

APPENDIX “D”

Condominium Act, 1998
THE ROSSEAU – a JW MARRIOTT RESORT
PHASE 1 – THE LONGVIEW BUILDING
PHASE 2 – PAIGNTON HOUSE
DISCLOSURE STATEMENT

Disclosure Statement dated August 1, 2006, made under the *Condominium Act, 1998*, S.O. 1998, c.19, as amended (the “*Condominium Act*”) with respect to an offering by The Rosseau Resort Developments Inc. (the “**Declarant**”) for the sale of certain condominium units (the “**Resort Units**”) in both the Longview building and Paignton House, together comprising a resort condominium hotel to be known as “The Rosseau – a JW Marriott Resort” (the “**Hotel**”) to be constructed on the west side of Lake Rosseau in The Township of Muskoka Lakes, Ontario and forming part of a planned resort community to be known as Red Leaves (the “**Resort**”). The Hotel will have the benefit of a hotel management and other agreements with Marriott Hotels of Canada, Ltd. (“**Marriott**”) as described in Article 8 below. Marriott will act as the “**Hotel Operator**.”

DISCLAIMER

NEITHER THE GOVERNMENT OF ONTARIO NOR ANY OF ITS AGENCIES HAS IN ANY WAY PASSED ON THE MERITS OF THE MATTERS DEALT WITH IN THIS DISCLOSURE STATEMENT.

NO SECURITIES COMMISSION OR SIMILAR REGULATORY AUTHORITY HAS PASSED ON THE MERITS OF THE SECURITIES OFFERED NOR HAS IT REVIEWED THIS DISCLOSURE STATEMENT AND ANY REPRESENTATION TO THE CONTRARY IS AN OFFENCE.

PLEASE REFER TO PAGE 25 FOR A DESCRIPTION OF THE REAL ESTATE SECURITIES ASPECTS OF THE OFFERING.

RESORT UNITS HAVE NOT BEEN QUALIFIED FOR DISTRIBUTION OR RESALE IN ANY JURISDICTION OTHER THAN ONTARIO. THE RESORT UNITS HAVE NOT BEEN REGISTERED IN THE UNITED STATES AND CANNOT BE OFFERED FOR SALE OR SOLD IN THE UNITED STATES. THIS DISCLOSURE STATEMENT SHALL NOT CONSTITUTE AN OFFER TO SELL NOR A SOLICITATION OF AN OFFER TO BUY THE RESORT UNITS IN ANY JURISDICTION IN WHICH SUCH OFFER OR SOLICITATION WOULD BE UNLAWFUL.

IN ONTARIO, THE RESORT UNITS PURCHASED PURSUANT TO THIS DISCLOSURE STATEMENT WILL BE SUBJECT TO RESALE RESTRICTIONS. OWNERS WHOSE RESORT UNITS WERE SOLD TO THEM IN RELIANCE UPON A RULING OF THE ONTARIO SECURITIES COMMISSION DATED APRIL 13, 2004, A COPY OF WHICH IS ATTACHED HERETO AS EXHIBIT K, WILL BE ABLE TO RESELL THEIR RESORT UNITS IN ACCORDANCE WITH THE TERMS AND CONDITIONS OF THE RULING WHICH REQUIRE, AMONG OTHER THINGS, CERTAIN DISCLOSURE DOCUMENTS TO BE DELIVERED TO PROSPECTIVE PURCHASERS OF RESORT UNITS AND PROHIBIT THE ADVERTISING OR MARKETING OF THE EXPECTED BENEFITS OF THE RENTAL POOL MANAGEMENT AGREEMENT TO ANY PROSPECTIVE PURCHASER OF A RESORT UNIT. ANY OWNER THAT PROPOSES TO SELL HIS OR HER RESORT UNIT IS ADVISED TO CONSULT WITH LEGAL COUNSEL PRIOR TO THE SALE. PLEASE REFER TO ARTICLE 7.07 OF, AND ANNEX I TO, THIS DISCLOSURE STATEMENT.

AS MORE FULLY SET FORTH IN ARTICLE 8.06, THE RESORT UNITS ARE NOT BEING SOLD BY MARRIOTT AND MARRIOTT (INCLUDING ITS AFFILIATES) IS NOT PART OF THE DECLARANT, AN AGENT FOR THE DECLARANT, OR A SPONSOR OF THE DECLARANT'S OFFERING OF RESORT UNITS. MARRIOTT AND ITS AFFILIATES HAVE NOT ACTED AS A BROKER, FINDER OR AGENT IN CONNECTION WITH THE SALE OF THE RESORT UNITS. MARRIOTT AND ITS AFFILIATES ALSO HAVE NOT APPROVED THIS DISCLOSURE STATEMENT, AND MAKE NO REPRESENTATION OR WARRANTY AS TO ITS ACCURACY OR COMPLETENESS. PURCHASERS WILL BE REQUIRED TO RELEASE AND HOLD HARMLESS MARRIOTT FROM ANY LIABILITY RESPECTING THE MARKETING, SALE AND CONSTRUCTION OF THE RESORT UNITS AND THE HOTEL.

This Disclosure Statement contains the information about the Hotel that must be provided to Purchasers under Section 72 of the *Condominium Act*, including a general description of the Hotel. As the information contained in this Disclosure Statement may be sufficiently important to a prospective Purchaser when entering into an agreement of purchase and sale for the purchase of a Resort Unit in the Residential Condominium, Purchasers are advised to read all of the documents enclosed in their entirety and to review same with their legal and financial advisors.

ARTICLE 1 - TABLE OF CONTENTS

(under subsection 72(4) of the *Condominium Act*)

1.01 Names and Incorporation

Description of Declarant

The Declarant is a corporation incorporated under the laws of Ontario.

1.02 Addresses

- (a) Declarant's Name: The Rosseau Resort Developments Inc.
- Registered Office: P.O. Box 24091
 St. Catherines, Ontario L2R 7P7
- Development Office: 1050 Paignton House Road
 P.O. Box 86,
 Minett, Ontario
 P0B 1G0

1.03 Directors

The directors of the Declarant are:

Kenneth A. Fowler
Peter Fowler

1.04 Legal Description

The Hotel will be located on a portion of the lands (the "**Resort Lands**") described in Exhibit B attached to this Disclosure Statement. The affected portion is herein described as the "**Hotel Lands**".

The Residential Condominium will be located approximately as shown on the site plan (the "**Site Plan**") included in Exhibit A attached.

1.05 Addresses for the Hotel

- Mailing Address: 1050 Paignton House Road
 P.O. Box 86,
 Minett, Ontario
 P0B 1G0
- Municipal Address: 1050 Paignton House Road
 P.O. Box 86,
 Minett, Ontario
 P0B 1G0

1.06 Residential Condominium Corporation

The Resort Units which are offered for sale by the Declarant pursuant to this Disclosure Statement will form part of a standard freehold condominium which will be a phased condominium (the “**Residential Condominium**”) to be created by the registration in the Land Registry Office at Bracebridge under the *Condominium Act* of a declaration (the “**Declaration**”) and description for Phase 1 of the Hotel and amended for Phase 2. The property and assets of the Residential Condominium will be controlled, managed and administered by a condominium corporation (the “**Residential Corporation**”) to be assigned a number on registration of the Declaration.

The Table of Contents is a guide to where the Disclosure Statement deals with some of the more common areas of concern to purchasers. Purchasers should be aware that the Disclosure Statement, which includes a copy of the proposed Declaration, by-laws and rules, contains provisions that are of significance to them, only some of which are referred to in this Table of Contents.

1.07 Purchasers should review all documentation.

In this Table of Contents,

- “unit” or “units” include proposed unit or units;
- “common elements” includes proposed common elements;
- “common interest” includes a proposed common interest; and
- “property” includes proposed property.

This Disclosure Statement deals with significant matters, including the following:

	MATTER			Specify the article, paragraph (and/or clause) and page number where the matter is dealt with in the existing or proposed declaration, by-laws, rules or other material in the disclosure statement																														
1.	The Residential Corporation is a freehold condominium corporation that is a standard condominium corporation, which will be phased.			Refer to: Articles 1.06 and 3.07 (Disclosure Statement – pp. 3 and 13) Paragraph 3 (Declaration – Exhibit C – p.5)																														
2.	The property or part of the property is or may be subject to <i>Ontario New Home Warranties Plan Act</i> .	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	Refer to: Articles 5.01 and 9.05 (Disclosure Statement – pp. 22 and 46)																														
3.	The common elements and the Resort Units are enrolled or are intended to be enrolled in the Plan within the meaning of the <i>Ontario New Home Warranties Plan Act</i> in accordance with the regulations made under that Act. Note: Enrolment does not necessarily mean that claimants are entitled to warranty coverage. Entitlement to warranty coverage must be established under the <i>Ontario New Home Warranties Plan Act</i> .	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	Refer to: Article 5.01 (Disclosure Statement – p. 22)																														
4.	A building on the property or a unit has been converted from a previous use.	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>	Refer to: Article 3.01(b) (Disclosure Statement – p. 11)																														
5.	One or more units or a part of the common elements may be used for commercial or other purposes not ancillary to residential purposes.	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	Refer to: Articles 3.02, 3.11 and 4.02(b) (Disclosure Statement – pp. 12, 17 and 21)																														
6.	A provision exists with respect to pets on the property.	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	Refer to: Paragraph 11(i) (Declaration – Exhibit C – p. 7)																														
7.	There exist restrictions or standards with respect to the use of common elements or the occupancy or use of the Resort Units that are based on the nature or design of the facilities and services on the property or on other aspects of the buildings located on the property.	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	Refer to: <table> <thead> <tr> <th>Item:</th><th>Disclosure Statement</th><th>Pg</th><th>Declaration Exhibit C</th><th>Pg</th></tr> </thead> <tbody> <tr> <td>• occupancy by owner</td><td>7.06(a)-(d)</td><td>29</td><td>20</td><td>15</td></tr> <tr> <td>• parking</td><td>3.11</td><td>16</td><td>14</td><td>9</td></tr> <tr> <td>• exclusive use common elements</td><td>3.10</td><td>16</td><td>13(a)</td><td>8</td></tr> <tr> <td>• Hotel Easement and Restrictive Covenant Agreement</td><td>4.02(b)</td><td>21</td><td>n/a</td><td></td></tr> <tr> <td>• Hotel Standards</td><td>8.02</td><td>39</td><td>11(k) & 13(h)</td><td>7 9</td></tr> </tbody> </table>	Item:	Disclosure Statement	Pg	Declaration Exhibit C	Pg	• occupancy by owner	7.06(a)-(d)	29	20	15	• parking	3.11	16	14	9	• exclusive use common elements	3.10	16	13(a)	8	• Hotel Easement and Restrictive Covenant Agreement	4.02(b)	21	n/a		• Hotel Standards	8.02	39	11(k) & 13(h)	7 9
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8.	<p>The Declarant intends to lease a portion of the Units.</p> <p>The Declarant will lease the Hotel Management Unit to the Hotel Operator.</p> <p>The portion of the Resort Units to the nearest anticipated 25%, that the Declarant intends to lease is not more than 75%.</p>	<p>Yes <input checked="" type="checkbox"/></p>	<p>No <input type="checkbox"/></p>	<p>Refer to:</p> <p>Article 9.09 (Disclosure Statement – p. 47)</p> <p>Articles 3.02 and 9.09 (Disclosure Statement – pp. 12 and 47)</p> <p>Article 9.09 (Disclosure Statement – p. 47)</p>
9.	<p>The common interest appurtenant to one or more Units differs in an amount of 10% or more from that appurtenant to any other Resort Unit of the same type, size and design.</p>	<p>Yes <input checked="" type="checkbox"/></p>	<p>No <input type="checkbox"/></p>	<p>Refer to:</p> <p>Article 5.04 (Disclosure Statement - p. 23) + Exhibit N</p> <p>Schedule D1 to Exhibit C (Declaration)</p>
10.	<p>The amount that the owner of one or more Units is required to contribute to the common expenses differs in an amount of 10% or more from that required of the owner of any other Unit of the same type, size and design.</p>	<p>Yes <input type="checkbox"/></p>	<p>No <input checked="" type="checkbox"/></p>	<p>Refer to:</p> <p>N/A</p>
11.	<p>One or more Units are exempt from a cost attributable to the rest of the Units.</p>	<p>Yes <input type="checkbox"/></p>	<p>No <input checked="" type="checkbox"/></p>	<p>Refer to:</p> <p>N/A</p>
12.	<p>There is an existing or proposed by-law establishing what constitutes a standard unit.</p>	<p>Yes <input checked="" type="checkbox"/></p>	<p>No <input type="checkbox"/></p>	<p>Refer to:</p> <p>By-law No. 2 – Exhibit D</p>
13.	<p>Part or the whole of the common elements are subject to a lease or a license.</p>	<p>Yes <input checked="" type="checkbox"/></p>	<p>No <input type="checkbox"/></p>	<p>Refer to:</p> <p>Article 4.02(b) (Disclosure Statement – p. 21), Section 2 (Hotel Easement – Exhibit G - p. 3) and Section 13(g) (Declaration - p. 9)</p>
14.	<p>Parking for owners is allowed:</p> <p>(a) in or on a unit</p> <p>(b) on the common elements</p> <p>(c) on a part of the common elements of which an owner has exclusive use. All parking will be located on common elements which are designated for the exclusive use of the Hotel Management Unit</p> <p>(d) restrictions on parking</p>	<p>Yes <input type="checkbox"/></p> <p>Yes <input checked="" type="checkbox"/></p> <p>Yes <input type="checkbox"/></p> <p>Yes <input checked="" type="checkbox"/></p>	<p>No <input checked="" type="checkbox"/></p> <p>No <input type="checkbox"/></p> <p>No <input checked="" type="checkbox"/></p> <p>No <input type="checkbox"/></p>	<p>Refer to:</p> <p>N/A</p> <p>Article 3.11 (Disclosure Statement – p. 16) and Paragraph 14 (Declaration – Exhibit C – p. 9)</p> <p>See above.</p> <p>Article 3.11 (Disclosure Statement – p. 16) and Paragraph 14 (Declaration – Exhibit C – p. 9)</p>

