

Resort Villa Management Ltd.  
5799 – 3<sup>rd</sup> Street SE  
Calgary, Alberta  
T2H 1K1  
[customercare@northwynd.ca](mailto:customercare@northwynd.ca)

Customer Service:  
Telephone: 1-877-451-1250  
Fax: 1-888-378-4477  
Payments:  
Telephone: 1-877-451-1167  
Fax: 1-877-451-1239



April 12, 2013

## **FREEDOM TO CHOOSE, REASON TO STAY**

### **Dear Sunchaser Vacation Villas Owner:**

On December 10, 2012, we made the life changing announcement for our Sunchaser Vacation Villas at Fairmont resort (the “Resort” or “SVV”) that we would embark on a major renovation. We hope that each of you has taken the opportunity to review that communication, the information we have placed on the [www.sunchaservillas.ca](http://www.sunchaservillas.ca) website, and have had a chance to absorb the needed changes to the Resort. January was the busiest month in the history of Resort Villa Management Ltd. (“RVM”) as we answered calls from our Timeshare Interval Owners and Lessees (our “Timeshare Members”) to help update everyone on the planned project and its need and benefit.

When we decided to embark on this project, we approached it pragmatically. We knew a substantial amount of our Timeshare Members would support the renovation because you love the Fairmont area and SVV and we have been pleasantly surprised by just how strong the feedback has been in support of the renovation. At the same time, we appreciated that those Timeshare Members unaware of the state of the Resort and its history would find the Renovation Project Fee (“RPF”) unexpected and unwelcome. In addition, accepting and understanding the Resort needs to be renovated may not go hand in hand with accepting the cost of doing so. All of this combined for a material risk that a substantial percentage of our Timeshare Members would default on the RPF. In turn, that this would create a vicious circle of rebilling our remaining members for delinquencies until the Resort collapsed on itself.

We recognized we faced a major dilemma. Purely wearing our Property Manager hat, we faced a situation where the Resort would fail if we did not do the renovation due to the significant “behind the wall” issues and growing delinquency that already existed, and at the same time the Resort would fail if we did do the renovation due to increased delinquency it would cause. In addition, ignoring the required renovation would have violated our responsibility as Property Manager to operate the Resort in a prudent and workmanlike manner. We had to find a solution that balanced the need to perform the renovation with the reality that if we just “forced it on everyone” the percentage of owners who defaulted would make it impossible to succeed.

The solution was clear. We had to be able to do two things:

- 1) Provide our Timeshare Members the ability to cancel their Vacation Interval Agreements if they do not want to stay.
- 2) Shrink the Resort to whatever size is necessary to reach a near sold-out state based on the number who choose to stay (seasonality will make it unlikely we can get fully sold out).

We recognized that a healthy smaller Resort with a long-term future was better for all stakeholders than an unhealthy larger Resort facing closure within the next five years. We also recognized that the success of any solution would hinge on providing a fair alternative, not just for the Timeshare Member who will gain years of value from the renovation and therefore should be motivated to stay, but also the Timeshare Member who no longer sees value in their Vacation Interval or not for long enough to justify future contractual obligations.

We developed a program to address both alternatives which we call “Freedom to Choose, Reason to Stay” and it is discussed in detail below. Before getting into the details, we would like to reiterate that our belief in our Resort and the vacation experience it provides our Timeshare Members. For those Timeshare Members who have enjoyed their Vacation Interval, either by visiting the Resort itself or using it through exchange programs, we hope that you will see the value in bringing the Resort back up to an appropriate standard you can enjoy for years to come.

Lastly, we strongly urge you to read the “Resort Realignment” section at the end as it outlines how the Resort needs to evolve to enable this process to work.

## **FREEDOM TO CHOOSE**

If you have not, we strongly urge you to read the Norton Rose Legal Opinion on the [www.sunchaservillas.ca](http://www.sunchaservillas.ca) website as it clearly outlines the rights and responsibilities of the Property Manager, the Developer, and you as a Timeshare Member.

To date, we have focused our information on the coming renovation and the reasons for our Timeshare Members to stay because it is our sincere hope that everyone who continues to get value out of their Vacation Interval will want to continue with us. However, we appreciate that not all of our Timeshare Members fit that demographic for any number of reasons including:

- Age: SVV began selling timeshares in the early 1990’s and as a result, we have a significant member base that is over 70 years of age and a substantial number can no longer utilize their Vacation Interval.
- Cost: We appreciate that many of our members were sold their Vacation Interval by Fairmont based on significantly lower maintenance fees and that current fees, regardless of their need and our members contractual obligations, have reached a point that continuing is too expensive for some members.
- Change of life circumstances: 40 years is a long time and it is inevitable that some members no longer have an effective use for their Vacation Interval. The reasons could be positive such as new incomes allowing them to travel to new exotic locals, neutral changes such as retiring or kids leaving home, or negative such as a lost job. Regardless of reason, their Vacation Interval is now a square peg in their round vacation hole.

