

**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](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=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.

**Q: Your KBC example presupposes that the only Diamond connected cost is the \$1556 annual membership fee or \$129.66 monthly. But 80% of their customers now finance their purchases. So using Kroll Bond Rating Agency figures from a recent securitization (DROT 2015-2), let's plug in the weighted average coupon of 14.3% and \$24,800 average loan amount for a 10-yr term loan. That's \$377 per month or \$4,524 annually. So watching the whales costs the family of four \$6,090. All of which discounts the fact that Airbnb and Craigslist exist.**

A: We do make financing availability as previously noted to our members who purchase VOI from us, as do all major industry participants. However, your analysis is flawed based on:

(i)

The majority of members with a loan prepay in whole or in part those loans far faster than the 10 year note term. Over the last four years, customers have tended to prepay, in cash, 30% to 40% per annum. A separate discussion relating to our finance division, including prepayment rates has been provided under a separate document. The average outstanding loan for DRII is outstanding less than 4 years. As you are aware, however, the VOIs we sell in the US are perpetual; thus for every year after the repayment of a loan, the member's only payment are the annual maintenance fee and annual club membership fee.

(ii) Over 92% of our global members have no loan with us on their purchase. The annual payment for those members is limited to the annual maintenance fee and annual club membership fee.