15.	<p>Visitors must pay for parking.</p> <p>There is visitor parking on the property.</p> <p>Visitor parking is available in the following location: the Hotel Operator has the right to establish policies (including fees) for use of all parking.</p>	<p>Yes <input type="checkbox"/></p> <p>Yes <input type="checkbox"/></p>	<p>No <input checked="" type="checkbox"/></p> <p>No <input checked="" type="checkbox"/></p>	<p>Refer to: Article 3.11 (Disclosure Statement – p. 16)</p> <p>Article 3.11 (Disclosure Statement – p. 16)</p> <p>Article 3.11 (Disclosure Statement – p.16)</p>
16.	<p>The Declarant may provide major assets and property, even though it is not required to do so.</p>	<p>Yes <input type="checkbox"/></p>	<p>No <input checked="" type="checkbox"/></p>	<p>Refer to: N/A</p>
17.	<p>The Residential Corporation is required:</p> <p>(a) to purchase units or assets:</p> <p>(b) to acquire services: - water and sewage treatment - a property management agreement with the Rental Pool Manager</p> <p>(c) to enter into agreements or leases with the Declarant or a subsidiary body corporate, holding body corporate or affiliated body corporation of the Declarant:</p> <p>(i) a property management agreement with the Rental Pool Manager;</p> <p>(ii) a shared facilities agreement with the Declarant, the Commercial Corporation and the Golf Course owner;</p> <p>(iii) the Hotel Easement and Restrictive Covenant Agreement with the Declarant and the Commercial Corporation;</p> <p>(iv) the agreement for water and sewage treatment with an affiliate of the Declarant;</p> <p>(v) the Hotel Reciprocal Agreement with the Commercial Corporation; and</p> <p>(vi) the Reciprocal Easement Agreement with the Declarant, the Commercial Corporation and the owner of the Golf Course.</p>	<p>Yes <input type="checkbox"/></p> <p>Yes <input checked="" type="checkbox"/></p> <p>Yes <input checked="" type="checkbox"/></p>	<p>No <input checked="" type="checkbox"/></p> <p>No <input type="checkbox"/></p> <p>No <input type="checkbox"/></p>	<p>Refer to: N/A</p> <p>Article 3.19 (Disclosure Statement – p. 20) Article 9.06 (Disclosure Statement – p. 46)</p> <p>Article 9.06 (Disclosure Statement – p. 46)</p> <p>Article 9.04(e) (Disclosure Statement – p. 45)</p> <p>Article 4.02(b) (Disclosure Statement – p. 21)</p> <p>Articles 3.19 (Disclosure Statement – p. 20)</p> <p>Article 9.04(c) (Disclosure Statement – p.44)</p> <p>Article 9.04(f) (Disclosure Statement – p. 45)</p>

18.	<p>The Declarant or a subsidiary body corporation, holding body corporate or affiliated body corporate of the Declarant owns land adjacent to the land described in the description</p> <p>(1) The current use of the land is:</p> <p>(a) to the north, east and south of the Hotel is land for future development of the Hotel</p> <p>(b) between the Hotel and Lake Rousseau is land intended to be used for recreational and commercial purposes, including a beach, docks and a boathouse.</p> <p>(c) three holes of the Golf Course are adjacent to the Hotel Lands</p> <p>(d) the Declarant's affiliates own or control approximately 1000 acres west of the Hotel Lands for potential future development of the Red Leaves village, marina and Resort</p> <p>(2) The Declarant has made representations respecting the future use of the land. The Disclosure Statement contains a statement of the representations.</p> <p>(3) Applications have been submitted to an approval authority respecting the use of the land. The disclosure statement contains a summary of the applications.</p>	<p>Yes <input checked="" type="checkbox"/></p>	<p>No <input type="checkbox"/></p>	<p>Refer to: Article 3.01(a)(iii) and (iv) and 3.07 (Disclosure Statement – pp. 10, 11 and 13)</p> <p>Refer to: Article 2.03 (Disclosure Statement – p. 9)</p> <p>Article 2.05 (Disclosure Statement – p. 10)</p> <p>Article 2.04 (Disclosure Statement – p. 10)</p> <p>Article 2.01 (Disclosure Statement – p. 9)</p> <p>Article 2.02 (Disclosure Statement – p. 9)</p> <p>Articles 3.15 and 3.16 (Disclosure Statement - p. 18)</p>
19.	To the knowledge of the Declarant, the Residential Corporation intends to amalgamate with another corporation or the Declarant intends to cause the Residential Corporation to amalgamate with another corporation within 60 days of the date of registration of the declaration and description for the Residential Corporation.	<p>Yes <input type="checkbox"/></p>	<p>No <input checked="" type="checkbox"/></p>	<p>Refer to: Article 3.21 (Disclosure Statement – p. 20)</p>
20.	The Declarant intends to create one or more phases after the creation of the Resort Units.	<p>Yes <input checked="" type="checkbox"/></p>	<p>No <input type="checkbox"/></p>	<p>Refer to: Article 3.01(a) and 3.07 (Disclosure Statement - pp. 10 and 13)</p>
21.	Under clause 51(h) of Ontario Regulation 48/01, no amendments to the declaration and description creating a phase may be registered after more than 10 years after the registration of the declaration and description that created the Residential Corporation.			

22.	The Disclosure Statement includes information about each phase that the Declarant intends to create.	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	Refer to: Article 3.07 (Disclosure Statement – p. 13)
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The purchaser's rights under the *Condominium Act*, 1998 to rescind an agreement of purchase and sale are set out in Article 10 and in Exhibit M to the Disclosure Statement.

This Disclosure Statement amends and replaces the Amended Disclosure Statement dated February 28, 2005 issued with respect to the Phase 1 Resort Units. It is intended that this Disclosure Statement will apply to both the unsold Phase 1 Resort Units and the Phase 2 Resort Units.

This Disclosure Statement is made this 1st day of August, 2006.

ARTICLE 2 - RED LEAVES

2.01 Red Leaves

Red Leaves is a resort community in the early planning stages of development by affiliates of the Declarant to be located on the shores of Lake Rosseau in the Township of Muskoka Lakes. When and if completed, it will be a four-seasons destination offering a broad range of recreational activities including swimming, boating, golf, tennis, hiking, mountain biking, cross-country skiing and snowmobiling.

Included in the vision of Red Leaves is a village comprised of condominium hotels and other residential accommodation, a marina, shops, restaurants, and other commercial uses. If and when the village is developed, the Declarant and its affiliates may seek legislation to create a village association as described in Article 5.07 below.

The development plans are subject to market conditions from time to time including achieving sales and leasing objectives which will ensure the commercial viability of the Red Leaves resort and the Hotel.

Red Leaves is approximately 250 kilometres north of Toronto in the Township of Muskoka Lakes (the "**Township**") in the community of Minett. Current plans for Red Leaves (which are still very preliminary) contemplate the investment of over \$500 million in the development of approximately 1000 acres over a period of about 10 years.

2.02 The Rosseau

Included in the vision of Red Leaves is The Rosseau – a JW Marriott Resort (the "**Hotel**"), the Residences at The Rosseau, the Golf Course and the Waterfront described below. The Hotel and the Waterfront will be managed by Marriott pursuant to the Hotel Management Agreement and related agreements described in Article 8 below. In addition, Marriott is the manager of the Golf Course pursuant to a separate golf management agreement.

2.03 The Hotel

The Hotel will be located south of Juddhaven Road on Lake Rosseau on the east side of Paignton House Road. The Hotel will be developed in at least two phases and is expected to include approximately 221 condominium units in two main buildings. A third, fourth and fifth phase may be added which are presently designed to include 42, 27 and 36 units, respectively. The Declarant may add up to 20 units in a third building in the second phase of the Hotel. In addition, the Declarant may apply for an increase in permitted density under the Township's zoning by-law and add up to 20 units to the third phase, up to 40 units to the fourth phase and up to 40 units to the fifth phase.

The Hotel will also include approximately 60,000 square feet of commercial space for the purposes of a luxury spa, a bar, restaurants, a conference centre and retail uses.

2.04 The Rock Golf Course

An affiliate of the Declarant has developed a championship 18-hole golf course (the “**Golf Course**”) designed by Nick Faldo, a professional golfer and three-time British Open Champion, located on lands adjacent to the Hotel Lands and on the north side of Juddhaven Road. The Golf Course, which is known as **The Rock**, opened for public play in the spring of 2004.

The Rental Pool Manager intends to arrange for golf access to be available to rental guests of the Hotel and owners of Resort Units (and members of their immediate family) while in residence.

2.05 The Waterfront

Adjacent to Phase 2 of the Residential Condominium is a waterfront area (the “**Waterfront**”), intended for both recreational and commercial purposes, of which the Declarant intends to retain ownership. It is currently anticipated that the Waterfront will consist of a boat house with a roof-top deck, boat docks for use by Hotel guests and the public and a beach area. The Waterfront will be one of the Shared Facilities of the Resort with provisions for the repair, replacement and access to the Waterfront to be contained in the Shared Facilities Agreement (described in paragraph 9.04(e) below).

ARTICLE 3 - THE DEVELOPMENT

3.01 General Description of the Hotel

- (a) The Hotel is being constructed initially in two phases and, when completed, will include a total of approximately 221 Resort Units. As described below, there is a possibility of a third, fourth and fifth phase being added to the Hotel.
 - (i) Phase 1 of the Residential Condominium will consist of the main Hotel building which will be known as “**Longview**”. The Longview building will be a four-level concrete and wood frame building which will include a small one-level underground parking area primarily intended for valet parking use. The entire roof and most of the exterior walls of the Longview building will form part of Common Elements (defined below) of the Residential Condominium.
 - (ii) Phase 2 of the Residential Condominium will consist of a three-level concrete and wood frame building to be known as “**Paignton House**”, which may be connected to the Longview building by an enclosed corridor. In addition, a third building to the east of Paignton House containing approximately 20 Resort Units may be included in Phase 2.
 - (iii) The Declarant intends to construct approximately 42 residential units in buildings located between the Longview building and Lake Rosseau, to be known as “Fish Rock”, the “Lakeside Villas” and “West Terrace”. Some or all of these units may be added to the Residential Condominium as

Phase 3. In the event that Phase 3 is not made part of the Residential Condominium, the occupants of those units will have the right to use the recreational amenities of the Residential Condominium upon payment of an access fee as described in Article 3.12 and the owners of Phase 3 will become parties to the Shared Facilities Agreement.

- (iv) The Declarant intends to construct approximately 27 residential units in buildings to be known as the “**Meadow Cottages**” located to the east of the Longview building (which may be increased to a total of 67 residential units). Some or all of these units may be added to the Residential Condominium as Phase 4. In the event that Phase 4 is not made part of the Residential Condominium, the occupants of those units will have the right to use the recreational amenities of the Residential Condominium upon payment of an access fee as described in Article 3.12 and the owners of Phase 4 will become parties to the Shared Facilities Agreement.
- (v) The Declarant intends to construct approximately 36 residential units in the area bounded by the 7th, 8th and 9th holes of the Golf Course (which may be increased to a total of 76 residential units). Some or all of these units may be added to the Residential Condominium as a fifth phase (“Phase 5”) and will be known as the “**Golf Villas**”. In the event that Phase 5 is not made part of the Residential Condominium, the occupants of those units will have the right to use the recreational amenities of the Residential Condominium upon payment of an access fee as described in Article 3.12 and the owners of Phase 5 will become parties to the Shared Facilities Agreement.

The Meadow Cottages, Golf Villas, Fish Rock, Lakeside Villas and West Terrace are collectively referred to as “**The Residences at Rosseau**”.

- (b) The Hotel will be newly constructed and has not been converted from a previous use.
- (c) Phases 1 and 2 of the Hotel will include the following types of Resort Units:

<u>Type</u>	<u>Phase 1</u>	<u>Phase 2</u>
Heritage Suite (studio) – north	55	7
Heritage Suite (studio) – south	56	9
Muskoka Suite (one bedroom) – north	17	9
Muskoka Suite (one bedroom) – south	29	6
Muskoka Suite (premium one bedroom) – north	7	3
Muskoka Suite (premium one bedroom) – south	7	6
Signature Suite (two bedroom) – south	6	3
Penthouse – south	1	0
Total	178	43

The design of Phases 3, 4 and 5 has not been completed as of the date of this Disclosure Statement and the number and types of the Resort Units to be included in those Phases is therefore not certain.

- (d) The Resort Units will be located on the first through fourth levels of Phase 1 (the Longview building) and on the first through third levels of Phase 2 (Paignton House).
- (e) The Declarant reserves the right, prior to registration of the Declaration either to combine any of the Resort Units into one or more larger units or to divide any of the Resort Units into a number of smaller units, so long as there will in no event be more than 200 Resort Units in Phase 1 and, in Phase 2, not more than 53 units in Paignton House and 20 units in the possible third building described in paragraph 3.01(a)(ii) above. The Declarant further reserves the right, prior to registration of the Declaration, to change the location of the boundaries of any particular Resort Unit so long as the area of such Resort Unit and the percentage interests attributable thereto are not materially altered.
- (f) Some or all of the Resort Units may have double-locking connecting doors between them.

