

# Diamond Resorts Owner Trust 2015-2

\$180.0 Million Asset Backed Securities



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## Executive Summary

This presale report is based on information regarding the underlying timeshare loans and the terms of the securitization as of November 5, 2015. The ratings shown are preliminary and subsequent information may result in the assignment of final ratings that differ from the preliminary ratings. This report does not constitute a recommendation to buy, hold, or sell securities.

Rated Notes					
Class	Initial Amount (\$)	Interest Rate	Stated Maturity Date	Initial Credit Enhancement (%)	Preliminary KBRA Rating
Class A	159,380,000	TBD	May 22, 2028	16.00%	AA-(sf)
Class B	20,620,000	TBD	May 22, 2028	5.00%	A-(sf)
Total	180,000,000				

## Transaction Overview

This transaction is Diamond Resorts Corporation's ("DRC") second securitization of 2015 and its seventh term securitization since 2009. DRC is a wholly owned subsidiary of Diamond Resorts International, Inc. ("DRII"). DRII and its affiliates, including DRC (collectively, "Diamond" or the "Company"), operate in the hospitality and vacation ownership industry. Diamond issued two ABS transactions in 2013 and one transaction in 2009, 2011, 2014 and 2015.

Transaction Parties	
Issuer	Diamond Resorts Owner Trust 2015-2 ("DROT 2015-2")
Seller	Diamond Resorts Seller 2015-2, LLC
Servicer & Administrator	Diamond Resorts Financial Services, Inc.
Indenture Trustee, Custodian & Back-Up Servicer	Wells Fargo Bank, National Association
Owner Trustee	U.S. Bank Trust National Association

Key Credit Considerations

**Experienced Timeshare Operator, Originator and Servicer with a Stable Management Team**

Diamond is a leading global hospitality and vacation ownership interest company. The Company, through its predecessors, has been managing and operating timeshare resorts since 1996. The majority of the management team has over 25 years of industry experience and the CEO and CFO have been with Diamond in various capacities for over eight years. Senior leadership has an approximately 35% equity stake in the Company. On July 24, 2013, Diamond sold over 17.8 million shares of the Company’s common stock to the public through an initial public offering. In March 2015, an additional 7.5 million shares were offered by certain stockholders in a secondary offering of which Diamond purchased approximately 1.5 million shares for \$50 million. The Company is listed on the NYSE under the ticker symbol “DRII”. The Company is currently second only to Wyndham in terms of total owner-families and number of managed resorts. While originations have been high over the past two years when compared to historical levels, Diamond has maintained consistently high FICO scores with the average FICO score on loans originated since October 2008 of 757.

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**Target Customer and Loan Performance**

Diamond reviews its underwriting standards frequently and makes changes if it feels the change will help improve performance of its future originations. Diamond’s 2013 and 2014 origination vintages have experienced higher losses than prior vintages. The Company continues to review the performance and indicated that the higher average loan balance in addition to increased sales growth could be resulting in higher losses. As a result, Diamond recently increased the required initial down payment from the customer in tier three (650-699 FICO) of their underwriting matrix. In addition, the Company continues to analyze adding affordability measures such as debt to income criteria into its underwriting matrix and has changed its sales representative’s compensation to encourage receiving a 20% down payment from customers. While at least 81% of the transaction collateral will be funded at closing and 19% will be funded during the prefunding period, subsequent loans that are substituted for defaulted receivables will be originated under any updated underwriting standards.

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**Transaction Structure**

The transaction has initial credit enhancement levels ranging from 16.00% for the Class A notes and 5.00% for the Class B notes, which build to approximately 20.00% and 9.00% for the Class A and Class B notes, respectively, over time. Credit enhancement is comprised of overcollateralization, a cash reserve account, excess spread and, in the case of the Class A notes, subordination of the junior note class. The credit enhancement may increase if the average of the delinquency levels (i.e. the balance of all timeshare loans that are 61 or more days delinquent divided by the aggregate timeshare loan balance) for the previous three months is greater than or equal to 7.00%. The credit enhancement levels for each class are sufficient to cover KBRA’s corresponding stressed cash flow assumptions for each rated note class. The transaction is structured to de-lever as enhancement builds to a target level and the transaction goes into rapid amortization if the rapid amortization trigger is breached, thereby increasing the level of credit enhancement, which is beneficial to the maintenance of

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the note ratings.

**Company’s Improving Operating Performance**

The Company has experienced improved operating performance with total revenue increasing 11.1% from \$612.2 million as of 3Q 2014 YTD to \$680.4 million as of 3Q 2015 YTD. This was driven by a 15.6% increase in vacation interest sales net revenue and 7.9% increase in hospitality and management services revenue. The Company’s adjusted consolidated EBITDA (including the one-time charge related to the Hospitality Management and Consulting Service, LLC contract termination) increased 15.5% to \$275.3 million for the first nine months of 2015 compared to the same period in 2014. In addition, 3Q 2015 YTD pretax income was \$172.1 million compared to \$70.4 million for 2014.

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As a result of the improved operating performance and debt profile of the Company, in April 2015, both S&P and Moody’s upgraded their corporate ratings to B+ and B1 from B and B2, respectively, and both have issued stable outlooks on the Company. On July 29, 2015, Diamond announced that it was expanding its common stock repurchase program up to an additional \$100 million. This amount, combined with the \$100 million common stock repurchase program announced in 4Q 2014 and the repurchases that have occurred to date, leaves Diamond with \$77.3 million available under the program.

**Growth through Acquisitions**

Diamond has grown considerably from 2010 to 2015 having made seven acquisitions which added 40 resorts and approximately 200,000 owner families. Most recently, Diamond closed its previously announced \$167.5 million cash acquisition of Gold Key Resort’s vacation ownership business. This acquisition added (i) over 30,000 owner-families, (ii) two new East Coast destinations consisting of 723 total units in five managed resorts in Virginia Beach, VA and one in the Outer Banks, NC and (iii) four sales centers.

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Diamond has been able to integrate each of these acquisitions into its network and has benefited from a larger resort network. Over the last nine quarters, originations have been over \$80 million with 2Q 2015 being the highest origination quarter in the Company’s history at \$174 million. Prior to this period, originations remained relatively steady and averaged approximately \$44 million since 1Q 2001.

While originations have increased, the Company’s average borrower profile remains strong, with the borrower’s weighted average FICO score of 757 since October 2008. Wells Fargo Bank, National Association will act as the warm back-up servicer in this transaction should the Company experience deterioration in performance and be terminated as Servicer.

**Optional Repurchase and Substitution of Defaulted Loans**

As with most timeshare transactions, the Seller has the option to repurchase a defaulted loan or substitute a qualified loan for a defaulted loan and pay any shortfall amount. This repurchase and substitution option is limited to 15% and 20%, respectively, of the aggregate closing date collateral balance less the total balance of loans previously repurchased or substituted. Even though most timeshare issuers including Diamond have historically utilized these options in their securitizations, KBRA

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did not give any credit for this when determining our base case cumulative default range.

**Focus on Customer Satisfaction and Technology Platform**

Diamond focuses on its customers’ experience from the initial booking process through their resort stay. The Company spends nearly half of its capital expenditures on technology every year and operates a proprietary system that it uses worldwide. This system enables its members to access a website that can service nearly all of their vacation needs. Upon a guest’s departure, Diamond asks them to fill out a survey containing certain questions relating to the resorts condition and staff performance. The results from these surveys help management rank the resorts, identify areas that need improvement and determine a portion of the resort manager’s compensation. Each week the resort managers receive the survey results and are able to determine where their specific resort ranks.

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**Prefunding Feature**

The transaction will contain approximately \$152.5 million of receivables at closing out of an expected collateral balance of approximately \$187.5 million after completion of the prefunding period. The prefunding period ends on April 30, 2016 and the receivables acquired during such period will represent up to approximately 19% of the total receivables balance. The assets purchased from the prefunding account must comply with certain eligibility criteria, including (without limitation): FICO, original term, obligor loan equity, weighted average coupon, and percentage of foreign obligors. The overall collateral characteristics are expected to be similar to the pool funded at closing; however, KBRA assumes that the collateral funded in the prefunding migrates to the worst case possible when determining its final base case cumulative gross loss expectation.

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## Transaction Summary

The chart below summarizes the collateral characteristics of the initial collateral pool and credit enhancement structure of the DROT 2015-2 transaction as compared to the Company's three most recent transactions. This transaction includes the lowest weighted average seasoning and lowest weighted average obligor equity than its prior three transactions. It has a higher average loan balance as the average loan balance has increased in each of the last three transactions a result of Diamond targeting obligors with higher FICO scores and incentivizing existing customers to upgrade into higher points programs. The weighted average coupon is higher and weighted average FICO is lower than the previous transaction. The credit enhancement is higher for the Class A notes and the same for the Class B notes as compared to the previous transaction. KBRA's expected base case gross loss is higher than the previous two transactions due to the collateral mix as well as collateral performance.

