FAIRMONT HOTELS & RESORTS INC.

ANNUAL INFORMATION FORM

March 28, 2002

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Notes:
(1) In this Annual Information Form, all dollar amounts are in United States dollars unless stated otherwise.
(2) In this Annual Information Form, information is given as at March 28, 2002 unless stated otherwise.

FORWARD-LOOKING INFORMATION

This Annual Information Form contains certain forward-looking statements within the meaning of the *Private Securities Litigation Reform Act of 1995* (United States) relating, but not limited to, Fairmont Hotels & Resorts Inc. and its subsidiaries' ("FHR" or the "Company") operations, anticipated financial performance, business prospects and strategies. Forward-looking information typically contains statements with words such as "anticipate", "believe", "expect", "plan" or similar words suggesting future outcomes.

Readers are cautioned not to place undue reliance on forward-looking information because it is possible that predictions, forecasts, projections and other forms of forward-looking information will not be achieved by FHR. By its nature, the Company's forward-looking information involves numerous assumptions, inherent risks and uncertainties including, but not limited to the following factors: adverse factors generally encountered in the lodging industry; significant regulation of the lodging industry; the risks associated with real estate investments; significant competition; failure to obtain new or maintain existing management contracts; FHR's acquisition, expansion and development strategy being less successful than expected; the seasonality of FHR's business and operations; the impact of extreme weather conditions and natural disasters; the potential negative effects of strikes and work stoppages; currency fluctuations; debt financing risks; FHR's ability to obtain capital to finance the growth of its business; potential covenants in FHR's financing agreements limiting its discretion; and the inability of FHR to assure investors that a judgment of a United States court for liabilities under U.S. securities laws would be enforceable in Canada, or that an original action can be brought in Canada by investors for liabilities under U.S. securities laws.

The Company undertakes no obligation to update publicly or otherwise revise any forward-looking information, whether as a result of new information, future events or otherwise, or the foregoing list of factors affecting such information.

RISK FACTORS

This section describes some, but not all, of the risks associated with an investment in FHR's securities. The order in which these risks are listed does not necessarily indicate their relative importance. Investors should carefully consider these risks in addition to the other information contained in this Annual Information Form.

If any event arising from these risks occurs, FHR's business, prospects, financial condition, results of operations or cash flows could be materially adversely affected, and therefore the market price of the Company's securities could decline.

FHR's operations are subject to adverse factors generally encountered in the lodging industry.

The Company manages and owns hotels in both the luxury and first class segments of the lodging industry. This subjects FHR to the operating risks inherent in the industry. Besides the specific conditions discussed in more detail below, these risk factors include:

- cyclical downturns arising from changes in general and local economic conditions;
- varying levels of demand for rooms and related services caused by changes in popular travel patterns and changes in the cost and availability of transportation;
- periodic local oversupply of guest accommodations, which may adversely affect occupancy rates and actual room rates achieved;
- competition from other luxury and first class hotels;
- the recurring need for the renovation, refurbishment and improvement of hotel properties;
- changes in wages, prices, construction and maintenance costs that may result from inflation, government regulations, changes in interest rates or currency fluctuations;
- the availability of financing for operating or capital requirements;
- seasonal variations in cash flow; and
- other factors including natural disasters, extreme weather conditions and labor shortages, work stoppages or disputes.

The effect of these factors varies among FHR's hotels based on their geographic diversity and mix between management and ownership businesses.

The lodging industry is subject to significant regulation.

The Company is subject to numerous laws and regulations in all of the jurisdictions in which it operates, including those relating to the preparation and sale of food and beverages, such as health and liquor licensing laws. FHR's properties are also subject to laws and regulations governing relationships with employees in such areas as minimum wage and maximum working hours, overtime, working conditions, hiring and terminating of employees and work permits. Furthermore, the success of the Company's strategy to expand its existing properties or open newly constructed properties is contingent upon, among other things, receipt of all required licenses, permits and authorizations, including local land use permits, building and zoning permits, health and safety permits and liquor licenses. Changes or concessions required by regulatory authorities could also involve significant additional costs and delay or prevent completion of construction or opening of a project. As a result of the geographic diversity of FHR's business, these regulatory matters arise in a number of jurisdictions, many of which have distinctive regulatory regimes.

