

To the owners/members of the Carriage Hills Vacation Owners Association (“CHVOA”) and Carriage Ridge Owners Association (“CROA”) (collectively the “Associations”)

As you know, BDO Canada Limited (“BDO”) was appointed as Administrator in respect of CHVOA and CROA pursuant to orders of the Ontario Superior Court of Justice effective May 15, 2020 (the “Appointment Orders”). Copies of the court orders, together with all other Court materials, are available in pdf on the Administrator’s website at <https://www.bdo.ca/en-ca/extranets/carriage/>.

COURT ORDERED MEMBERS’ COMMITTEE

Among other things, the Appointment Orders provide for the creation of a members’ committee to consult with the Administrator. The member committee is to consist of at least five individuals, with a possible sixth chosen by Wyndham. Wyndham has informed the Administrator that they will not be designating a representative to sit on the committee at this time. The committee is to consist of a member of the Board of each of CHVOA and CROA, together with two members named in the Appointment Orders, and the fifth is to be chosen by the current committee members. We expect to have the final member of the committee chosen by the end of this week (May 22, 2020). Once the final member is chosen, the Administrator and the committee will set up a further date to begin the discussions in respect of the following:

- The preparation of the member contact list and mechanism;
- The survey of members to determine whether they wish to remain in a restructured resort or whether they wish to terminate their membership;
- A process to deal with delinquent owners/members;
- An exit strategy for those members who wish to terminate their relationship with the Associations.

BDO COMMUNICATION TO OWNERS

Now that BDO has been appointed, it can also commence direct communications with the members of the Associations. BDO will be communicating to the members/owners throughout the course of its mandate to keep them apprised of salient steps and progress of the proceedings. However, the Administrator is cognizant of the costs to the Associations and members and will try to strike a balance between communication and costs. Please keep in mind that this is a complex process with over 13,000 members that need to be contacted. There are multiple viewpoints to consider and a number of issues to be addressed. The Administrator wishes to ensure that the process moves forward as quickly as possible having regard to the various member interests.

CURRENT OWNER CONTACT INFO

In order to have the most current information for the member contact listing, we have prepared a member brief questionnaire which has been uploaded to our website (<https://www.bdo.ca/en-ca/extranets/carriage/>). This questionnaire is only for contact information at this time and not for voting purposes. We would ask that members complete the questionnaire with their current contact details. This will allow the Administrator to start to develop a comprehensive member listing with which we can communicate with members throughout the process. Please complete the questionnaire as soon as possible.

COMMUNICATION FROM OWNERS TO BDO

In addition, we have opened up the lines of communication through the creation of email addresses for each of CROA and CHVOA at the following email addresses:

BDOCarriageHills@bdo.ca

BDOCarriageRidge@bdo.ca

Please send your emails to these two email addresses and not to individual BDO employee addresses so that they may be addressed in a timely fashion. Also, we anticipate that we will receive hundreds of emails and it is not feasible from either a time or cost perspective to respond to each of them individually. It is our intention to summarize the issues raised in the emails and respond to issues more generally either through communications such as this or more likely an expansion to the previously published FAQ. This will reduce costs of the processes for both Associations and their respective members. In fact, we have just updated the FAQ document on our website to include an update on the May 15 court attendance and the role of the Administrator in this process. Please check our website on a regular basis to see if there have been any new documents posted or updates to communications.

FEBRUARY 2020 REPORT

One of the common comments from members is in respect of the report commissioned by the Boards of the Associations prior to the commencement of these proceedings. This report was a comprehensive analysis prepared by then counsel for the Boards of the Associations– Goldman Sloan Nash & Haber LLP (“GSNH”) – with input from BDO. This report took many months to prepare and was presented to the Boards of the Associations in February 2020. The report is approximately 350 pages long, including appendices. Below is a very brief summary of the numerous issues the report reviewed and analyzed:

- The incorporation documents for the Associations in order to understand what the legal status was of the Associations;
- The legal history of the resorts in respect of Shell Vacations, the construction of the resorts and how Wyndham became involved;
- A review of the real estate and the ownership of the other assets to understand the ownership structure, how it was legally recorded and the resulting issues with same;
- A review of the numerous legal contracts, rules and regulations of the Associations with owners, suppliers, Wyndham, vacation clubs, etc. in order to understand:
 - what are the requirements for obsolescence pursuant to the Time Share Agreement;
 - what was the mechanism in the agreements for selling the resorts in an obsolescence, if any (there were none);
 - if a restructuring could be effected through those legal agreements or not;
 - how a restructuring could affect vacation clubs, suppliers, and owners and what flexibility there was in those agreements to allow a restructuring;
 - who are the creditors of the Associations (suppliers, owners, others); and,
 - what are the legal rights and obligations of the owners, suppliers and others.
- Who had ownership in both Associations and who were owners of “red” and “white” and “every year” and “every other year” intervals and what did the different ownerships mean for a restructuring or liquidation;
- Whether there were any mortgages with respect to the ownerships;
- A financial review of the Associations and resorts both on an historical and forecasted basis;

- A cash flow forecast to understand if and when the Associations might run into cash flow problems and what might be able to be done about it;
- Who were the delinquent owners and what was the status of the amounts owed and how was that trending and what were the collection processes in place;
- What was the historical change in basic charges and special charges;
- Do the Associations fit the definition of “insolvent” pursuant to insolvency legislation or would they become insolvent in the near future;
- Could the resorts be severed such that portions of the resorts could be sold instead of the entire resorts;
- Would potential purchasers be interested in portions of the resorts or only the whole and when would be the best time to market the resorts;
- What was the potential value of the resorts; and,
- What were the possible legal ways to restructure the Associations and what could be the timing for such a restructuring and what were the pros and cons of different options and probability of success.

The report ultimately concluded that there was no way to successfully deal with the owners’ issues (particularly with respect to ending their memberships with the resorts and the expected ongoing increase in delinquencies and increasing costs) within the current legal agreements and structure. It was also determined that the Associations were not insolvent pursuant to the definition in either the Bankruptcy and Insolvency Act or the Companies’ Creditors Arrangement Act. Therefore, the report proposed the path that has now been taken (the appointment of the Administrator through a unique Court filing). Now that the Court filing has been commenced, a definitive plan needs to be developed with the input of members to understand whether a restructuring is wanted, and if so, whether it can be viable.

The report has not been made available to members as it is subject to solicitor-client privilege and contains confidential information including supplier contracts, estimated valuations of assets, names of delinquent owners, etc. If valuations of the assets (such as the real properties) were made public this would only serve to set a ceiling for the value of those assets as potential purchasers would not pay more than the value disclosed. Accordingly, only non-confidential information from the report was summarized in the Administrator’s pre-filing Court report and in the affidavits of each of the Associations.

COSTS TO-DATE

Lastly, several members have asked if BDO was paid \$200,000 for the report. BDO is not certain from where that figure was derived. BDO’s engagement in connection with the report was a separate engagement from the present Court-appointed mandate. BDO was paid approximately \$112,000 by CHVOA and \$55,000 by CROA, exclusive of HST for its input into the report commissioned for the Associations’ boards. The Associations’ then legal counsel, GSNH, was paid approximately \$243,000 by CHVOA and \$79,000 by CROA for the report. BDO has also been paid \$53,000 by CHVOA and \$25,000 by CROA, exclusive of HST, and legal counsel for the time spent in preparing for the court filing (i.e. drafting the court reports, setting up the website, consulting on the court orders, consulting on the affidavits, etc.).

We ask that you please be patient with the process as there are thousands of people to consider and dealing with the many issues will take time to do properly.