Deal Name	DROT 2015-2	DROT 2015-1	DROT 2014-1	DROT 2013-2
Transaction Date	11/17/2015*	7/29/2015	11/20/2014	11/20/2013
<b>Collateral Stratification</b>				
Pool Balance**	\$128,918,955	\$177,083,633	\$216,839,913	\$181,398,935
Avg Loan Balance	\$24,878	\$24,732	\$19,897	\$11,841
Wtd Avg Coupon	14.31%	14.15%	14.37%	14.74%
Wtd Avg FICO	731	735	725	727
Wtd Avg Obligor Equity	30.83%	32.34%	31.41%	36.57%
Wtd Avg Original Term (mths)	120	120	120	121
Wtd Avg Remaining Term (mths)	117	114	113	98
Wtd Avg Seasoning	3	6	7	23
Domestic Obligators	99.02%***	99.15%***	95.35%	94.92%
Foreign Obligators	0.98%	0.85%	4.65%	5.08%
<b>FICO Distribution</b>				
Not Available	1.09%	1.05%	2.05%	2.85%
550-599	1.53%	1.26%	3.17%	0.84%
600-649	8.43%	6.98%	8.55%	8.85%
650-699	20.43%	18.89%	21.44%	22.00%
700-749	26.13%	26.94%	26.04%	27.31%
750-799	30.24%	31.83%	28.28%	27.97%
800-850	12.14%	13.05%	10.48%	10.17%
<b>Origination Program</b>				
Mortgage Loans	0.00%	0.00%	0.00%	3.27%
Points-Based Loans	100.00%	100.00%	100.00%	96.73%
<b>Geographic Concentration of Domestic Obligators^</b>				
State 1	CA: 36.02%	CA: 33.43%	CA: 35.68%	CA: 30.79%
State 2	AZ: 8.78%	AZ: 8.21%	AZ: 8.83%	AZ: 8.78%
State 3	FL: 6.54%	FL: 4.87%	FL: 5.08%	FL: 4.54%
<b>Note Balance</b>				
Class A	\$159,380,000	\$158,490,000	\$235,630,000	\$213,150,000
Class B	\$20,620,000	\$11,510,000	\$24,370,000	\$11,850,000
Class C				
Class D				
Total	\$180,000,000	\$170,000,000	\$260,000,000	\$225,000,000
<b>% Credit Enhancement^^</b>				
Initial O/C	4.00%	4.00%	4.00%	5.00%
Target O/C (after stepdown date)	8.00%	8.00%	8.00%	10.00%
O/C Floor	1.00%	1.00%	1.00%	1.00%
Reserve Account	1.00%	1.00%	1.00%	1.00%
<b>Subordination</b>				
Class A	11.00%	6.50%	9.00%	5.00%
Class B	0.00%	0.00%	0.00%	0.00%
Class C				
Class D				
<b>Total Initial Credit Enhancement</b>				
Class A	16.00%	11.50%	14.00%	11.00%
Class B	5.00%	5.00%	5.00%	6.00%
Class C				
Class D				
<b>Target Credit Enhancement Following Build</b>				
Class A	20.00%	15.50%	18.00%	16.00%
Class B	9.00%	9.00%	9.00%	11.00%
Class C				
Class D				
<b>KBRA Base Case</b>				
Cumulative Gross Loss Range	13.05%-14.05%	11.70%-12.70%	12.29%-13.29%	NA

\* Expected Closing Date. Statistical Collateral Stratification for DROT 2015-2 based on September 30, 2015 data.

\*\* As of Statistical Cut-Off Date

\*\*\* DROT 2015-2 and DROT 2015-1 includes obligors from Canada as domestic obligors.

^ Domestic obligors only.

^^For DROT 2015-2, on the closing date, the required overcollateralization ("O/C") is based on a percentage of the aggregate closing date collateral balance (timeshare loans at cutoff date plus those that may be acquired during the Prefunding Period). The target O/C on or after the Stepdown Date if no Cash Accumulation Event occurred is the greater of (a) 1% of the aggregate closing date collateral balance and (b) the product of (i) the Target O/C percentage (8%) and (ii) the aggregate collateral balance as of the end of the related due period. The Stepdown Date occurs in the payment date on which the aggregate collateral balance is less than 50% of the aggregate closing date collateral balance.

^^For DROT 2015-2, on the closing date, the reserve account required amount will be 1% of the aggregate closing date collateral balance, so long as no Cash Accumulation Event has occurred, of timeshare loans, including subsequent loans that may be acquired during the Prefunding Period. Thereafter it will be 1% of the ending aggregate collateral balance for the due period.

## Key changes from Diamond Resorts Owner Trust 2015-1

Since the DROT 2015-1 transaction, there have been some changes within the company, as well as the composition of the DROT 2015-2 collateral pool as compared to DROT 2015-1.

Company	
Underwriting Updates	As a result of higher than initially expected actual loan loss performance for tier three (650-699 FICO) of its underwriting matrix, Diamond changed its underwriting standard by requiring a higher down payment from the customer in such tier. In addition, the Company continues to analyze adding affordability measures such as debt to income criteria into its matrix and has changed its sales representative's compensation to encourage receiving a 20% down payment from customers. Diamond closely monitors loan performance and will make changes to their underwriting matrix if it feels the change will help improve performance of its future originations. While at least 81% of the transaction collateral will be funded at closing and 19% will be funded during the prefunding period, subsequent loans that are substituted in for defaulted receivables will be originated under any updated underwriting standards.
Gold Key Resorts Acquisition	October 16, 2015, Diamond closed its previously announced \$167.5 million acquisition of the vacation ownership business of Gold Key Resorts. Diamond acquired all management contracts and related vacation ownership assets excluding the existing \$150 million receivable portfolio; however, they will service the portfolio for a fee. The acquisition adds (i) over 30,000 owner-families, (ii) two new East Coast destinations consisting of 723 total units in five managed resorts in Virginia Beach, VA and one in the Outer Banks, NC and (iii) four sales centers. The acquisition increases the Company's total managed resorts to 99 and will be integrated over the next few months.
New Hawaii Development	On July 29, 2015, Diamond announced an agreement with an affiliate of Och-Ziff Real Estate for a new, 144 unit resort in Kona, Hawaii. The first units are expected to be completed in 1Q 2017 with all the units being phased in over time. The resort is expected to provide Diamond with inventory to support over \$400 million of total vacation ownership sales.
Increase to the Stock Repurchase Program	On July 29, 2015, Diamond announced that it was expanding its common stock repurchase program up to an additional \$100 million. This amount, combined with the \$100 million common stock repurchase program announced in 4Q 2014 and the repurchases that have occurred to date, leaves Diamond with approximately \$77.3 million available under the program.
Collateral	
Newer Originations/ Higher Loan Balances	The DROT 2015-2 statistical pool collateral has a weighted average seasoning of three months, which is approximately three months less than in the DROT 2015-1 transaction. In the DROT 2015-2 transaction, almost 97% of the loans have seasoning of twelve months or less. The average loan balance continues to increase as a result of Diamond targeting obligors with higher FICO scores and incentivizing existing customers to upgrade into higher points programs.

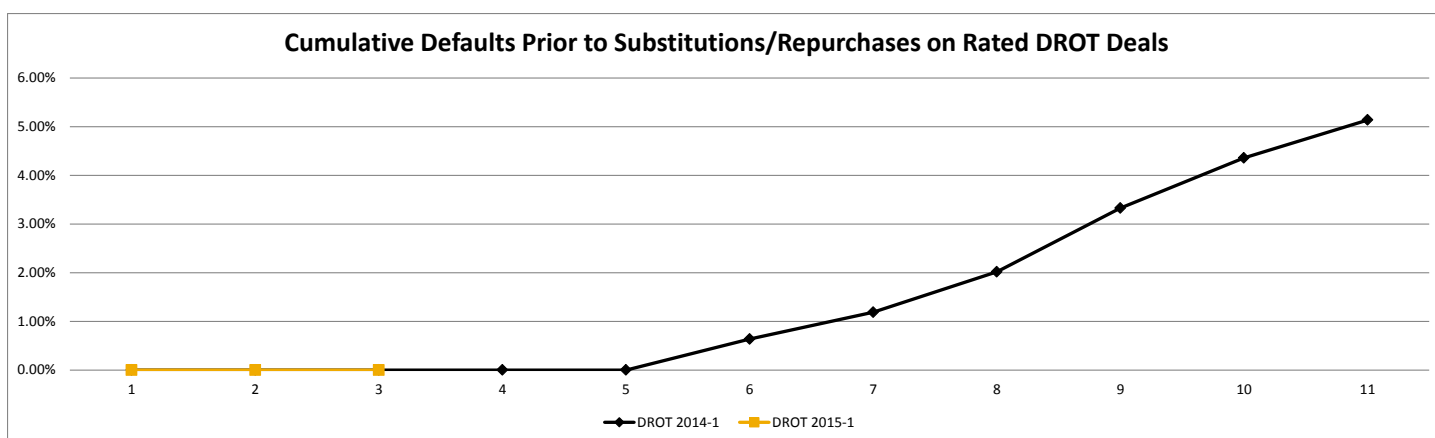


<p><b>Pool Composition/ Prefunding</b></p>	<p>The DROT 2015-2 transaction consists of 99.02% of domestic obligors versus 99.15% in the prior transaction and has a weighted average FICO of 731 compared to 735 for the DROT 2015-1 transaction. In addition, unlike the DROT 2015-1 transaction, this transaction will include a prefunding period. As a result of the change in the collateral mix, the prefunding period, and loan performance, KBRA’s base case gross loss expectation has increased to 13.05%-14.05% from 11.70%-12.70% in the DROT 2015-1 transaction.</p>
<p><b>Transaction Documents/Legal Structure</b></p>	
<p><b>Prefunding Criteria</b></p>	<p>The transaction imposes specific limitations and collateral quality characteristics on subsequent receivables purchased during the prefunding period. Listed below are certain eligibility characteristics for the prefunding account:</p> <ul style="list-style-type: none"> <li>(i) original term to maturity not greater than 120 months;</li> <li>(ii) FICO score less than 550;</li> <li>(iii) equity as of the related Transfer Date equal to at least 10% of the Purchase Price for the Timeshare Property securing such Subsequent Timeshare Loan; and</li> <li>(iv) that after the purchase of all Subsequent Timeshare Loans on such Transfer Date,             <ul style="list-style-type: none"> <li>a. the weighted average coupon rate on all Subsequent Timeshare Loans must be equal to or greater than 14.00%;</li> <li>b. the weighted average FICO score of all Subsequent Timeshare Loans must be equal to or greater than 715;</li> <li>c. Obligor with no FICO score do not represent more than 2.50% of the aggregate Loan Balance of all Subsequent Timeshare Loans;</li> <li>d. Obligor with a FICO score less than 600 do not represent more than 2.50% of the aggregate Loan Balance of all Subsequent Timeshare Loans;</li> <li>e. Obligor with a FICO score less than 650 do not represent more than 10.00% of the aggregate Loan Balance of all Subsequent Timeshare Loans;</li> <li>f. Obligor with a FICO score less than 700 do not represent more than 37.50% of the aggregate Loan Balance of all Subsequent Timeshare Loans;</li> <li>g. Obligor with a FICO score less than 750 do not represent more than 65.00% of the aggregate Loan Balance of all Subsequent Timeshare Loans; and</li> <li>h. Foreign Obligor do not represent more than 3.00% of the aggregate Loan Balance of all Subsequent Timeshare Loans.</li> </ul> </li> </ul>
<p><b>Enhancement Levels</b></p>	<p>The DROT 2015-2 transaction is structured with a higher subordination level of 11.00% on the Class A notes as compared to 6.50% in the DROT 2015-1 transaction. The reserve account level of 1% and the initial and target overcollateralization levels of 4% and 8%, respectively, remain the same as the prior transaction. As a result, in the DROT 2015-2 transaction, overall target enhancement has increased for the Class A notes to approximately 20.00% compared to 15.50% and remains the same for the Class B notes at 9%, in each case when compared to the DROT 2015-1 transaction. The increase in credit enhancement on the Class A notes also reflects the collateral mix in the current transaction.</p>