As the current or previous owner or operator of certain hotels, FHR could also be liable for the clean up of contamination and other corrective actions under various laws, ordinances and regulations relating to environmental matters. These laws, ordinances and regulations often impose liability without regard to whether the owner or operator knew of, or was responsible for, the condition requiring the environmental response. The presence of contamination from hazardous or toxic substances, or the failure to remediate a contaminated property properly may affect an owner's ability to sell or rent the property, to use the property for its intended purpose, or to borrow using the property as collateral. In addition, organizations such as FHR who arrange for the disposal or treatment of hazardous or toxic substances may be liable for the cost of removal or remediation of substances at the disposal or treatment facility, regardless of whether the facility is or was owned or operated by them. As the manager or owner of various hotels, the Company could be held liable for the cost of remedial action with respect to environmental matters. Each year, every property, whether managed, franchised or owned, is required to complete an environmental questionnaire which covers such items as the training of employees in the handling and disposal of hazardous materials, whether there have been any environmental incidents and, if so, the remedial action taken, as well as any environmental initiatives introduced by the hotel. This questionnaire also identifies any new laws or regulations being imposed by local, state or provincial governments and a property's proposed response to such laws or regulations. FHR is not aware of any potential material environmental liabilities for which it will be responsible with respect to any of the properties which it currently or has previously managed or owned.

Under the U.S. *Americans with Disabilities Act* and similar state legislation (the "ADA"), all public accommodations are required to meet various requirements related to access and use by disabled persons. If a U.S. court or administrative agency determines that any of FHR's U.S. hotels are not in compliance with the ADA, the result could be a judicial or administrative order requiring compliance, imposition of a fine or an award of damages to private litigants, including possible class damages. The Company has responsibilities under the ADA for both its owned and managed hotels in the United States. However, under the management agreements for FHR's managed hotels in the U.S., costs associated with the ADA are generally borne by the owner.

Real estate investments are subject to numerous risks.

As FHR owns and leases hotels, it is subject to the risks that generally relate to investments in real property. The investment returns available from equity investments in real estate depend in large part on the amount of income earned and capital appreciation generated by the related properties, as well as the expenses incurred. In addition, a variety of other factors affect income from properties and real estate values, including governmental regulations, real estate, zoning, tax and eminent domain laws, interest rate levels and the availability of financing. For example, new or existing real estate, zoning or tax laws can make it more expensive and/or time-consuming to develop real property or expand, modify or renovate properties. When interest rates increase, the cost of acquiring, developing, expanding or renovating real property increases and real property values may decrease as the number of potential buyers decreases. Similarly, as financing becomes less available, it becomes more difficult both to acquire and to sell real property. Finally, governments can, under eminent domain laws, expropriate or take real property for less compensation than an owner believes the property is worth. Any of these factors could have a material adverse impact on the Company's results of operations or financial condition, as well as on its ability to make distributions, if any, to its shareholders. In addition, as FHR's equity real estate investments are in the luxury and first class segments and are to some extent located outside of North America, they may be relatively difficult to sell quickly. Further, any additional properties the Company acquires may be subject to the same risks. If FHR's properties do not generate revenue sufficient to meet operating expenses, including debt service and capital expenditures, its income will be adversely affected.

There is a great deal of competition in the lodging industry.

There is intense competition between the operators of both luxury and first class hotels for guests, to secure new management contracts and to acquire hotels. Competition for guests is based primarily on brand name recognition, convenience of location, quality of the property, room rates and the range and quality of food, services and amenities offered. Demographic, political or other changes in one or more of FHR's markets could adversely affect the convenience or desirability of its properties.

FHR also competes for management contracts and acquisition opportunities with other luxury and first class hotel managers and owners who may have substantially greater financial resources. This competition may have the effect of reducing the number of suitable investment opportunities available to the Company and increasing its acquisition costs.

Failure to obtain new or maintain existing management contracts could adversely affect FHR's results of operations.

Management contracts expire, or are acquired, terminated or renegotiated in the normal course of business. FHR manages hotels for various third party hotel owners subject to the terms of each property's management contract. These contracts can generally be terminated by the non-defaulting party upon default in payment or unremedied failure to comply with the terms of the contract. Typically, the Company's management contracts are subject to economic performance tests that, if not met or remedied, could allow a contract to be terminated by the owner prior to the expiration of its term. Failure to maintain the standards specified in the contract or to meet the other terms and conditions of a contract could result in the loss or cancellation of a management contract. Some management contracts can also be terminated if the property is sold by the owner to a new owner who does not want to retain the existing contract. In certain cases, these contracts provide for a termination pay-out upon cancellation of the contract.

