

Resort Villa Management Ltd.
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December 8, 2017

2018 MAINTENANCE FEE COMMUNICATION

Dear Sunchaser Vacation Villas Owner:

MAINTENANCE FEE UPDATE

2017 update:

2017 continued the “status quo” environment due to the court processes delaying resolution with the delinquent Owners. Managing the Resort continues to be a significant challenge as a result of the effect of delinquency.

2018 budget:

The 2018 effects are similar to 2017. Inflation and wage pressure continue to remain low which benefits operating costs. However, utility costs continue to increase substantially. In addition, the effects of delinquency continue to weigh on individual Owner costs.

As we have now successfully defeated the delinquent group in court (see below or you can review the judgments on the Resorts website) a further four times in 2017, including three times since the beginning of September, we are hopeful that the drag on operations caused by their delinquency will be reduced in 2018 either through a group settlement, or the enforcement of individual judgments. However, as there is no guarantee what the results are over the coming months, the budget presumes the delinquent owner group remains delinquent in 2018.

The gross (after tax) maintenance fee increase on an individual basis for 2018 is 5.14%. Specific items are noted below.

Operating wages: Current cost of living rates for British Columbia are approximately 2.0%. However, in Alberta the rate is 1.3%. We have reflected both in our wage planning.

Utilities: With the rise in oil prices, propane (which is used to heat the buildings) prices have risen substantially. Our 2018 fixed price rate is 29% over 2017. Propane prices will continue to be volatile and risk a significant increase in future years if the price of oil rises significantly.

Legal costs: As a result of the Resorts success in the January BC Court of Appeal decision, the Resort reached settlement with a small percentage of the delinquent Owners to offset some of the legal costs incurred on your behalf. As a result and in consideration of the additional favorable court rulings of the past few months, we are not charging additional legal costs in 2018. As with previous years, we will need to revisit the issue next year based on the status of legal proceedings and legal cost recoveries during the year.

Off-site costs: Off-site costs continue to be impacted by the costs of addressing the ongoing delinquency. Costs have also been impacted by a reduction in Resort costs previously absorbed by Northwynd.

Payment methods for 2017 maintenance fees: * Credit Card Payments are not available at this time*****

In November our credit card processor cancelled our services. Unfortunately, we have found, as was the case with our existing provider, credit card processors have flagged “timeshare” and/or “property management” as ineligible businesses due to perceived risk of chargebacks and no longer want to do business with the industry. This is an industry issue and not specific to Sunchaser. We continue to pursue payment processors, but at this stage we are not confident the situation will change.

Fortunately, with the rise of internet banking, this is a much smaller issue than it would have been in the past. With our recent onboarding of TD Bank, we can now accept internet banking payments from all major Canadian banks. For our US Owners, we are looking into a US internet banking option but do not have a solution yet.

Payment options now include:

- 1) Internet banking: Internet banking options to include TD (new), Bank of Montreal, Scotiabank, RBC, CIBC, National Bank, and Alberta Treasury Branches. 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****

Given the lack of a credit card option, we are going to accept US\$ Cheques at near exchange for this year. At the time of writing this communication, the exchange rate is CAD:USD \$0.79. However, because of FX and processing charges, the real exchange rate is always several cents above the published rate. The Resort also faces the risk of the rate changing between now and January 31st. To reflect conversion costs and exchange rate risk, the Resort has estimated the US\$ value of the maintenance fees is listed at the bottom of the budget based on a \$0.835 CAD:USD exchange rate. This rate will be honored if paid by the due date of January 31, 2018. Any delinquent payments will be subject to rejection or exchange at the prevailing rates at the time of receipt. As always, if you are able to obtain a better exchange rate through your own bank or foreign exchange broker, you can pay with a CAD\$ cheque or money order.

Payment deadlines:

Maintenance fees are due and payable on January 31, 2018. As in prior years, we are providing an interest free two payment plan option for the maintenance fees (**post-dated checks only with the first cheque dated January 31, 2018 and the second no later than February 28, 2018**) 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.**

New Address:

Our office address in Calgary has changed. Please ensure that any cheques are mailed to our new address:

#170, 550 – 71 Avenue SE
Calgary, AB
T2H 0S6

RESORT REALIGNMENT AND LITIGATION/DELINQUENCY UPDATE

As of mid-November, approximately 46% of Owners had chosen a cancellation option for their vacation interval, 32% of Owners had elected to pay the RPF, and 22% were delinquent. As delinquencies are resolved, we expect the final Resort to be approximately 35-40% of original capacity and have been planning accordingly.

