THE SUNCHASER VACATION VILLAS AT RIVERSIDE, HILLSIDE AND RIVERVIEW

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the years ended December 31, 2010 and 2011

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This management's discussion and analysis of financial condition and results of operations ("MD&A") should be read together with The Sunchaser Vacation Villas at Riverside, Hillside and Riverview's ("SVV" or the "Resort") audited financial statements and accompanying notes for the year ended December 31, 2011.

This MD&A is presented as of February 14, 2012. All financial information contained herein is expressed in Canadian dollars unless otherwise specified.

Forward-Looking Statements

Certain statements included in this MD&A constitute forward-looking statements. These statements relate to future events or the Resort's future performance. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as ''anticipate'', ''believe'', "continue", "could", ''estimate'', ''expect'', "intend", "may", "might", "plan", "potential", "predict", "project", "seek", "should", "targeting", "will", and other similar expressions. All forward-looking statements are based on beliefs and assumptions based on information available at the time the assumption was made. These forward-looking statements are not based on historical facts but rather on expectations regarding future growth, results of operations, performance, future capital and other expenditures (including the amount, nature and sources of funding thereof), competitive advantages, business prospects and opportunities. Forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors that may cause actual results, levels of activity, performance or achievements to differ materially from those anticipated in such forward-looking statements. Although the forward-looking statements contained in the MD&A are based upon what the Resort believes to be reasonable assumptions, no assurance can be given that these expectations will prove to be accurate and such forward-looking statements included in this MD&A should not be unduly relied upon by leaseholders and owners. These forward-looking statements are made as of the date of this MD&A and are expressly qualified, in their entirety, by this cautionary statement. The Resort does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by law.

Factors which could cause future outcomes to differ materially from those set forth in the forward-looking statements include, but are not limited to: (i) the ability to collect sufficient maintenance fees from the leaseholders and owners to support operations, (ii) the financial viability of the developer, (iii) the state of the general economy and the Western Canadian vacation market, (iv) the cost and availability of labour, (v) the ability to maintain alliances with RCI and Interval International on acceptable terms, (vi) the ability to adjust operations of the Resort to reflect seasonality, delinquency and unsold or unutilized inventory; (vii) additional deficiencies at the Resort that could come to light as a result of the renovation project; (viii) the impact of competitive products and pricing and the ability to successfully compete in the marketplace; (ix) the ability to attract and retain key personnel and key collaborators; and (x) the ability to adequately protect proprietary information and technology from competitors. Readers are cautioned that the foregoing lists of factors are not exhaustive. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement.

FORMATION OF THE CURRENT PROPERTY MANAGER

As a result of significant changes over the past several years, there is some confusion over the property management of the resort. The following details the changes that have occurred as a result of the failure of the original property manager, Fairmont Resort Properties Ltd. ("Fairmont").

On March 30, 2009, Fairmont sought *Companies' Creditors Arrangements Act* ("CCAA") protection as it was in default of its obligations to mortgage bondholders who had invested funds in FRPL Finance Ltd. ("FRPL"). At that time, Fairmont was the developer and property manager of the Resort and had subcontracted the property management services to Columbia Villa Management Ltd. ("CVM").

In June of 2009, Fairmont, as part of the CCAA process, repudiated (terminated) the contract with CVM and subcontracted Resort Villa Management Ltd. ("RVM") to perform the property management services to the Resort. At that time, the majority of the non-owner CVM staff was transferred to RVM to continue operation of the resort.

On March 4, 2010 Northwynd Properties Real Estate Investment Trust ("Northwynd") was formed by a Declaration of Trust. As a result of a Plan of Arrangement completed by FRPL pursuant to the Alberta Business Corporations Act on April 22, 2010, the holders of mortgage bonds issued by FRPL exchanged their bonds for units of the Trust. Concurrently, and as part of the Plan of Arrangement, the Trust acquired from FRPL certain loans and security interests in Fairmont and its subsidiary companies.

