

Q: Can a Diamond VOI member in good standing simply resign? If not, what is required?

A: The purchase of a VOI, as a perpetual use product, entails the obligation on the part of the purchaser to pay the annual fees associated with that VOI for as long as the purchaser owns the VOI. This obligation is clearly communicated to every purchaser or potential purchaser of a VOI. This is not unique to Diamond; rather this is customary throughout the industry.

The annual maintenance fee charged to each VOI owner is used to pay the operating costs of the resort(s) to which that owner has use rights, and for points owners, the costs of the collection to which they belong. The collective fees paid by all such owners are the sole or primary source of revenue to the Homeowners' Association (HOA) that is responsible for ensuring the continued operations, physical condition and financial health of the resort(s). The costs of running resorts - principally labor, utilities, taxes, insurance and management fees - do not change whether the VOI owners all pay their maintenance fees or not. Thus the failure of any VOI owner to pay his or her fee negatively impacts the HOA, creating a bad debt that must be borne by all of the other VOI owners who are in good standing.

As the manager of the HOAs for the resorts in our network, Diamond Resorts (like all managers of HOAs - including others in the industry) has the obligation to support the financial health of the HOAs by seeking to collect the fees due from all VOI owners. If a VOI owner fails to perform his or her obligation to pay the fees owed, then the owner forfeits his/her rights to use the VOI. This is common practice in the industry. In addition, Diamond Resorts, on behalf of the HOA, can take steps (depending upon the nature of the specific VOI and the applicable law) to cancel the VOI or foreclose on the owner's interest in it. Note that neither Diamond Resorts nor the HOAs that we manage in North America seek recourse against the VOI owner beyond taking back their VOI. Further, the loss of a VOI for failure to pay fees is not reported to credit rating agencies.

Notwithstanding the foregoing, Diamond Resorts understands that some purchasers of VOIs may encounter circumstances that make continued ownership very difficult. Accordingly, we, like other major players in the industry, are working on programs that will enable certain owners in good standing to relinquish their VOIs and be relieved of the requirement to continue to pay fees going forward. We anticipate rolling out such a program in the coming months. For now, we evaluate each owner's situation on a case-by-case basis and will take back their interest from time to time as well as work with consumers to arrange payment plans to assist them where helpful.

Note that this discussion relates solely to VOI owners who do not have an outstanding loan secured by the VOI.