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November 30, 2016

2017 MAINTENANCE FEE COMMUNICATION

Dear Sunchaser Vacation Villas Owner:

RENOVATION UPDATE

The renovation schedule continues to be negatively impacted by the ongoing litigation with delinquent Owners. However, we were still able to perform some important renovations in 2016.

The 500 building was renovated and is now reopened. In addition, the pool area and adjoining exterior were renovated. We are very pleased with the refurbished area and look forward to our owners benefitting from it.

For 2017, renovations will be subject to the timing of the resolution of legal proceedings and the recovery of costs from delinquent Owners. All renovation work is now on hold pending the outcome of the appeal process.

MAINTENANCE FEE UPDATE

2016 update:

2016 was somewhat of a "status quo" year due to the court appeal process delaying resolution with the delinquent Owners. Managing the Resort continues to be a significant challenge as a result of the effect of delinquency. However, we continue to work with the hand we've been dealt and our staff have performed diligently in the circumstances.

2017 budget:

With results from the appeal expected by mid-January, it is possible that Resort activity picks up by the second or third quarter. However, in that event, there would be a corresponding increase in payments from delinquent Owners such that our estimated maintenance fee should remain reasonably accurate.

Inflation and wage pressure continues to remain low which is benefitting operating costs. However, utility costs have increased from the low 2016 rates and further operational costs are being incurred due to the effects of delinquency and we have slightly lowered our estimates of ultimate recovery from delinquent Owners which increases costs to remaining Owners. This pressure reinforces the need for and reasonableness of the resort realignment plan which we hope will be approved in early 2017 after a successful resolution to the appeal.

The gross (after tax) maintenance fee increase on an individual basis for 2017 is 3.84%. Specific items are noted below.

Operating wages: Current cost of living rates for British Columbia are approximately 2.1%. However, in Alberta the rate is 0.5%. We have reflected both in our wage planning.

Utilities: Propane costs have risen since the 2016 lows but continue to be very favorable. We have again locked in a fixed price in 2017 at approximately 7% more than 2016. However, prices will continue to be volatile and risk a significant increase in future years the price of oil rises significantly.

Legal costs: We have not included a specific charge for legal costs. We continue to be hopeful that the resolution of the legal issues will result in sufficient interest and legal charges to offset the costs the Resort has incurred on your

behalf. However, we expect 2017 to be the defining year for resolving the dispute with delinquent owners. If we have not received sufficient settlements in 2017, it will be necessary to charge for legal costs in 2018.

Off-site costs: Costs from head office have risen due to the increased time spent supporting the day-to-day operations resulting from the increased delinquency. We anticipate a successful resolution to the legal disputes will result in lower off-site costs in future years.

Payment methods for 2017 maintenance fees:

- 1) Internet banking: Internet banking options to include Bank of Montreal, Scotiabank, RBC, CIBC, National Bank, and Alberta Treasury Branches. We hope those owners that can utilize this service will do so as it avoids costly credit card fees which drive up your maintenance fee. When paying by internet banking, please make sure to select the payee "Resort Villa Management Ltd." or "Resort Villa Management – SVV" as appropriate.
- 2) Mail: Send your cheque, money order or bank draft to our address on the invoice. Please note your CUSTOMER CODE (Example: SMIT12345) on the memo section of the cheque. ****Make sure to use the address listed on the invoice as some Biennial Owners may not have used our new address yet****
- 3) Online: Secure payment online at www.sunchaservillas.ca/maintenance_fees.asp through the use of the PayPal system. Please note that you must enter the amount of payment. If you do not have a PayPal account simply proceed to make your payment as a PayPal guest using a major credit card.
- 4) Manual credit card (Visa or MasterCard): Provide us with your credit card information by toll-free fax or telephone at the numbers on the top of Page 1.

Payment deadlines:

Maintenance fees are due and payable on January 31, 2017. As in prior years, we are providing an interest free two payment plan option for the maintenance fees (**post-dated checks only due to the cost of credit card fees with the first cheque dated January 31, 2016 and the second no later than February 28, 2016**) to help ease the burden of the timing of the maintenance fees. Please return both cheques with the stub from your invoice. **Reminder: You cannot book or deposit your time until your final maintenance fee payment has been made. Please make sure to call Vacation Ownership Services to book or deposit your interval at that time.**

RESORT REALIGNMENT AND LITIGATION/DELINQUENCY UPDATE

As of mid-November, approximately 45% of Owners had chosen a cancellation option for their vacation interval, 32% of Owners had elected to pay the RPF, and 23% were delinquent. As delinquencies are resolved, we expect the final Resort to be approximately 35-40% of original capacity and have been planning accordingly.