On April 27, 2010 Northwynd submitted a bid to purchase substantially all of the assets of Fairmont in exchange for the cancellation of $43.8 million of Fairmont debt and the assumption by Northwynd of certain liabilities of Fairmont. The Alberta Court of Queen's Bench granted final approval of Northwynd's acquisition of Fairmont's assets on June 22, 2010 and issued an order vesting title to Fairmont's assets with Northwynd LP, a limited partnership wholly owned by the Trust. The acquisition was completed on July 7, 2010 at which time certain acquired assets, including the property management contract and developer rights for the Resort and ownership of RVM, were transferred to Northmont LP, a limited partnership also wholly owned by the Trust. As a result, on July 7, 2010, Northmont became the property manager for the Resort overseeing the subcontracted work of RVM and Fairmont's property management ceased.

In addition to Northmont and RVM, Northwynd Resort Properties Ltd. ("NRPL"), the general partner of Northwynd LP, employs the corporate office staff, including accounting, customer service, and management staff, which is recharged to the Resort for the services provided for its operation.

As a result, effective July 7, 2010, the Resort has been "under new management." Northmont is the formal property manager contracted with each leaseholder and owner, while RVM performs the majority of services under subcontract. For the remainder of the MD&A, they will collectively be referred to as the "Property Manager."

TIMELINESS OF FINANCIAL INFORMATION

Section 11 of the current Vacation Interval Agreement states that the manager shall provide an audited statement to the leaseholders and owners for the previous year's receipts and expenditures by December 31st. Previous versions stated that the audit shall be completed by March 31st.

We recognize that many of our leaseholders and owners value the audited financial information for peace of mind, especially in light of the significant changes. As a result, we have worked hard on the completion of the 2011 financial statements and intend to have 2012 completed on a much timelier basis. It is our objective to complete the 2012 statements by no later than June 30, 2012 at the outside and we have targeted completion by April in order to include the audited 2012 deficit, rather than the unaudited amount, in the renovation project fee.

The delay in completion of the 2011 statements ties back to the CCAA of Fairmont. We have been playing catch up with the Resort's financial statements since taking over the property management due to the substantial issues that were inherited from Fairmont. During Fairmont's CCAA proceedings, it did not perform either the 2008 or 2009 audit of the Resort. As a result, we were left to address the deficiency. Both audits took substantially longer than anticipated due to the state of the financial information acquired from Fairmont and staff continuity issues with the auditor. While both audits were contracted at the same time, the various issues resulted in the 2009 audit only reaching completion in September, 2011, nine months after completion of the 2008 audit.

The clean-up of the financial records during that period and work related to the audit resulted in significant delays in the creation of the 2010 and 2011 financial information. In addition, it was discovered that the past financial statements were not prepared in accordance with the vacation interval agreements. This created further issues and delays with the 2010 and 2011 statements and significant further work was required to adjust the closing 2009 financial information to the proper format.

While we cannot predict what future issues may occur, we believe that the completion of the 2011 audit has addressed the majority of the past issues and the financial information and audits should be completed on a much more timely and cost effective basis going forward.

RECONCILIATION OF 2010 OPENING DEFICIT

The 2009 financial statements were prepared as statements of the "operating division of Columbia Villa Management" consistent with the past practices of Fairmont. They were not completed in accordance with the vacation interval agreements. As a result, the statements included a number of inappropriate items compared to the current presentation. The statements under the vacation interval agreements are intended to be property management statements which reflect cash billed, received and spent during a year. As such, items such as capital assets, amortization and inventory that are appropriate in a set of traditional statements are not appropriate in these statements.

In addition, the 2009 statements presented the deficit from the replacement reserve as a receivable from the reserve fund despite the fund having no assets. As such, the combined operating and replacement reserve deficit of the leaseholders and owners was an additional $790,020 as at December 31, 2009.