The consistent theme across most circumstances is that the Timeshare Member no longer views their Timeshare Interval as an asset. Instead, they view it as a yearly liability because they no longer use it or no longer use it effectively. This is an understandable viewpoint. If you can no longer use your Vacation Interval effectively, it is a yearly cost with minimal or no benefit. As a result, we have developed the Freedom to Choose alternative.

As the Developer, we need to be cognizant that there are three stakeholders in the process, not just the Timeshare Member. There is the Timeshare Member who wants to cancel, the unitholders (shareholders) of Northwynd, and the remaining Timeshare Members who want the Resort to continue. We appreciate that each Timeshare Member who wants to cancel would like to do so for free despite their contractual obligations. However, that would materially prejudice the other stakeholders who would have to make up for the losses that would create.

For the Northwynd unitholders, it would mean sacrificing the future property management fees that drive the value of their investment in return for non-renovated and unsellable timeshare inventory. This sacrifice would be on top of the tens of millions of dollars our unitholders have already lost because of their investments in the bonds of Fairmont. Many of you may not know that Northwynd was created out of a foreclosure on the assets of Fairmont. Approximately 850 “regular Joes/Janes” invested almost \$44,000,000 into Fairmont debt that ultimately drove Fairmont into CCAA protection. Our unitholders have seen over half of their investment disappear and the value that remains is primarily tied to Sunchaser Vacation Villas. Letting Timeshare Members walk away for free would likely eliminate any remaining value from their investment.

For the Timeshare Members who want the Resort to be renovated and want to continue on into the future, they need the other members to pay their fair share of the past deficit before they leave. As we have disclosed, the Resort, as a result of its past history, has accumulated a significant deficit that needs to be recovered. If we allowed Timeshare Members to walk away without paying their fair share, the remaining Timeshare Members or Northwynd would have to pick up the cost which at best would be extremely unfair, and at worst would drive greater delinquency and ultimate failure of the Resort.

As a result, the fairest method for all stakeholders to allow Timeshare Members to cancel their Vacation Interval Agreements is to implement a cancellation fee similar to other traditional fixed term contracts like cell phones, utility contracts, or car leases. In these circumstances, the lessor charges a fee that reflects the foregone opportunity that exists if you were required to continue the contract and pay your contractual obligations over its life.

If you wish to cancel your Vacation Interval Agreement, you will be charged a cancellation fee intended to address four items:

- 1) Lost property management fees: We have estimated foregone fees based on the 2012 property management fee and a 20 year maximum on fees, even if your lease term is longer or you are a fee-simple (ownership in perpetuity) Timeshare Member.
- 2) Deficit recovery: This is based on each Vacation Intervals proportionate share of the existing operating deficit at the Resort. By reacquiring your Vacation Interval, Northmont will be required to pay the operating deficit allocated to it prior to its removal from the timeshare regime.
- 3) Administration fees: This is a combination of administration costs, credit card fees, and the fees charged to us by the Trustee of the timeshare regime to process the ownership change.
- 4) GST: 5% of the combined cost of #1-#3.

20 year example	Annual		Biennial	
	Two Bed	Terrace	Two Bed	Terrace
Years remaining	20	20	20	20
Current management fee (excluding GST)	\$117.92	\$100.23	\$117.92	\$100.23
<b>Base cancellation fee (excluding GST)</b>	<b>\$2,358.40</b>	<b>\$2,004.60</b>	<b>\$1,179.20</b>	<b>\$1,002.30</b>
Deficit recovery, administration and trustee fees (excluding GST)	\$658.28	\$574.54	\$379.14	\$337.27
Combined cancellation fee (excluding GST)	\$3,016.68	\$2,579.14	\$1,558.34	\$1,339.57
GST (5%)	\$150.83	\$128.96	\$77.92	\$66.98
<b>Total cancellation fee including GST</b>	<b>\$3,167.51</b>	<b>\$2,708.10</b>	<b>\$1,636.26</b>	<b>\$1,406.55</b>
Current maintenance fee	\$890.52	\$756.93	\$890.52	\$756.93
Estimated remaining maintenance fees (assumes 3.0% annual increase) including renovation project fee	\$28,739.89	\$24,428.59	\$14,369.95	\$12,214.31
Net future cost saved by cancellation	\$25,572.38	\$21,720.49	\$12,733.69	\$10,807.76
<b>Cancellation fee as a percentage of future costs</b>	<b>11.02%</b>	<b>11.09%</b>	<b>11.39%</b>	<b>11.52%</b>

The cancellation fee represents approximately 11% of the future maintenance fee obligation (assuming a 3% annual increase in maintenance fees) for a Timeshare Member with 20 years remaining on their Vacation Interval. This is a very fair alternative for those owners who wish to be relieved of their obligations while at the same time trying to ensure their departure does not disadvantage our Timeshare Members who want to stay.