In many jurisdictions, in the event of bankruptcy or insolvency proceedings in respect of a hotel, a management contract may be subject to termination or may not be enforceable against a trustee in bankruptcy or other similar representative of the owner. In such circumstances, the management company would generally have an unsecured claim for breach of contract against the owner of the property or its estate.

Further, in the event of enforcement proceedings by a secured lender in respect of a hotel, a management contract may not be enforceable by FHR against the lender unless, to the extent permitted by applicable bankruptcy or insolvency laws, the lender has executed a non-disturbance agreement. Generally, FHR attempts to obtain non-disturbance agreements with lenders to the owners of hotels that the Company manages. However, in the absence of a non-disturbance agreement, the risk of loss of a management contract increases when debt that cannot be adequately serviced is incurred by the property's owner at the hotel level.

Both Fairmont and Delta manage properties for third party owners. The average remaining length of Fairmont's management contracts is over 40 years while the average remaining length of Delta's management contracts is over 10 years. Approximately 65% of Fairmont and Delta's management revenues are insulated against the potential loss of these management contracts as 42 of the hotels presently managed by Fairmont and Delta are directly or indirectly owned by FHR or Legacy Hotels Real Estate Investment Trust ("Legacy").

FHR's acquisition, expansion and development strategy may be less successful than expected, and therefore growth may be limited.

FHR intends to increase revenues and net income by increasing the number of hotels under management through the acquisition of new properties, the expansion of existing properties, and the securing of new management agreements and strategic partnerships for new development. The Company's ability to successfully pursue new growth opportunities will depend on its ability to identify appropriate management opportunities and properties suitable for acquisition and expansion, to negotiate management or construction contracts or purchases on satisfactory terms, to obtain the necessary financing and permits and to integrate new management contracts or properties into its operations.

FHR's business and operations are seasonal.

FHR's hotels are affected by normal recurring seasonal patterns. The Canadian and U.S. city center properties tend to experience a slowdown in demand during the December through March period. As a result, the majority of these properties typically incur a loss in the first quarter of each year. This negative impact on operations at the city center hotels is offset, to some degree, by increased travel to the Company's warm weather and ski resorts in these months and may, in the future, be offset to a greater extent if FHR expands its portfolio of resort properties.

Operations may be adversely affected by extreme weather conditions and the impact of other disasters.

FHR operates properties in a variety of locales, some of which are subject to extreme weather patterns which may affect the hotels as well as customer travel. Extreme weather conditions can, from time to time, have a major adverse financial impact upon individual properties or particular regions. However, the effect of any particular event is mitigated by the geographic diversity of the Company's hotel portfolio.

Properties may also be vulnerable to the effects of destructive forces, such as earthquakes, fire, storms and flooding. Although FHR's properties are insured against property damage, damages resulting from so-called "acts of God" or otherwise, including acts of terrorism, may exceed the limits of the insurance coverage or be outside the scope of that coverage.

FHR's ability to operate its facilities may be adversely affected if relationships with employees were to deteriorate.

Relations with employees in various countries, including the over 14,000 employees represented by 29 labor unions, could deteriorate due to disputes related to, among other things, wage or benefit levels or FHR's response to changes in government regulation of workers and the workplace. FHR's operations rely heavily on employees, whether they are employed directly or supervised by Fairmont or Delta, and these employees' ability to provide high quality personal service to guests. Any labor shortage or stoppage caused by disagreements with employees, including those represented by labor unions, could adversely affect FHR's ability to provide these services and could result in the temporary closure of a particular hotel, reduce occupancy and room revenue or potentially damage FHR's reputation. Management of FHR is confident that FHR's relationships with employees are generally favorable. Various programs maintained by Fairmont and Delta contribute to these relationships and mitigate to some extent against potential labor disputes.

Currency fluctuations may have a material adverse effect on FHR's financial statements and/or operating margins.

FHR has hotel management operations in Canada, the United States, Mexico, Bermuda, Barbados and the United Arab Emirates (the "UAE") and records sales and liabilities in the currencies of these jurisdictions, while it reports earnings in U.S. dollars. As a result, the Company's earnings and financial position could be affected by foreign exchange rate fluctuations, specifically changes in the value of the U.S. dollar, through both (i) translation risk, which is the risk that financial statements for a particular period or as of a certain date depend on the prevailing exchange rates of the various currencies against the U.S. dollar and (ii) transaction risk, which is the risk that the currency of costs and liabilities fluctuates in relation to the currency of revenues and assets, which may adversely affect operating margins.