3.02 Hotel Management Unit

Phase 1 of the Residential Condominium will also include a unit (the “**Hotel Management Unit**”), comprising the front desk in the lobby and the back office and administration space. Ownership of the Hotel Management Unit will be retained by the Declarant who will lease it to Marriott for the purposes of operating and managing the Hotel. The Resort Units and the Hotel Management Unit are sometimes collectively referred to herein as the “**Units**”.

3.03 Ownership of the Common Elements

As described in Article 5.04 below, the owner of Resort Units will be entitled to proportionate shares (the “**Common Interests**”) of the common elements of the Residential Condominium (the “**Common Elements**”), which the owners of the Resort Units will own as tenants in common. The Common Elements comprise all of the property of the Residential Condominium except the Hotel Management Unit and the Resort Units.

3.04 Commercial Condominium

In addition to containing Phase 1 of the Residential Condominium, the Longview building will include approximately 60,000 square feet of retail/commercial space intended for the use of a specialty restaurant, a main hotel restaurant and bar, a retail marketplace, a luxury spa and a conference centre. This retail/commercial space will be included in a separate commercial condominium (the “**Commercial Condominium**”), the ownership of which is intended to be retained by the Declarant.

3.05 Conference Centre

The Commercial Condominium will include a number of conference rooms and related space (the “**Conference Centre**”) having a total meeting area of approximately 12,000

square feet. The Conference Centre will be one or more separate units in the Commercial Condominium. The Conference Centre will be leased to the Rental Pool Manager (defined in Article 7.01) for an initial term of 25 years with rights of renewal for a further 25 years (the “**Conference Centre Lease**”). The Rental Pool Manager will pay, as rent under the Conference Centre Lease, all of the costs of the owner relating to the Conference Centre including common expenses, reserve fund payments, the cost of repairs and replacements to the Conference Centre (including the furniture, fixtures and equipment located therein), realty taxes and insurance, with such rental payments being a deduction from Gross Rental Pool Revenue (as described in paragraph 7.01(f)).

Charges for use of the Conference Centre may be included in the rates charged for room rentals or may be charged separately. All additional revenues for use of the Conference Centre will be included in the gross revenues shared by the Rental Pool.

3.06 **Preliminary Plans of the Hotel**

The proposed layout of Phases 1 and 2 of the Hotel and the location of the Resort Units therein are shown on the preliminary plans (the “**Preliminary Plans**”) which are attached as Exhibit A to this Disclosure Statement. The actual Resort Units as constructed may vary from what is depicted on the Preliminary Plans.

3.07 **Phased Condominium**

- (a) The Hotel is being constructed initially in two phases, with the possibility of the addition of a third, fourth and fifth phase. The first phase (“**Phase 1**”) is being constructed on the Phase 1 lands as shown on the Site Plan included in Exhibit A to this Disclosure Statement. Phase 1 is intended to consist of approximately 178 Resort Units, a portion of the Parking Facilities (as described in Article 3.11 below), the Hotel Management Unit, the recreational facilities described in Article 3.12 and the other common facilities described in Article 3.13. At the same time, the area intended for commercial/retail use is being constructed for inclusion in the Commercial Condominium.
- (b) Paignton House is intended to be constructed as the second phase (“**Phase 2**”) of the Residential Condominium on lands adjacent to the Phase 1 lands as shown on the site plan included in Exhibit A to this Disclosure Statement. As of the date of this Disclosure Statement, it is intended that Phase 2 will consist of approximately 43 Resort Units (with the possibility of an additional 20 Resort Units in a third building as described in paragraph 3.01(a)(ii) above). Aquatic facilities as described in Article 3.12 will be constructed as part of Phase 2. When Phase 2 has been completed and registered, the Residential Condominium will include the additional Resort Units and Common Elements created thereby.
- (c) The Declarant intends to construct approximately 42 residential units with one, two or three bedrooms on lands between Phase 1 and Lake Rosseau in buildings to be known as “**Fish Rock**”, “**Lakeside Villas**” and “**West Terrace**”. These units and the related lands may be added as a third phase (“**Phase 3**”) of the Residential Condominium or registered as part of a separate condominium. If an

amendment to the Township's by-law is approved as described above, up to 20 units may be added (some units may be added without amending the by-law).

- (d) The Declarant intends to construct approximately 27 units in one, two or three bedroom cottages (to be known as the "**Meadow Cottages**") on lands adjacent to Phases 1 and 2. The Meadow Cottages and related lands may be added as a fourth phase ("**Phase 4**") of the Residential Condominium or registered as part of a separate condominium. If an amendment to the Township's by-law is approved as described above, the gross floor area in Phase 4 may increase by up to 30,000 square feet and up to 40 units may be added (some units can be added without amending the by-law).
- (e) The Declarant intends to construct one, two and three bedroom residential units on lands to the north of Phases 1 and 2 surrounded by the 7th, 8th and 9th holes of the Golf Course. Initial plans are for 36 one, two and three-bedroom Resort Units to be known as the "**Golf Villas**". The Golf Villas and related lands may be added as a fifth phase ("**Phase 5**") to the Residential Condominium or registered as part of a separate condominium. The Declarant may apply to the Township to seek approval to amend its zoning by-law to add up to 25,000 square feet of gross floor area and add up to additional 40 units (some units can be added without amending the by-law).
- (f) The Declarant has not decided whether to include some or all of Phases 3, 4 and 5 in the Residential Condominium. The inclusion of some or all of these Phases (including the increase in density and number of units described above) in the Residential Condominium will result in a decrease in the percentages of Common Interests and contributions to Common Expenses in the manner described in Articles 5.03 and 5.04 below.
- (g) The owners of Resort Units in the subsequent Phases (if any) will share the same facilities and services as the owners of Resort Units in Phases 1 and 2, including the use of the recreational facilities described in Article 3.12. Owners and occupants in all Phases will be able to enjoy the benefits of the Waterfront once it is completed.

In the event some or all of Phases 3, 4 and 5 are constructed as separate developments and not included in the Residential Condominium, the owners and occupants of those units will have the right to use the recreational amenities of the Residential Condominium upon payment of an access fee to be determined.
- (h) The Declarant is not making any representations with respect to the quality of materials or appearance of the buildings in the subsequent Phases except that they will be of the same quality as Phase 1 and otherwise will be as specifically set forth in this Disclosure Statement and in the agreements of purchase and sale for the Resort Units.
- (i) The Declarant is not required to create any of the subsequent Phases and may delay construction thereof, provided that, in accordance with section 55 of

Regulation 48/01 made under the *Condominium Act*, amendments to the Declaration and description creating subsequent Phases may not be registered more than 10 years after registration of the declaration and description for the Residential Condominium.

3.08 Projections

The Phases of the Residential Condominium will include approximately the number of Resort Units listed below (subject to the possible increases described above). The projected years of registration of the Declaration and amendments creating each Phase is also listed.

	<u>Phase 1</u>	<u>Phase 2</u>	<u>Phase 3</u>	<u>Phase 4</u>	<u>Phase 5</u>
Resort Units	178	43	42	27	36
Projected year of registration	2008	2008	2009	2009	2010

The dates listed above are approximate only and are subject to change.

The Declarant reserves the right to alter the Phases by combining them into fewer phases or by dividing them into more phases. In particular, Phase 1 and Phase 2 may be combined into a single phase if sales are sufficient to justify same. In addition, more or fewer Resort Units may be included in any particular Phase. Appropriate amendments will be made to the schedules of Common Interests and Common Expenses (in the manner described in Articles 5.03 and 5.04) to be included in the amendments to the Declaration creating the respective Phase.

3.09 Construction Issues

Purchasers of Resort Units are notified that during construction (including construction of the Residential Condominium, the Commercial Condominium, the subsequent Phases and the Waterfront), the Declarant, its contractors, suppliers and trades will be entitled to use those portions of the Hotel including the Common Elements of the Residential Condominium as may be necessary and that during construction, a certain amount of dust, noise and heavy traffic will occur. Reasonable efforts will be made to ensure that contractors, suppliers and trades carry out their work in such a manner as to reasonably reduce and minimize the degree of interference and discomfort to the residents of the Residential Condominium with their use and enjoyment of the Hotel, provided that nothing shall derogate from the right of the Declarant to complete construction of the Residential Condominium, the subsequent Phases, the Commercial Condominium and the Waterfront.

3.10 Exclusive Use Common Elements

“Exclusive Use Common Elements” are areas within the Common Elements that are designated for the exclusive use of one or more Unit owners. Maintenance and other expenses relating thereto will be included in the Common Expenses.

The Declarant will designate as an Exclusive Use Common Element for the appurtenant Resort Unit the following area as shown on the Preliminary Plans:

- the terrace or balcony adjacent to certain of the Resort Units.

In addition, the Declarant will designate as Exclusive Use Common Elements appurtenant to the Hotel Management Unit the following areas as shown on the Preliminary Plans:

- housekeeping/linen rooms, staff locker rooms and cafeteria, vending machine rooms, luggage rooms and other areas required for the operation of the Rental Pool
- administration offices
- the Parking Facilities

Such designations of Exclusive Use Common Elements will be made upon the registration of the Declaration. The Declarant reserves the right to alter all such designations prior to the registration of the Declaration.

3.11 Parking

Phase 1 of the Residential Condominium will include a small one-level underground parking garage and a surface paved parking area, together containing a total of approximately 250 – 300 parking spaces, with Phase 2 of the Residential Condominium having at least one surface parking space per Resort Unit (collectively, the “**Parking Facilities**”) and forming part of the Common Elements of the Residential Condominium. The location of the Parking Facilities is indicated on the Preliminary Plans.

As described above, the Parking Facilities will be designated for the exclusive use of the Hotel Management Unit. Marriott, as lessee of the Hotel Management Unit, will have the right in its sole discretion to set policies and procedures from time to time for use of the Parking Facilities including setting fees for valet service and for parking (although there is no present intention to apply any charges for parking). Owners of Resort Units will not be required to pay for parking but will be required to pay for valet service if they choose to use it. No one, including owners of Resort Units, will have any specified rights to use the Parking Facilities.

There will not be any separately designated visitor parking in the Hotel. Visitor parking will be subject to the policies of the Hotel Operator.

3.12 Recreational Facilities

The Common Elements of Phase 1 of the Residential Condominium will include an exercise room, a swimming pool, a hot tub and a portion of the trail system to be located on the Hotel Lands. Phase 2 will include outdoor aquatic facilities including one or more seasonal swimming pools, a hot tub, water play features and change rooms. Phase 3 will include a small beach which, if Phase 3 is not included in the Residential Condominium, will be subject to an easement permitting use by occupants of Resort Units in the Hotel as

well as occupants of the units in Phases 3, 4 and 5. Temporary beach facilities will be available for use until Phase 3 and the Waterfront have been completed.

If Phases 3, 4 and 5 are included in the Residential Condominium, the owners, rental guests and other occupants of the Resort Units included therein will have the same rights to use the recreational facilities as the owners, rental guests and other occupants of the Resort Units in Phases 1 and 2 of the Hotel.

If Phases 3, 4 and 5 are not included in the Residential Condominium, it is contemplated that the owners and other occupants may be permitted to use the recreational facilities of the Hotel subject to the payment of access fees which, in part at least, will be paid to the Condominium Corporation to help defray the costs thereof. The recreational facilities have been designed to accommodate such use.

3.13 Other Common Facilities

The Common Elements of the Residential Condominium will also include the following facilities:

- main lobby/entrance hall and lounges
- elevators, stairwells and corridors
- public washrooms

3.14 Furniture and Equipment in Resort Units

The Resort Units will be equipped with furniture, fixtures and equipment as required by the Hotel Standards and as described in the agreement of purchase and sale, the price of which will be included in the purchase price of the Resort Unit. Purchasers will be required to pay retail sales tax and goods and services tax on the value of the furniture and equipment. Purchasers will not be permitted to make any modifications or additions to the Resort Units or the furniture, fixtures and equipment located therein. Pursuant to the Rental Pool Management Agreement described in Article 7 of this Disclosure Statement, each owner of a Resort Unit will be required to contribute a portion of Rental Pool revenues to a reserve fund to cover the cost of repairing and replacing the interior of the Resort Units and the furniture fixtures and equipment located therein in accordance with Hotel Standards.

3.15 Zoning and Hotel Approval

The Hotel is subject to a comprehensive scheme of land use regulation pursuant to the Township's Comprehensive Zoning By-law No. 87-87, as amended by By-law 97-173, By-law 2003-93 and By-law 2003-101 and Minor Variance A14/02. The permitted uses thereunder which are relevant to the Hotel include a Hotel, Motel, Restaurant or Tourist Resort (as such terms are defined in the By-law) and accessory uses thereto. The Resort Units and the Hotel have been designed and are intended to comply with the foregoing requirements. The Hotel will comply with all building restrictions, zoning regulations and other restrictions governing the use and development of the Hotel and the Units therein.

The Declarant has applied for amendments to the Official Plans of the District of Muskoka (the “**District**”) and the Township and intends to apply for an amendment to the Township’s zoning by-law to permit residential use in addition to the foregoing. Units which are zoned for residential purposes (which will not include Resort Units in Phases 1 and 2) will not be required to be part of a rental pool or rental management program and may be occupied by the owner year round.

