



**A Letter outlining the relationship(s) between the various entities in Diamond Resorts International® operations in Europe.**

May 18, 2008

The recent flurry of comments on the various blogs in Europe has made it apparent that there is much confusion about the relationships between the various entities surrounding your membership in Europe.

The following outlines those relationships in an attempt to bring some clarity to the situation.

The main companies in Europe are:

- Diamond Resorts European Collection Ltd.
- Diamond Resorts (Europe) Ltd.
- Diamond Resorts Management Ltd.

Each plays a very different and distinct role.

**Diamond Resorts European Collection Ltd.:** **Diamond Resorts European Collection Ltd.:** This entity is often referred to as the Club. Diamond Resorts European Collection Ltd. is a private company limited by guarantee. It does not have any shares. Nor does it trade or make any profits or losses. This type of company is often used for non-commercial organisations or for incorporated Members' associations (as in the case of Diamond Resorts European Collection Ltd.). By redeeming the points that they own, Members are entitled to use the accommodation assets in the portfolio. These usage rights terminate in the year 2054 and a large proportion of the inventory reverts back to Diamond Resorts (Europe) Ltd. In the meantime, such usage rights are subject to payment by the Members of their Management fees together with any other charges that are properly levied. The majority of the accommodation assets in the Collection's portfolio are held in trust for the benefit of the Members by an independent Trustee (First National Trustee Company Ltd.), thereby ensuring that their interests are safeguarded.

**Diamond Resorts (Europe) Ltd:** This is the main trading company of the European group. This company buys new resorts for inclusion in the Club's portfolio and is actively involved in developing the services made available to the Members. It is sometimes referred to as 'the Developer' and is the Founder Member of Diamond Resorts European Collection Ltd. In exchange for putting accommodation acquired by it into trust with First National Trustee Company Ltd, it is in return allocated points which it may then sell to new and existing Members. This means that it is itself a Member of Diamond Resorts European Collection Ltd - owning a large number of unsold points upon which it must pay the management fees. The management fees are calculated in the same way that the management fees are calculated on the points owned by ordinary Members.

**Diamond Resorts Management Ltd:** This is the company that administers the points system and manages all of the owned resorts on behalf of the Members of Diamond Resorts European Collection Ltd. This company uses the management fee income received from the Members to pay the day to day resort operating costs. It also arranges and manages the unit refurbishment programme from the sinking fund and oversees other capital works that may be necessary at specific resorts and which are paid for by a special resort levy. Diamond Resorts European Collection Ltd. Members pay their management fees to Diamond Resorts Management Ltd.

As a limited company, Diamond Resorts European Collection Ltd. has a Board of Directors. There are five directors on the Board plus a company secretary. The Directors representing the interests of Diamond Resorts (Europe) Ltd. are Suzana Gomercic Bajtek, Marty Kandel and Sarah J Hulme. In addition, there are two elected non executive Member directors, Harry Taylor and John Davey. These are active points Members, elected by other Members to represent them. The non executive directors are elected for a term of three years and are able to stand for re-election for a further term.

The Board meets formally three times a year as well as at the Annual General Meeting. At these meetings the accounts, budgets, management fees and member issues or complaints will be discussed and reviewed. In addition to these formal board meetings, various informal meetings and conference calls take place throughout the year, and there have been a number of additional meetings that have taken place this year, as the impact of the strong Euro was monitored and discussed.

Each year there is an Annual General Meeting (AGM). This is required in accordance with company law and the Articles of Association of Diamond Resorts European Collection Ltd. sets out the rules that must be complied with for the holding of the AGM.

The process by which all these above entities relate to each other is explained as follows:

1. Diamond Resorts (Europe) Ltd. and its associated companies buy resorts. A legal interest in the accommodation at the resorts is then given to First National Trustee Company, Ltd (FNTC).
2. FNTC puts the accommodation interest into trust for the Members of Diamond Resorts European Collection Ltd.
3. FNTC assesses the points value of the accommodation that has been put into trust, and in return for the transfer to it of the legal interest in the property, confers upon Diamond Resorts (Europe) Ltd. and its associates the right to sell an equivalent number of points.
4. Points are sold to customers.
5. Customers become Members of Diamond Resorts European Collection Ltd.
6. Members pay management fees to Diamond Resorts Management Ltd. which is contracted to operate and maintain the resorts.

When resorts are purchased, they often already have fixed and floating week owners together with an existing Resort Committee. Diamond Resorts (Europe) Ltd. place the unsold weeks of accommodation into trust and can similarly sell points against this inventory. The fixed and floating week owners obviously retain their ownership in the weeks that they had previously bought. This arrangement means therefore that the fixed and floating week owners run the resort in conjunction with Diamond Resorts European Collection Ltd. Their Committee continues to have regular meetings and set budgets.

The resort committee usually consists of three elected representatives of the fixed and floating week owners (where applicable), one representative of Diamond Resorts European Collection Ltd. points, and two representatives of the Founder Member (Diamond Resorts (Europe) Ltd.).

The management fees are calculated by agreeing upon a budget with each of the resort's Committees (where there is a committee).

1. Each resort budget is proposed to the resort Committee. After much discussion and analysis a final budget is approved.
2. An appropriate proportion of the resort's budget in so far as it relates to accommodation that will be utilised by the Members of Diamond Resorts European Collection Ltd. is calculated. Similar assessments are done for all of the resorts and these costs are then consolidated. Any additional costs that are going to be necessary to run the European Collection are added on and the proposed budget is then presented to the Board of Diamond Resorts European Collection Ltd. As previously mentioned, the Board includes two Member representatives. Again after much discussion and analysis, a final budget is approved.

3. The individual management fees per point are calculated and the Members of Diamond Resorts European Collection Ltd. (including Diamond Resorts (Europe) Ltd.) are invoiced for the points that they own along with the base membership fee.

We trust that this letter helps to clarify some of the confusion that has been apparent through recent postings on the various blogs and forums.

Sincerely,

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Marty Kandel  
President, European Operations  
Diamond Resorts International®