

Information for Shareholders - CMR Lot Lease Extensions - Years 41 to 60 Updated December 20, 2017

Thank you for both your patience and your feedback as we (your Board of Directors) have been working on a viable option for lot lease extensions. For the past eight years, previous and present board members along with members of the community have been brainstorming options to extend our leases. We have listened to your most recent feedback and the following points summarize changes and responses to questions.

Updates

- All leaseholders will be invited to an information session on December 30 from 5:30 to 6:30, prior to the community potluck at Castle. Specific details will be sent by December 22.
- We are working on the contract language and expect that you will have the contract in early January.
- The timeline to pay the lease extension option of \$5,000 is April 15, 2018. Between April 16 and December 31, 2018, the deposit will be \$5400.
- Leaseholders who do not currently own shares will be able to pay their deposit within these timelines and will now have one year to purchase shares (by December 31, 2018).
- Lease holders can pay up to the entire amount now: \$62,500 for a single lot for years 41 to 60.
- We were asked if lease holders can pay additional amounts toward the cost of the lease at intervals between now and year 41. This will be determined by the Board of Directors each year.
- We were also asked what happens if a new leaseholder purchases a lot after December 31, 2018 that does not have the extension in place and he or she wants to purchase the option to renew. This also will be determined by the Board of Directors on a case-by-case basis at that time.
- Leaseholders who pay the initial option to purchase the extension will be able to opt out at year 41.
- Our reality is that if we do not lock in our leases now, we could all be asked to vacate the land in year 41 if there is a change in ownership of CMR. In this unlikely scenario, the deposit would ensure we have a legally binding contract that locks in the additional 20 years.

We've also updated the following information to include the changes mentioned above and information from the PowerPoint presentation discussed following the September 30 AGM.

The CMR Board of Directors is presenting an option for leaseholders to secure lease renewals for the end of their current leases (years 41-60). This document describes the year 41 to 60 lot lease renewal calculations for all lots with 30 years or less remaining on their leases and the deposit required to lock in the renewal price until the leases come due at year 40.

Rationale for Lease Extensions:

Securing our lease extensions now will provide greater security and certainty for lease holders, and it also assists CMR with financial sustainability. More specifically,

- Lease holders will have certainty on their leases for another 20 years (years 41 to 60). These options make the lease agreements legally binding to year 60 if, for example, CMR was sold or dissolved.
- This certainty on the leases also increases resale value.
- Lot lease holders know exactly what the costs will be starting at year 41.
- Value to the leaseholder is higher if the deposit is paid by December 2018.

Use of Funds

Use of funds received will be prioritized to support corporate sustainability, identified as follows:

- Maintaining an appropriate emergency fund – cash and/or build loan capacity
- Supporting sustaining capital projects
- Supporting snowmaking - while this is new capital, it will enhance sustainability

Context

paying a lump sum payment of \$83,030 or paying rent payments each year by December 31. The total value of \$83,030 divided by 20 years = **\$4151.50** rent payment in year 1 of lease extension. This amount will increase 2% each year.

- Leaseholders can pay up to the entire amount of the lease extension (\$62,500) now.

What if a leaseholder chooses not to pay the option now?

- The lot owner will have no security on the future price of their lease or whether lease will be renewable past year 40.

What if leaseholders have more than 30 years left on their lease?

- The CMR Board will provide details regarding renewal prior to a minimum of 20 years remaining on their lease expiry date.

How does this compare to rent at several different mobile home locations?

- Board members researched rent paid at other locations comparable to CMR, which included 6 southern Alberta mobile home rental fees from 2015
- Rent ranged from
 - \$4200 to \$6000 annually
 - \$84,000 to \$120,000 for 20 years
- Rates typically increase each year, most did not include utilities and are located in less desirable locations than Castle Mountain.

Shareholders

All leaseholders years 41 forward must be shareholders and own a minimum of one unit of shares. Leaseholders who don't have shares will be able to pay their deposit now and will have until December 31, 2018 to acquire shares. Approximately 4000 shares (approximately 40 to 47 units) are currently available on the gray market.

More information on the process for purchasing shares will be sent to leaseholders from Murray Pritchard's law office.

Note: all purchasers of shares must meet the qualification requirements of a purchaser of shares under the exempt distribution provisions of the Securities Act of Alberta.

Season Passes

Leaseholders for each leased lot must purchase one adult (or equivalent) season pass each season. This requirement is already active.

Transfer Fee

When leaseholders sell their buildings and leases (years 41 forward), they will pay a transfer fee to CMR. This fee will be 1% on the first \$200,000, 2% to \$2,000,000 and 3% above that. One transaction per lot between immediate family members will be exempt from this fee. The transfer fee comes into effect at year 41, so does not apply for lot sales between now and then.

Consumer Price Index

<http://www.statcan.gc.ca/tables-tableaux/sum-som/l01/cst01/econ46a-eng.htm>