THE SUNCHASER VACATION VILLAS AT RIVERSIDE, HILLSIDE AND RIVERVIEW

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended December 31, 2013

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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, 2013.

This MD&A is presented as of May 13, 2014. 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; (x) the ability to adequately protect proprietary information and technology from competitors; and (xi) outcomes from litigation that disadvantage owners or the realignment plan. 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.

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OVERALL PERFORMANCE

2013 was a major transitional year for the resort. Due to the need for the renovation of the resort and our recognition that many of our Owners would prefer to terminate their Vacation Interval Agreements ("VIA's"), a resort realignment plan (the "Resort Realignment") was prepared and implemented. As part of the Resort Realignment, Renovation Project Maintenance Fee Invoices (the "RPF's") were issued to our Owners comprising the costs of renovating the Resort as well as each Owners proportionate share of the existing deficit of the Resort. In addition, Owners were given the option of terminating their VIA's provided that their accounts be brought current.

In order to confirm our ability to perform the Resort Realignment and to provide Owners a reasonable opportunity to raise their issues, a court petition (the "Petition") was started in April, 2013. Over time, the Petition evolved into a special case which was heard in October, 2013 followed by a judgment in November, 2013 confirming our ability to charge the RPF.

As a result of the Resort Realignment, the operation of the Resort was quite complex in 2013. The Resort executed the renovation of Building 800 as well as the exterior of Building 400 over the summer/fall. In addition, occupancy at the Resort varied significantly due to defaults by Owners who either were waiting on the results of the special case or who simply chose to reject their contractual obligations. The Resort made an active effort to minimize staff and operate to the level reflected by overall participation by Owners. While challenging, we are satisfied with our teams' performance.

Between those Owners who paid the RPF, those Owners who chose to cancel, and operational efficiencies in the year, the Resort was able to recover nearly the entire deficit that existed at December 31, 2012. In addition, the Resort had a substantial receivable balance for the renovation project from those Owners who elected the $100 per month payment option. The net effect of operations was that for the first time in many years, the Resort had a net asset position at the end of year as well as a significant cash balance.

THE COURT PROCEEDINGS - SPECIAL CASE

As previously noted, the decision of Justice Loo arising from the special case proceeding, confirmed that Owners are responsible to pay reasonably incurred maintenance and refurbishment expenses. It confirmed our ability to charge the Renovation Project Fee (RPF). While this has resolved many lingering concerns for many Owners, it has not resolved all concerns for all Owners. Approximately 800 Owners filed an appeal of the Special Case Decision which appeal was heard on May 12, 2014. The Court of Appeal has not yet released its decision.

While we firmly believe that the Special Case Decision is correct, we can understand Owners' desire to confirm their responsibility to pay their share of maintenance and refurbishment costs and to confirm that the refurbishment costs being invoiced to them, were reasonably incurred by Management. We believe that the Special case Decision provided that confirmation. An appeal of the Special Case Decision is permitted as part of the legal process. The primary ground of appeal seeks to overturn the Special Case Decision on the basis that Justice Loo chose the wrong type of procedure - the special case procedure instead of the summary trial procedure. Accordingly, even if the appeal is successful, it will not address the merits or validity of the renovation project and renovation fee. Rather, it would simply reset the legal process back to square one forcing both sides to pursue a costly and lengthy court battle for a second time using slightly different procedural rules.

Counsel for the Appellants specifically stated in the appeal hearing that the legal process should not have been a special case that only took three months. Rather, it should have proceeded by way of summary trial which "typically takes 22-24 months." As such, if the Special Case Decision is overturned, the result will be to require the parties to engage in a new legal process that will potentially take 22-24 months to obtain a decision. That process would potentially leave undecided Owners in limbo until 2016. Management firmly believes that after that lengthy and costly legal proceeding, the outcome would be the same.

In the interests of the long-term health and viability of the Resort, Management intends to pursue and defend its right to maintain, refurbish and operate the Resort in a reasonable and prudent fashion and to charge to Owners the costs of such reasonable and prudent management. If that means we must engage in legal actions for the next several years, we are ready to defend our Owners who recognize the benefit of the Resort and their contractual obligations therein.