## Performance of previous Diamond transactions rated by KBRA

KBRA rated the prior two Diamond securitizations, DROT 2014-1 and DROT 2015-1. DROT 2014-1 has experienced some defaults; however, Diamond has utilized its option of substituting a qualified loan for a defaulted loan, therefore the reported defaults are zero. As of September 30, 2015, both transactions are in compliance with their respective trigger levels.

Deal	Months Since Closing	Pool Factor	Total 60+ Delinquencies	Cumulative Defaults Prior to Substitutions/Repurchases	Cumulative Defaults After Substitutions/Repurchases	Most Senior Class Remaining	Initial Class Enhancement	Current Class Enhancement	Initial KBRA Base Case Loss Range	Current KBRA Base Case Loss Range	Date of Last Review
DROT 2014-1	11	61.15%	4.40%	5.14%	0.00%	Class A	14.00%	16.31%	12.29% - 13.29%	12.29% - 13.29%	N/A
DROT 2015-1	3	83.44%	2.55%	0.00%	0.00%	Class A	11.50%	12.24%	11.70% - 12.70%	11.70% - 12.70%	N/A



## KBRA Process

KBRA analyzed the transaction using the [U.S. Timeshare ABS Rating Methodology](#) published on October 10, 2012. KBRA’s timeshare methodology incorporates an analysis of: (1) the quality and expected performance of the underlying collateral, (2) the originator and servicer’s business model and operational strength and (3) the transaction terms, including capital structure, credit enhancement and legal structure.

In applying the methodology, KBRA generally analyzes the underlying collateral pool, as well as the originator’s historical static pool and managed portfolio performance data. KBRA also conducted an on-site operational review of Diamond at its Las Vegas, NV office in September 2014 and toured a Las Vegas resort property. KBRA also will review the operative agreements and legal opinions for the transaction prior to closing.

## Diamond Resorts

Diamond is a leading global hospitality and vacation ownership interests company with its principal offices located in Las Vegas, Nevada and servicing operations split between Las Vegas and Orlando, Florida. The Company was originally incorporated in May 1996 as KGK Resorts, Inc. and in June 1996 changed its corporate name to Signature Resorts, Inc. In August 1996, they completed an initial public offering and became known as Sunterra Corporation ("Sunterra") in the second quarter of 1998. In April 2007, Diamond acquired and merged into Sunterra and changed its name to Diamond Resorts Corporation.

On July 24, 2013, Diamond sold over 17.8 million shares of the Company's common stock to the public through an initial public offering and an additional 7.5 million shares were offered by certain stockholders in a secondary offering in March 2015. The Company is listed on the NYSE under the ticker symbol "DRII". The Company announced a common stock repurchase program in 4Q 2014 and on July 29, 2015, Diamond announced that it was expanding its common stock repurchase program up to an additional \$100 million. To date, Diamond has repurchased \$122.7 million worth of common stock leaving approximately \$77.3 million available under the program for additional share repurchases.

From 2010 to 2015, the Company has made seven acquisitions that added approximately 200,000 owner-families and 40 resorts. Diamond's network consists of 99 resort properties which they manage, 255 affiliated properties and four cruise itineraries. Diamond operates these 99 managed resort properties through seven multi-resort trusts and one single-resort trust ("Collections"). The affiliated properties and cruise itineraries are part of the Company's network however do not carry the Company brand. Diamond also operates an internal vacation ownership interest exchange which is called THE Club and several affiliated organizations (collectively, the "Clubs"). Through this internal exchange program, members may exchange their points or points equivalent within the Diamond network including these affiliated properties and cruise itineraries.

### North America

- ◆ 52<sup>1</sup> managed
- ◆ 103 affiliated
- ◆ 155 resorts

### Europe and Africa

- ◆ 45 managed
- ◆ 46 affiliated
- ◆ 91 resorts

### Mexico, Caribbean, Central & South America

- ◆ 2 managed
- ◆ 41 affiliated
- ◆ 43 resorts

### Asia and Australia

- ◆ 65 affiliated
- ◆ 65 resorts

### 4 affiliated cruise itineraries

1. On October 16, 2015, Diamond completed the Gold Key acquisition, adding six managed resorts.

The Company's business is broken out into two segments: (1) the hospitality and management service business which manages its 99 resort properties and operates its Clubs and (2) the vacation interest sales and financing which does the marketing, sales and financing of vacation ownership interests. Diamond's

target customers are baby boomers with the majority of the owners being between 45 and 65 years old. The annual maintenance fees charged to customers covers the operating costs of the resorts. New customers tend to stay in the Diamond extensive resort network and existing owners provide an excellent source of additional sales. Diamond continues to build brand recognition by focusing on service and hospitality and adding addition resorts to their network. The average FICO score on loans originated since October 2008 is 757.

Diamond also provides various services for the 99 resorts and Collections that they manage. These services include providing an online reservation and customer service system, rental services, accounting and budgeting, and communications and IT services. In addition, they operate the front desks, provide housekeeping, manage human resources, conduct property maintenance, and operate or outsource amenities including retail shops, food and beverage venues and golf courses. Also, Diamond manages its Clubs which provide members with access to other resorts in the Company's network. The Clubs provide members the opportunity to purchase home appliances, insurance products and various other products and services as an added benefit for which Diamond earns a commission. All new owners, aside from those in Florida and Mexico, are automatically enrolled in THE Club with average Club fees ranging from \$225 to \$280 per year.

## **Financial Condition**

For FY2014, Diamond generated pretax income of \$109.7 million versus a pretax income of \$3.25 million for FY2013. Cash and cash equivalents increased \$206.5 million with \$118.1 million being generated from operating activities. Total revenue was \$844.6 for FY2014 which was an increase of \$114.8 million from FY2013. This increase was mainly a result of \$67.4 million or a 14.5% increase in Vacation Interest Sales net, primarily due to an increase in the number of tours and increase in their volume per guest (revenue divided by number of tours). For FY2014, adjusted consolidated EBITDA was \$319.5 million versus \$220.2 million for FY2013, a 45.1% increase.

For 3Q 2015 YTD, total revenue increased 11.1% from \$612.2 million in 2014 to \$680.4 million in 2015. This was driven by a 15.6% increase in vacation interest sales net revenue and 7.9% increase in hospitality and management services revenue compared to 3Q 2014 YTD. The Company's adjusted consolidated EBITDA (including the one-time charge related to the HM&C contract termination) increased 15.5% to \$275.3 million for 3Q 2015 YTD compared to the same period in 2014. In addition, 3Q 2015 YTD pretax income was \$172.1 million compared to \$70.4 million for 2014.

The Company provides annual guidance to its shareholders and recently reaffirmed guidance at the top of the \$350 to \$360 million range for fiscal year 2015.

Income Statement (\$000)				Balance Sheet (\$000)			
Period Ending	FY2013	FY2014	3Q2015 YTD*	Period Ending	FY2013	FY2014	3Q2015 YTD*
Vacation Interest Sales	464,613	532,006	438,055	Mortgages and contracts receivable	405,454	498,662	571,267
Management and member services	131,238	152,201	124,325	Cash and cash equivalents	35,945	242,486	326,589
Consolidated resort operations	35,512	38,406	11,338	Restricted Cash	92,231	80,914	87,775
Interest Income	57,044	68,398	57,721	Unsold vacation interests	298,110	262,172	323,150
Other Income	41,381	53,555	48,972	Other Receivables	54,588	59,821	29,671
Total Revenue	729,788	844,566	680,411	Due from related parties	46,262	51,651	25,155
Management and member services	37,907	33,184	25,310	Property and Equipment	60,396	70,871	76,908
Consolidated resort operations	34,333	35,409	11,114	Prepaid expenses and other assets	68,258	86,439	116,100
Vacation Interest cost of sales	56,695	63,499	25,535	Income tax receivable	25	467	1,033
Interest Expense	129,973	92,438	35,197	Deferred tax asset	-	423	354
Operating Expenses	454,298	463,563	411,176	Assets held for Sale	10,662	14,452	1,271
Loss on extinguishment of debt	15,604	46,807	-	Goodwill	30,632	30,632	30,642
Other Expenses	(2,274)	(25)	(57)	Other intangible assets	198,632	178,786	174,210
Income before Income Taxes	3,252	109,691	172,136	Total Assets	1,301,195	1,577,776	1,764,125
Income Taxes	5,777	50,234	72,394	Senior Credit Facility	-	440,720	422,826
Net Income	(2,525)	59,457	99,742	Senior Secured Notes and Notes Payable	391,042	4,612	3,004
				Securitization Notes and Funding Facilities	391,267	509,208	601,127
				Derivative Liabilities	-	-	284
				Total Other Liabilities	311,073	355,887	430,240
				Total Shareholder's Equity	207,813	267,349	306,644
				Total Liabilities & Shareholder's Equity	1,301,195	1,577,776	1,764,125

\*Unaudited

## Liquidity

Diamond had \$326.6 million in cash and cash equivalents as of September 30, 2015. In May 2014, the Company established a senior credit facility for a total of \$470 million consisting of a seven year \$445 million term loan (paid down to \$422.83 million in 3Q 2015) and a five year \$25 million revolving line of credit. As of September 30, 2015, the availability under the revolving line of credit portion of the senior credit facility was \$25.0 million. On February 5, 2015, Diamond increased the size of their conduit facility by \$25 million to \$200 million and extended the maturity date to April 2017. The Company issued a \$170 million securitization DROT 2015-1 on July 29, 2015, and the proceeds from the issuance were used to repay in full the then-outstanding balance and accrued interest under the conduit facility. Previously on March 20, 2015, as required by the conduit facility, the Company entered into a ten year, \$56.9 million interest rate swap, but the swap was also terminated when the outstanding balance under the conduit facility was paid off by the issuance of DROT 2015-1. On June 26, 2015, the Company entered into an interest rate cap on a notional amount of \$72.0 million but the swap was also terminated when the outstanding balance under the conduit facility was paid off.

