



TOUCHSTONE

ON LAKE MUSKOKA

PRIVATE RESIDENCE CLUBS Q & A

What is a Private Residence Club?

Simply put, Private Residence Club (PRC) ownership combines the benefits associated with second home ownership and the services and amenities found at luxury resorts. Private Residence Clubs offer the advantages of vacation-home ownership, villa rentals and luxury resorts while greatly reducing the disadvantages of each. And generally, becoming an owner-member is relatively simple.

But most important to PRC members is the way ownership changes their lives. Club membership becomes an important part of members' lives – not just a short term vacation home solution.

PRCs are a quickly growing form of luxury vacation home ownership pioneered in the United States approximately 10 years ago. It brings together a community of like-minded people who wish to enjoy large, luxurious vacation homes with the benefit of a central core of amenities and discrete, non-obtrusive services.

Residences tend to be large two, three and four-bedroom custom homes fitted out with every convenience such as gourmet kitchens, luxurious six-piece baths, custom built-in cabinetry, hardwood floors and expansive decks. Amenities tend to include fine dining, spa, and indoor and outdoor pools.

The services allow owners to enjoy a maintenance-free vacation home with pre- and post-arrival concierge services, grocery shopping, landscaping and maintenance staff, and housekeeping services.

At Touchstone you will be able to enjoy the genuine Muskoka experience in a level of style and casual elegance never before available.

What are the advantages of a Private Residence Club?

PRC ownership is gaining popularity because it combines the advantages and eliminates the disadvantages of existing luxury vacation home options such as whole ownership, or cottage rentals. And, surprisingly, the cost of PRC ownership is quite reasonable when compared to other vacation home options.

But beyond cost, there are a number of benefits that make PRCs worth more than the price of ownership:

Turn-key Convenience

- No maintenance and no headaches
 - PRCs allow owners to spend more time with family and friends and less time on household chores
- In-residence experience
 - Concierges, in-residence chefs and housekeeping service let owners enjoy the privacy of their vacation home while being tended to by unobtrusive staff usually only available at luxury resorts
- Easy Departure
 - No hotel bills or check-out procedures – owners simply leave their residence at the end of their stay

Consistent Luxurious Experiences

- Well-equipped vacation residences
- Personalized, on-site services that are not replicable by other travel options under virtually any circumstance
- Ample space to gather with friends and family
- Select amenities allowing owners to enjoy a number of activities and services

Undeniable Value

- Yearly dues are a small fraction of the cost of taxes and other yearly operating costs
- Total cost per day is far less than comparable cottage ownership or villa/cottage rental

How do I know if a PRC is right for me?

Purchasers have a variety of choices when it comes to luxury vacationing; whole ownership of a vacation home (or homes), villa or cottage rentals, luxury hotels, or Touchstone, Canada's premier PRC.

With all these choices, it's important to answer a few questions that will help determine which luxury-vacation option best suits you – and your family's – needs. Your answers to these questions will, in large part, point you in the right direction in making a particular vacation home choice.

PRC ownership is probably ideal for you if you identify with the answers to the following questions:

How often do you like to use your vacation home and how long do you like to stay? Owners of PRCs enjoy a combination of longer stays and shorter stays, typically up to 60 days per year.

Do you have the means to own a vacation home but don't have the time to maintain it? PRC owners appreciate the full-time staff dedicated to maintaining their vacation home in the manner to which they've become accustomed without the hassles of ownership.

Where do you like to travel? Owners at Touchstone will appreciate the luxurious maintenance-free living only two hours north of Toronto, but recognize that they may want a travel experience much broader than just the family cottage. Now they can enjoy Touchstone on their schedule and still have the time to experience other vacation destinations around the world.

What types of services and amenities do you desire? With PRC ownership, you have access to amenities and services previously available only at luxury resorts. If you wish, a concierge will fulfill your pre-arrival needs (including grocery shopping, activity scheduling and reservations) and fully attend to you during your stay. Touchstone offers a combination of golf, water sports, skating, cross country skiing, spa, casually elegant dining, workout facilities, high-speed Internet access and more.

How many people travel with you? The spacious accommodations of PRC residences allow you to travel with friends and family. However, this does not prevent members from leaving the children at home and getting away with their significant other.

What sort of accommodations do you prefer when you travel? Owners of PRCs seek the size and spaciousness of a private home when on vacation; yet require the services and amenities of a luxury resort. They yearn for the best vacation homes with the highest levels of finish and require multiple bedrooms, large great rooms and gourmet kitchens. PRC owners are familiar with the limitations of five-star hotel accommodations and vacation home ownership and are in search of a better way to relax and enjoy vacation time with family and friends.

Are you unwilling to commit a large amount of capital to a vacation home you cannot use as much as you'd like? PRC owners appreciate access to prime resort real estate at a fraction of the cost of whole ownership. Owners find that the PRC fits into their lifestyles, while providing them with a superior vacation experience, at a lower cost without the hassles of ownership.

What are the potential pitfalls of alternatives to Private Residence Club living?

Whole ownership of a vacation home

- Expense
 - Up-front costs may be too great to obtain the desired size, location and service required for your family
 - Ongoing maintenance, insurance, mortgage payments and tax costs can be prohibitive
- Inconvenience
 - Grounds keeping and building maintenance, or worse – having to deal with emergencies when you're not there – take up valuable vacation time and can be frustrating, time-consuming and costly
- Limited Amenities
 - Often vacation homes are isolated from resort-like amenities
 - If amenities are included, homeowners' fees are prohibitively expensive for an individual buyer
- Single Destination
 - Even the most incredible vacation property can become ordinary if it is the only place vacations are spent

Cottage or Villa Rental

- Inconsistent size and quality
- Cottages are isolated, with no access to amenities
- Services, if available, are generally very expensive

Finding the Perfect Balance

For some people, the best solution may involve a combination of the above alternatives, in addition to PRC ownership. Virtually all PRC owners continue to travel to luxury hotels and resorts around the world.