The following reconciles the closing deficit per the 2009 financial statements to the 2010 opening deficit per the vacation interval agreements:

2009 original closing deficit under the previous presentation	(1,411,719)
Adjustments:	
Inclusion of replacement reserve deficit previously reflected as a receivable from reserve fund	(790,020)
Removal of housekeeping and maintenance inventory	(124,085)
Removal of property and equipment	(181,867)
Deferred revenue reconciliation	370,950

Removal of non-resort operations	61,992
2010 revised opening deficit	(2,198,733)

The opening 2010 deficit is a significant number for us as the new Property Manager as it highlights the state that Fairmont left the Resort in when we acquired it. As you will see in the discussion of operations and the closing deficit, the significant majority of the closing 2011 deficit relates either to the opening deficit from Fairmont and Columbia Villa Management's property management or Building 7000 repair costs related to their tenure.

OVERALL PERFORMANCE

2010 was a year of transition for the Resort with the acquisition of the property management contract and developer rights by Northwynd from Fairmont. The acquisition was completed on July 7, 2010. While Northmont became the property manager on that date, day-to-day management was substantially the same for the remainder of the year and for the preparation of the 2011 budget and corresponding maintenance fees. In addition, 2010 operations were based on the budget prepared in late 2009 while the property management was still the responsibility of Fairmont.

During 2010, the Resort had an excess of receipts over expenditures (a surplus) of $546,240. The surplus was primarily the result of:

- The rental of excess Resort inventory by Northmont for sales purposes which offset the delinquent timeshare owners. During the year, $491,664 was billed to Northmont for the rental of inventory.
- Excess replacement reserve fees during the year relative to the work completed.
- $297,539 in Building 7000 foundation repair costs incurred in excess of funds received from the limited subsidy agreement (see Building 7000 below).

The rental of inventory by the developer ceased at the end of 2010 as a result of the Building 7000 renovation combined with other renovation work (deck replacements at 100 series buildings). With Building 7000 and other buildings offline, the developer could no longer utilize any of the delinquent inventories and therefore stopped paying rental fees.

During 2011, the Resort incurred a deficiency of receipts over expenditures before Building 7000 (the operating deficit) of $190,211. The deficiency of receipts over expenditures including Building 7000 was $1,563,990. The deficit was primarily the result of:

- $1,373,770 in Building 7000 foundation repair costs incurred in excess of funds received from the limited subsidy agreement (see Building 7000 below).
- Operating costs that exceeded forecast due to errors in the forecast (see below).
- Reduced refurbishment expenditures to offset the excess operating costs.

Unfortunately, at the time of the 2011 budgeting process, Northmont had only taken control of the Resort for a few months and work was primarily completed by legacy staff from the previous property manager. As noted in the 2012 maintenance fee communication, the 2011 budget, created by the previous general manager of the Resort, had significant errors to such an extent that a status quo budget at that time would have resulted in a 19% increase in fees. In May of 2011, the new general manager of the Resort in conjunction with off-site staff discovered a number of the deficiencies caused by the incorrect budgeting and adjusted operations significantly to reduce costs and minimize the deficit for the year. While the Resort succeeding in minimizing the deficit for the year, a significant amount of the reduction was from further delay of planned renovation work which delayed, versus eliminated, the costs. In the fourth quarter, staffing at the Resort was reduced by approximately 15% to further address the issues going forward and help ensure sustainability in 2012.

Delinquency rates in 2011 increased from 2.7% in 2010 to 6.1% at the Resort. This is not unexpected given the age of the Resort, deferred maintenance issues, and the age of our ownership base. Historically, delinquency was addressed by the developer foreclosing on delinquent owners and then reselling the inventory. This is not a viable alternative at this time due to the high costs of selling timeshare, the state of the economy and timeshare industry, and the age of the Resort.

Delinquency rates during 2011 and subsequent to year-end have been impacted by a number of unscrupulous timeshare "resale" companies targeting timeshare owners. Companies target timeshare owners under the guise of reselling their timeshare and then attempt to extract listing fees, transfer fees, and other costs out of the timeshare owner in return for transferring their lease. The most unethical of the companies will not even perform a legal transfer and will instead transfer leases to bogus holding companies, homeless people, or other parties. As a result of these activities, subsequent to year end we increased the restrictions on transfers to try and minimize the delinquency cost to our other owners. Any owner who wishes to transfer their lease should contact customer service first to ensure they understand the dangers of attempting to transfer ownership to an unknown third party.