## Corporate Ratings

DRII is not rated by KBRA but is rated by S&P and Moody's. In April 2015, both S&P and Moody's upgraded their corporate ratings to B+ and B1 from B and B2, respectively, and both have issued stable outlooks on the Company. The rating actions were a result of continued growth in revenue and improved debt to EBITDA.

## Management

### David F. Palmer, President & Chief Executive Officer

Mr. Palmer has been with Diamond for over eight years and has served as President and Chief Executive Officer of Diamond since January 2013. Previously he served as Chief Financial Officer from April 2007 through December 2012, Executive Vice President from April 2007 to September 2010 and President from September 2010 until January 2013. Prior to Diamond, he co-founded Trivergance, LLC, a private equity and venture capital firm, in June 2006 and was a managing director until July 2010. Prior to that, he worked at Onyx Capital Ventures, LLC from 2002 to 2006. From 1996-2002, he was a founder of Velocity Capital, LLC and principal of Vision Capital Partners, LLC.

**C. Alan Bentley, Executive Vice President & Chief Financial Officer**

Mr. Bentley has been with Diamond and its predecessor company Sunterra for over 12 years. He has served as Chief Financial Officer of Diamond since January 2013 and Executive Vice President and a director of certain subsidiaries of Diamond since September 2008. In addition, up until December 31, 2014, he was a partner in the financial advisory firm, Mackinac Partners, LLC which has been providing services to Diamond since 2007. Prior to joining Mackinac Partners, LLC, he worked at KPMG LLP and Arthur Anderson & Co. and was Executive Vice President and CFO of Swifty Serve Corporation and Pic N' Save, Inc.

**Howard S. Lanznar, Executive Vice President & Chief Administrative Officer**

Mr. Lanznar joined Diamond in September 2012 as Executive Vice President and Chief Administrative Officer. Prior to joining Diamond, he was a partner of Katten Muchin Rosenman LLP for more than 20 years and served as the chair of the firm's National Corporate Practice. He also has worked at Fruit of the Loom, Inc. where he was their general counsel.

**Michael Flaskey, Executive Vice President of Sales & Marketing**

Mr. Flaskey has been with Diamond for four years and is its Executive Vice President in charge of Sales and Marketing. He has over 20 years of industry experience and has worked previously for Starwood Resorts & Hotels and Wyndham Vacation Ownership.

**Ronan O'Gorman, Senior Vice President of Resort Operations**

Mr. O'Gorman joined Diamond three years ago and is responsible for U.S. resort operations. He previously has worked for Four Seasons Hotels, Bally's & Paris Casino & Hotels and Station Casino's & Hotels and has over 30 year of industry experience.

**Managed Resorts**

Diamond's managed resorts are operated by a homeowners association ("HOA") and administered by an elected board of directors. Through Diamond's ownership of the intervals at the resorts and role of developer, Diamond is entitled to the voting rights for each of its directors. The directors hire Diamond to provide services at the resorts.

Diamond receives management fees of 10%-15% which is calculated based on the costs incurred by the HOA of each resort. Each HOA and the board of directors for each resort provide an annual budget which estimates the resorts costs for the year including Diamond's management fees and determines the annual owner maintenance fees. As a result, Diamond's management fees are not impacted by changes in a resort's occupancy level or average daily rates. Diamond also maintains full insurance coverage on all properties with the cost being allocated to the individual resort. Once the budget is approved, typically in September/October, fees are billed in November and due by January. Diamond provides the HOA with billing and collection of the annual maintenance fees as part of their services. Since a majority of the fees are collected in advance, they are deposited in separate HOA accounts managed by Diamond for the HOA.

The HOA management contracts usually have terms of three to five years, contain automatic renewals and generally may be terminated only by a vote of the HOA owners prior to the renewal period. In addition, Diamond can usually terminate a HOA contract at any time with notice to the HOA. Over the past five years, no HOA has terminated a management contract and Diamond has terminated one and sold two HOA contracts.



Diamond's resort network is broken down into regions with each region assigned a director based on geographic location and 10 to 12 general managers. All resort personnel receive support and training and must be 100% compliant. Upon departure from the resorts, guests are asked to fill out a survey containing certain metrics used by the Company to rank resorts condition and staff performance. Each week the resort managers receive the survey results and are able to determine where their specific resort ranks. A significant portion of the resort manager's bonus is tied to the survey results.

## **Originations**

Diamond generates sales through its 56 sales centers, including the four that were acquired in the Gold Key Resorts purchase, 50 of them located at managed resorts, four located at affiliated resorts and two located offsite. The Company also has in-house sales and marketing teams which are located in 40 of these sales centers. Diamond utilizes independent sales organizations in the remaining 16 centers. It also uses call centers which generate a small portion of sales. Since 2007, the Company has focused on the sale of vacation ownership interests in the form of points rather than a deeded interest in a specific property.

The sales teams use various programs to generate sales including presentations at resorts to existing members and current guests, mailings, telemarketing, overnight mini-vacation packages and other location specific excursions. The Company focuses on Diamond's existing members, member referrals, participants in ownership exchange programs who stay at one of Diamond's managed resorts, other guests staying at their managed resorts and targeted as potential customers. Sales representatives receive a base salary as well as variable compensation based on performance.

Sales are primarily generated by tours at the resort sale centers which provide detailed information about Diamond, the benefits of membership and the resort network. The tour typically lasts an hour and a half and includes a tour of the property and explanation of the vacation ownership interest system. In order to increase tour attendance they can offer incentives including tickets to local attractions, free meals and hotel stays. Diamond has been focusing on selling the larger point packages to customers.

Diamond's target customers are baby boomers and those who are seeking flexible vacation plans. Sales to existing owners make up about 60% of their total transactions showing their satisfaction with the resort network and services. YTD, approximately 19.9% of the customers pay cash with the remaining 80.1% financing their purchase after an average down payment of 20%. Diamond offers five programs starting at the standard program and ending at the platinum program, each one offering different benefits.

The Company's inventory mainly comes from the inventory that was reacquired via the inventory recovery agreements they have established with a majority of their managed resorts and multi-resort trusts. Additionally, inventory is acquired in connection with the acquisitions that the Company completes.

## **Underwriting**

Diamond utilizes a FICO based evaluation model in order to risk rank potential loans per their seven tier underwriting matrix. The process is automated, utilizes the internet and allows for automatic approval for loans which are above a specific FICO level. Maximum loan terms are generally ten years across all tiers.

As a result of actual loan loss performance higher than initially expected for tier three (650-699 FICO) of their underwriting matrix, Diamond changed their underwriting standard by requiring a higher down payment from the customer. In addition, the Company continues to analyze adding affordability measures such as debt to income criteria into its matrix. Diamond closely monitors loan performance and will make changes to their underwriting matrix if they feel the change will help improve performance of their future originations. While at least 81% of the transaction collateral will be funded at closing and up



- Initiation of cancellation or foreclosure proceedings or receiving mutual release agreement, assignment or deed in lieu of foreclosure; or
- Determination by Diamond that a delinquent loan should be fully written off.

## Quality Control, Internal Audit & Information Systems

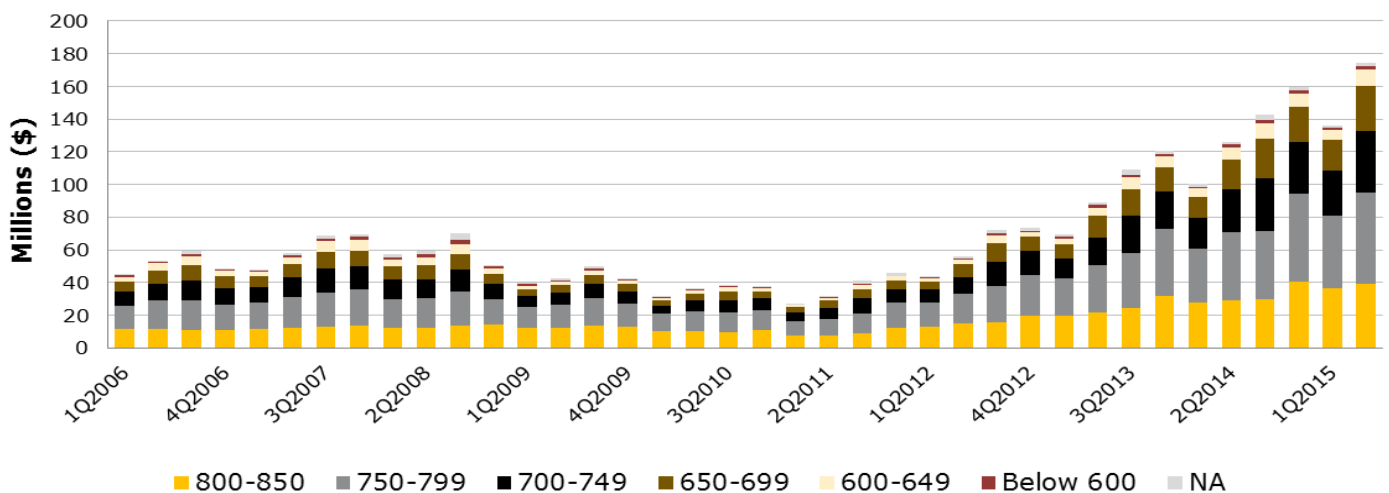
Diamond has an independent internal audit team that reports directly to the audit committee. The committee contains three independent board members who meet at a minimum quarterly and also speak frequently over the phone. The team operates a risk-based audit approach completing over 100 audits a year including financial, operational, compliance and technology. Diamond’s disclosure also ensures quality control through its disclosure committee who review disclosures, presentations and key external filings.