3.16 Municipal Agreements/Applications

The existing and future use of the Resort Lands and the applications for site plan and condominium draft plan approval with respect thereto will be governed by municipal agreements as summarized below:

- (a) a site plan agreement between the Declarant and the Township that provides the framework for:
 - (i) phasing of the development;
 - (ii) matters affecting Township roads;
 - (iii) landscaping and retention of vegetation;
 - (iv) the provisions of walkways;
 - (v) stormwater management works;
 - (vi) sediment control during and after construction;
 - (vii) maintenance of emergency vehicle access routes, signing of fire routes and provision and maintenance of related works;
 - (viii) building elevations;
 - (ix) parking area surface dust control and access;
 - (x) lighting and signage;
 - (xi) garbage storage;
 - (xii) financial securities to ensure those items of public interest are completed; and
 - (xiii) the remedies available to the Township in the event of default by the Declarant or owners in their obligations under the agreement;
- (b) a site plan agreement between the Declarant and the District which will deal with matters affecting District roads including potential widenings and dedications thereof where required;

- (c) a financial responsibility agreement between the District and the Declarant which will deal with the provision of potable water and sewage works, the operation thereof, the implementation of an operation and maintenance program, the establishment of a reserve fund, possible transfer of ownership to the District and submission of annual reports related to the operation of potable water and sanitary sewage works;
- (d) a condominium agreement between the Declarant and the Township of Muskoka Lakes that will:
 - (i) deal with the maintenance of the commercial use of the Hotel and will ensure that the Resort Units remain open and available to the traveling or vacationing public as an integral part of the operation of a tourist resort while allowing owners the right to use the Resort Units in accordance with the agreement; and
 - (ii) ensure that Hotel guests have access to the Hotel facilities (including the Waterfront); and .
- (e) a servicing agreement between the Declarant and the District that will deal with matters relating to District roads, water and sanitary sewage works.

3.17 Condition of Soil and Subsoil

The Declarant is not aware of any dangers connected with the Hotel in respect of the condition of the soil or subsoil.

3.18 Utilities and Services

Hydro service will be located on and under the Hotel Lands and other lands owned by the Declarant and its affiliates. Water service for the Hotel will be provided through a service corridor running through the Hotel Lands and originating at a pump on **[the Phase 2 lands]** on the shore of Lake Rosseau. Evaporative cooling towers, chillers, boilers and a liquid propane gas storage area will form part of the Common Elements of the Residential Condominium and will be located in or adjacent to the Longview building (previously, they were to be located in a central plant). The Declarant will arrange for the provision of other utility services required for the Hotel (including, without limitation, storm and sanitary sewers, water and propane lines, emergency power generators, telephone lines, internet service and satellite television).

3.19 Water and Sewage Treatment Plant

The Declarant or one of its affiliates will construct, operate and maintain a water and sewage treatment plant (the “**Treatment Plant**”) in accordance with the requirements of the District and the Ministry of the Environment. The Treatment Plant will provide service for the Residential and Commercial Condominiums, the Waterfront and other developments forming part of Red Leaves.

There will be an easement for the benefit of the Treatment Plant to permit the maintenance, repair and replacement of sewage pumping equipment located in the Hotel, the water pump on the shore of Lake Rosseau and connecting water and sewer lines. Ownership of the pumping equipment and the water and sewer lines will be retained by the Declarant with the intention that they may be transferred to the District in conjunction with the possible transfer of the Treatment Plant to the District. The Declarant will use commercially reasonable efforts to cause the District to assume ownership of and responsibility for the operation and maintenance of the Treatment Plant. Until then, the costs of operating, maintaining, repairing and replacing the Treatment Plant, the pumping equipment and the water and sewer lines will be the responsibility of the Declarant and will be governed by the financial responsibility agreement referred to in paragraph 3.16(c) above.

Until the Treatment Plant is transferred to the District, each of the users of the Treatment Plant (including the Residential Condominium) will be charged a fee for the provision of water and sewage treatment. The fee payable by the Residential Corporation will initially be set at \$60.00 per Resort Unit per month (which will be included in Common Expenses) and may be subject to adjustment from time to time.

3.20 Continuing Sales and Marketing Program

Following the registration of the Declaration and description in the Land Registry Office, the Declarant will continue to carry out, for such period as the Declarant determines to be necessary or desirable in connection with the marketing of the Hotel, marketing and sales activities within the Common Elements and any Units owned or leased by the Declarant, including maintaining display suites, other display areas, parking areas and signage. The Declarant will act reasonably in exercising such rights and use reasonable efforts to minimize any interference with the use or enjoyment of the Common Elements.

3.21 No Amalgamation

To the knowledge of the Declarant, the Residential Corporation does not intend to amalgamate with another condominium corporation. The Declarant does not intend to cause the Residential Corporation to amalgamate with another condominium corporation at any time.

ARTICLE 4 - TITLE TO THE HOTEL

4.01 State of Title

- (a) The Declarant are, as of the date of this Disclosure Statement, the registered owners of the Hotel Lands.
- (b) At the time of entering into the agreements of purchase and sale, the encumbrances registered against title to the Hotel Lands will include the encumbrances listed as “**Existing Encumbrances**” in Exhibit B attached to this Disclosure Statement.

- (c) Title to the Hotel Lands will also be subject to the encumbrances listed in Exhibit B to this Disclosure Statement as “**Additional Encumbrances**”.

4.02 **Hotel Easement/Covenants**

The following easement and restrictive covenants will be registered against title to the Resort Units and Common Elements for the purpose of facilitating the operation of the Hotel and the Rental Pool:

(a) **Rental Pool Covenant**

Each of the Units will be encumbered by the Rental Pool Covenant which will provide *inter alia* that:

- (i) a Resort Unit may not be used for any purpose whatsoever other than personal use as permitted under the Rental Pool Management Agreement or for rental to the public as part of the Rental Pool under the Rental Pool Management Agreement;
- (ii) the Hotel Management Unit may only be used for the purpose of managing and operating the Hotel and the Rental Pool or as may otherwise be permitted under the Hotel Management Agreement.

A copy of the Rental Pool Covenant is attached to this Disclosure Statement as Exhibit F.

(b) **Hotel Easement and Restrictive Covenant Agreement**

The Residential Corporation and the Commercial Corporation will enter into a Hotel Easement and Restrictive Covenant Agreement with the Declarant as owner of the Hotel Management Unit providing, *inter alia*, for the following:

- (i) an easement over the Common Elements (including the Exclusive Use Common Elements) of the Residential Condominium and the common elements of the Commercial Condominium for the benefit of the Hotel Management Unit for the purpose of carrying out the normal duties and functions associated with the Rental Pool and maintaining, managing and operating the Hotel. This easement requires each of the Residential Corporation and the Commercial Corporation to maintain its Common Elements and other assets in compliance with Hotel Standards described in Article 8.02 and, if it fails to do so, permits the owner of the Hotel Management Unit, the Rental Pool Manager or the Hotel Operator to carry out such work at the expense of the Residential Corporation or the Commercial Corporation, as the case may be; and
- (ii) a restrictive covenant which will provide, *inter alia*, that no part of the Common Elements of either the Residential Condominium or the Commercial Condominium will be used for the purpose of providing front desk check-in/check-out, reservation, rental management or other services

relating to any accommodations business except by the owner of the Hotel Management Unit, the Rental Pool Manager or the Hotel Operator in conjunction with the provision of services from the Hotel Management Unit in relation to the Resort Units and the commercial units.

4.03 Construction Financing

The Declarant will arrange construction financing for the Hotel to be secured by a mortgage or mortgages and related security.

4.04 No Liabilities

There is no outstanding litigation or contingent liability in respect of the Hotel or against the Declarant which may affect the Hotel Lands or the Units.

ARTICLE 5 - FINANCIAL MATTERS

5.01 Deposits

Reservation deposits, if any, paid by purchasers or prospective purchasers will be returned prior to entering into an agreement of purchase and sale.

The Declarant will enroll the proposed Resort Units and Common Elements of the proposed Residential Condominium in the Plan within the meaning of the *Ontario New Home Warranties Plan Act*, R.S.O. 1990, c. 0.31 (the "*Warranty Act*").

Repayment of deposits paid by a purchaser for a Resort Unit to a maximum of \$20,000 is guaranteed by Tarion Warranty Corporation ("**Tarion**") in accordance with the *Warranty Act*. Accordingly, the initial deposit or deposits paid by a purchaser up to a total of \$20,000 will be paid to the Declarant.

All deposits in excess of \$20,000 will be held by the law firm, Baker Schneider Ruggiero LLP, in trust, until completion or other termination of the agreement provided that the same may be released to the Declarant if security is delivered to the purchaser as prescribed under the *Warranty Act* to guarantee repayment of such excess deposits to the purchaser. In this regard, the Declarant intends to arrange for excess deposit insurance in accordance with the *Warranty Act*. The Declarant will pay all premiums therefor.

In accordance with section 82 of the *Condominium Act*, the Declarant will pay interest at the prescribed rate to the purchaser of a Resort Unit from the date of receipt of each deposit under the agreement of purchase and sale until the date the Resort Unit is available for occupancy by the purchaser. Under subsection 82(8) of the *Condominium Act*, the Declarant is entitled to retain the excess, if any, of all interest earned on money held in trust over the interest required to be paid the purchaser as aforesaid.

The total deposits due to the purchaser will be credited against the purchase price on closing and will otherwise be subject to the terms of the agreement of purchase and sale.

5.02 Realty Taxes

Each Resort Unit owner will be responsible for real property taxes levied against his Resort Unit. Realty taxes levied against the Hotel Management Unit will be paid by the Rental Pool Manager. Property taxes are levied by and payable to the Township and under current legislation will be based on commercial assessment and taxation rates.

5.03 Common Expenses

“Common Expenses” are expenses incurred by the Residential Corporation in the performance of its objects and duties and any other expenses specified as such in this Disclosure Statement (including the Declaration). Included in the Common Expenses will be the costs of supplying utilities to the Units including heating and cooling, electricity, propane and water. Owners of Resort Units and the Hotel Management Unit will be responsible for paying to the Residential Corporation a share of such Common Expenses as specified in the Declaration. The percentage contribution attributable to each Resort Unit and the Hotel Management Unit has been determined by the proportion that the area of each such Unit bears to the aggregate area of all such Units. Schedule D1 to the draft Declaration attached to this Disclosure Statement as Exhibit C sets forth the proposed proportions in which the owners of Units are to contribute to the Common Expenses for Phase 1 of the Residential Condominium. Schedule D2 sets forth the proposed proportions that will apply to the Units when the amendment adding Phase 2 to the Residential Condominium has been registered. If the areas of the Resort Units are changed or if any of Phases 3, 4 and 5 are added to the Residential Condominium, then the proposed proportions will be adjusted appropriately.

5.04 Common Interests

The Common Interests for each Resort Unit will be apportioned on the basis of the relative value of each Resort Unit. Common Interests are used primarily to allocate the share attributable to each Resort Unit of net rental revenues of the Rental Pool and of insurance proceeds and other assets upon termination of the Residential Condominium (if termination should occur). Schedule D1 to the draft Declaration attached to this Disclosure Statement as Exhibit C sets forth the proposed proportions of Common Interests attributable to Resort Units for Phase 1 of the Residential Condominium. Schedule D2 sets forth the proposed proportions that will apply to the Resort Units when the amendment adding Phase 2 to the Residential Condominium has been registered. If any of Phases 3, 4 and 5 are added to the Residential Condominium, the proposed proportions will be adjusted appropriately.

Many Resort Units have an appurtenant Common Interest which differs by more than ten percent (10%) from that appurtenant to other Resort Units of the same type, size and design. The Units affected are listed in Exhibit N attached hereto.

In addition, note that the Hotel Management Unit will have a “zero” Common Interest appurtenant to it.

5.05 Budget Statement

ask call possible
A budget statement in accordance with the provisions of subsection 72(6) of the *Condominium Act* for the one year periods immediately following registration of the Declaration and of the amendment adding Phase 2 to the Residential Condominium is attached to this Disclosure Statement as Exhibit H. The Declarant will pay to the Residential Corporation (i) the amount, if any, by which the actual expenditures for items covered by the budget statement respecting Phase 1 exceed the total set forth in the budget statement for the first year following registration of the Declaration; and (ii) the proportionate share attributable to the Phase 2 Resort Units (based on relative contributions to Common Expenses) of the amount, if any, by which the actual expenditures for items covered by the budget statement respecting Phases 1 and 2 combined exceed the total set forth in the budget statement for the first year following registration of the amendment to the Declaration adding Phase 2 to the Residential Condominium. There are no fees or charges that the Residential Corporation is required to pay to the Declarant or any other person except for the management fees, insurance trust fees, contributions under the Shared Facilities Agreement and fees payable for water and sewage treatment, all as set forth in the budget statement.

5.06 Other Charges

Because direct services are not readily available, the Rental Pool Manager will provide telephone, internet and satellite television service to the Resort Units for a bundled monthly fee, initially set at \$75.00 per month which may be subject to adjustment from time to time. The Rental Pool Manager may arrange for direct provision of one or more of such services as they become available. Until such time, owners of Resort Units will not receive a bill from local service providers for such services.

5.07 Insurance - *in condo fees*

(a) Effective as of the Opening Date of the Hotel (as that term is defined in Article 7.01 hereof) the Residential Corporation will be required to procure and maintain insurance covering property damage, business interruption and commercial general liability and such other insurance as is described in Section 18 of the Declaration attached to this Disclosure Statement as Exhibit C. The Declarant intends to request Marriott to arrange and provide such insurance under and pursuant to its blanket insurance programs. The policies will provide property damage coverage for the Hotel including the Common Elements and other assets of the Residential Corporation and the Resort Units and the Unit FF&E located therein, as well as general liability insurance in connection with the operations of the Hotel including the renting of Resort Units as part of the Rental Pool. In addition, the Residential Corporation will also be required to provide and maintain the following insurance coverage:

- (i) its own comprehensive general public liability insurance for a combined single limit of not less than \$10 million US dollars; and

- (ii) errors and omissions, insurance for the Residential Corporation's directors and officers.
- (b) Each owner of a Resort Unit will be required to obtain insurance to protect his or her additional living expenses, personal property and effects and personal liability.
- (c) The Rental Pool Manager will have the right from time to time to make an election to have the Hotel opt out of the Marriott property insurance program, in which case the Residential Corporation will be obliged to obtain the required insurance from other insurers. The premiums for such insurance will be paid by the Residential Corporation and included in Common Expenses. After at least three calendar years, the Rental Pool Manager may elect to have the Hotel re-join the Marriott property insurance program provided it then satisfies the applicable criteria for admission to such program (as established by the program's insurance carriers).