Please be advised that the Freedom to Choose program is offered in our capacity as the Developer and we are under no obligation to do so. A property manager that is not also the owner of the residual interest in the Resort would not have the ability to offer the program. As we recognize the importance to the long-term health of the Resort of allowing our Timeshare Members a reasonable opportunity to assess their alternatives with the renovation project and determine if it is in their best interests to pay the RPF and stay, or pay the cancellation fee and leave, we have agreed to maintain the program open to all Timeshare Members at its current cost until May 31<sup>st</sup>, 2013.

**\*\*\*While it is our intent to maintain the Freedom to Choose program indefinitely to provide a fair mechanism for all of our Timeshare Members to leave or stay over the next 20+ years, we can provide no assurance beyond May 31<sup>st</sup>, 2013 that it will not be modified or eliminated in the future as circumstances dictate. \*\*\***

If you wish to accept the Freedom to Choose program, you can obtain a copy of the cancellation agreement and surrender of ownership forms on our website at [www.sunchaservillas.ca/owners/freedomtochoose.asp](http://www.sunchaservillas.ca/owners/freedomtochoose.asp). As a reminder, if you select the Freedom to Choose option, you will be responsible for any outstanding balances on your account other than the Renovation Project Fee. Provided you pay all outstanding balances, you will continue to have access to your 2013 Vacation Interval usage (based on season and availability). If you have any questions about the program, please contact Vacation Ownership Services. If you have any legal concerns about the Freedom to Choose program, we urge you to contact your own legal counsel and provide them a copy of your Vacation Interval Agreement, the Norton Rose Legal Opinion, the cancellation agreement and surrender of ownership forms, and this communication.

**\*\*\*Timeshare Members with multiple Vacation Intervals will be required to cancel all leases or the highest season as it would be detrimental to the remaining members to allow members to cancel low season intervals while maintaining high season intervals.**

## **FREEDOM TO CHOOSE PAYMENT OPTIONS**

The Freedom to Choose option must be paid by cheque or money order along with the signed cancellation agreement and surrender of ownership form. Copies of all required forms are available on the [www.sunchaservillas.ca](http://www.sunchaservillas.ca) website if you need more.

**\*\*\*Please note: you will need to fill out a separate set of forms for each Vacation Interval if you own more than one\*\*\***

### Payment in full:

Cheques and money orders should be dated no later than May 31<sup>st</sup>, 2013. **\*\*\*Cheques need to be made payable to Northmont Resort Properties Ltd.\*\*\***

### Four payment option:

Up to four (4) monthly or semi-monthly post-dated cheques can be provided for payment of the cancellation fee provided that the first cheque must be dated no later than May 31<sup>st</sup>, 2013 and the last cheque dated no later than August 31<sup>st</sup>, 2013. **\*\*\*Cheques need to be made payable to Northmont Resort Properties Ltd.\*\*\***

**Note: Your cancellation agreement will not be final until the final payment is processed.**

### Submitting your option:

Please mail your cheque(s) or money order(s) along with the signed cancellation agreement, surrender of ownership form and renovation program response form no later than May 31<sup>st</sup>, 2013 to:

Northmont Resort Properties Ltd.  
Attn: Freedom to Choose  
5799 – 3<sup>rd</sup> Street SE  
Calgary, AB T2H 1K1

Payment options submitted by mail or courier will be considered received on the date they are postmarked by Canada Post or the courier.

## **REASON TO STAY**

Our priority as Property Manager is the long-term sustainability of the Resort for the majority of our Timeshare Members who continue to get solid value out of their Vacation Interval. Whether you travel to Sunchaser or use your week or points to exchange throughout the world, you actively use your interval on an annual or biennial basis and want to continue to do so for years to come. While you may not be happy with the cost necessary to return the Resort to an appropriate level, you understand the necessity for the renovation and the value you will receive.

### General information:

In addition to this detailed communication, we have placed a substantial amount of information on the [www.sunchaservillas.ca](http://www.sunchaservillas.ca) website. Important items that you should review to help understand the need for the renovation, the cost of completing it, and how your Resort will look once it is complete include:

- Budget Commentary: a detailed commentary on the final budget and how it compares to our initial estimates from the December communication.

- Renovation presentation: details the background on the state of the Resort, the list of third party companies primarily responsible for the renovation, and more detailed budget information by building.
- Third party contractor bio's.
- Unit improvement plans and drawings.

We will continue to update the website over time to provide pictures of the renovation work in progress as well as finished units.

