



TOUCHSTONE

ON LAKE MUSKOKA

Q & A FOR THE RENTAL POOL

What is the Rental Pool?

The Rental Pool is a service provided by the Resort Operator that allows purchasers to earn rental income from their cottage or villa when they are not using it.

Am I obligated to contribute my residence to the Rental Pool?

No. You are free to use your cottage or villa as much as you want within the ownership period you purchase.

Who will manage the rental pool?

The rental pool will be managed by Touchstone Services Inc.

What services does the Resort Operator provide as the manager of the rental pool?

The Resort Operator will market your vacation home and provide housekeeping and maintenance services so that your vacation home is always owner ready.

Can I rent my property out myself?

If you choose to, yes. However, we think you would be best served by allowing the Rental Operator to do it on your behalf. They are experienced in the marketing of such properties and are best suited to maximizing revenue on your behalf while maintaining a watchful eye over your cottage or villa when you can't use it. The operator will advertise and actively promote the resort to a common standard to the ultimate benefit of all owners. They will also ensure receipt of proper damage deposits for any damages by renters which would otherwise not be paid for by the condominium corporation.

How far in advance do I have to commit to putting my vacation home in the Rental Pool?

Once a year in the fall you decide how many weeks you would like to contribute your vacation home to the Rental Pool.

Once I have submitted my owner usage calendar, who do I contact to make changes?

Should you wish to make any changes to your calendar, please contact the Director of Owner Services at Touchstone. Simply identify yourself as an owner by name, building and unit number.

Do I have to pay a fee to rent my vacation home back from the Rental Pool if I change my mind and want to use my vacation home instead of renting it?

No. Our ability to meet the changing needs of your busy lifestyle is an important part of the Touchstone value proposition. If you change your mind and decide you would like to use your cottage or villa we have a number of ways to serve you:

- (i) If your cottage or villa has not been rented, then free access will be allowed subject to a nominal cleaning charge if you do not stay for the entire time period you have been allotted;
- (ii) If your cottage or villa has been rented and there is another similar residence available and you would like use of your vacation home, then the renter will be moved to another like residence and the same free access and cleaning charge will apply;
- (iii) If no other like unit is available, then you may "upgrade" and only pay the difference with the rental proceeds going into the upgraded pool; or
- (iv) If your cottage or villa is rented, you may "upgrade" and pay the difference with the full rental proceeds from the renter of your cottage or villa and your upgrade payment going to the upgraded pool.

Do I have to have a Masters degree in mathematics to figure out how much I will receive from the Rental Pool?

No, it's quite simple actually. Your distribution from the Rental Pool is equal to 40% of the gross revenue generated from your unit each night it is contributed to the Rental Pool. Simply put, if your cottage or villa is rented out for \$1,000 per night, you receive \$400 for each night it is rented.

How will I receive Rental Income for my resort home?

Distributions will be paid semi-annually by the Resort Operator in accordance with the terms of the Resort Operation Management Agreement. One distribution will be sent to you in November. The other will be sent to you in May.

How much will I earn by contributing my vacation home to the Rental Pool?

In accordance with securities legislation, Touchstone may not project revenues. We can however give you some information we believe to be reliable from other resorts in Muskoka and provide you links to their web sites so that you may make your own estimates.

The following are links to the web sites of some other resorts in the area. Please take the time to review them for the purpose of estimating the Average Daily Rate you think your vacation home at Touchstone will rent for per night in each season.

www.deerhurstresort.com/luxury.jsp

www.clevelandshouse.com/family/family-rates-summer-package.htm

www.tabooresort.com
www.deltahotels.com

For convenience, we have summarized some daily rate information from these resorts. Please verify this information yourself by calling or going to the websites for these resorts. You will be able to make educated assumptions as to whether or not a resort of Touchstone's calibre would generate daily rates that would be higher or lower than existing hotels and resorts in the region. The daily rates shown below are for suites that are the most comparable to those at Touchstone. While all the resorts are interesting, Taboo, Deerhurst and the Lake Joseph Club are probably more comparable as they offer larger, more luxurious rooms with resort-style amenities.