5.08 Red Leaves Resort Association

The Declarant and its affiliates are contemplating the development of a resort community as part of the proposed Red Leaves resort. They have incorporated a resort association (the "**Resort Association**") similar to that existing at the Village at Blue Mountain near Collingwood, Ontario. An application for special legislation from the Province of Ontario similar to the *Blue Mountain Village Association Act*, S.O. 1999, c. Pr10 is being reviewed by the Province for submission to the legislature at its fall sitting. The Act, if enacted, will require all persons having a real property interest in lands covered by the Act ("**Resort Lands**") to be members of the Resort Association. All purchasers of Resort Units will be required to agree that the Resort Units and the Hotel Lands will be included as Resort Lands under the Act if enacted. In addition, the Commercial Condominium and the Waterfront will be included within the Resort Lands and will be subject to the Act.

The purposes of the Resort Association will include maintaining and managing the Resort Lands, creating events and animation at the Resort including attractions and recreational activities throughout the year, marketing the Red Leaves resort and providing a number of guest services related to the operation of the resort, such as information services, security, garbage collection and transportation services. The following is a summary of some of the matters that would be covered by the Act and the general by-law of the Resort Association:

- (a) The Resort Association will be governed by a board of directors, who will be elected from different categories of membership in the Resort Association.
- (b) All members of the Resort Association will be required to pay basic annual fees to the Resort Association which will be based upon the amount estimated by the board as being required to cover the costs of the Resort Association which are not funded by other fees which may be levied against and paid by the various classes of members, including royalty fees on rentals and sales and entry fees. However,

prior to April 30, 2010, the basic fee payable by each member owning a residential property will not exceed \$1.00 per square foot of the floor area thereof.

- (c) Rentals of Resort Units will be subject to royalty fees payable to the Resort Association equal to 2% of the room rental revenues. The owners and their rental manager will be equally responsible for payment of the royalty fees which are expected to be passed on to the rental guests as an additional charge.
- (d) Finally, every purchaser who enters into an agreement after July 31, 2006 to purchase a Resort Unit from the Declarant will be required to pay an entry fee to the Resort Association equal to 0.25% of the purchase price paid for the Resort Unit (excluding the value of the personal property). The Declarant will pay an equal amount to the Resort Association in respect of each such purchase. Thereafter, on a resale of the Resort Unit, with certain limited exceptions, the new purchaser will be required to pay an entry fee equal to 2% of the purchase price paid for the Resort Unit (excluding the value of the personal property).
- (e) All fees payable to the Resort Association are subject to GST.
- (f) The Resort Association will have the right to register a lien against the property of a member who is in default of paying fees.
- (g) Each owner of a residential property (including the Resort Units) will have voting rights at meetings of members of the Resort Association that are based on the amount of fees payable by him or her.

ARTICLE 6 - PROPOSED CONDOMINIUM DOCUMENTS

Pursuant to the *Condominium Act*, the Declarant is required to provide a copy of the proposed Declaration, by-laws and rules governing the use of the Common Elements and the Units. Attached to this Disclosure Statement as Exhibits C, D, and E are copies of those proposed documents. The Declarant reserves the right to amend and supplement any of these proposed documents prior to registration of the Declaration and description.

ARTICLE 7 - REAL ESTATE SECURITIES ASPECT OF THE OFFERING

7.01 Definitions

In this Article 7 the following terms have the following meanings:

- (a) “**Expiry Date**” means the last day of the Term (including extensions thereof, if applicable), it being intended that all the Rental Pool Management Agreements will have the same Expiry Date;
- (b) “**Fiscal Year**” means the Hotel Operator’s Fiscal Year which, as of the date of this Agreement, ends at midnight on Friday closest to December 31 in each calendar year; the new Fiscal Year begins on Saturday immediately following said Friday. Any partial Fiscal Year between the Opening Date and the commencement of the first full Fiscal Year constitutes a separate Fiscal Year. A

partial Fiscal Year between the end of the last full Fiscal Year and the date of termination of this Agreement shall also constitute a separate Fiscal Year;

- (c) **"Hotel Operator"** means Marriott or an affiliate of Marriott International, Inc. and, if the Hotel Operator is replaced pursuant to subsection 2.11(2) of the Rental Pool Management Agreement, shall mean such replacement;
- (d) **"Opening Date"** means the date on which paying overnight guests are first admitted to the Hotel by the Hotel Operator, which date shall be established and certified by the Hotel Operator;
- (e) **"Rental Pool"** means the arrangement established by the Rental Pool Agreements pursuant to which the Resort Units in the Hotel are rented to the general public on behalf of the owners thereof and each owner receives a proportionate share of all rental income generated by the arrangement after deduction of certain expenses;
- (f) **"Rental Pool Agreements"** means, collectively, the Rental Pool Management Agreements, the Declaration and the Rental Pool Covenant;
- (g) **"Rental Pool Covenant"** means the covenant in respect of the rental of the Resort Units to be registered against title thereto in the form set forth in Exhibit F to this Disclosure Statement;
- (h) **"Rental Pool Management Agreements"** means the rental pool management agreements to be entered into by the owners of the Resort Units with the Rental Pool Manager providing for participation of the Resort Units in the Rental Pool;
- (i) **"Rental Pool Manager"** means the rental pool manager appointed to manage the Rental Pool under the Rental Pool Management Agreements. The initial Rental Pool Manager will be The Rosseau Resort Management Services Inc.;
- (j) **"Term"** means, with respect to each Rental Pool Management Agreement, an initial period commencing on the later of the execution of the Rental Pool Management Agreement and the Opening Date and terminating, unless terminated earlier in accordance with the Rental Pool Management Agreement, at midnight on the last day of the 25th full Fiscal Year (disregarding the initial Fiscal Year of less than 12 calendar months) after the Opening Date and includes four extension terms of 10 Fiscal Years each unless the Rental Pool Manager gives written notice at least 180 days prior to any of the extension terms that it does not wish to extend the Term;

Other capitalized terms used in this Article 7 shall, unless otherwise defined in this Disclosure Statement, have the meanings attributed thereto in the Rental Pool Management Agreement, the form of which is attached to this Disclosure Statement as Exhibit L.

7.02 The Offering and the Rental Pool

The Declarant has arranged for The Rosseau Resort Management Services Inc. to act as Rental Pool Manager with the exclusive right to manage the rental of the Resort Units as part of the Rental Pool in the Hotel. The Rental Pool Manager has appointed the Hotel Operator pursuant to the Hotel Management Agreement to perform a substantial portion of the obligations of the Rental Pool Manager under the Rental Pool Management Agreements. The Hotel Operator will generally be responsible for managing the rental of the Resort Units in accordance with the requirements of the Rental Pool Agreements and will hire all staff necessary for the management and operation of the Hotel.

Except as described in Article 7.03, it will be mandatory for all purchasers of Resort Units to use the services of the Rental Pool Manager in accordance with the requirements of the Rental Pool Agreements. Every purchaser of a Resort Unit will be required to enter into a Rental Pool Management Agreement prior to or concurrently with the purchase of the Resort Unit. Each Rental Pool Management Agreement will be substantially in the form attached hereto as Exhibit L.

The Hotel Management Unit will include the front desk and administrative offices, and the Exclusive Use Common Elements appurtenant to the Hotel Management Unit will include the Parking Facilities and other facilities described in paragraph 3.10 as well as any other areas of the Hotel required or desirable for management of the Rental Pool.

The Hotel Operator will lease the Hotel Management Unit during the term of the Rental Pool Management Agreements, including renewals. The Rental Pool Manager will lease the Conference Centre for an initial term of 25 years together with rights of renewal for a further 25 years.

7.03 Optional Participation

As described in Article 3.15, the Declarant has applied for amendments to the Official Plans of the District and the Township and intends to apply for an amendment to the Township's zoning by-law to permit some or all of the residential units in Phases 3, 4 and 5 to be used for residential purposes. Subject to those amendments being approved and coming into force and subject to the approval of the Hotel Operator, if any of Phases 3, 4 and 5 are included in the Residential Condominium, a purchaser of a Resort Unit in those phases (whether such purchase is from the Declarant or from a subsequent owner of the Resort Unit) may be permitted at the time of purchase to elect to withdraw the Resort Unit from the Rental Pool on a "first come, first serve" basis, provided that, at all times, a specified percentage or minimum number of Resort Units (to be determined) remain in the Rental Pool. In that case, appropriate amendments will be made to the form of the Rental Pool Management Agreements for the Resort Units in those Phases. Notwithstanding that a purchaser has elected to withdraw a Resort Unit from the Rental Pool, that purchaser will still be required to sign or assume a Rental Pool Management Agreement for such Resort Unit.

If the Resort Unit has been withdrawn from the Rental Pool, it will remain withdrawn therefrom except that a subsequent purchaser may elect to have the Resort Unit re-join

the Rental Pool provided that the Resort Unit and the furniture, fixtures and equipment therein are brought into compliance with the Hotel Standards to the satisfaction of the Hotel Operator.

All of the Resort Units in the Longview building and Paignton House will be required to be enrolled in the Rental Pool at all times and will not be permitted at any time to be withdrawn from the Rental Pool. If Phases 3, 4 and 5 are not included in the Residential Condominium, the residential units in those Phases will not be included in the Rental Pool.

7.04 Nature of the Business

The Resort Units, together with the Rental Pool Agreements, will provide owners of Resort Units with a means to participate in the Rental Pool.

The Adjusted Gross Revenue generated from the operation of the Rental Pool will be allocated among the owners of Resort Units in the Rental Pool from time to time in accordance with each owner's Common Interest and otherwise in the manner set out in the Rental Pool Agreements. Any monies to which an owner is entitled will be subject to deductions and remittances including the Rental Pool Management Fee payable to the Rental Pool Manager (described in paragraph 7.06(f)(iv) below) and applicable taxes (such as GST and withholding taxes).

7.05 Financial Statements

The operation of the Rental Pool will not commence until the Opening Date. As a result, there are no financial statements for the Rental Pool as of the date of this Disclosure Statement.

7.06 Description of the Rental Pool Management Agreement

The following paragraphs are intended, in plain language, to describe the material features of the Rental Pool Management Agreement; however, prospective purchasers should carefully read the Rental Pool Management Agreement, which will be substantially in the form attached as Exhibit L to this Disclosure Statement.

- (a) Rental Pool. At the date of this Disclosure Statement, the zoning applicable to the Hotel requires that the Resort Units be available at all times for rental to the travelling or vacationing public. The Township will require that the condominium agreement (described in paragraph 3.16(d) above) be registered against title to the Hotel which will restrict the number of days that an owner of a Resort Unit may occupy it during each summer season. In order to comply with these requirements, every purchaser of a Resort Unit will be required to enter into a Rental Pool Management Agreement with the Rental Pool Manager.

The Rental Pool Management Agreement contains provisions respecting use by the owner and availability of the Resort Unit for rental to the public. All of the

Resort Units are required to be enrolled in the Rental Pool and available for rental to the public except during periods of owner use.

Prospective purchasers should carefully review Article 7 of the Rental Pool Management Agreement which sets forth the rights of owners to use the Resort Units and the restrictions thereon, as well as the rights of the Rental Pool Manager to rent the Resort Units to the public and the restrictions thereon.

- (b) Reservations. Owners may make reservations six months in advance for use of their Resort Unit, if it is available. In addition, an owner will be able to reserve use of the Resort Unit on not more than 30 (and not less than 7) days notice if it is available and reservations in the Hotel do not exceed 80% of all Resort Units.

The Rental Pool Manager has the right to accept reservations in advance for the Resort Units subject to certain restrictions. If a Resort Unit has already been reserved by the public when an owner attempts to reserve it, the Rental Pool Manager may offer the owner a reservation for a Resort Unit of a similar type.

- (c) Limitations on Owner Use. An owner may not use the Resort Unit for more than 14 days in any of the winter, spring and fall seasons. An owner will have three options for use of the Resort Unit during the summer season which in turn will affect the amount of the Rental Pool Management Fee payable by that owner pursuant to Section 4.1 of the Rental Pool Management Agreement for the year commencing on June 15 in that summer season. The options are as follows:

<u>Option</u>	<u>Maximum Permitted Owner Use</u>	<u>Rental Pool Management Fee</u>
Option 1	7 days	46%
Option 2	14 days	48%
Option 3	21 days	50%

The option must be exercised by written notice to the Rental Pool Manager received by December 15 in the year preceding the summer season, failing which the owner will be deemed to have elected Option 2.

An Owner may also use the Resort Unit on days in excess of the foregoing limits where the reservation is made not more than 7 days in advance and the Resort Unit has not already been reserved by the public.

In any event, the Township's condominium agreement referred to in Article 3.16(d) will restrict occupancy by an owner to not more than 30 days in the summer season.

(d) Restrictions on Owner Use. Some of the other restrictions on use by an owner of a Resort Unit include:

- (i) a reservation must be for at least two days (except where the reservation is made 7 days or less in advance);
- (ii) reservations in each season must include a stay of at least seven consecutive days;
- (iii) an owner may only reserve one of the holiday weekends in the summer season;
- (iv) if the owner has chosen Option 3 (as described in paragraph 7.06(c) hereof) for any summer season, the owner's reservations during that summer season must include at least two periods of seven consecutive days (which may also be consecutive);
- (v) an owner may reserve either Thanksgiving weekend or Easter weekend but not both; and
- (vi) an owner may reserve Christmas Day or New Year's Day but not both.