2017 continued the Resorts legal success. In January, the British Columbia Court of Appeal dismissed the delinquent group's appeal of the 2016 "test-case" advanced by the delinquent Owner group. Unfortunately, most of those Owners rejected the settlement agreement negotiated with their legal counsel and attempted to circumvent the appeal result. In September and October, the BC and Alberta courts dismissed the delinquent Owners legal positions as an abuse of process. In November, the BC Court of Appeal threw out the delinquent Owners appeal of the BC decision as devoid of merit and an abuse of process.

We were hoping to have a settlement agreement in place with these Owners prior to issuing the maintenance fee communication. Unfortunately, that has not happened, but we remain hopeful that a resolution will come soon for

the benefit of all parties. If not, our legal counsel stands ready to begin the enforcement process to hold the delinquent Owners accountable for their obligations.

Effect of ongoing delinquency: As noted in prior years, 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 ongoing legal process has shown, we cannot guarantee when or if delinquent Owners will pay their outstanding balances. While we hope the recent decisions will bring this dispute to an end, we may have to pursue enforcement measures and the collection process may in some cases carry on beyond 2018.

This year's budget reflects delinquency more than prior years. However, the settlements achieved in 2017 and our expectations for 2018 have limited the effect. Should 2018 turn out differently than expectations, further increases in 2019 may be necessary.

We are disappointed we didn't reach a conclusion to the delinquent Owners in 2017. However, with the repeated legal victories, we are cautiously optimistic the end is near. Once again, we thank all of you who have stuck by the Resort and will continue to do our best to protect your interests while managing the Resort in a prudent and workmanlike manner. 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"

Vacation Ownership Services
Resort Villa Management Ltd.

SUNCHASER VACATION VILLAS			
2018 Budget			
	2018 Budget	Villa Type	
		Terrace	2 Bedroom
Operating labour:			
Operating wages	\$ 1,696,414	\$ 297.86	\$ 350.43
Benefits	\$ 289,736	\$ 50.87	\$ 59.85
Total on-site wages and benefits	\$ 1,986,150	\$ 348.74	\$ 410.28
Off-site wages and benefits	\$ 440,274	\$ 77.30	\$ 90.95
Total wages and benefits	\$ 2,426,424	\$ 426.04	\$ 501.22
Non-wage staff costs	\$ 29,469	\$ 5.17	\$ 6.09
Total labour costs	\$ 2,455,893	\$ 431.21	\$ 507.31
Non-labour operating costs:			
Cost of ancillary services	\$ 19,088	\$ 3.35	\$ 3.94
Direct operating	\$ 156,099	\$ 27.41	\$ 32.25
Contracted services	\$ 134,008	\$ 23.53	\$ 27.68
Repairs and maintenance	\$ 171,590	\$ 30.13	\$ 35.45
General and administrative	\$ 611,088	\$ 107.30	\$ 126.23
Utilities	\$ 603,583	\$ 105.98	\$ 124.68
Insurance	\$ 153,913	\$ 27.02	\$ 31.79
Property tax	\$ 112,228	\$ 19.71	\$ 23.18
Total non-labour operating costs	\$ 1,961,597	\$ 344.42	\$ 405.20
Total operating costs	\$ 4,417,489	\$ 775.64	\$ 912.52
Refurbishment	\$ 441,748	\$ 77.56	\$ 91.25
Total costs before management fee	\$ 4,859,237	\$ 853.20	\$ 1,003.77
Management fee (15% of total costs)	\$ 728,885	\$ 127.98	\$ 150.57
Total costs	\$ 5,588,122	\$ 981.18	\$ 1,154.33
Reservation fees	\$ (74,967)	\$ (13.16)	\$ (15.49)
Ancillary revenues	\$ (126,556)	\$ (22.22)	\$ (26.14)
Total other revenue	\$ (201,523)	\$ (35.38)	\$ (41.63)
Maintenance fee before GST	\$ 5,386,599	\$ 945.80	\$ 1,112.70
GST @ 5%		\$ 47.29	\$ 55.64
Total maintenance fee		\$ 993.09	\$ 1,168.34
US Dollar exchange rate		\$ 0.835	\$ 0.835
Estimate US Dollar MF*		\$ 829.23	\$ 975.56
*subject to change January 31, 2018			