Resort	Low Season / Winter	High Season	Room Type
Cleveland's House	Not open in winter	\$500	1 Bedroom (2 adults only)
Deerhurst Resort	\$329	\$899	3 Bedroom Luxury
Lake Joseph Club	Not open in winter	\$945	2 Bedroom Villa
Sherwood Inn	\$400	\$760	1 Bedroom with breakfast & dinner
Taboo	\$320	\$480	1 Bedroom Luxury Suite

Now, let's determine how much you can expect from the Rental Pool. First, make your assumptions about what the particular residence you are considering will rent for in each season based upon how you feel it and Touchstone compares to these resorts:

July & August \$____ [A1] June & September \$____ [B1] October – May \$____ [C1]

Then estimate the percentage of each season you expect your vacation home to be rented (i.e. the percentage of the number of days that you own that you will be contributing your vacation home to the Rental Pool):

July & August ____% [A2] June & September _____% [B2] October – May ____% [C2]

Now estimate the number of days in each season you will be contributing your vacation home to the Rental Pool:

July & August ____ [A3] June & September ____ [B3] October – May __ [C3]

Now get out your calculator and perform the following simple calculation to calculate the Total Revenue generated by your vacation home:

$$\text{Estimated Total Revenue} = (A1 \times A2 \times A3) + (B1 \times B2 \times B3) + (C1 \times C2 \times C3)$$

And finally, to calculate your annual distribution just multiply this by 0.40 (i.e. your 40% of the Rental Revenue):

Estimated Annual Distribution from Rental Pool = Total Revenue from above times 0.40

I know I have to make my own estimates, but can you give me an example?

Okay. Let's assume I purchase a ¼ interest in a 3 Bedroom Cascade Villa and make it available to be rented out for half the time. Based upon the following estimates, I would calculate my Annual Distribution from the Rental Pool as follows:

Estimated Average Daily Rate:

July & August \$1,000[A1] June & September \$600 [B1] October – May \$400 [C1]

Estimated Occupancy Rate:

July & August 90% [A2] June & September 60% [B2] October – May 40% [C2]

Now estimate the number of days in each season you will be contributing your vacation home to the Rental Pool:

July & August 7 [A3] June & September 7 [B3] October – May 28 [C3]

Estimated Total Revenue=(\$1,000 x 90% x 7) + (\$600 x 60% x 7) + (\$400 x 40% x 28)

Estimated Total Revenue from Renting my vacation home = \$13,300

My Estimated Distribution from the Rental Pool = \$5,320

Do you have a template you can e-mail me to help me calculate this and play with different assumptions?

Yes. Ask your Sales Representative and they would be happy to e-mail you a template.

What if I contribute my vacation home to the Rental Pool and it doesn't get rented while someone else's does?

Not to worry. To be fair to each owner, the rental revenue from each type of residence is pooled nightly. You simply get 40% of your pro rata share of the rental income based on the number of vacation homes that were contributed to the rental pool that night.

But all the vacation homes are not the same size or have the same features, how do you split the rental income fairly?

By pooling the rental income from similar vacation homes. Rather than having one large rental pool, the rental income is broken down into smaller pools with more or less similar attributes.

Will I be exposed to any losses the Resort Operator may experience?

No. Despite people's best intentions to use their vacation home as much as possible, we are confident that, given the opportunity for owners to share in a rather significant amount of income, they will contribute their residence to the Rental Pool when it is not in use. As such, we believe we will have a sufficient inventory of rooms to rent out so that they will cover their costs. However, if for any reason there are losses, the developer will absorb them.

Who is responsible for cleaning my unit when it is contributed to the Rental Pool?

The Rental Program is worry-free. The Resort Operator takes care of all these details including the cost of cleaning your vacation home while it is being occupied by a guest.

* Information and estimates subject to change