Purchasers should refer to Article 7 of the Rental Pool Management Agreement and section 11 of the Declaration for specific details of the foregoing as well as other restrictions on owner usage.

Certain Resort Units (the "**Lock-Off Units**") will have a separate room that can be locked and separately accessed. As detailed in the Rental Pool Management Agreement attached as Exhibit L, occupation of part of a Lock-Off Unit by the owner will be deemed to be occupation of the entire Lock-Off Unit for the purposes of calculating the number of days of permitted occupancy by the owner.

No owner of a Resort Unit may at any time lease or permit occupation of his Unit (other than by members of his immediate family and, except for reservations made 7 days or less in advance, by non-paying guests) except pursuant to a Rental Pool Management Agreement as part of the Rental Pool.

(e) Housekeeping Charges. As detailed in Section 7.4 of the Rental Pool Management Agreement, when an owner or member of his or her family or non-paying guests use a Resort Unit, they will be required to utilize and pay for the basic daily housekeeping services provided by the Rental Pool Manager. Such services may be upgraded for a higher cost. In addition, a departure cleaning fee will be payable upon completion of their stay. Finally, the owner of the Resort Unit will be responsible for the cost of an annual "deep cleaning" of the Resort Unit.

(f) Rental Pool Management Agreement. As described in paragraph 7.06(a) hereof, it is mandatory for each Resort Unit owner to enter into a Rental Pool Management Agreement with the Rental Pool Manager. The Rental Pool Management Agreement will be substantially in the form attached as Exhibit L to this Disclosure Statement.

Section 3.2 of the Rental Pool Management Agreement includes definitions for the following terms:

“Gross Rental Pool Revenues” generally means the gross rental revenues generated in the Rental Pool from the rental of Resort Units to the Hotel guests and the use of the Conference Centre excluding certain types of revenue as described therein.

“Adjusted Gross Revenue” generally means the Gross Rental Pool Revenue less certain expenses of operating the Rental Pool including base royalty fees, incentive fees, reservation fees and marketing fees and other corporate charges as described in Article 8.03 payable to the Hotel Operator and its affiliates under the Marriott Agreements (as defined in Article 8.01); a corporate advertising charge payable to the Rental Pool Manager; payments by the Rental Pool Manager as tenant under the Conference Centre Lease; and all other normal and reasonable costs, if any, incurred by the Rental Pool Manager in operating the Rental Pool in order to generate Gross Rental Pool Revenue.

“Unit Revenue Share” generally means the share of Adjusted Gross Revenue for the days that a Resort Unit is in the Rental Pool based on the Common Interest for such Resort Unit.

“Owner’s Net Rental Revenue” generally means fifty percent (50%) of the Unit Revenue Share (after deduction of the Rental Pool Management Fee pursuant to section 4.1 of the Rental Pool Management Agreement) less contributions to a reserve fund for repair and replacement of the furniture, fixtures and equipment in the Resort Units and deduction of other expenses paid on behalf of the owner relating to the Resort Unit as detailed in section 3.2(4) of the Rental Pool Management Agreement.

Reference should be made to the Rental Pool Management Agreement for the exact definitions.

The Rental Pool Management Agreement provides that:

- (i) each Resort Unit owner is responsible for a proportionate share of certain expenses incurred in operating the Rental Pool (as set out in the Rental Pool Management Agreement) which will be deducted by the Rental Pool Manager in order to arrive at the Adjusted Gross Revenues generated by the Rental Pool.
- (ii) the owner of a Resort Unit will be responsible for direct expenses of ownership including personal financing costs, realty taxes, telecommunication services and Common Expenses payable to the Residential Corporation. Common Expenses and charges for telecommunication services will be paid on the owner’s behalf from the Owner’s Net Rental Revenue;

- (iii) each Resort Unit owner is entitled to payment each month of a proportionate share of Adjusted Gross Revenues in accordance with such owner's Common Interest. Where an owner is in occupation of part of his Lock-Off Unit and the other part is in the Rental Pool, then the Common Interest attributable to that Lock-Off Unit for the purposes of calculating his share of Adjusted Gross Revenues will be proportionately reduced;
- (iv) the Rental Pool Manager is entitled to a management fee as described in paragraph 7.06(c) above from which it will be responsible for payment of certain expenses as further detailed in Exhibit L attached to this Disclosure Statement;
- (v) the owner of a Resort Unit and his non-paying guests may use the Resort Unit in accordance with the provisions of the Rental Pool Management Agreement and the Declaration (see paragraph 7.06(d) hereof);
- (vi) the term of each Rental Pool Management Agreement will commence on the later of the execution of the Rental Pool Management Agreement and the Opening Date and will continue until the Expiry Date (it being acknowledged that all the Rental Pool Management Agreements will terminate on the same Expiry Date);
- (vii) the Rental Pool Manager may terminate its appointment under the Rental Pool Management Agreements on 180 days written notice effective at the end of the initial term or any renewal term;
- (viii) the owners of the Resort Units may terminate the appointment of the Rental Pool Manager under the Rental Pool Management Agreements in the event of continuing default by the Rental Pool Manager after notice or in the case of the bankruptcy or insolvency of the Rental Pool Manager provided that at least three-quarters of the owners of the Resort Units have approved such termination. If the appointment of the Rental Pool Manager is terminated, the Hotel Operator has the right to appoint a replacement rental pool manager;
- (ix) the Rental Pool Manager will provide each owner of a Resort Unit with:
 - (A) annual audited financial statements for the Rental Pool on or before the 140th day after the end of each Fiscal Year of the Rental Pool;
 - (B) quarterly unaudited financial statements for the Rental Pool within 60 days after the end of each quarterly period; and
 - (C) the statements described in paragraph 7.06(f)(xiv) below.

The cost of the aforementioned statements and audits for each Rental Year will be charged as an expense to the owners of the Resort Units;

- (x) an owner shall notify the Rental Pool Manager of a proposed sale of a Resort Unit prior to selling it, and shall notify subsequent prospective purchasers of their right to obtain from the Rental Pool Manager the financial information about the Rental Pool described in paragraph 7.06(f)(xi) below and the applicable disclosure document described in paragraph 7.06(f)(xii) or (xiii), as the case may be;
 - (xi) the Rental Pool Manager will deliver to subsequent prospective purchasers of a Resort Unit, prior to an agreement of purchase and sale being entered into, the most recent audited annual financial statements (which include comparative financial statements for the prior year) for the Rental Pool and interim unaudited financial statements for any interim periods after the most recent Fiscal Year;
 - (xii) the Rental Pool Manager will deliver to subsequent prospective purchasers upon reasonable notice of an intended sale by the owner of a Resort Unit before an agreement of purchase and sale is entered into, where the sale occurs within 12 months after, or prior to, the issuance of permission to occupy the Resort Unit, a copy of this Disclosure Statement and all amendments thereto;
 - (xiii) the Rental Pool Manager will deliver to subsequent prospective purchasers, upon reasonable notice of an intended sale by the owner of a Resort Unit, before an agreement of purchase and sale is entered into, where the sale occurs after 12 months from the date of the issuance of permission to occupy the Resort Unit, a summary disclosure statement in the form described in the Exemption Ruling (as defined in Article 7.07 hereof);
 - (xiv) the Rental Pool Manager will provide statements for each Accounting Period to each owner with respect to Gross Rental Pool Revenue, Adjusted Gross Revenue, the Unit Revenue Share, the Rental Pool Management Fee, and the Owner's Net Rental Revenue (as defined in the Rental Pool Management Agreement) and the Rental Pool Manager will distribute Owner's Net Rental Revenue within 30 days of the end of each Accounting Period (as defined in the Rental Pool Management Agreement); and
 - (xv) each successor in title to the owner of a Resort Unit will be required to assume such owner's responsibilities under the applicable Rental Pool Management Agreement as a condition of sale.
- (g) Guarantee. As provided in Section 5.12 of the Rental Pool Management Agreements, the Rental Pool Manager will pay the amount, if any, by which the costs (as detailed in Section 3.2(2) of the Rental Pool Management Agreements) exceed the Gross Rental Pool Revenue during any Fiscal Year.

7.07 Exempt Offering

The offering and sale in Ontario of the Resort Units will be made in reliance upon exemptions from the dealer registration and prospectus requirements of the Securities Act (Ontario) (the “**Securities Act**”). The Declarant has obtained a ruling of the Ontario Securities Commission (the “**Commission**”) dated April 13, 2004 (the “**Exemption Ruling**”) to accommodate the exempt sale and resale of the Resort Units subject to certain terms and conditions. A copy of the Exemption Ruling is attached as Exhibit K to this Disclosure Statement.

The Exemption Ruling exempts the sale or distribution of Resort Units by the Declarant, the Rental Pool Manager or an agent that is under the *Real Estate and Business Brokers Act* (Ontario) (“**Licensed Agents**”) from the registration and prospectus requirements of the Securities Act subject to compliance with all other terms and conditions of the Exemption Ruling. As a result of the Exemption Ruling, (i) prospective purchasers of the Resort Units will be precluded from making use of statutory civil remedies available under such laws and regulations; (ii) the Declarant is exempt from certain continuous disclosure and other obligations that would otherwise apply under such laws and regulations; (iii) prospective purchasers will not receive certain benefits associated with a purchase of securities distributed under a prospectus, including the prior review of the prospectus by securities regulatory authorities and; (iv) prospective purchasers may not receive certain other information that would otherwise be required to be provided to the purchasers under such laws and regulations. The Exemption Ruling does, however, provide that Resort Units may only be offered for sale, and sold, to persons or companies located in Ontario if this Disclosure Statement complies with the form and content requirements of the Exemption Ruling, a copy of this Disclosure Statement is delivered to each purchaser of a Resort Unit, along with a copy of the Exemption Ruling, prior to completion of a purchase transaction, and each purchaser of a Resort Unit is granted the contractual right of action that is described in Article 11 below.

7.08 Resales

The Exemption Ruling also provides that any resale of a Resort Unit by an owner who acquired the Resort Unit pursuant to the Exemption Ruling will be subject to the dealer registration and prospectus requirements of the Ontario Act unless the resale is also conducted in accordance with certain terms and conditions prescribed by the Exemption Ruling. The Exemption Ruling then goes on to provide that any resale of a Resort Unit so acquired by an owner (other than the Declarant or an agent of the Declarant) or an agent of the owner that is licensed under the *Real Estate and Business Brokers Act* (Ontario) (the “**Owner’s Agent**”) will be exempt from the dealer registration and prospectus requirements of the Ontario Act provided that the owner provides the Rental Pool Manager with notice of the owner’s intention to sell his or her Resort Unit; the prospective purchaser receives the appropriate documents and information referred to in paragraphs 40 and 41 of the Exemption Ruling; and the owner and the Owner’s Agent do not advertise the expected economic benefits of the Rental Pool Management Agreement to a prospective purchaser.

The Rental Pool Agreements will impose an irrevocable obligation on the owner of a Resort Unit to provide the Rental Pool Manager with reasonable notice of any proposed sale of the Resort Unit and to also provide any subsequent prospective purchaser of the Resort Unit with notice of his or her right to obtain the financial information and disclosure documentation that is described in paragraph 7.06(f)(x). The Rental Pool Management Agreements will also impose an irrevocable obligation on the Rental Pool Manager to either provide, or cause the Declarant to provide, to a subsequent prospective purchaser of a Resort Unit the financial information and disclosure documentation that is described in paragraph 7.06 (f)(x) after receiving reasonable notice of the intended sale of the Resort Unit to the subsequent prospective purchaser. The financial information and disclosure documentation must be provided to the subsequent prospective purchaser before an agreement of purchase and sale is entered into.

Resort Units have not been qualified for distribution or resale in any jurisdiction other than Ontario. The resale of Resort Units in any other jurisdiction may therefore be subject to registration requirements, prospectus requirements and resale restrictions imposed by the relevant jurisdiction and may therefore have to be made in reliance upon exemptions, if any, from registration and/or prospectus requirements imposed by applicable securities laws. Purchasers of Resort Units should therefore consult with their legal advisors to obtain an assessment of the restrictions that may apply in respect of any resale of Resort Units and to determine the possibility of utilizing any statutory exemption or obtaining a discretionary exemption order. The Declarant makes no representations in respect of, nor assumes any liability for, the availability of any such exemptions.

7.09 Experience of the Rental Pool Manager

The Rental Pool Manager is a newly incorporated entity and therefore does not have any prior history of managing rentals or rental pools. However, under the Hotel Management Agreement, a substantial portion of the rights and obligations of the Rental Pool Manager have been delegated to Marriott as the Hotel Operator.

Marriott International Inc. is a leading worldwide hospitality company with nearly 2800 lodging properties in the United States and 69 other countries and territories. Marriott has been in the business of managing and franchising hotels in Canada since 1986. At the end of 2005, Marriott had 48 properties in Canada operating and franchised under the Marriott, The Ritz Carlton, Renaissance, Residence Inn, Courtyard, Fairfield Inn and Springhill Suites brand names.