The Company maintains a technology focus and spends nearly half of its capital expenditures on technology every year. It operates a proprietary system that it uses worldwide enabling member’s access to a website that can service nearly all of their needs. They have a detailed disaster recovery plan with redundant data centers in Las Vegas, NV and Orlando, FL.

## Historical Performance

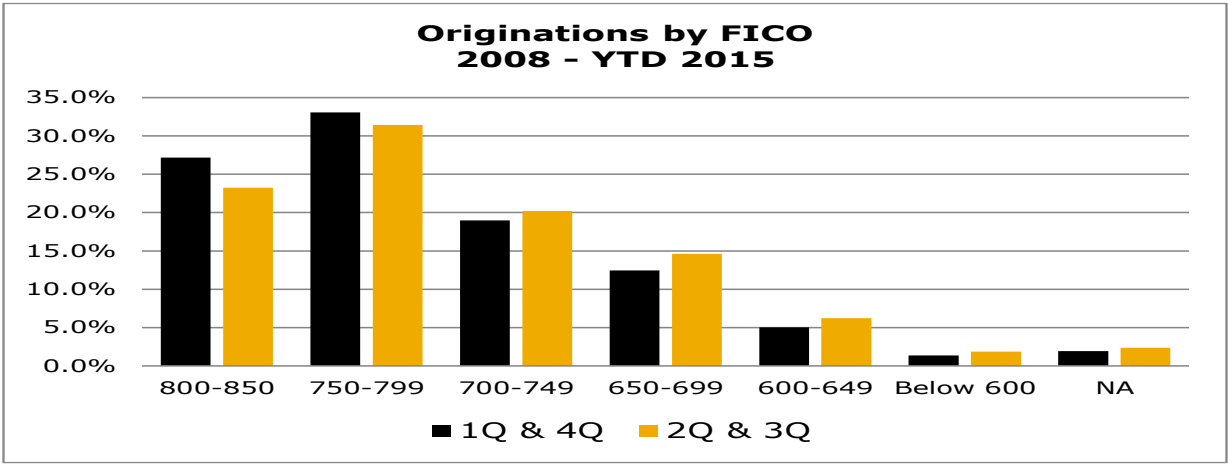
Below is a graph that depicts Diamond’s quarterly originations by FICO score since 2006. Originations have remained over 80 million a quarter since 2Q 2013 with 2Q 2015 having the highest historical originations.

**Diamond Quarterly Origination Summary**



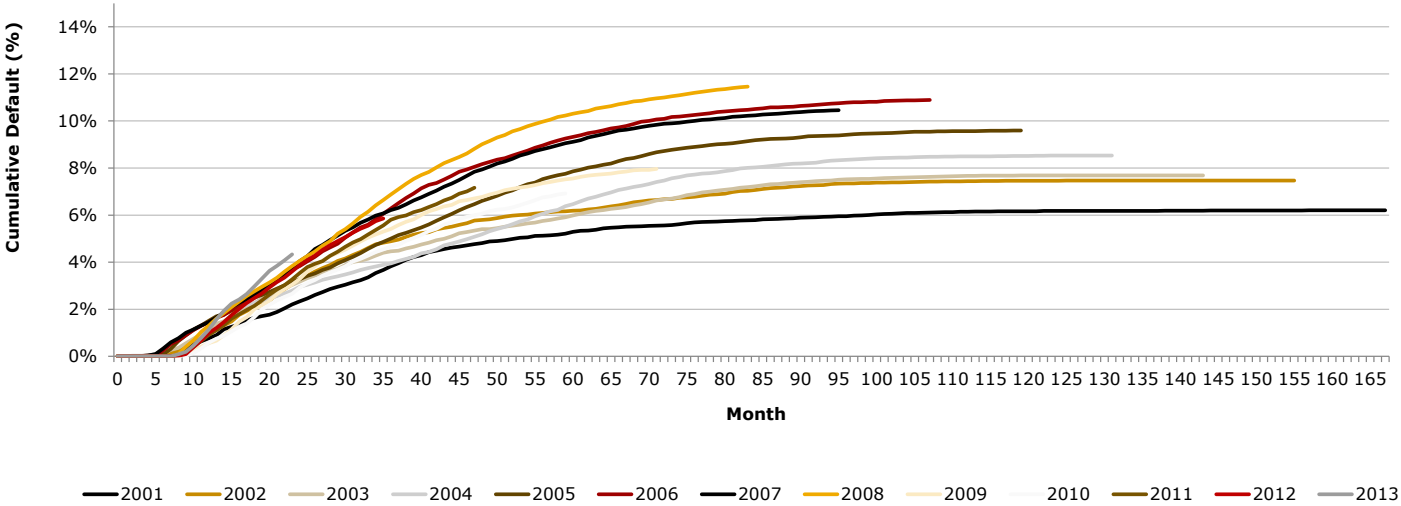
Since 2009, the first and fourth quarter’s originations have had a higher concentration of loans with FICOs 750 or over at approximately 62% of total originations while the second and third quarters percentage

averages around 56%. While quarterly originations over the past two years have been high when compared to historical levels, the Company has maintained a high quality of borrower with the average FICO score on loans originated since October 2008 at 757.



KBRA analyzed Diamond’s historical loan portfolio in the aggregate and based on FICO. The graphs below depict the Company’s aggregate annual cumulative defaults since 2001:

Diamond Portfolio Cumulative Default Summary



As illustrated in the above graphs, Diamond’s portfolio experienced some variability over the years particularly in 2006 through 2008 vintages as a result of the financial crisis. The 2009 through 2012 vintages have shown modest improvement however the 2013 vintage has experienced higher losses than previous vintages. In response to these higher losses, Diamond recently increased the required initial down payment from the customer in tier three (650-699 FICO) of their underwriting matrix. In addition, the Company continues to analyze adding affordability measures such as debt to income criteria into its matrix and has changed its sales representative’s compensation to encourage getting a 20% down payment from customers.

## Collateral Analysis

The statistical collateral pool in the DROT 2015-2 transaction includes approximately \$128.9 million of loans, as of September 30, 2015. The weighted average original term for the collateral pool is approximately 120 months and since the pool has an average seasoning of three months, the weighted average remaining contract term is approximately 117 months. The weighted average FICO score is 731 and the weighted average coupon is 14.31%. As of September 30, 2015, the pool contains 1.09% of loans that do not contain a FICO score.

DROT 2015-2 Statistical Pool Summary Statistics (As of September 30, 2015)								
FICO	Not Available	550-599	600-649	650-699	700-749	750-799	800-850	Total
Aggregate Current Principal Balance	\$1,411,457	\$1,972,347	\$10,872,402	\$26,344,110	\$33,691,161	\$38,978,798	\$15,648,679	\$128,918,955
Percent of Principal Balance	1.09%	1.53%	8.43%	20.43%	26.13%	30.24%	12.14%	100.00%
Number of Contracts	61	118	471	1,065	1,255	1,495	717	5,182
Avg Current Loan Size	\$23,139	\$16,715	\$23,084	\$24,736	\$26,846	\$26,073	\$21,825	\$24,878
Weighted Average Interest Rate	17.99%	17.91%	15.73%	14.92%	14.17%	13.65%	13.46%	14.31%
Weighted Average Original Term (Months)	120	120	120	120	120	120	120	120
Weighted Average Remaining Term (Months)	118	117	118	118	117	117	115	117
Weighted Average Seasoning (Months)	2	3	2	2	3	3	5	3
Weighted Average FICO	NA	579	628	677	724	775	815	731
Weighted Average Obligor Equity	30.91%	30.23%	26.84%	27.44%	30.31%	33.25%	34.43%	30.83%

## Diamond Peer Comparison

The chart below compares the pool characteristics and transaction structure of the DROT 2015-2 transaction against recent transactions completed by Marriot (MVW), Wyndham (Sierra), and Welk. The weighted average FICO score in the DROT 2015-2 transaction is higher than the other transactions and the weighted average coupon is at the highest level in the DROT 2015-2 transaction as compared to the other transactions. Also, the DROT 2015-2 transaction contains the lowest amount of seasoning and second lowest amount of foreign obligors. The DROT 2015-2 transaction is more heavily concentrated in the top three states for domestic obligors as compared to the other transactions except for the Welk transaction.