In addition to the website, we have started tours at the Resort to show our Timeshare Members the current issues with the buildings as well as the changes that will come with the renovation. The tour will include a finished unit once the first building is renovated in late summer or early fall.

For our Timeshare Members who love SVV, this is a great opportunity to return your vacation experience to the level you deserve and used to receive when the units were new. On top of the mandatory work to deal with all of the "behind the wall" issues, it is extremely important to our Timeshare Members that the Resort reflect that it is 2013. We have already installed a significantly improved wi-fi network for our internet users. In addition, the renovation will include a new vacation experience from top to bottom described in the vacation experience costs below.

For our exchange focused Timeshare Members, fixing the Resort is critical to maintain your exchange value. Your underlying Vacation Interval is your currency and it is in danger of being devalued if nothing changes. Fixing the Resort's issues is critical to maintaining, if not improving, your exchange value.

Final budget:

In December, we provided guidance that the renovation cost was anticipated to be between \$28,000,000 and \$38,000,000 based on budget work completed at that time. While we had hoped to keep costs near the middle of this spectrum, the ongoing budget work with our third party General Contractor, VVI Construction Ltd. ("VVI"), based on substantial site reviews by a number of engineering firms, resulted in additional requirements that pushed costs at the high end.

On top of the effect of the general review, performing a major renovation on behalf of 14,500 unique Timeshare Members added its own complications. Through the budgeting process, we made it clear to VVI that we had to get the budgeting right the first time because our Timeshare Members would react extremely negatively if it was discovered the budget was too low three years from now. To accomplish this, we insisted that VVI agreed to a maximum price contract. In return for agreeing, VVI required the budget include significant contingencies and assumed price costs to mitigate their risk.

Lastly, it was determined that we would need to address foundation issues with the Recreation Building as part of the process which had not been initially contemplated. As a result, the final renovation budget was approved as follows: (based on a full resort renovation. Actual budget will reduce based on Freedom to Choose uptake)

Description	Low Estimate	High Estimate	Final Budget
Civil Works	2,250,000	3,500,000	3,424,120
Structural	4,500,000	6,000,000	6,174,433
Mechanical	2,000,000	3,000,000	2,905,077
Interior upgrades	11,000,000	15,000,000	14,725,803
Furniture, fixtures and equipment	2,750,000	3,500,000	3,500,000
Soft costs	4,000,000	5,000,000	4,938,157
Contractor contingency	1,500,000	2,000,000	2,316,483
Balance before additional items and PST	28,000,000	38,000,000	37,984,073
Recreation building	-	-	1,000,000
Provincial sales tax (PST)	-	-	1,860,269
	28,000,000	38,000,000	40,844,342

The final budget before PST and the addition of the Recreation Building ended up in line with our maximum expectation. For a detailed analysis of the final budget and how it compares to our initial forecast, please refer to the Budget Commentary on the website.

#### Behind the wall costs:

The primary concern raised to date by Timeshare Members is the extent of the Renovation. This is understandable given that a substantial amount of the renovation costs are what we describe as “behind the wall” costs as determined by independent third party engineering reports. These are problems that you might never see when you visit the Resort. They are hidden behind walls, under buildings, under roads, in service rooms, etc. It is hard to appreciate the scope of these costs because there is no visible flaw. The core underlying behind the wall issues with the buildings and common areas encompass the majority of the renovation cost. Please review the extended communication for a detailed explanation of these costs.

Throughout the budgeting and site assessment process, we discovered issues with the civil works (deficiencies in storm water management/drainage), building envelope (the crossover between the exterior of the buildings and the interior), mechanical (boiler issues), and foundations that trace back to the original construction. In addition to those issues, the Resort is faced with a major, unavoidable problem from the use of Polybutylene (“Poly-B”) Piping in 14 of the 18 buildings at the Resort.

Poly-B is a type of plastic water piping that was a CSA approved construction material in the 1990’s. Unfortunately, it was subsequently determined to have stability issues and is prone to failure which resulted in a number of class action lawsuit settlements in the early 2000’s. For those who research the issue, including information we provided on the [www.sunchaservillas.ca](http://www.sunchaservillas.ca) website, you can find that Poly-B piping can run the gambit from a non-issue to a serious problem. The variances primarily depend on the quality of installation (storage prior to installation, distance from heat sources, water pressure) and choice of insert fittings (plastic versus copper or aluminum). However, the consistent theme is that if you start seeing issues, you have a problem and it will continue to get worse over time. It has been described to us as akin to popping popcorn. It starts off slow, but once it begins it is only a matter of time until it gets significantly worse.