What amenities will my Touchstone home have?

You will be able to enjoy a wide range of amenities at Touchstone. Deep water docks, a boathouse with complimentary non-motorized watercrafts, a 400 foot white sand beach, two tennis courts, an infinity pool and hot tub, a second outdoor pool, a skating rink in the winter, as well as spa facilities and a casually elegant fine dining room.

What types of services will be available to me at Touchstone?

PRC ownership is much more than access to the physical assets; it is a personalized experience with unobtrusive service designed to work on the owners' behalf – before, during and after their visit. Quality of service is central to the value every owner derives. Services at Touchstone will include:

- Director of Wishes and Wows: The full time general manager who will oversee all operations
- Concierge: A friendly voice to coordinate all of your pre- and post-arrival needs with personalized “whatever, whenever” service
- Deckhands: Two friendly young faces eager to help make your Muskoka experience more pleasing.
- Flower Crew: A team of landscapers dedicated to maintaining the Touchstone grounds in the grand traditions of Muskoka.
- Maintenance Crew: A team of maintenance engineers intent on keeping the residences and facilities of Touchstone to the exacting standards its owners expect.
- Spa Services: A team of spa practitioners dedicated to fulfilling your every need either at the luxurious Touch Spa or, if you prefer, in your vacation home.
- Casually Elegant Dining: Enjoy the tastes of Muskoka and the wines of the world in the spectacular Taste dining room served by attentive service personnel.
- In-home Catering: Have it all. Enjoy your family and friends with none of the hassles of shopping and dinner preparation. You're only a call away from the in-home cooking services of Touchstone.
- Housekeeping: A full time team of cleaning personnel dedicated to maintaining your vacation home in owner ready condition.
- Security: 24/7 security personnel to ensure your vacation home is protected at all times.

Do my guests have the same privileges as owners?

Yes, your guests have the same privileges that you do, even if they are unaccompanied.

How does the cost of PRC ownership compare to owning a luxury Muskoka cottage?

It is actually quite simple to evaluate all of the factors in the purchase of a PRC as compared to owning a cottage or renting luxury accommodations.

All you do is prepare a financial spreadsheet that incorporates every inflow and outflow of cash over the minimum period you intend to be an owner.

The cash flow approach allows you to calculate the total cost of ownership for a PRC membership as well as the cost per day for other options.

Use the following cash flow model comparing PRC ownership to luxury vacation home ownership as a guide. We have assumed the purchase of a 1,600 square foot three-bedroom Touchstone Grand Muskokan Cottage vs. a 1,600 square foot three-bedroom cottage on Lake Muskoka:

Cost per Day Analysis	Private Residence Club	Luxury Cottage
Purchase Price	\$200,000	\$1,000,000
35 Percent Down Payment	70,000	350,000
Cost of Furnishing	0	100,000
Closing Costs (2%)	4,000	20,000
Total Cash at Closing	74,000	470,000
Total Mortgage on Property	130,000	650,000
Annual Realty Taxes	2,200	10,000
Annual Operating Costs (insurance, utilities, cleaning, maintenance, common element fees)	3,948	10,000
Capital Improvements (1% of purchase price)	0	10,000
Annual Mortgage Payments (assuming 35 % down payment and a 6 %, 10 year mortgage, interest only)	7,800	39,000
Annual Opportunity Cost of Cash at Closing (assumes 3% interest income before taxes)	0	11,880
Annual Costs (including operating costs)	\$13,948	\$80,880
Operating Cost per Day * - Average 45 days / Year Usage	\$310	\$1,797

10-Year Liquidation Analysis	Private Residence Club	Luxury Cottage
Original Investment	\$200,000	\$1,000,000
Pre-Tax Appreciation on Real Estate (3% per year)	68,783	343,916
Proceeds from Sale at End of Term	268,783	1,343,916
Less Real Estate Commissions at 6%	(16,127)	(80,635)
Cash at End of Term	252,656	1,263,281
Less Original Investment	(204,000)	(1,120,000)
Pre-Tax Gain / Loss Before Adjustment for Annual Costs	48,656	143,281
Less Annual Operating Costs over 10 years	(139,480)	(808,800)
Total Gain / Loss less Operating Costs over 10 years	(90,824)	(665,519)
Total Cost per Day ** - Average 45 Days / Year Usage	\$202	\$1,479
Assumptions		
<ul style="list-style-type: none"> • Model assumes no increase in operating costs each year • Model does not take into account income tax treatment 		
Non-Cash Benefits of Private Residence Club Membership		
<ul style="list-style-type: none"> • Maintenance free living • Luxury resort style amenities • Fully managed Rental Pool to contribute your cottage or villa to when not in use allowing you to earn worry free income 		
* Annual costs divided by 45 days. ** Pre-tax gain/loss less annual operating costs over 10 years, divided by 450 days (45 days over 10-year period).		

Can we exchange our cottage or villa at Touchstone for vacations at other resorts?

Yes, Touchstone is a member of Intrawest's exclusive Resort-to-Resort vacation home exchange program. This allows owners to exchange their Touchstone cottage or villa with one at any of Intrawest's excellent developments around the world.

* Information and estimates subject to change