With respect to translation risk, even though the fluctuations of currencies against the U.S. dollar can be substantial and therefore significantly impact comparisons with prior periods, the translation impact is a reporting consideration and does not affect the underlying results of operations, as is the case with transaction risk. FHR endeavors to match foreign currency revenues and costs, and assets and liabilities, to provide a natural hedge against translation and transaction risks, although this is not a perfect hedge.

In addition to translation risk and transaction risk, a significant increase in the value of the Canadian dollar may have an adverse impact on the level of foreign demand at Canadian hotels. However, given that these hotels target an affluent clientele, the risk of a significant decline in foreign demand is reduced.

FHR is subject to a number of risks associated with debt financing.

As a result of incurring debt, FHR is subject to a number of risks associated with debt financing, including: the risk that cash flow from operations will be insufficient to meet required payments of principal and interest; the risk that, to the extent that it maintains floating rate indebtedness, interest rates will fluctuate; and risks resulting from the fact that the agreements governing loan and credit facilities contain covenants imposing certain limitations on the Company's ability to acquire and dispose of assets.

Although it anticipates that it will be able to repay or refinance existing indebtedness and any other indebtedness when it matures, there can be no assurance that FHR will be able to do so or that the terms of such refinancings will be favorable. FHR's leverage may have important consequences. For example, FHR's ability to obtain additional financing for acquisitions, working capital, capital expenditures or other purposes, if necessary, may be impaired or financing may not be available on favorable terms. A substantial decrease in operating cash flow or an increase in expenses could make it difficult for the Company to meet its debt service requirements and force it to modify its operations. FHR may have higher levels of debt than some of its competitors, placing it at a competitive disadvantage to those competitors with lower amounts of indebtedness and/or higher credit ratings.

There can be no assurance that FHR will be able to obtain the necessary additional capital to finance the growth of its business.

The acquisition and expansion of hotels, as well as the ongoing renovations, refurbishment and improvements required to maintain or upgrade existing properties, are capital intensive. Such costs are funded from operating cash flow and financings. The availability of future borrowings and access to the capital markets for financing depends on prevailing market conditions and the acceptability of financing terms offered. FHR cannot ensure that future debt or equity financings will be available, or available on acceptable terms, in an amount sufficient to fund its needs. In addition, an inability to obtain financing for a project could cause cancellation or short-term interruption of construction or development of projects.

Covenants in FHR's financing agreements could limit its discretion in operating its businesses.

FHR's financing agreements contain covenants which include limits on: additional debt secured by mortgaged properties; liens on property; minimum operating income before interest, taxes, amortization, other income and expenses and reorganization and corporate expenses ("EBITDA") to interest coverage ratios; and limits on mergers, asset sales and capital expenditures. Future financing agreements may contain similar, or even more restrictive, provisions and covenants. If the Company fails to comply with the restrictions in present or future financing agreements, a default may occur. A default could allow creditors to accelerate the related debt as well as any other debt to which a cross-acceleration or cross-default provision applies. A default could also allow creditors to foreclose on the properties securing such debt. Credit facilities typically require the repayment of funds or cash flow sweeps when certain coverage ratios are not met.

FHR cannot assure investors that a judgment of a United States court for liabilities under U.S. securities laws would be enforceable in Canada, or that an original action can be brought in Canada by investors for liabilities under U.S. securities laws.

FHR is a Canadian corporation. A majority of its directors and officers are residents of Canada and most of the Company's assets and the assets of its directors and officers are located outside the United States. As a result, it may be difficult for investors to effect service of process within the United States on FHR or its directors and officers or enforce judgments obtained in U.S. courts against the Company or its directors and officers based upon the civil liability provisions of U.S. federal or state securities laws.

The Company has been advised by counsel that there is doubt as to whether a judgment of a U.S. court based solely upon the civil liability provisions of U.S. federal or state securities laws would be enforceable in Canada against it or its directors and officers. There is also doubt as to whether an original action could be brought in Canada against FHR or its directors and officers to enforce liabilities based solely upon U.S. federal or state securities laws.

Forward-looking statements may prove inaccurate.

FHR has made forward-looking statements in this Annual Information Form that are subject to risks and uncertainties. Investors should note that many factors, some of which are discussed elsewhere in this document, could affect future financial results and could cause those results to differ materially from those expressed in the forward-looking statements. See "Forward-Looking Information".