In the case of SVV, issues with the piping began to appear as early as nine years ago. The issue was initially minor, but has become a serious problem in the last few years and is expected to only get worse. Currently, our insurer requires us to inspect every unit at the Resort on a daily basis to check for leaks in order to maintain our coverage. However, this is a short-term solution and our insurance broker has made it clear that sustained Poly-B issues will ultimately result in a denial of insurance or massive increase in premiums to an unsustainable level. Because of the extent of the problems experienced to date and the substantial cost of addressing the problems on a failure by failure basis, there is no practical choice but to replace the plumbing in the units.

Combining the plumbing with the other civil, structural and mechanical work, nearly two-thirds of the renovation work represents “behind the wall” costs that are vital to the safe and long-term operation of the Resort.

#### Vacation experience costs:

When you visit our or any Resort, you expect the plumbing to work, the water to drain, and the boilers to heat. Because of this, the costs some might consider optional are just as mandatory, if not more so, than the “behind the wall” costs. The day-to-day value the renovation will provide our Timeshare Members will come from all of the new items you can see and touch as you walk around the Resort and through your unit.

Our project designer, Samantha Pinksen, has done a great job evaluating the Resort and the units with the understanding that our objective is renovating a timeshare appropriate Resort, not creating a lavish or overly expensive property. To that end, her primary focus has been on in-suite use and Resort durability.

A major issue with the Resort has been the lack of functionality in the B side units at Riverside. As such, we are changing the layout to increase the living space to permit a full-service kitchen and seating for four people. In addition, all renovated units will include new flat screen televisions, appliances, cabinetry and millwork, furniture, fixtures, linens, beds, and smallwares (plates, pots, etc.). In conjunction with the structural external work, the

exterior of the buildings will receive a facelift comprising repair or replacement of decks and patios, remediation of the stucco, painting of all buildings to a common scheme and replacement of railings.

We think you will be very satisfied when you see the finished product and look forward to each of you enjoying the renovated Resort.

Additional cost mitigation and use of surplus:

In addition to the maximum price clause in the contract with VVI, we have included a cost saving clause to motivate VVI to keep costs as low as possible while still performing the work. In the event that VVI does not require some or all of the contingency funds, they earn 20% of those funds not expended instead of the 9% fee they earn for costs that are incurred.

In the event the renovation is completed for less than the renovation funds collected from our Timeshare Members, the remaining surplus will be moved into the Refurbishment Reserve of the Resort on behalf of our Timeshare Members. This will help fund the long-term stability of the Resort.

Future operation:

Going forward, it is critical that the Resort develop and maintain a long-term plan for capital maintenance. Once the renovation is complete, we intend to prepare a reserve study or similar document to determine the long-term plan for Resort sustainability. This plan will be the primary driver of Refurbishment Reserve costs in the yearly maintenance fee to help ensure a much smoother cost of maintaining the Resort to our Timeshare Members in the future. In addition, commentary on the state of the Refurbishment Reserve and the long-term capital maintenance will form part of the management's discussion and analysis prepared with the yearly audited financial statements.

Future value/timeshares are not real estate investments:

We want to caution those Timeshare Members who might consider the renovation an investment opportunity or mechanism to sell their Timeshare for "what we paid" years ago. The renovation is being done to provide value to your Timeshare Interval for your use whether by visiting the Resort or through its exchange value. As the timeshare industry evolves to deal with the impact of new vacation options driven by the internet along with the state of the economy, there can be no certainty if or when a demand for traditional timeshare interval resale's will exist in the future.

As such, the primary reason you should support the renovation project is the use you will get out of your Timeshare Interval. If you do not see yourself using your interval in some fashion, whether by staying at SVV, using it to exchange either through weeks or points, or providing it to friends or family, for at least the next ten years, you should consider whether the Freedom of Choice option is more appropriate.

Current operating deficit:

As discussed in the December communication, the Resort needs to recover the outstanding operating deficit that has accumulated over the past number of years, primarily due to issues with the previous property manager that Northmont inherited.

The 2012 audit is currently underway and will be posted on the website once completed. As a result, we have invoiced based on the internal deficit numbers. To the extent this number is too high or too low, it will be adjusted with the 2014 maintenance fee. As at December 31, 2012, the total deficit was \$4,544,892 of which \$2,984,342 related to the foundation repair of Building 7000. During 2012, the Resort ran at roughly break even excluding Building 7000. However, an additional \$1,313,024 was incurred completing the foundation work on Building 7000. As you know, the decision to repair Building 7000 was made during the Fairmont CCAA and was something Northwynd inherited and once started, it was unreasonable to leave unfinished indefinitely.

Because of the Limited Subsidy Agreement between Northmont and RVM, \$400 of the purchase price of an RCI points overlay conversion or membership since 2009 was paid on behalf of the Timeshare Member towards the

Building 7000 foundation repair. As such, those members are only responsible for their share of the non-Building 7000 deficit of \$1,560,550.

