provide the point of sale information in a more prescribed format.

Our sales team has reported that clients have a better understanding of the intricacies of the product they are buying and that the "new look" paperwork actually results in less questions during the cooling off period.

4. Many Diamond owners appear confused about transferring their points and auctions for large blocks of points often expire. Why does the company block the transfer of owner points?

I am not sure I understand your question so let me attempt to answer what I assume you are attempting to ask. An owner is able to transfer their ownership to any member of their family. Their ownership interest is theirs into perpetuity and they have the right to pass it down from generation to generation. Diamond does have the right of first refusal to purchase interests if they are listed on the secondary market. If Diamond does not elect to exercise its right to purchase the package that the owner wants to sell, then we will assist in executing the transaction on the owner's behalf.

5. Demand for Diamond properties on the resale market appears to be weak. Is this an issue management feels the need to address and if so, how?

We would appreciate it if you would please provide the support for the weakness on the resale market that you are referencing.

When Diamond sells an interest we make it very clear to the purchaser that this product is a pre-paid use right and should be viewed as such. It is a perpetual interest for the owner to use for their lifetime and then pass down from generation to generation. Diamond does not do anything different from competitors in regards to how its interests trade on the resale market.

6. While SIRF's article is not focused very much on the merits of Diamond's VOI as an investment, it is impossible to get away from the fact that with average maintenance fees over \$1600 and increasing, a Diamond VOI stay can usually be replicated for about half that cost on average. Does management have a response to that?

The problem with looking at points as a traditional, weeks-based VOI is that it does not reflect the flexibility of the member's ownership, nor the type of accommodation it provides. Points allow for stays ranging from two nights up to months at a time depending on the ownership, and therefore trying to equate points back to week equivalent ownership is misleading. In addition, comparing pricing to a hotel room is unfair, when the majority of our rooms allow for more than two people to occupy at the same time, therefore allowing families with small children, in

particular, the space and comfort to vacation together, with the benefit of kitchen facilities and a lounge area to rest and play.

A good example is: A member owns 6,500 points in the Hawaii Collection – they can book a one bed scenic room at Ka'anapali Beach Club at peak time in January for the whale watching for 6,500 points. This room will accommodate up to 4 people. Their annual maintenance fees for 6,500 points are, including club fees, \$1,556.22. If they tried to book this on Expedia, then the cost would be \$4,772; exactly the same room for exactly the same time of the year. (See attachment).

Alternatively, if they tried to book a hotel in the area for the same time, then they would need to book two rooms to accommodate four people. This becomes even more expensive, and does not provide in room cooking facilities nor a lounge area: over \$9,700 (See attached).

In addition, the flexibility of points is the ability to take up discount options that Diamond offers. Here is a link to an offer for our top property - Cabo Azul, with offers of up to 75% off the points needed to go there during a specific time and subject to availability:

https://communications.diamondresorts.com/26000_26999/26707/email.html

And here are more for Europe from this month (these are sent out monthly):

<http://view.connect.diamondresorts.com/?j=fecf16717462007f&m=fe8d1372756d067b7d&ls=fe8e1d7272640d7e76&l=ff62107676&s=fe9213727d640d7d76&jb=ffcf14&ju=fe9b10737261047d74&r=0>

These offers allow members to use their points very efficiently, allowing them to vacation for longer or in larger rooms while utilizing space owned by Diamond as to not impact other owners availability.

In addition to vacation accommodation options for which to redeem points, members are also offered exclusive experiences. These include a series of member events, where they stay at a Diamond location and go on hand picked excursions to truly experience the region. For those wanting to travel more, our exclusive Member Journeys often fulfill lifetime dreams as they safari in Africa, visit the iconic Taj Mahal or enjoy a tea ceremony in Japan - these are not tour operator packages, but are vacations designed specifically for the enjoyment of our members. And then our exclusive Member Adventures provide vacations to bucket list destinations such as climbing Kilimanjaro or walking the Great Wall of China.

Being a member of THE Club is more than just 'owning points,' it is about travel opportunities that can be made available to members, in a safe environment, with other like-minded people and the chance to forge friendships that last forever.