Management believes that the special case was a proper and permitted procedure that provided all parties a full and fair opportunity to present their case and make their arguments, in a timely and less expensive manner than a summary or full trial. We anticipate that the Court of Appeal will agree. However, if the Court of Appeal decides that a more time consuming and expensive procedure is required, Management will of course respect that decision and will proceed accordingly. While the court system has mechanics to recover some costs from the unsuccessful parties, Owners should be prepared for the fact that it may be necessary to increase the operating cost recovery on future maintenance fee billings for those costs we cannot recover from delinquent Owners participating in the legal proceedings.

BUILDING 7000

As discussed in the 2012 MD&A, the Building 7000 deficit was charged through the RPF billings. Accordingly, the deficit in the fund was reduced to zero during the year.

REPLACEMENT RESERVE

As discussed in the extended Freedom To Choose communication, the majority of funds from the yearly replacement reserve allocation in the maintenance fee billing was assigned to the Renovation Project as it encompassed substantially all existing refurbishment requirements on billing. On a year to year basis, there will be non-renovation refurbishment costs that will be covered by the allocation and the remainder will go to the Renovation Project.

OPERATING DEFICIT

During the year, the majority of the deficit was recovered through cancellation fees paid by Owners and payment of the RPF or enrollment in the monthly payment plan. While it is our goal to avoid deficits in the future, until such time as the majority of Owners have decided to pay the RPF or choose the cancellation option, there is a significant risk of deficits caused by Owner default.

RELATED PARTY TRANSACTIONS

During the year, the Resort enters into a number of different transactions with the Developer and entities related to the Developer. Each major transaction type is listed in Note 4 of the financial statements. However, we thought that

we would provide a brief explanation of each item as there have been a number of significant changes in the year resulting from the Resort Realignment.

(a) Extra cleaning fees charged to developer: These are fees charged if the Developer breaks a week of inventory into more than one stay resulting additional housekeeping. Historically, this was used to provide "mini vacations" for current or prospective timeshare owners through the sales process. As the Developer ceased selling VIA's in 2012, there were no costs related to this in 2013.
(b) Accounting, reservation, and administrative costs charged by a company related to the Property Manager: The Property Manager outsources various accounting, management, administrative, and vacation ownership services costs to the centralized head office of an entity related to its owner. During 2013, these costs were approximately $100,000 lower than 2012 due to reductions in staffing reflected by the Resort Realignment.
(c) Management fees paid to Property Manager: This is the 15% fee charged on the operating and refurbishment costs billed to Owners in accordance with the VIA's. In accordance with the revenue recognition policy, this includes 15% on the renovation project fee revenue that relates to Owners who agreed to pay the RPF in 2013.
(d) Water park lease paid to the developer: The water park at Hillside is not part of the time share regime. Rather, it is leased on a yearly basis from the Developer.
(e) Additional administrative costs for the Renovation Project Fee charged by a company related to the Property Manager: These are costs of administering and processing renovation fees by the centralized head office.
(f) Recovery of deficit from developer: Like all Owners, the Developer is responsible for its proportionate share of the deficit on the vacation interval's it owns. This reflects the cost of vacation interval's owned before reflecting cancellations in the year.
(g) Recovery of deficit from developer in respect of cancelled intervals: As was disclosed in the Freedom to Choose communications, a portion of the cancellation fee paid to the Developer was to cover the deficit on the cancelling Owners vacation interval. During 2013, $1,376,036 was recovered from cancelling Owners and paid to the Resort by the Developer for the benefit of the remaining Owners.
(h) Renovation project fees paid by developer: As part of the Developer's obligation to the Sunchaser Premier Owners Association which owns approximately 190 annualized weeks of inventory at the Resort, the Developer paid the renovation project fees on those leases.

The net effect of (f), (g), and (h) is that the Developer provided $2,363,839 to the Resort during 2013 as a result of the Resort Realignment. In 2014, additional amounts will be provided to the Resort to reflect cancellations in that year.