7.10 Risk Factors

The following factors should be considered carefully before purchasing a Resort Unit:

- (a) a Resort Unit evidences an interest in both real estate and a security, each of which is, by its nature, a speculative investment. Accordingly, if a purchaser is purchasing a Resort Unit as an investment, the purchaser should be aware that this investment has not only the usual risks associated with a purchase of real estate, but also those risks that are associated with an investment in securities;

- (b) the Resort Units are being sold by the Declarant in reliance upon exemptions from the dealer registration and prospectus requirements of the Ontario Act, the Resort Units are therefore subject to resale restrictions that may, or may not, be possible to address and there can be no assurance that there will be a market for the resale of Resort Units;
- (c) real estate developments are generally subject to varying degrees of risk including changes in general economic conditions, local supply and demand conditions, the attractiveness of the property to potential owners or guests, competition from others and the degree of liquidity of real estate;
- (d) there can be no assurance that an owner of a Resort Unit will receive any income from the Rental Pool;
- (e) the success or failure of the Rental Pool will depend in part on the abilities of the Rental Pool Manager and the Hotel Operator. The Rental Pool Manager does not have prior experience in the hotel and hospitality industry and has appointed Marriott, as Hotel Operator, to manage the Hotel and assist in its design;
- (f) the ongoing interests of the Declarant and its affiliates in the Hotel provide a potential for conflict between their interests and the interests of the owners of the Resort Units as described in Article 9.02;
- (g) the Hotel and the Rental Pool itself must be regarded as a new venture which has no prior record of achieving its business objectives;
- (h) the success or failure of the Rental Pool will depend in part on the successful development of the Hotel and of Red Leaves as a four-seasons destination resort;
- (i) the ability of the Declarant to complete the construction of the Hotel depends upon its ability to arrange adequate financing to construct the Hotel;
- (j) the Rental Pool Manager is a single purpose entity which has no assets. Therefore its ability to fulfill its obligations to fund the ongoing operations of the Rental Pool may depend on its ability to arrange other sources of financing;
- (k) if the subsequent Phases on the balance of the Resort Lands are not developed or if any developments on the balance of the Resort Lands are not included in the Residential Condominium, the commercial viability of the Hotel and the Rental Pool may be negatively impacted;
- (l) the business of operating a Rental Pool is competitive and there can be no assurance that the Rental Pool will be able to generate any specific levels of revenue;
- (m) the rights of owners of Resort Units to participate in the management of the business of the Rental Pool and to terminate the Rental Pool Manager will be considerably restricted in order to maintain the integrity of the Rental Pool;

- (n) adverse weather conditions can result in a decline in the number of visitors to the Hotel and thereby adversely impact the financial performance of the Rental Pool;
- (o) the Declarant's assets consist only of lands intended to be included in the Hotel and the Waterfront;
- (p) Marriott has various rights to terminate the Marriott Agreements as outlined in Article 8.05 of this Disclosure Statement (including if the Declarant or the Resort Unit owners fails to make up any shortfall in the Unit FF&E Reserve Fund or if the Residential Corporation fails to provide the funds necessary to maintain the Common Elements and its other assets up to the Hotel Standards); and
- (q) the Declarant and the Rental Pool Manager have certain rights to terminate the Marriott Agreements on account of Marriott's failure to perform as outlined in Article 8.06.

ARTICLE 8 - MARRIOTT HOTEL AGREEMENTS

8.01 Marriott Agreements

The Declarant and the Rental Pool Manager have entered into a Hotel Management Agreement (the "**Hotel Management Agreement**") with Marriott Hotels of Canada, Ltd. ("**Marriott**") amended and restated as of [December 1, 2005] pursuant to which Marriott has been engaged to manage and operate the Hotel. The Hotel Management Agreement is for an initial term of twenty-five (25) Fiscal Years after the Fiscal Year in which the Opening Date (as such terms are defined in Section 7.01 of this Disclosure Statement) occurs and will be automatically renewed for four (4) successive periods of ten (10) Fiscal Years each unless Marriott gives notice of its election not to renew.

In conjunction with the Hotel Management Agreement, the Declarant and the Rental Pool Manager have also entered into the following agreements with International Hotel Licensing Company S.À.R.L. ("**IHLC**"), an affiliate of Marriott:

- (a) an International Services Agreement pursuant to which IHLC will provide to the Hotel certain services that are furnished generally on a central or system-wide basis to other hotels in the Marriott system, the benefit of IHLC's international centralized reservations system, a property management system and other programs and systems including a frequent-guest affinity program known as the "**Marriott Rewards Program**"; and
- (b) a License and Royalty Agreement pursuant to which IHLC has granted to the Declarant and the Rental Pool Manager a non-exclusive and non-transferable license to use the Marriott trademarks, including the names and marks "**JW Marriott**" and "**Marriott**", for hotel services and other related goods and services offered only in connection with the Hotel.

The Hotel Management Agreement, the International Services Agreement and the License and Royalty Agreement are sometimes collectively referred to herein as the “**Marriott Agreements**”.

8.02 Hotel Standards

The Marriott Agreements provide for the operation and management of the Hotel (including the Resort Units) as a “**JW Marriott**” resort hotel in accordance with operational, physical design and technology standards generally prevailing or in the process of being implemented at other hotels in the Marriott system using the brand name “**JW Marriott**”, including all services and facilities in connection therewith, that are customary and usual at comparable hotels in the Marriott system (the “**Hotel Standards**”). The Declarant will construct the Hotel in accordance with plans and specifications approved by Marriott International Design & Construction Services, Inc., an affiliate of Marriott, and consistent with its design standards and resort design details. Under the Hotel Management Agreement, the Rental Pool Manager must operate and maintain the Hotel, including the Resort Units in accordance with the Hotel Standards established from time to time. Periodically, the Hotel, including the Common Elements of the Residential Condominium and the furniture, fixtures and equipment located thereon as well as the Resort Units in the Rental Pool and the furniture, fixtures and equipment located therein, are required to be renovated. The cost of the renovations to the Common Elements and other assets of the Residential Corporation will be paid from the reserve funds maintained by the Residential Corporation. If the amount in such reserve is not sufficient, the Residential Corporation may be required to levy a special assessment against the owners of the Resort Units to fund the shortfall. The cost of renovations to the Resort Units and repairs to and replacement of the furniture, fixtures and equipment located in the Resort Units will be paid from the Unit FF&E Reserve Fund described in Article 8.04 hereof, provided that owners of the Resort Units will be responsible if such funds are insufficient.

8.03 Marriott Royalties and Other Charges

Under the Marriott Agreements, Marriott and IHLC are entitled to receive the following royalties and other charges in each Fiscal Year:

- (a) a base royalty fee equal to 5.0% of the gross revenues of the Hotel until the end of the third full Fiscal Year following completion of Phase 2 and thereafter reducing to 4.0%;
- (b) an incentive royalty fee with respect to the performance of the Hotel; and
- (c) the cost of the services provided by IHLC pursuant to the International Services Agreement.

The base royalty fee will be charged to the Rental Pool based on the Gross Rental Pool Revenue for each Fiscal Year. A portion of the incentive royalty fee will be charged to the Rental Pool in the proportion that the Rooms Departmental Income from the rental of Hotel guest rooms bears to the Total Operating Departmental Income of the Hotel (as

such terms are defined in the Uniform System of Accounts for lodging properties). The cost of services under the International Services Agreement as described in Section 3.2(2) of the Rental Pool Management Agreement will be charged to the Rental Pool.

8.04 Unit FF&E Reserve Fund

Owners of Resort Units will be required to contribute a percentage of Gross Unit Revenue for each Fiscal Year to a capital reserve fund (the “**Unit FF&E Reserve Fund**”) to be used to repair and replace the interior of the Resort Units and the furniture, fixtures and equipment located therein in compliance with the Hotel Standards. The details of such contributions are set forth in Section 3.3 of the Rental Pool Management Agreement.

8.05 Marriott's Termination Rights

Marriott has certain rights to terminate the Hotel Management Agreement and the other Marriott Agreements including in the following circumstances:

- (a) if Phase 2 of the Hotel has not been commenced by September 30, 2007; or
- (b) if construction of Phase 1 of the Hotel has not been completed by May 1, 2008; or
- (c) if construction of the Hotel (including Phase 2) has not been completed by May 1, 2009; or
- (d) if the Opening Date of Phase 1 of the Hotel (as defined in paragraph 7.01(d)) has not occurred by June 1, 2008; or
- (e) if the Opening Date of Phase 2 of the Hotel has not occurred by June 1, 2009; or
- (f) if any governmental authority imposes restrictions on the transfer of funds to places outside Canada which result in Marriott or any of its affiliates not recovering payments pursuant to the Hotel Management Agreement or the other Marriott Agreements; or
- (g) if the Declarant or the Rental Pool Manager is in default under the Hotel Management Agreement or any of the other Marriott Agreements and the default has a material adverse impact on the non-defaulting party; or
- (h) if title or possession of the Hotel is transferred to a person who does not qualify as a “permitted transferee” under the Hotel Management Agreement; or
- (i) if Marriott is prevented, in a material and adverse manner, from operating the Hotel in accordance with Hotel Standards by any legal requirement or by an action of a mortgagee or by the failure of the owners of the Resort Units or the Residential or Commercial Corporations to give an approval required by the *Condominium Act* or the Declaration, By-laws or other documents of the Condominium; or

- (j) if any of the following occurs and fails to be satisfied for a period in excess of 180 days:
 - (i) Marriott does not receive all licenses, permits and other instruments necessary for the management and operation of the Hotel, or
 - (ii) any of Marriott or its affiliates is not able to convert monies due to it into U.S. dollars or alternative currencies approved by it and to repatriate such monies to the United States of America or such other country as may be reasonably approved by it, or
 - (iii) all fire and life safety systems in the Hotel being fully operational in accordance with Hotel Standards; or
- (k) if default occurs under any of the Marriott Agreements which is not cured within the applicable cure periods.

8.06 Declarant's Termination Rights

The Declarant and the Rental Pool Manager will have the right to terminate the Marriott Agreements if, the Hotel Operator fails to meet certain operational and financial performance tests under certain circumstances for the Hotel and the Rental Pool during any two consecutive Fiscal Years occurring after the fifth full Fiscal Year following the opening of Phase 2. The Hotel Operator has the ability to avoid termination by the payment of a cure payment, at its option.

8.07 Marriott Disclaimer

The Resort Units are being sold by the Declarant and not by Marriott or any of its affiliates. Marriott and its affiliates are not part of or the Declarant, an agent for the Declarant or a sponsor of the Declarant's offering of Resort Units. Marriott and its affiliates have not acted as a broker, finder or agent in connection with the sale of the Resort Units. Investors in condominium units will not receive any interest in Marriott or its affiliates, any other ventures of Marriott or its affiliates, the income and profits derived therefrom, or in the Marriott or JW Marriott names and trademarks, which are used under license from Marriott and its affiliates. Marriott and its affiliates also have not approved this Disclosure Statement, and make no representation or warranty as to its accuracy or completeness.

Marriott and its affiliates is and will continue to be engaged in other business ventures, including the acquisition, development, construction, ownership or operation of lodging properties, which are or may become competitive with the Resort subject to certain territorial restrictions for future business ventures for a specified period. Thus Marriott may have potential conflicts of interest in connection with the management of the Resort.

The agreements of purchase and sale for the Resort Units will provide that the purchaser releases and holds Marriott and its affiliates harmless from and against any liability with

respect to any representations or defects, or any other claim whatsoever, relating to the marketing, sale or construction of the Resort Units or the Hotel or any part thereof.

ARTICLE 9 - MISCELLANEOUS

9.01 Tax Considerations

Attached as Exhibit J to this Disclosure Statement is a summary of the significant goods and services tax and retail sales tax consequences to a purchaser who is an individual, trust or corporation resident in Canada and who acquires any of the Resort Units pursuant to this Disclosure Statement. No information or representation has been made with respect to the income tax consequences to a purchaser of a Resort Unit. Prospective purchasers, and, in particular, purchasers who are not resident in Canada, should consult with their professional advisers regarding tax consequences applicable to them.

9.02 Conflicts of Interest

As discussed elsewhere in this Disclosure Statement, the Declarant and affiliates of the Declarant, will have certain ongoing interests in the Hotel and related facilities which will provide them with potential sources of revenue from the operations thereof. These ongoing interests, which may provide a source of conflict with the financial interests of the owners of Resort Units include the following:

- the Declarant and its affiliates are the owners of lands adjacent to the Resort Lands, the future development of which may include real estate or hotel developments which may compete with the Hotel;
- the Declarant will retain ownership of the Waterfront which will be one of the Resort's Shared Facilities and the costs of repair and replacement thereof will be shared by the Declarant, the owner of the Golf Course, the Residential Corporation and the Commercial Corporation pursuant to the Shared Facilities Agreement;
- an affiliate of the Declarant owns the Golf Course and will be responsible for a share of the expenses under the Shared Facilities Agreement and the Reciprocal Easement Agreement;
- the Declarant will retain ownership of the Commercial Condominium (including the Conference Centre which will be leased to the Rental Pool Manager) and will be responsible (through its common expenses) for a share of the expenses under the Hotel Reciprocal Agreement, the Shared Facilities Agreement and the Reciprocal Easement Agreement;
- the cost of certain services provided by the Hotel Operator that are common to the Hotel and the Golf Course will be allocated by Marriott (subject to the approval of the Rental Pool Manager and the owner of the Golf Course) among the Residential Corporation, the Commercial Corporation and the owner of the Golf Course;

- the Declarant or an affiliate will construct and thereafter own the Treatment Plant and related facilities and will be entitled, unless and until the Treatment Plant and related facilities are transferred to the District, to establish and collect fees from the Residential Corporation for the services provided thereby. The Declarant and its affiliates will also be responsible to pay fees for such services in respect of the properties that they own within Red Leaves including the Waterfront and the Commercial Corporation;
- the Rental Pool Manager will be entitled to establish and charge fees to the owners of Resort Units for the provision of telephone, internet and satellite television services; and
- the Rental Pool Manager, which is an affiliate of the Declarant, will be retained by the Residential Corporation pursuant to the Property Management Agreement and will be entitled to receive a fee for managing and administering the Residential Condominium (unless the Agreement is terminated as described in Article 9.06).