Renovation Project Fee invoice:

Combining the effect of the Building 7000 subsidy with the existing split between Two Bedroom and Terrace units, there are four different Renovation Project Fee invoices depending on each Timeshare Members circumstances as follows:

Note: if you believe that you have been billed under the wrong classification, please contact Vacation Ownership Services.

Note: the “Base Case” is the baseline budget for a Two Bedroom unit and provided for information purposes only.

Total budget:	Base Case	RCI Members	Non-RCI Members
Renovation direct cost (1)	\$38,984,073	\$9,430,206	\$29,553,867
Less: allocated to yearly refurbishment (2)	(\$3,000,000)	(\$725,697)	(\$2,274,303)
Closing 2012 resort deficit	\$4,544,892	\$377,495	\$4,167,397
Property management fees	\$6,079,345	\$1,362,301	\$4,717,044
PST flow through (3)	\$1,860,269	\$449,997	\$1,410,272
GST (5%)	\$2,423,429	\$544,715	\$1,878,714
<b>Total renovation project fee</b>	<b>\$50,892,008</b>	<b>\$11,439,017</b>	<b>\$39,452,991</b>

(1) The \$40,844,342 listed in the renovation breakdown less the PST which is listed as its own item.

(2) \$3,000,000 of the renovation project cost is being allocated to the regular maintenance fee refurbishment over a four year period (\$750,000 per year before reflecting changes from the realignment) as regular refurbishment will be minimal during the period and most of the Resort’s refurbishment staff will be working on the renovation.

(3) PST flowed through to the Timeshare Members. See the Budget Commentary for more detail.

**Note: cost is based on annual Timeshare Members. Biennial invoices will be 50% of these amounts.**

By interval:	Two Bedroom			Terrace	
	Base Case	RCI Members	Non-RCI	RCI Members	Non-RCI
Renovation cost	\$2,860.03	\$2,860.04	\$2,860.04	\$2,431.03	\$2,431.03
Closing 2012 deficit	\$401.37	\$137.81	\$485.46	\$117.14	\$412.64
Property management	\$489.21	\$449.68	\$501.82	\$382.23	\$426.55
Base RPF	\$3,750.61	\$3,447.53	\$3,847.32	\$2,930.40	\$3,270.22
PST flow through	\$147.86	\$147.86	\$147.86	\$125.68	\$125.68
GST (5%)	\$194.92	\$179.77	\$199.76	\$152.80	\$169.80
<b>Total RPF including tax</b>	<b>\$4,093.39</b>	<b>\$3,775.16</b>	<b>\$4,194.94</b>	<b>\$3,208.88</b>	<b>\$3,565.70</b>

The total renovation project fee for the base case Two Bedroom unit is \$3,750.61 plus applicable taxes which is at the high end of our anticipated \$3,000 to \$4,000 range but is necessary given the additional information we learned as the budget development progressed. A lot of work went into trying to keep the after tax number below \$4,000.00 as well. Unfortunately, it was not possible without sacrificing costs that likely would have returned later in the process. As previously noted, to the extent VVI is able to bring in the renovation on or under budget, the excess funds will be placed in the Resort’s Refurbishment Reserve for the future benefit of our Timeshare Members.

**RENOVATION PROJECT FEE PAYMENT OPTIONS**

The RPF is due on May 31<sup>st</sup>, 2013. However, we wanted to reduce the impact of the RPF as much as possible for our Timeshare Members. As such, we have created a number of payment options. All of the required forms are available on the [www.sunchaservillas.ca](http://www.sunchaservillas.ca) website if you need additional copies.

Monthly EFT (Electronic Funds Transfer) option:

We anticipate this being the preferred option for the majority of our Timeshare Members. EFT’s provide us the ability to offer a cost effective (no credit card fees and minimal additional administration costs) monthly option to



our members. By selecting this option, you have the ability to pay your RPF through a monthly EFT withdrawal directly from your chequing account at \$100 per month with the exception of the first and last payment.

The first payment will be \$100 plus the **GST on the entire invoice** (for example: \$100 plus \$194.92 for the Base Case). Unfortunately, the Canada Revenue Agency (the "CRA") does not afford our Timeshare Members the same flexibility to pay over time that we do. We have to remit the GST on the invoice to the CRA in June which means it has to be collected up front. The last payment will be final amount (from \$15 to \$115 as appropriate) necessary to bring the invoice down to zero.

In order to enroll in the \$100 per month EFT program, we require a void cheque (or copy of one).

Post dated cheques option:

Up to six (6) monthly or semi-monthly post-dated cheques can be provided for payment of the RPF provided that the first cheque must be dated no later than May 31<sup>st</sup>, 2013 and the last cheque dated no later than October 31<sup>st</sup>, 2013. Post-dated cheques have been limited to six payments because they require significantly more administration than the EFT process. If you would prefer a longer post-dated cheque option, you should enroll in the monthly EFT option.