Deal Name	Diamond Resorts Owner Trust 2015-2	MVW Owner Trust 2015-1	Sierra Timeshare 2015-2 Receivables Funding LLC	Welk Resorts 2015-A
Transaction Date	11/17/2015*	8/13/2015	7/15/2015	6/10/2015
<b>Collateral Stratification</b>				
Pool Balance (as of cutoff date)	\$128,918,955	\$204,443,877	\$305,555,643	\$105,986,102
Avg Loan Balance	\$24,878	\$14,782	\$22,248	\$18,000
Wtd Avg Coupon	14.31%	13.05%	13.67%	13.77%
Wtd Avg FICO	731	726	720	724
Wtd Avg Obligor Equity	30.83%	--	41.20%	20.16%
Wtd Avg Original Term (mths)	120	133	121	115
Wtd Avg Remaining Term (mths)	117	89	117	108
Wtd Avg Seasoning (mths)	3	43	4	7
Domestic Obligators	99.02%**	87.91%	99.92%	99.00%
Foreign Obligators	0.98%	12.09%	0.08%	1.00%
<b>FICO Distribution</b>				
Not Available	1.09%	12.94%	--	1.40%
550-599	1.53%	1.67%	--	0.00%
600-649	8.43%	8.45%	11.37%	12.50%
650-699	20.43%	17.47%	26.18%	23.00%
700-749	26.13%	24.00%	26.37%	24.80%
750-799	30.24%	750 & higher: 35.48%	28.50%	26.90%
800-850	12.14%	--	7.57%	11.40%
<b>Geographic Concentration</b>				
State 1	CA: 36.02%	CA: 20.00%	CA: 19.46%	CA: 79.10%
State 2	AZ: 8.78%	NY: 6.85%	WA: 8.60%	MO: 3.70%
State 3	FL: 6.54%	NJ: 5.38%	OR: 5.00%	AZ: 2.00%
<b>Note Balance</b>				
AA Class	--	--	--	--
AA- Class	\$159,380,000	--	--	--
A Class	--	\$233,200,000	\$213,900,000	\$117,788,000
A- Class	\$20,620,000	--	--	--
BBB+ Class	--	--	--	\$11,812,000
BBB Class	--	\$21,800,000	\$61,100,000	--
Total	\$180,000,000	\$255,000,000	\$275,000,000	\$129,600,000
<b>% Credit Enhancement</b>				
Initial O/C	4.00%	3.50%	10.00%	4.00%
Target O/C	8.00%	7.00%	10.00%	4.00%
O/C Floor	1.00%	0.50%	1.00%	0.50%
Reserve Account	1.00%	0.50%	2.50%	2.50%
<b>% Total Initial Credit Enhancement</b>				
AA Class	--	--	--	--
AA- Class	16.00%	--	--	--
A Class	--	12.25%	32.50%	15.25%
A- Class	5.00%	--	--	--
BBB+ Class	--	--	--	6.50%
BBB Class	--	4.00%	12.50%	--
<b>KBRA Base Case Cumulative Net Loss Expectation</b>				
KBRA Base Case Loss Range	13.05%-14.05%	Not Rated by KBRA	Not Rated by KBRA	11.15% - 13.15%

Source: KBRA, transaction documents

\* Expected Closing Date. Statistical Collateral Stratification for DROT 2015-2 based on September 30, 2015 data.

\*\* DROT 2015-2 includes obligors from Canada as domestic obligors.

To download the peer comparison, please click [here](#).



## KBRA Loss Expectation

KBRA analyzed Diamond’s historical static pool gross loss data broken out by FICO score in order to develop a base case loss expectation as per KBRA’s [U.S. Timeshare ABS Rating Methodology](#). The table below summarizes the characteristics of the loan pool as well as KBRA’s base case expected loss percentage. Since the DROT 2015-2 transaction is only approximately three months seasoned, KBRA did not provide any seasoning credit for the loans funded at closing. KBRA’s weighted average base case cumulative gross loss range is 13.05%-14.05% with a mid-point of approximately 13.55% as shown below based on the loans in the collateral pool as of September 30, 2015 and the worst case loss expectation of loans during the prefunding period.

Base Case Cumulative Gross Loss by FICO						
Category	Distribution	Interest Rate	Original Term	Remaining Term	FICO	KBRA Base Case CGL
Collateral at Closing	80.00%	14.31%	120	117	731	13.25%
Prefunding	20.00%					14.86%
Total / WA	100.00%					13.55%

Diamond has the option to repurchase a defaulted loan or substitute a qualified loan for a defaulted loan and pay any shortfall amount. This repurchase and substitution option is limited to 15% and 20%, respectively, of the aggregate closing collateral balance less the total balance of loans previously repurchased or substituted. Diamond has historically utilized these options resulting in no defaults on their securitizations.

## Cash Flow Modeling

KBRA performed cash flow modeling on the DROT 2015-2 transaction to determine whether the proposed enhancement levels are sufficient to warrant the requested ratings for each of the rated classes. KBRA performed multiple cash flow scenarios including sensitivities to prepayment speeds as well as loss timing. KBRA’s cash flow stresses included the following:

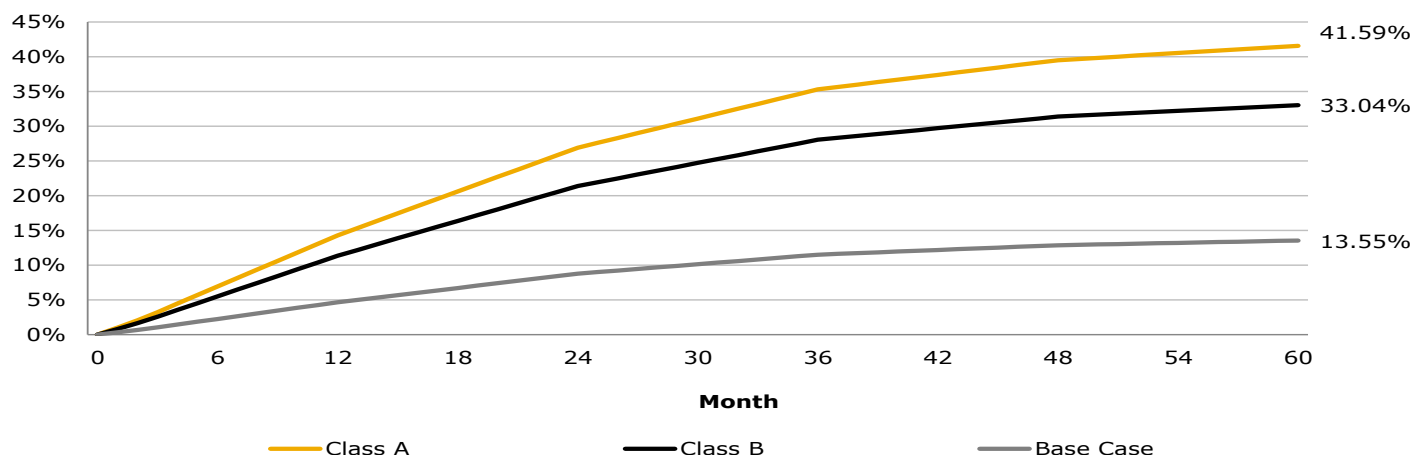
Cash Flow Modeling Inputs	
Item	Input
Recovery Rate	0%
Recovery Lag	NA
CPR	10.00%
Front-loaded Loss Timing Curve	35/30/20/10/5%

Cash Flow Modeling Results				
Class	Preliminary KBRA Rating	KBRA Timeshare CGL Multiple Range	Breakeven CGL	Breakeven CGL Multiple
Class A	AA-	2.25 - 3.50x	41.59%	3.07
Class B	A-	2.00 - 3.00x	33.04%	2.44

The DROT 2015-2 transaction is able to withstand a 3.07x multiple for the Class A notes and a 2.44x multiple for the Class B notes based on a 10% CPR speed and front-loaded loss timing curve. These loss multiples are at the middle end of the ranges for KBRA’s timeshare loss multiples.

The graph below compares breakeven cumulative gross losses incurred in each stress case scenario against the expected base case cumulative gross losses for the transaction.

**DROT 2015-2 Cumulative Gross Loss Coverage**



## Scenario/Sensitivity Analysis

The ratings assigned to the DROT 2015-2 transaction will be monitored through the life of the transaction. If loss levels differ meaningfully from the expected loss levels, KBRA may consider making a rating change.

The table below illustrates the potential for downgrade of each rated class if the expected cumulative gross loss levels exceed initial expectations. 'Stable' means a downgrade is highly unlikely. 'Moderate' means a potential transition of up to one rating category is possible. 'Severe' indicates a multi-category downgrade is possible. In addition to providing insight into the risk of rating migration, the table also indicates which scenarios may cause particular classes of notes to default. Any scenario that indicates 'Default' for a class of notes means that our cash flow projection indicated a default in the payment of principal under that scenario.

CNL Multiple	CNL %	Class & Initial Rating	
		Class A	Class B
		AA-(sf)	A-(sf)
1.20	16.26%	Stable	Stable
1.40	18.97%	Moderate	Moderate
1.60	21.68%	Moderate	Moderate
1.80	24.39%	Severe	Severe
2.00	27.10%	Severe	Severe
2.20	29.81%	Severe	Severe
2.40	32.52%	Severe	Severe

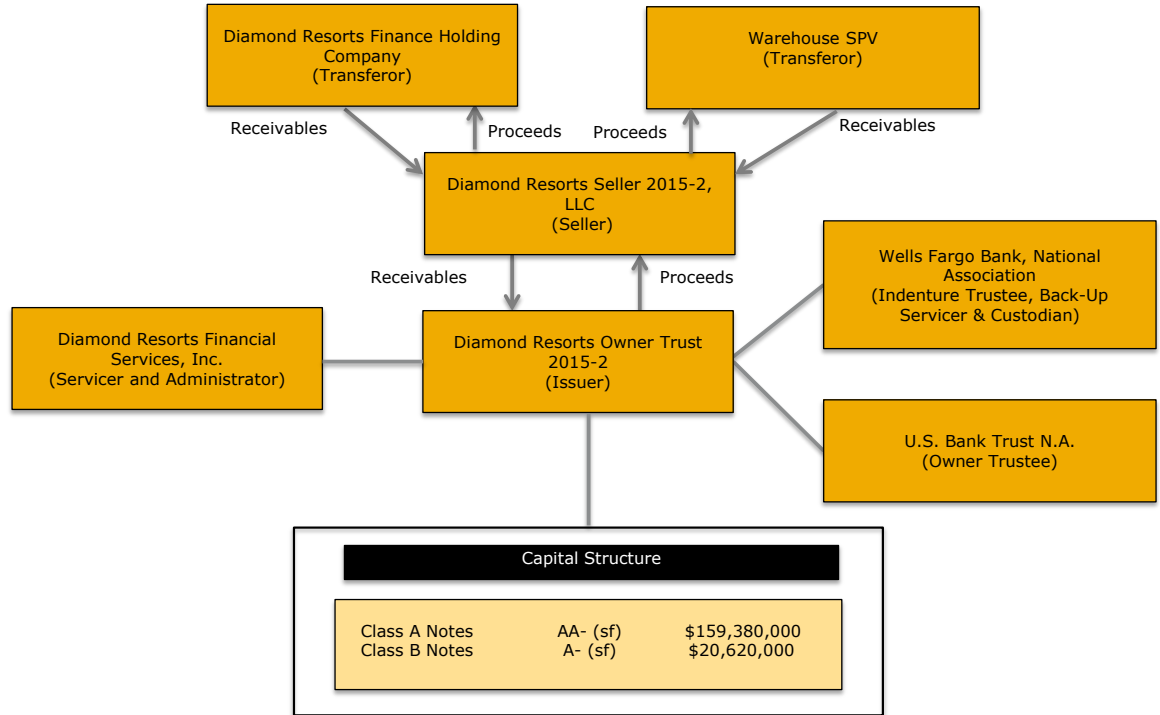
There are many factors, including economic stress, origination and servicing operations that can impact the performance of the loan pool and influence rating decisions, both positively and negatively. To the degree that the pool performance meets or exceeds expectations for an extended period, rating stability or likelihood of an upgrade can improve over time. Conversely, the emergence of compelling evidence that the pool will likely underperform could warrant downward rating action. If there is the need for any change in the rating of any class of notes, KBRA will provide a detailed explanation as to the rationale for such change in rating and the likelihood and factors surrounding any further potential rating changes.