2016 was a very successful year on the legal front for the Resort. The Resort was victorious in the British Columbia Supreme Court action argued as a "test case" on behalf of the delinquent group of Owners. Unfortunately, those Owners chose to appeal the decision and that appeal was heard in October. We anticipate judgment from the British Columbia Court of Appeal to come by mid-January though there is no guarantee as to when judgment will be issued. As with the original case, we remain confident in the Resorts position and expect a favorable outcome.

In addition to the "test case", all Alberta actions against the delinquent group have been advanced to a summary judgment application to be held shortly after the results from the appeal are heard. As such, we expect to have final judgments against all Alberta actions against the delinquent group sometime in the first quarter of 2017 and we can transition into collecting on judgments. In British Columbia, we expect a similar process, though a quarter or two behind Alberta.

However, we remain hopeful that those further steps are unnecessary. We hope that once judgment is achieved in the appeal that the delinquent Owners will instruct their legal counsel to pursue a fair and reasonable settlement so that all parties can put this behind them. We have no desire to see Owners incurring further costs in this dispute.

Effect of ongoing delinquency: As noted in the prior year, the effect on the Resort from the delinquent Owners continues to be manageable. However, it is not insignificant and continues to grow the longer it is unresolved.

The main concern remains the ultimate timing of payments. As the appeal of the January trial shows, we cannot guarantee when or if delinquent Owners will pay their outstanding balances. While we hope the appeal result will be determinative for most delinquent Owners, the process may not be that simple and the collection process may in some cases carry on beyond 2017.

We remain comfortable not addressing this issue in the 2017 budget and taking a “wait and see” approach to the resolution of outstanding accounts through the first half of 2017. However, Owners should be aware that if a substantial level of delinquency remains as we enter into the 2018 budget season, we will have to address the cash flow shortfall it creates until those delinquent Owners ultimately pay.

We want to take this time to thank all of our Owners who have patiently kept with us through this transitional period. We are hopeful that the majority of these issues will be resolved in 2017 in your favour and we can look forward to the long-term health of the Resort and put the past firmly in the past. Should you have any questions with this communication, please do not hesitate to contact our Vacation Ownership Services team at **1-877-451-1250**.

Best regards,

“Signed”

Sol Olivas

General Manager

Resort Villa Management Ltd.

“Signed”

Kirk Wankel

Chief Executive Officer, Northwynd Resort Properties Ltd.

Director, Resort Villa Management Ltd.

SUNCHASER VACATION VILLAS			
2017 Budget			
	2017 Budget	Villa Type	
		Terrace	2 Bedroom
Operating labour:			
Operating wages	\$ 1,853,426	\$ 292.28	\$ 343.86
Benefits	\$ 304,813	\$ 48.07	\$ 56.55
Total on-site wages and benefits	\$ 2,158,239	\$ 340.35	\$ 400.42
Off-site wages and benefits	\$ 416,968	\$ 65.76	\$ 77.36
Total wages and benefits	\$ 2,575,207	\$ 406.11	\$ 477.78
Non-wage staff costs	\$ 30,136	\$ 4.75	\$ 5.59
Total labour costs	\$ 2,605,343	\$ 410.86	\$ 483.37
Non-labour operating costs:			
Cost of ancillary services	\$ 25,771	\$ 4.06	\$ 4.78
Direct operating	\$ 131,424	\$ 20.73	\$ 24.38
Contracted services	\$ 170,919	\$ 26.95	\$ 31.71
Repairs and maintenance	\$ 166,329	\$ 26.23	\$ 30.86
General and administrative	\$ 436,113	\$ 68.77	\$ 80.91
Utilities	\$ 529,268	\$ 83.47	\$ 98.19
Insurance	\$ 162,833	\$ 25.68	\$ 30.21
Property tax	\$ 127,000	\$ 20.03	\$ 23.56
Total non-labour operating costs	\$ 1,749,655	\$ 275.92	\$ 324.61
Total operating costs	\$ 4,354,999	\$ 686.78	\$ 807.98
Refurbishment	\$ 783,900	\$ 123.62	\$ 145.44
Total costs before management fee	\$ 5,138,899	\$ 810.40	\$ 953.41
Management fee (15% of total costs)	\$ 770,834	\$ 121.56	\$ 143.01
Total costs	\$ 5,909,733	\$ 931.96	\$ 1,096.43
Reservation fees	\$ (62,816)	\$ (9.91)	\$ (11.65)
Ancillary revenues	\$ (150,916)	\$ (23.80)	\$ (28.00)
Total other revenue	\$ (213,732)	\$ (33.71)	\$ (39.65)
Maintenance fee before GST	\$ 5,696,001	\$ 898.26	\$ 1,056.77
GST @ 5%		\$ 44.91	\$ 52.84
Total maintenance fee		\$ 943.17	\$ 1,109.61