

# Diamond Resorts: Real, or Cubic Zirconia?

By Peggy Shafer, Littleton, CO

Ten years ago, we purchased what we thought was a wise investment in our future. Sharing a love for travel, my husband and I were greatly impressed with a stay at the Royal Palm Beach Resort in St. Maarten. We started by purchasing an every other year week, and the following year, added two more every year weeks to our portfolio. Traveling from Colorado, St. Maarten was a two-day trip with expensive airfare, so we were happy that we could now stay either two or three weeks when we arrived there.

We had listened to the usual timeshare sales pitch, at that time from Sunterra Corporation. I'm sure that TimeSharing Today readers are familiar with the presentations. At almost every one, you are shown a chart of what hotel rates are expected to be in 10 years, and how much you will be "saving" by purchasing this annual week of "guaranteed vacation time." We were told to expect annual maintenance fee increases that would not exceed 5-10%. We were very happy with our investment, and have either used or traded the weeks at Royal Palm through Interval International for some equally exotic destination.

Then in March 2007, enter Diamond Resorts, which purchased Sunterra Corporation. Over the last 22 months, the scenario that has unfolded represents everything that timesharing is NOT supposed to be. Since the take-over by Diamond Resorts, annual maintenance fees have risen 58%, bringing them to what, I believe, represent some of the highest in the industry. The 2009 fee for our 2 bedroom unit will be \$1178.00, an increase of 32% over the previous year.

What are Royal Palm and Flamingo Beach Owners seeing for these huge increases? Changes in management (many long-time employees have either left or been fired), lack of repairs since the hurricane, poor communication with guests, and an all-time low in customer service. Long overdue replacement elevators have yet to be installed. The hot water heating system is outdated and inadequate. The

only place on site with free Wi-Fi has been closed down. And the previous contractor for food and beverage, that offered \$2.50 happy hour frozen cocktails at the swim-up bar, has been replaced with one that now charges \$8.00 for a frozen drink.

At the time of the take-over, a renovation of Royal Palm was almost complete. In November of 2008, we visited Royal Palm for 3 weeks, our first visit since Diamond Resorts came into the picture. We encountered an unbelievable number of problems during our stay, so many that while we were there, I asked the long time resort manager, Marcel Javois, who we could contact at Diamond Resorts regarding our frustrations. We were given the name of Howard Klubeck, the Food, Beverage, and Activities Director for Diamond. Howard was actually on the island, assisting with post-cleanup efforts after Hurricane Omar had brushed the island. We met with Howard twice

during our stay, and later learned he is a relative of Stephen Cloobek, the CEO of Diamond Resorts. Howard bought us a dinner, which appears now was just to appease us and hopefully keep us quiet.

Now it appears an uprising and revolt by resort owners, who are feeling a sense of "taxation without representation," could be imminent. Even though most contracts vaguely refer to a "Homeowners Association," one was never formed and doesn't exist.

Bruce Cameron, a Canadian who maintains a website specifically for Royal Palm and Flamingo Beach Owners (<http://sxm.atlanticwebfitters.ca/>) has had several telephone conferences with Homeowner Relations VP Marilyn Windsor and an accountant with Diamond Resorts regarding the increase in fees. Following are some of the details from his recent newsletter:

#### "Administrative Support Fees

"This is a new charge and a very major shift in policy. Up until now Diamond (and Sunterra before it) took a 10% management fee to cover all overheads. However, Diamond appears to be more in a consolidation upgrade mode and



