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April 12, 2013

FREEDOM TO CHOOSE, REASON TO STAY

Dear Sunchaser Vacation Villas Owner:

Enclosed, you will find your Renovation Project Fee (“RPF”) invoice for your share of the renovation project and the deficit of the Resort. We appreciate that this is a significant cost and as a result, we have developed a program called Freedom to Choose, Reason to Stay, to allow our Timeshare Members the ability to assess whether or not they want to pay the RPF and continue with their Vacation Interval, or pay a cancellation fee to terminate their Vacation Interval Agreement and avoid their future maintenance fee obligations including the RPF.

For those Timeshare Members who would like a more in depth discussion, we have placed a substantially longer communication on our website detailing the two options, the reasons why both are necessary to the future of the Resort, and why both represent fair alternatives for our Timeshare Members. We strongly urge you to review the longer communication at www.sunchaservillas.ca/owners/rpf.asp, to absorb both alternatives, to contact Vacation Ownership Services for clarification if needed, and then to choose which alternative makes the most sense for you individually. If you do not have internet access and would like to receive a hard copy of the longer communication, please contact Vacation Ownership Services and a copy will be mailed to you.

WHY TWO ALTERNATIVES?

An expense of this magnitude in isolation was likely to create a large level of default from our Timeshare Members. Since that default must be covered by the remaining members, trying to restore the Resort to a reasonable standard would have resulted in a vicious circle of invoices causing defaults causing higher invoices ultimately causing the Resort to collapse on itself. We recognized that restoring the Resort would only succeed if we accepted that it had to get smaller. There had to be a mechanism to allow our satisfied Timeshare Members to contribute to a healthy Resort while our unsatisfied members had a fair option to cancel their Vacation Interval Agreements.

FREEDOM TO CHOOSE

We appreciate that not all of our Timeshare Members want to continue with their Vacation Interval Agreement for any number of reasons including age, cost, or changes in life circumstances. These Timeshare Members no longer view their Timeshare Interval as an asset, but rather a yearly liability because they no longer use it or no longer use it effectively.

In order to allow Timeshare Members to cancel their Vacation Interval Agreements, we developed a cancellation option that fairly compensates the Developer for the lost property management fees, ensures the deficit at the Resort is properly recovered, and recovers some of the administrative and trustee costs of the process. In developing the option, we agreed to cap the lost property management fees at 20 years and accordingly the table below is representative of the fee nearly 100% of our Timeshare Members would pay.

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
Base cancellation fee (excluding GST)	\$2,358.40	\$2,004.60	\$1,179.20	\$1,002.30
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
Total cancellation fee including GST	\$3,167.51	\$2,708.10	\$1,636.26	\$1,406.55

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
Cancellation fee as a percentage of future costs	11.02%	11.09%	11.39%	11.52%

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 31st, 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 31st, 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. 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 the extended communication.

REASON TO STAY

General information:

We have placed a substantial amount of information on the 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 a budget comparison, renovation presentation, third party contractor bio's, and 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.

Final budget: (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.

Vacation experience costs:

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.

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.

Future value/timeshares are not 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 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:

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.

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

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

By interval:	Base Case	Two Bedroom		Terrace	
		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 (1)	\$3,750.61	\$3,447.53	\$3,847.32	\$2,930.40	\$3,270.22
PST flow through (2)	\$147.86	\$147.86	\$147.86	\$125.68	\$125.68
GST (5%)	\$194.92	\$179.77	\$199.76	\$152.80	\$169.80
Total RPF including tax	\$4,093.39	\$3,775.16	\$4,194.94	\$3,208.88	\$3,565.70

(1) At the high end of our \$3,000-\$4,000 estimate. Necessary given the additional info as the budget progressed.

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

Please review the extended communication and enclosed renovation project fee payment option form for the payment options and interest free terms. We urge our members to take advantage of the \$100 per month EFT option. Please note that the first payment will be \$100 plus the invoiced GST (\$76.40 to \$199.76 depending on invoice type) as it must be remitted to Revenue Canada based on the due date.

RESORT REALIGNMENT

In order for Freedom to Choose, Reason to Stay to succeed, the Resort has to be shrunk in size. Please review the extended communication for a detailed explanation of the need for this change and the steps necessary to execute it. In order to facilitate the realignment, 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. 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 31st, 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.

Once again, we wish to thank each of you for your support of SVV during this time of significant change. 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. 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 if needed, and contact us with your decision no later than May 31st, 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. Please note that due to the expected high call volume until May 31st, 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.