# Transaction Structure

## Legal Structure

### Transaction Structure

The Diamond Resorts Owner Trust 2015-2 notes are newly issued asset-backed securities collateralized by a pool of timeshare loan receivables. The following diagram illustrates the basic securitization structure:



### Credit Enhancement

The credit enhancement provides protection for the notes against losses and delays in payment on the receivables or other shortfalls of cash flow. The credit enhancement for the notes will consist of the reserve account, overcollateralization, the excess interest on the receivables, subordination of classes of notes with a lower payment priority, and subordination of certain payments as described below.

The table below summarizes the transaction structure and credit enhancement for each class of notes:

Class	Principal Balance	Preliminary KBRA Rating	Interest Rate	Average Life (to call)	% of Total Collateral	Initial CE			Initial Hard CE	Target Hard CE	Proj. Excess Spread
						Subordination	O/C <sup>(1)</sup>	Reserve Account <sup>(2)</sup>			
Class A	159,380,000	AA-(sf)	TBD	3.36	85.00%	11.00%	4.00%	1.00%	16.00%	20.00%	10.00%
Class B	20,620,000	A-(sf)	TBD	3.36	11.00%	0.00%	4.00%	1.00%	5.00%	9.00%	10.00%
<b>Total</b>	<b>180,000,000</b>				<b>96.00%</b>						

\*Per annum

Overcollateralization	
Target	8.00%
Floor (% of Initial)	1.00%

Notes:

(1) The initial overcollateralization and the target overcollateralization prior to the Stepdown Date (i.e. the date on which the collateral balance as of the end of the related due period is less than 50% of the closing date collateral balance) will be 4% of the closing date collateral balance. On or after the Stepdown Date, the target overcollateralization will equal the greater of (a) 1% of the closing date collateral balance and

(b) the product of 8% and the collateral balance as of the end of the related due period; provided that in the event the average delinquency level over the last three due periods is greater than or equal to 7% (Cash Accumulation Event), the target overcollateralization amount will be equal to the target overcollateralization amount for the previous payment date.

(2) The initial reserve account deposit will be in an amount equal to 1% of the closing date collateral balance. Thereafter, so long as no Rapid Amortization Period has commenced, the reserve account will be replenished with available collections as provided in the Priority of Payments below up to an amount equal to 1% of the collateral balance as of the last day of the due period, unless a Cash Accumulation Event occurs, in which case the replenishment will be up to an amount equal to the product of (x) the collateral balance as of the last day of the due period and (y) the greater of (i) 15% and (ii) the product of two and the delinquency level for such due period. During a Rapid Amortization Period, the amount required to be deposited in the reserve account pursuant to the Priority of Payments will equal the lesser of 0.25% of the initial note balance and 50% of the outstanding note balance.

#### Prefunding Criteria

The "Prefunding Period" will commence on the closing date and, so long as there is no event of default, commencement of a Rapid Amortization Period, or the amount on deposit in the prefunding account falls below \$10,000, will end on the earliest of April 30, 2016.

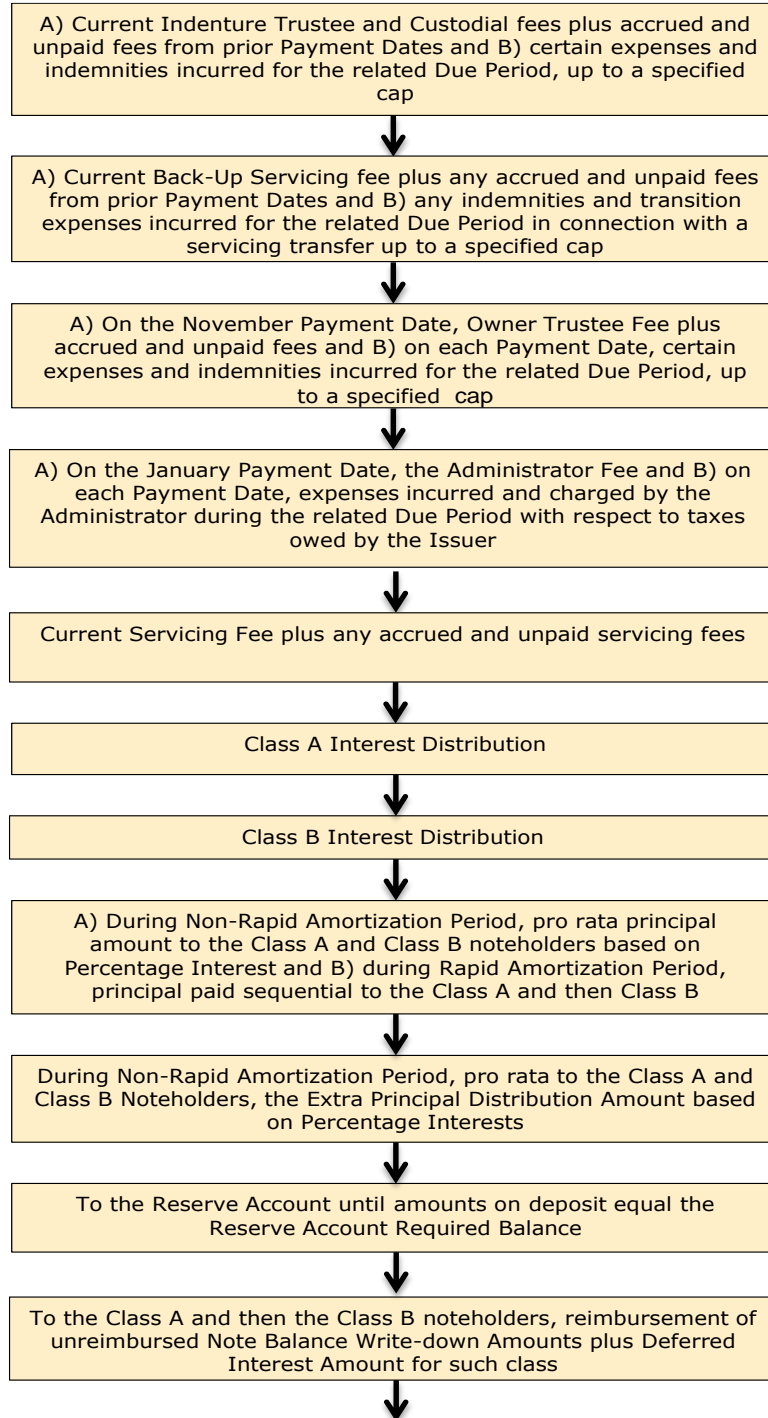
The transaction imposes specific limitations and collateral quality characteristics on subsequent timeshare loans purchased during the Prefunding Period, including the ones listed below:

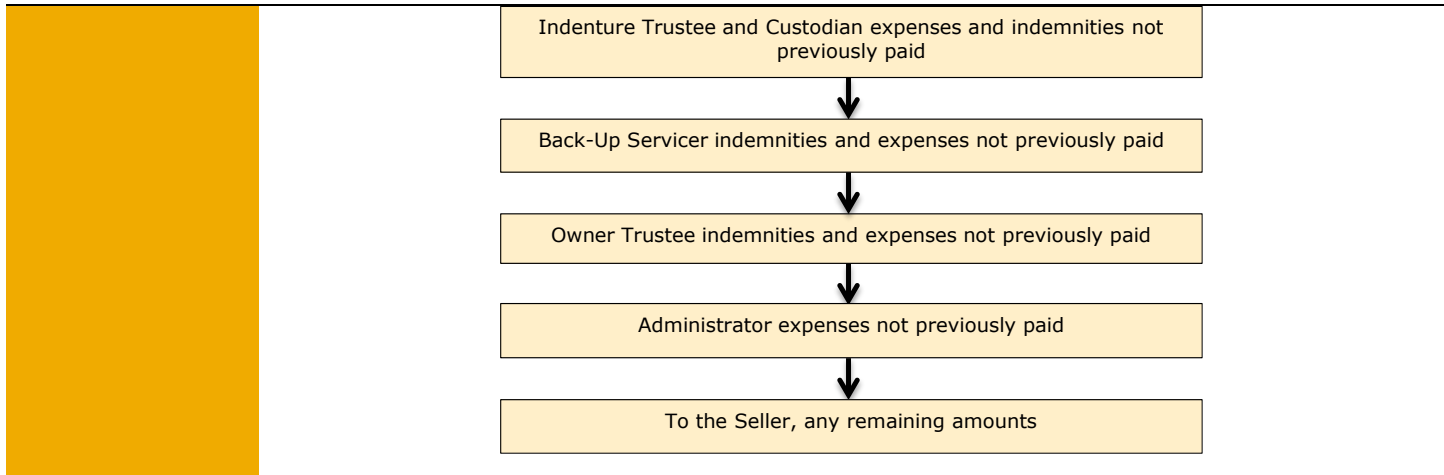
- (i) Such subsequent timeshare loan complies with the representations and warranties in the sale agreement, including that the subsequent timeshare loan is an "Eligible Timeshare Loan" (as defined in the offering memorandum)
- (ii) such subsequent timeshare loan was not selected in a manner that the seller believes to be materially adverse to the interests of the noteholders
- (iii) such subsequent timeshare loan does not have an original term to maturity greater than 120 months;
- (iv) such subsequent loan does not have a FICO score less than 550;
- (v) each obligor related to such subsequent loan has equity equal to at least 10% of the purchase price for the property securing such subsequent loan; and
- (vi) after the purchase of all subsequent timeshare loans,
  - a. the weighted average coupon rate on all subsequent timeshare loans are equal to or greater than 14.00%;
  - b. the weighted average FICO score of all subsequent timeshare loans are equal to or greater than 715;
  - c. obligors with no FICO score do not represent more than 2.50% of the aggregate loan balance of all subsequent timeshare loans;
  - d. obligors with a FICO score less than 600 do not represent more than 2.50% of the aggregate loan balance of all subsequent timeshare loans;
  - e. obligors with a FICO score less than 650 do not represent more than 10.00% of the aggregate loan balance of all subsequent timeshare loans;
  - f. obligors with a FICO score less than 700 do not represent more than 37.50% of the aggregate loan balance of all subsequent timeshare loans;
  - g. obligors with a FICO score less than 750 do not represent more than 65.00% of the aggregate loan balance of all subsequent timeshare loans; and