**\*\*\*Cheques need to be made payable to "Norton Rose Canada LLP"\*\*\***

Credit card option:

We appreciate that a lot of our Timeshare Members prefer to pay by credit card. However, there is a substantial cost to the merchant. As we operate on a cost recovery basis, that cost has to be passed on or recovered in some fashion.

As such, payment by credit card can be done using up to six (6) monthly payments starting May 31<sup>st</sup>, 2013 using Visa or Mastercard. Unfortunately, we cannot provide American Express as an option because the fees significantly exceed the other credit cards and include additional administrative work which collectively makes it a prohibitively expensive alternative.

Payment in full:

For those Timeshare Members wishing to pay in full, you can do so by phone, in person, by mail or fax with following notes:

Cheque: needs to be made payable to "Norton Rose LLP in Trust for Resort Villa Management Ltd."

Paperwork: The renovation program response form must be submitted regardless of payment option as it includes important authorizations. As a reminder, the form can be submitted by facsimile or email to [payments@northwynd.ca](mailto:payments@northwynd.ca).

Interest free guidelines:

All options on the Renovation Project Fee Payment Option Form are interest free provided you enroll in a payment option no later than May 31<sup>st</sup>, 2013 and you make all of your payments as required until the invoice is paid in full. If you do not enroll by May 31<sup>st</sup>, 2013 or you default on a future payment, interest will be charged from the due date of the invoice (May 31<sup>st</sup>, 2013).

Submitting your option:

Please complete and sign the renovation program response form and the renovation project fee payment option form. For the EFT option, ensure you have included a void cheque or copy of a void cheque. Completed forms can be returned by email to [payments@northwynd.ca](mailto:payments@northwynd.ca), by fax to 1-877-451-1239 or by mail to:

Resort Villa Management Ltd.  
5799 – 3<sup>rd</sup> Street SE  
Calgary, AB T2H 1K1

Please note, if you are choosing a credit card option, for security purposes we recommend that you do not submit your credit card information by email. If your credit card information is already on file with us from a previous payment, you can check the “use my credit card on file” box on the form which would allow for an email submission.

Payment options submitted by mail or courier will be considered received on the date they are postmarked by Canada Post or the courier.

As noted above, if you wish to pay the RPF in full, you can do so using the traditional maintenance fee methods (by fax, by email, or by mail) without providing the payment option form, but you must still complete, sign and submit the renovation program response form.

## **DECISION NECESSITY**

If any of our invoiced Timeshare Members (Biennial Even members have not been invoiced) have not chosen a payment option for the RPF or chosen the Freedom to Choose option by May 31<sup>st</sup>, 2013, they will be in default of their maintenance fees and subject to the default provisions outlined in their Vacation Interval Agreement.

Those provisions include, but are not limited to:

- Restricting the usage of their Vacation Interval and cancel any outstanding reservations.
- Charging interest on the outstanding balance.
- Send the account to collections.
- Pursuing legal action for recovery of the outstanding maintenance fee.
- The right to charge for all legal costs of enforcement of the Vacation Interval Agreement

The success of the Resort is contingent on the payment of outstanding invoices by our Timeshare Members on a timely basis. Delinquency affects everyone. Our approximately 14,500 unique Timeshare Members, of which we are one as the Developer, share in the cost of running the Resort. If one of our members defaults, everyone else is required to pick up the slack. This might not seem like much when delinquency is very low, but as it gets larger, it becomes a greater and ultimately unsustainable burden on everyone else.

While we appreciate it may appear unfair that we pursue our Timeshare Members for delinquent balances, it is far more unfair to expect everyone else to pay for your decision to default on your contractual obligations. We consistently receive feedback from our members in good standing that we should be doing “whatever is necessary” to collect from delinquent owners because they recognize that delinquency is costing them money and that is the truly unfair outcome.

The Freedom to Choose alternative provides everyone a fair opportunity to walk away from their Vacation Interval if they choose, while at the same time ensuring the long-term stability of the Resort. At the end of the day, we would love for everyone to stay, but we are practical enough to understand it will not happen. We want each of our Timeshare Members to make the decision that best fits their individual circumstances and we will adapt accordingly. However, it is critical everyone makes that decision. If you no longer want to stay, select the Freedom to Choose option. For those who attempt to just “walk away” and default on their contractual obligations, we will have no choice but to pursue appropriate avenues to recover the outstanding balance for the benefit of our Timeshare Members in good standing.