REALIGNMENT UPDATE

Over the past twelve months, we have seen a strong response to the Resort Realignment. To date, the Resort is approximately split into three groups. One-third have accepted the RPF and wish to proceed with the Resort, one-third have chosen to cancel their VIA and take the opportunity to exit, and one-third are yet to make a decision.

While we are disappointed that there are any owners still considering their options or refusing to honor their contractual obligations, it is not entirely unexpected given the ongoing legal process and misinformation that has been spread by those wishing to terminate their VIA with no consequences.

Based on the performance to date, our expectation is that the Resort will be reduced to 30-40% of its full capacity once the undecided one-third has made their choice. While subject to change, our current expectation is that the

revised Resort will include one Hillside building with Terrace units, 3-4 Riverside buildings, and the 8100 building as it requires the least renovation work. In addition, in order to make the resort as operationally efficient and address space requirements, we anticipate turning one of the excess non-renovated Riverside buildings into an "operational building" to be used by housekeeping/laundry, maintenance and administration as appropriate.

At this time, the Resort is actively managing its staffing to reflect the revising occupancy levels and working through the inactivation of unused inventory.

Currently, the petition in support of the realignment is on hold pending the outcome of the appeal of the special case. Once the appeal judgment has been rendered, it is expected that the petition process will be restarted with the objective of getting authorization for the realignment and removal of units in a timely basis.

RENOVATION UPDATE

During the summer and fall of 2013, the Resort completed the first renovation on Building 800 along with the exterior of Building 400. Reviews from Owners who have toured the building have generally been positive. We have absorbed some of the concerns raised to make changes where possible in the next buildings.

Once we received confirmation from Justice Loo on the validity of the RPF, we began the next two building renovations which were Building 300 along with the interior of Building 400. Both buildings are nearly completed with occupancy expected before the end of June. The modest renovation work required on Building 8100 is scheduled for the fall.

We are currently evaluating the next building to renovate. At this time, the intent is to start the next building in October once the summer busy season is over and additional funds are received from the Owners paying $100 per month.

GOING CONCERN

The operation of the Resort as a going concern is a direct function of the Owners paying their obligations as they come due. The Resort is operated by a property manager on behalf of the Owners. It does not operate for its own account and it has no obligation to fund any operations of the Resort other than the obligations to intervals it owns. In addition, the obligations of the Owners for maintenance fees are to the Resort, not the property manager, and those obligations survive a change in the property manager.

Accordingly, the financial viability of the property manager does not affect the ability of the Resort to operate as a going concern. This was clearly evidenced by the *Companies' Creditors Arrangement Act* ("CCAA") proceedings of the previous property manager, Fairmont Resort Properties Ltd. In the event of an insolvency of the property manager, a new property manager would be installed through CCAA or other proceedings, the Resort would continue operations, and Owners would remain liable for their current outstanding obligations and future obligations under their VIA's.

In the event that the Resort itself became insolvent due to an excessive level of default by Owners, the Resort, not the property manager, would likely seek CCAA or similar protection in order to allow itself to reorganize. In this case as well, Owners would remain liable for their current outstanding obligations and future obligations under their

VIA's. However, in this case the Owners would also be liable for all of the costs incurred in the CCAA proceeding as they would be operating costs of the Resort under their VIA's.

As such, for the Resort to face permanent closure, it would require: the bankruptcy and repudiation of the VIA's by all Owners; a plan of arrangement between the Developer and the Owners approved by the courts for a wind up of the time share regime; or the courts determining that all VIA's are unenforceable and substantially all Owners choosing to walk away rather than entering into enforceable VIA's for the Resort to remain. As the response to the RPF has shown that at least one-third of the Resort wishes to see it continue into the future, none of these options is likely at this time. Accordingly, management believes the Resort is a going concern.

However, future operations are dependent on a number of items outside of the property manager's control including the payment of maintenance fees by Owners, the results of current and future legal challenges, the cost of labour and the overall health of the economy, and there is no assurance that the operations will be successful in the future.