At December 31, 2011, the total deficit for the Resort was $3,216,483 of which $2,198,733 related to the opening deficit on January 1, 2010 which pre-dates our engagement as property manager. In addition, substantially all of the increase over the two years was a result of Building 7000 (see below) which is a historical issue and not related to operating performance during the periods.

BUILDING 7000

Prior to the acquisition of the Resort by Northmont, it was discovered that there were foundation issues related to Building 7000 at the resort as a result of issues related to the location of the building and questionable construction practices. During the CCAA of Fairmont, the cost of repairing the foundation was estimated at $4,540,000 and a third party was engaged to perform the repairs.

Previous management of Northwynd and RVM entered into a limited subsidy agreement between Northmont and RVM. Under the agreement, Northmont agreed to support the funding of the repair of Building 7000 at the Resort. Northmont agreed to contribute $400 from each timeshare lease converted to fee simple and each timeshare interval sold at the Resort ("timeshare sales") to a maximum amount of the lesser of the estimated repair costs of $4,540,000 or the actual repair cost without assuming liability for the repair obligation.

Unfortunately, sales performance did not meet the aggressive forecasts prepared in the CCAA when previous management agreed to start the renovation. In addition, the $4,540,000 only addressed the repair of the foundation. It did not address the significant deferred maintenance of the building.

As repairs were started when approximately 30% of the funds had been collected, the costs of the repair quickly exceeding the funds provided by the subsidy. However, once the repair was started, it became impractical to stop. An open construction site at the resort was a safety risk and the monitoring costs of stopping renovation for a long period would have been punitive. As a result, RVM was left with no practical alternative but to complete the repair.

In 2010, the net Building 7000 expenditures were $297,539 as the majority of costs were covered by the $1,641,322 that was contributed by Northmont that had been collected at that time. In 2011, the net Building 7000 expenditures increased substantially to $1,373,779. The large increase was a direct result of the repair costs surpassing the contributions from the subsidy agreement and the decision to complete the repairs.

The combined result of both years is a net deficit of $1,671,318 to the leaseholders and owners. As the repair did not reach completion until 2012, the total deficit has increased since year-end. The total cost of the repair is expected to form part of the Renovation Project Fee previously announced.

The limited subsidy agreement does not have a termination. As such, future timeshare sales will continue to provide funds to the Property Manager. However, as Northmont has suspended current sales, there can be no certainty as to whether or not there will be additional funds from future timeshare sales.

REPLACEMENT RESERVE

Under the terms of the Vacation Interval Agreement, the Property Manager is authorized to set up a replacement reserve to enable furnishing and fixture replacements to be made when required. Historically, the Resort has not had a replacement reserve. In addition, to the best of our knowledge, the Resort has never had a replacement reserve study completed.

Leaseholders and owners should be cautioned that the financial statements of a property manager only present the receipts and disbursements related to capital replacement. As a result, they are not sufficient for the analysis of the health of a resort. The critical piece of information on resort health is the level of deferred maintenance in comparison to the size of the replacement reserve.

For years, maintenance fees were not at a level appropriate for the long-term sustainability of the resort. The resort maintained operations by avoiding deferred maintenance requirements and allowing the Resort to degrade. As a result, past financial statements that showed minor replacement reserve surpluses or deficits were not indicative of the Resort's true health.

As at December 31, 2011, the years of avoiding deferred maintenance had reached unsustainable levels. Subsequent to year-end, we engaged a third party general contractor to assess the state of the Resort and prepare a renovation plan to remediate it. In late 2012, the renovation project was announced with an expected renovation start sometime in 2013.

Additional information on the renovation project is available on the Resort's website at http://www.sunchaservillas.ca/owners/renovations.asp.

Once the renovation project is complete, we intend to perform a complete replacement reserve study to enable a more effective forecasting and billing of refurbishment costs to sustain the resort into the future.