## **RESORT REALIGNMENT**

In order for Freedom to Choose, Reason to Stay to succeed, the Resort has to be shrunk in size. This is also true of the renovation in isolation. Whether the Timeshare Members or the Developer own a substantial (20%+) amount of unusable Vacation Intervals, the ultimate burden for default lies with the paying Timeshare Members. As a result, maintaining the Resort at full size with a large number of delinquent Timeshare Intervals could only occur with substantially higher maintenance fees for the Timeshare Members in good standing which would create a very

strong risk of leading to a vicious circle of increasing defaults causing increasing fees until the Resort could no longer sustain itself.

Shrinking the resort is a four step process. The first step is to “move” Timeshare Members from one unit to another. Under the Vacation Interval Agreements Floating Option Clause (around Clause 3 depending on version), all Timeshare Members surrender their right to use and occupy the specified Vacation Property for a floating right across the Resort in the same season. As such, the Timeshare Members ability to utilize their Vacation Interval Agreement does not change if the underlying Vacation Interval changes provided they receive the same unit type (Two Bedroom for Two Bedroom, Terrace for Terrace) in the same season in another building.

The second step is to address any biennial (every second year owners) imbalance that may arise. For example, if 80% of the biennial odd members stay, but only 60% of the biennial even members, we would want to migrate some of the biennial odd owners to biennial even Vacation Intervals to balance out 70%/70%. The best way to address this imbalance is on a volunteer basis. Timeshare Members will have the opportunity to express a willingness to switch from a biennial odd to biennial even or vice versa as needed and we would only go back to the remaining members if we still had an imbalance after that.

The third step is to allocate complete units and/or buildings to the Developer and remove them from the Timeshare Regime. For this step, we have assessed the cost of renovating each building and the logical fit of each one within a smaller Resort to rank the buildings from best to worst. We have agreed that the Developer, despite having an equal right to quality inventory, will remove the buildings from the regime that make the least sense in the realigned Resort. By doing this, we help ensure the realignment is in the benefit of the remaining Timeshare Members and the cost of the renovation is minimized.

The last step will be subdividing the Resort to transfer legal title of the non-timeshare units and buildings from the Trustee to the Developer.

In order to facilitate these steps, we are enclosing a renovation program response form that asks you to approve the following:

- 1) To change your Vacation Interval to a different unit of the same season and type within the timeshare program.
- 2) To provide your consent for the removal of units from the timeshare program.
- 3) To change your Vacation Interval from a biennial odd to biennial even or vice versa upon notice to you.
- 4) Alternatively, to elect to surrender your Vacation Interval.

We have asked the Trustee to cooperate in this process and, at our request; the Trustee has filed a petition in the Supreme Court of British Columbia seeking advice and direction confirming that Northmont can authorize the realignment of the Resort. Copies of the petition and all other documents filed in connection with the petition will be posted on our website at [www.sunchaservillas.ca/owners/petition](http://www.sunchaservillas.ca/owners/petition). Notice of the hearing date (likely in June, 2013) will be included in this package if available at the time of mailing, or we will give notice of the date on the above website and as the court may otherwise direct. If you wish to support the process, you can do so by returning the renovation program response form to us or by selecting the Freedom to Choose cancellation option, which includes the relevant authorizations in the cancellation agreement by May 31<sup>st</sup>, 2013. In addition, you can obtain independent legal counsel to advise you on additional options, including attending and supporting at the hearing. If you wish to oppose the realignment, we recommend that you obtain independent legal counsel to advise you on your legal options including attending and dissenting at the hearing.

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Once again, we wish to thank each of you for your support of SVV during this time of significant change. We appreciate any decision that results in an additional cost to our Timeshare Members is unwelcome. However, the state of the Resort resulting from its past history leaves us with no practical option except to pursue a reasonable renovation to bring it up to a standard appropriate for our Timeshare Members. By creating the Freedom to Choose, Reason to Stay program, we are providing a fair alternative to all Timeshare Members allowing you to proceed based on your individual circumstances while ensuring that your decision does not disadvantage the remainder of our 14,500 Timeshare Members. While we would love for 100% of our Timeshare Members to stay and be a part of

the Resort long into the future, we appreciate that individual circumstances dictate that is not possible and if you choose to leave, we will understand. We believe that this program is in the best interest of all our Timeshare Members and hope each of you will take the time to evaluate your alternatives, contact Vacation Ownership Services for support as needed, and contact us with your decision no later than May 31<sup>st</sup>, 2013.

Should you have any questions with this communication, please do not hesitate to contact our Vacation Ownership Services team at **1-877-451-1250** or [customercare@northwynd.ca](mailto:customercare@northwynd.ca). Please note that due to the expected high call volume until May 31<sup>st</sup>, in-person meetings will need to be by appointment only.

Best regards,

*“Signed”*

Kirk Wankel

Chief Executive Officer

Northwynd Resort Properties Ltd.

Director

Resort Villa Management Ltd.