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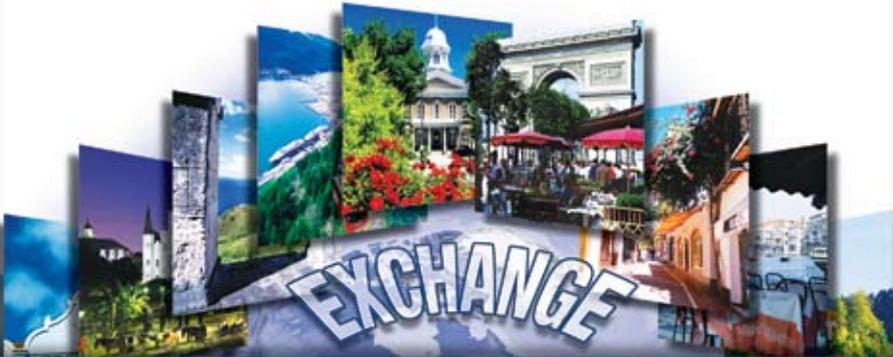
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now they are charging back just about every central agency cost they can. The cost recovery for mainland services charged back to each resort now runs at \$1,025,795 million per year for Flamingo and \$576,025 at Royal Palm.

#### “Management Fees

“In addition to the costs allocated as Administrative Support Fees, there are general costs that cannot be allocated, and Diamond’s profit. That comes from the management fee which had been charged at a 10% level, now moving to a 15% level, and because the total maintenance fee has risen, the dollar amounts for management fees are also rising. They are budgeted to nearly double at both resorts in 2009. Not clear what that really means though because both resorts are also budgeted for deficit amounts, roughly equal to the management fees.”

So it appears that Diamond Resort owners have very little recourse but to complain. It now seems that the very reason we purchased timeshare – to “save” money on an annual vacation – is skyrocketing at an alarming rate, much higher than the rate of inflation or hotel costs.

In a time when the economy is in a tailspin, unemployment is high, and so many of us are struggling to stay above water, I suspect that this move by Diamond Resorts may put maintenance fee arrears and defaults at an all-time high. I urge owners to carefully review their contracts, as apparently some that were written prior to 1995 may have had a cap.

When I called in January to say I had not yet received the maintenance fee bill, the Las Vegas office of Diamond Resorts claims that the bills were “mailed from St. Maarten” so there could be a delay. Why would this be if central billing is in Las Vegas? Diamond Resorts position continues to be that it is the owner’s responsibility to pay the bill whether or not it was received, and I’ve learned they are imposing a 28% late fee to late payments!

There is a current litigation that has been started by owners that is being filed in St. Maarten courts to test the legality of the increases. If you are an owner at Flamingo or Royal Palm Resort and want to join this protest, contact Steve Randall at: [diamond-litigation@conet.net](mailto:diamond-litigation@conet.net)

## Diamond promotes trust

By Name withheld by request.  
“I’d hate for Diamond to put me on their bad person list.”

I thought you’d be interested in what Diamond Resorts seems to be doing. I was just at their Branson resort and went to an “Owner Update.” Of course, I knew that for the \$100 gift card, I was in for some salesmanship. But since we have a good number of points in their Club, we weren’t interested in buying more.

The salesperson said that we needed to buy some more points, (about \$4,500) and convert our deeded timeshare weeks into The US Trust. That would benefit us greatly because our maintenance fees would drop from \$3,300 per year by at least \$850. This was because when a hurricane hit one particular resort, the expense of repair would be divided out among all owners in the 20 some odd resorts in the trust, not just the one resort. Yes, that is what they said. And that is what their Sales Manager said as well.

A second benefit was that Trust owners could make reservations at all the Trust resorts 13 months in advance. Right now in The Club we can make home resort reservations 12 months in advance and 10 months other places. Also in the US Trust you don’t have to pay the exchange fees if you use II.

I thought this was very interesting because the Stage 1 owners (week owners) were upstaged a bit by Stage 2 owners (The Club.) But for the extra money of The Club, it seemed like real value was delivered with the points and the II deal. But now Stage 3 owners (The Trust) have been moved to the head of the reservations lines by Diamond and somehow will be saving maintenance fees that I can’t figure out.

What do you think; is this grist for a great story or not? (And I should say here that I am a reasonably satisfied Diamond owner and like them, but this US Trust doesn’t appear to be in my best interest. When I pointed that out in the presentation, the salesperson would revert to, “This is what you owners wanted, it was voted on by all the homeowner’s associations. Only 20% of our owners are weeks, 80% are points, so the weeks are really left behind everybody else.”)



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