In addition to the foregoing, the Hotel Operator and its affiliates engage in other business ventures including, without limitation, real estate development or hotel development and management ventures, for their own account or for the account of others, some of which may be in competition with the Hotel. Save and except for these interests, the Declarant is not aware of any other existing or potential conflicts of interest among the Declarant, any affiliate of the Declarant, any director or officer thereof, any person (a “**principal holder**”) holding, directly or indirectly, more than 10% of any class of voting securities of either the Declarant or an affiliate of the Declarant, any director or officer of any principal holder or any person providing goods or services to the Declarant, an affiliate of the Declarant or owners of Resort Units in connection with the Resort Units that could reasonably be expected to materially affect a purchaser’s investment decision.

9.03 Certification

To the best of the Declarant’s knowledge:

- (a) neither the Declarant nor any person holding, directly or indirectly, more than 10% of any class of voting securities of the Declarant, or any director or officer of any of the foregoing, within the 10 years prior to the date of the Declarant’s certificate attached to this Disclosure Statement, has been subject to any penalties or sanctions imposed by a court, real estate regulatory authority or securities regulatory authority relating to the sale, lease, promotion or management of real estate or securities, or to theft or fraud;
- (b) neither the Declarant nor any person holding, directly or indirectly, more than 10% of any class of voting securities of the Declarant, or any director or officer of the foregoing, within the five years prior to the date of the Declarant’s certificate attached to this Disclosure Statement was declared bankrupt or made a voluntary assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency, or has been subject to or instituted any proceedings,

arrangement or compromise with creditors or had a receiver, receiver-manager or trustee appointed to hold the assets of that person; and

- (c) no director or officer nor any principal holder of the Declarant or any director or officer of any such principal holder, within the five years prior to the date of the Declarant's certificate attached to this Disclosure Statement, has been a director, officer or principal holder of any other declarant or manager that, while that person was acting in that capacity:
 - (i) has been subject to any penalties or sanctions imposed by a court, real estate regulatory authority or securities regulatory authority relating to the sale, lease, promotion or management of real estate or securities or to theft or fraud; or
 - (ii) was declared bankrupt or made a voluntary assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency or been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of that person.

9.04 **Material Contracts**

Except for contracts entered into in the ordinary course of business, the following are the only material contracts relating to the offering of the Resort Units entered into or to be entered into by the Declarant or, if applicable, any affiliate of the Declarant which may reasonably be regarded as material to a purchaser of a Resort Unit:

- (a) the Rental Pool Management Agreement described in paragraph 7.06(f);
- (b) the Property Management Agreement described in Article 9.06;
- (c) an Insurance Trust Agreement with a trust company registered under the *Loan and Trust Corporations Act* or a chartered Bank (the "Trustee") pursuant to which the Trustee is to hold all property insurance proceeds in excess of U.S. \$5 million (subject to adjustment over time) and shall pay same in accordance with the Agreement. The Trustee will be entitled to receive an annual retainer fee payable on the anniversary date of the Agreement in each year during the term. In the event the Trustee is required to administer any insurance proceeds, then it will be entitled to an additional fee being based on a percentage of the amount disbursed by it. The Insurance Trust Agreement may be terminated by the Residential Corporation on at least 60 days notice to the Trustee pursuant to section 114 of the *Condominium Act*;
- (d) the Hotel Reciprocal Agreement which is an agreement to be entered into between the Residential Corporation and the Commercial Condominium corporation (or the Declarant and assumed by the Commercial Condominium corporation upon it being registered) providing for the integrated use, operation, maintenance, repair and reconstruction, if necessary, of the Hotel, the cost allocation for shared

facilities, and other matters relevant to the interdependency of the Residential Condominium and the Commercial Condominium including the provision of easements for services, access and rights of support necessary or desirable for the full use, operation, maintenance, repair, replacement and reconstruction, if necessary, of the Hotel. The Agreement will provide for a lien against the Common Elements of a party who does not pay its share of costs respecting the shared facilities. The Agreement will require each of the Residential Condominium and the Commercial Condominium to repair and, where necessary, replace their respective portions of the Hotel including after damage. The Agreement will contain restrictions on the ability of any party to make major changes and alterations to its portion of the Hotel;

- (e) the Shared Facilities Agreement which is an agreement to be entered into among the Residential Condominium, the Commercial Condominium, the Declarant and its affiliates (as owners of the balance of the Resort Lands, the Waterfront and the Golf Course) and the owner(s) in Phases 3, 4 and/or 5 (in the event any of Phases 3, 4 and/or 5 is constructed and does not form part of the Residential Condominium) respecting the infrastructure facilities to be constructed by the Declarant as part of the Red Leaves resort, including, without limitation, the internal roadways located within the Resort, the exterior lighting, the trail system and the Waterfront (collectively, the “**Shared Facilities**”). The Shared Facilities Agreement will provide for the integrated use, operation, maintenance, repair, replacement and reconstruction, if necessary, of the Shared Facilities, the cost allocation respecting same and other matters relevant to the interdependency of Shared Facilities, including the provision of easements for services, access and rights of support necessary or desirable for the full use, operation, maintenance, repair, replacement and reconstruction thereof, if necessary. The Shared Facilities Agreement will further provide for a lien against the property of a party who does not pay its share of costs respecting the Shared Facilities. The Shared Facilities Agreement will also provide for the assumption of the Shared Facilities Agreement by additional parties should such additional parties obtain the benefit of such Shared Facilities. It is anticipated that the Shared Facilities Agreement will contain a schedule (to be updated from time to time) listing the Shared Facilities and the percentage contribution by each of the parties to the agreement to the cost of maintaining and repairing such Shared Facilities;
- (f) the Reciprocal Easement Agreement which is an agreement or agreements to be entered into among the Residential Condominium, the Commercial Condominium, the Declarant and/or its affiliates (as owner of the Waterfront and the balance of the Resort Lands) and the Golf Course owner providing for reciprocal blanket easements covering the Common Elements of the Residential Condominium, the Commercial Condominium, the balance of the Resort Lands, the Waterfront and the Golf Course for the purposes of installing and maintaining services, repairing and maintaining the buildings and other improvements and providing support and access (including access along the internal road and trail system);

- (g) the agreement for provision of water and sewage treatment described in Article 3.19; and
- (h) the Conference Centre Lease described in Article 3.05.

Where such contracts are not attached to this Disclosure Statement but have been prepared, copies thereof may be inspected during normal business hours at the offices of the Declarant in the City of St. Catharines during the period in which the Resort Units are offered hereunder. As some of the agreements referred to above will not be registered or entered into until immediately prior to or after registration of the Declaration, the documents may not have been prepared yet.

9.05 Construction Warranties

Unless otherwise expressly provided in an agreement of purchase and sale, the purchaser of a Resort Unit will be entitled to the warranties provided under the *Ontario New Home Warranties Plan Act*, R.S.O. 1990, c. O.31, as amended.

No other warranties will be provided. Any applicable manufacturer's warranty on appliances and furnishings included in the purchase price of a particular Resort Unit will be passed on to the purchaser of that Resort Unit if permitted by such warranty.

9.06 Property Management Agreement

The Declarant intends to cause the Residential Corporation to enter into a management agreement (the "**Property Management Agreement**") with the Rental Pool Manager with respect to the management and administration of the Residential Condominium. Such agreement will be terminable by the Residential Corporation on not more than 60 days' notice in accordance with the *Condominium Act*. The management fee payable under such agreement is included in the budget for the Residential Corporation attached as Exhibit H to this Disclosure Statement.

9.07 Other Contracts Affecting the Hotel

The Declarant anticipates that the Residential Corporation will enter into contracts with third parties for the provision of services such as elevator maintenance, maintenance of the heating, ventilating and air-conditioning systems, landscaping, snow removal and similar services required in connection with the maintenance of the Common Elements. The estimated costs of such services, if any, are included in the estimated budget for the Residential Corporation attached as part of Exhibit H to this Disclosure Statement.

9.08 Blocks of Units Marketed to Investors

Although the Declarant does not intend to market blocks of Resort Units to investors, no restriction has been placed on the number of Resort Units that may be sold to the same person.

9.09 Leasing by Declarant

The Declarant may elect to retain ownership of, or cause one of its affiliates to purchase, up to, 75% of the Resort Units to facilitate construction financing of the Hotel with the intention of marketing and selling such Resort Units at a later date. The Declarant reserves the right to include those Resort Units and any other unsold Resort Units in the Rental Pool until purchasers take occupancy thereof. The Declarant will lease the Hotel Management Unit to Marriott as Hotel Operator for an initial term of 25 years together with four renewal periods of ten years each.

9.10 Schedule of Dates

As of the date of this Disclosure Statement, the Declarant has commenced construction of Phase 1 of the Residential Condominium with completion scheduled for May 1, 2008 and registration of the Declaration expected to occur in the year 2008. All of the amenities will be substantially completed and ready for use when the first Resort Units in Phase 1 are ready for occupancy except for the outdoor swimming pool and the Waterfront which will be completed not later than completion of Phase 2. The Declarant intends to commence construction of Phase 2 before May 1, 2007 with completion not later than 24 months thereafter. In each case, the foregoing schedules are subject to delays caused by events beyond the control of the Declarant.

9.11 Conditions

The Declarant has the right to terminate the agreements of purchase and sale and not proceed with Phase 2 of the Residential Condominium if, by April 30, 2007, the Declarant has not:

- (a) obtained all requisite municipal and other approvals to construct Phase 2 of the Residential Condominium, in each case, on terms satisfactory to the Declarant in its absolute discretion; or
- (b) entered into agreements to sell at least 80% of all of the Resort Units in Phase 2 in respect of which the statutory rescission period has expired; or
- (c) been satisfied, in its sole and absolute discretion, with the economic feasibility and viability of constructing Phase 2 of the Residential Condominium.

In addition to the foregoing, the Declarant may terminate the agreements of purchase and sale in its sole, absolute and subjective discretion at any time prior to the closing dates provided for in the agreements of purchase and sale if Marriott and its affiliates have terminated any of the agreements to be entered into between Marriott, its affiliates, the Declarant and the Rental Pool Manager with respect to the management and branding of the Hotel.

ARTICLE 10 - RIGHT OF RESCISSION

Each purchaser from the Declarant has a right to rescind his or her agreement of purchase and sale by notice to the Declarant given within 10 days after the purchaser receives a copy of

the executed agreement, or, in accordance with section 74 of the *Condominium Act*, within 10 days after receipt of a notice describing a material change in the information contained in this Disclosure Statement. Attached to this Disclosure Statement as Exhibit M is a copy of sections 73 and 74 of the *Condominium Act* setting forth the purchaser's statutory rights of rescission.

ARTICLE 11 - CONTRACTUAL RIGHT OF ACTION

Paragraph 36 of the Exemption Ruling effectively provides that each purchaser of a Resort Unit must be provided with a contractual right of action as defined in Ontario Securities Commission Rule 14-501- "Definitions" ("**OSC Rule 14-501**"). Paragraph 36 further provides that this Disclosure Statement must describe the contractual right of action, including any defences that would be available to the Declarant, the limitation periods applicable to the exercise of the contractual right of action, and that the rights are in addition to any other right or remedy available to the purchaser. OSC Rule 14-501 provides, in part, that a contractual right of action must reasonably correspond to the rights provided in section 130 of the *Securities Act* (Ontario) applicable to a prospectus and that it may be subject to any applicable defences or limitations available under that section. The contractual right of action contemplated by OSC Rule 14-501 may therefore be summarized as follows:

In the event that this Disclosure Statement, together with any amendment hereto, contains an untrue statement of a material fact or omits to state a material fact that is required to be stated or that is necessary in order to make any statement therein not misleading in the light of the circumstances in which it was made (hereinafter referred to as a "**misrepresentation**"), and it was a misrepresentation on the date of investment, the purchaser of a Resort Unit to whom this Disclosure Statement has been delivered (the "**Purchaser**") will be deemed to have relied upon such misrepresentation and shall have, subject as hereinafter in this paragraph provided, a right of action against the Declarant for rescission while still the owner of the Resort Unit or, alternatively, for damages provided that:

- (a) such right of action for rescission or damages will be exercisable by the Purchaser only if the Purchaser gives notice in writing to the Declarant not later than 180 days after the date on which payment is made for the Resort Unit;
- (b) the Declarant shall not be liable if it proves that the Purchaser purchased the Resort Unit with knowledge of the misrepresentation;
- (c) in an action for damages, the Declarant shall not be liable for all or any portion of such damages that it proves do not represent the depreciation in value of the Resort Unit as a result of the misrepresentation relied upon; and
- (d) in no case shall the amount recoverable by the Purchaser exceed the purchase price of the Resort Unit.

The foregoing right of action is in addition to, and not in substitution for, any other right or remedy that may be available at law to the Purchaser and it will be granted to each Purchaser in the agreement of purchase and sale.

ARTICLE 12 - EXHIBITS TO DISCLOSURE STATEMENT

- Exhibit A - Preliminary Plans and Site Plan
- Exhibit B - legal description of Resort Lands and list of encumbrances
- Exhibit C - proposed Declaration
- Exhibit D - proposed by-law Nos. 1 – 6
- Exhibit E - proposed rules
- Exhibit F - form of Rental Pool Covenant
- Exhibit G - form of Hotel Easement and Restrictive Covenant Agreement
- Exhibit H - proposed budget statement for the year after registration of the Declaration
- Exhibit I - form of agreement of purchase and sale
- Exhibit J - certain tax matters – Goods and Services Tax
- Exhibit K - OSC Exemption Ruling
- Exhibit L - form of Rental Pool Management Agreement
- Exhibit M - Sections 73 and 74 of the Condominium Act
- Exhibit N - Variations in Common Interests

CERTIFICATE

The attached Disclosure Statement respecting Phases 1 and 2 of The Rosseau – a JW Marriott Resort dated •, 2006 contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in the circumstances in which it was made.



Kenneth A. Fowler
Director



Peter Fowler
Director