h. foreign obligors do not represent more than 3.00% of the aggregate loan balance of all subsequent timeshare loans.

Priority of Payments Prior to an Event of Default

Prior to any Acceleration Event and Event of Default, on each payment date, distributions will be made from available funds in the following order of priority:





**Events of Default**

The occurrence of any one of the following events will be an "Event of Default" under the indenture:

- 1) Failure to pay interest on the notes within two business days after it becomes due and payable;
- 2) Failure to pay principal on the notes in full and to reimburse all write-down and deferred interest amounts at the stated maturity;
- 3) Default in the performance or breach of any other covenant or warranty by the Issuer and continuation of such default for 30 days after notice; provided if the Issuer shall have disposed any portion of the collateral or claimed any deduction from the principal or interest of any of the notes by reason of any taxes levied upon any portion of the collateral, there will be no cure period;
- 4) Failure by the Seller to cure, repurchase or substitute for a defective loan as required by the transaction documents;
- 5) The Issuer becomes subject to registration as an "investment company" under the Investment Company Act of 1940;
- 6) Certain bankruptcy or insolvency events occur with respect to the Issuer;
- 7) Impairment of any security interest of the Indenture Trustee in the collateral except as permitted or the creation of a material encumbrance on the collateral not otherwise permitted which is not stayed or released within 10 days of the Issuer obtaining knowledge; and
- 8) The Issuer becoming classified as an association, publicly traded partnership or taxable mortgage pool that is, in each case, taxable as a corporation for U.S. federal income tax purposes.

**Rapid Amortization Period**

The occurrence of any one of the following events will commence a "Rapid Amortization Period":

- 1) The average of the Default Levels (i.e. the aggregate loan balance of all timeshare loans that defaulted and were not repurchased by the Seller during such due period minus any recoveries or remarketing proceeds received during such time period) for the last three due periods is greater than or equal to 0.75%;
- 2) The Recovery Ratio (i.e. a percentage equivalent equal to the sum of the loan balances of all defaulted timeshare loans that were repurchased by the Seller in a three month period plus all recoveries and remarketing proceeds received on defaulted timeshare loans in such three month period divided by the aggregate loan balance of all timeshare loans that defaulted in such three

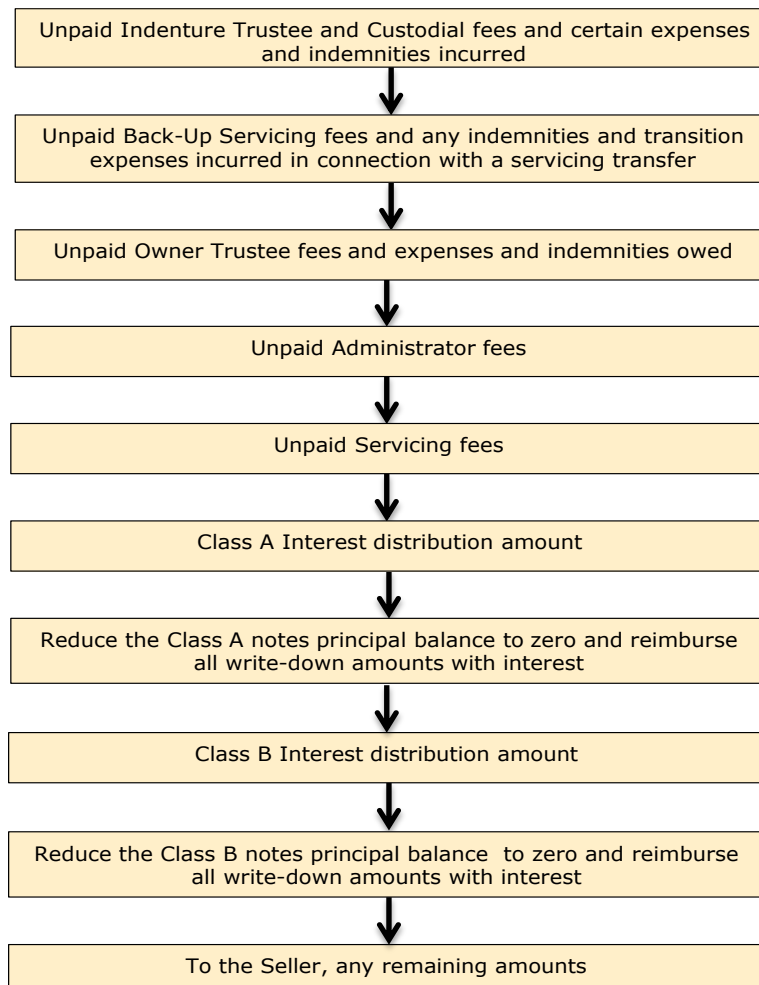


- month period) is less than 25%;
- 3) The Cumulative Default Level (i.e. the sum of the aggregate loan balance of all timeshare loans that became defaulted loans since the closing date that have not been repurchased by the Seller minus all recoveries and remarketing proceeds received in respect of such defaulted loans divided by the closing date collateral balance (expressed as a percentage) is greater than 20%; and
- 4) The overcollateralization amount is less than the required overcollateralization amount for the two immediately preceding payment dates.

Events listed in 1 and 4 can be cured in the period that they fall below the rapid amortization level. Event 2 can be cured when the Recovery Ratio is greater than or equal to the 25% for three consecutive determination dates. Event 3 cannot be cured.

**Priority of Payments following an Event of Default**

Following acceleration of the notes after the occurrence of an "Event of Default" money collected shall be applied in the following order of priority:



**Servicer Event of Default**

The occurrence of any one of the following events will be a "Servicer Event of Default" under the servicing agreement:

- 1) Failure by the Servicer to make any required payment, transfer or deposit within three business days of when required;

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	<ul style="list-style-type: none"><li>2) Failure by the Servicer to provide any required report within five business days of when required;</li><li>3) Failure by the Servicer to observe or perform any other covenant or agreement which has an adverse effect on the noteholders;</li><li>4) Any representation or warranty of the Servicer proves to be incorrect in any material respect when made subject to specific grace periods;</li><li>5) Certain bankruptcy or insolvency events occur with respect to the Servicer.</li></ul>
Representations & Warranties	For more detailed information regarding the representations, warranties and enforcement mechanisms available under the transaction documents, please see KBRA’s DROT 2015-2 Representations and Warranties Disclosure, which is being published contemporaneously with this Presale Report. The Representations and Warranties Disclosure is available at the following link: <a href="#"><u>Diamond Resorts Owner Trust 2015-2 Representations and Warranties Disclosure</u></a>

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## Appendix A: Transaction Synopsis

Rated Notes					
Class	Initial Amount (\$)	Interest Rate	Stated Maturity Date	Initial Credit Enhancement (%)	Preliminary KBRA Rating
Class A	159,380,000	TBD	May 22, 2028	16.00%	AA-(sf)
Class B	20,620,000	TBD	May 22, 2028	5.00%	A-(sf)
<b>Total</b>	<b>180,000,000</b>				

Collateral Summary*	
Collateral Strats	
Pool Balance	\$128,918,955
Avg Loan Balance	\$24,878
Wtd Avg Coupon	14.31%
Wtd Avg FICO	731
Wtd Avg Obligor Equity	30.83%
Wtd Avg Original Term (mths)	120
Wtd Avg Remaining Term (mths)	117
Wtd Avg Seasoning	3
% Domestic Obligors	99.02%**
% Foreign Obligors	0.98%
FICO Distribution	
Not Available	1.09%
550-599	1.53%
600-649	8.43%
650-699	20.43%
700-749	26.13%
750-799	30.24%
800 and higher	12.14%
Geographic Concentration	
State 1	CA: 36.02%
State 2	AZ: 8.78%
State 3	FL: 6.54%
KBRA Base Case	
Cumulative Gross Loss Range	13.05%-14.05%

Transaction Parties	
Issuer	Diamond Resorts Owner Trust 2015-2
Seller	Diamond Resorts Seller 2015-2 LLC
Servicer & Administrator	Diamond Resorts Financial Services, Inc.
Indenture Trustee, Custodian & Back-Up Servicer	Wells Fargo Bank, National Association
Owner Trustee	U.S. Bank Trust National Association

\*As of September 30, 2015.

\*\* DROT 2015-2 includes obligors from Canada as domestic obligors.

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