

12. In the NYT article, the company mentioned an accounting issue that would arise in the interests of vacation interest holders were repurchased. What is the issue?

The sale of VOI points is a “right to use” or contract right. There is no real estate component of the purchase. A consumer is effectively buying a pre-paid subscription product which grants, among other things, the right to use their points for accommodations in the Diamond Resorts managed and affiliated resorts and hotels. We never sell our product as an investment. Further, no major participant in the industry sells the product with a repurchase obligation and, to our knowledge, no industry participant sells with the obligation to repurchase. VOI is a prepaid vacation plan which is attractive to many purchasers based on both its cost effectiveness as well as the comfort of the accommodations as compared to a standard hotel product. The accounting issue to which you refer is related to revenue recognition. Whether in the vacation ownership industry, or any industry for that matter, full sale revenue recognition cannot be utilized if the seller has a future obligation to repurchase. Such an obligation would cause the transaction to be classified as a long-term lease, not a sale. Many industry participants, including DRII, do on occasion repurchase inventory on the open market or periodically through a coordinated program but are under no obligation to do either.