CURRENCY EXCHANGE RATES

Except where otherwise indicated, all dollar amounts used in this Annual Information Form are expressed in United States dollars and "$" and US$ means United States dollars. The following table sets out: (i) the noon rates of exchange for the United States dollar, expressed in United States dollars per Canadian dollar, in effect at the end of the periods indicated; (ii) the average noon exchange rates for these periods; and (iii) the high and low exchange rates during these periods, based on the rates quoted by the Bank of Canada.

	January 1, 2002 through	Years ended December 31		
U.S. Dollar per Canadian Dollar	**March 28, 2002**	**2001**	**2000**	**1999**
Noon rate at end of period	US$0.6275	US$0.6279	US$0.6666	US$0.6929
Average noon rate for period...................	0.6271	0.6446	0.6733	0.6730
High for period..	0.6353	0.6697	0.6967	0.6929
Low for period	0.6179	0.6241	0.6417	0.6542

On March 28, 2002, the rate of exchange based on the noon rate as quoted by the Bank of Canada was US$0.6275. On June 30, 2001, the rate of exchange based on the noon rate as quoted by the Bank of Canada was US$0.6589. All historical financial information in this document up to June 30, 2001 has been converted into United States currency using this exchange rate. After June 30, 2001, financial information has been converted based on actual noon rates or average noon rates for the period as appropriate.

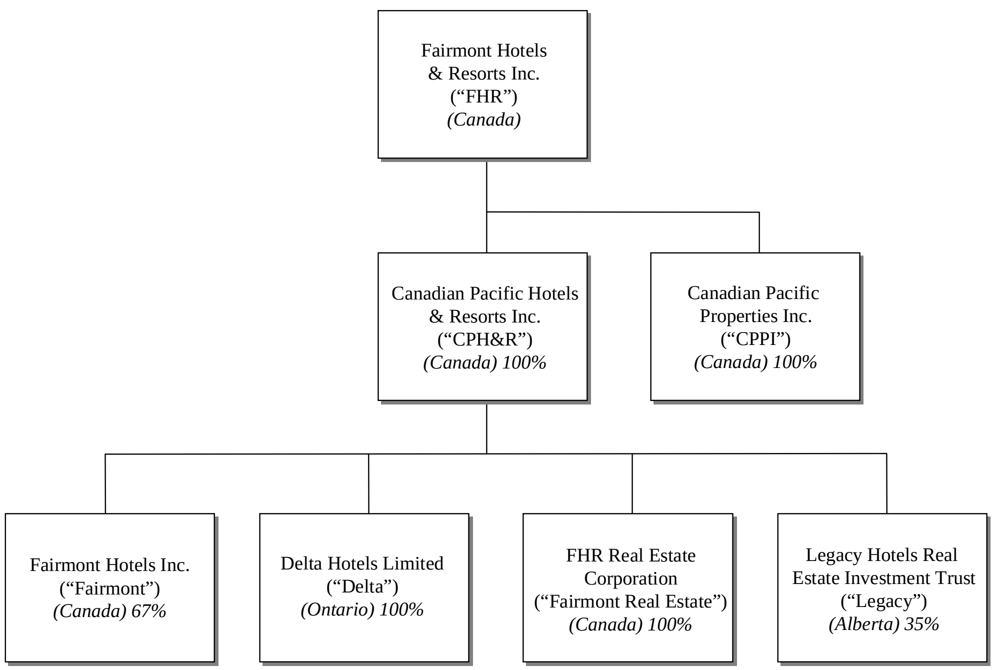
ITEM 1: CORPORATE STRUCTURE

The issuer's full corporate name is Fairmont Hotels & Resorts Inc. ("FHR" or the "Company"). FHR is incorporated under the *Canada Business Corporations Act*.

FHR, formerly known as Canadian Pacific Limited, was a holding company with five main operating companies in three main areas of business – energy, transportation and hotels. Under a plan of arrangement (the "Arrangement") which was effective as of October 1, 2001, the energy and transportation businesses were transferred into four new separate public companies and spun off to the shareholders of CPL.

Pursuant to the Arrangement, the articles of the Company were amended to: change its name to Fairmont Hotels & Resorts Inc. from Canadian Pacific Limited; change its authorized capital to include an unlimited number of common shares, an unlimited number of first preferred shares and an unlimited number of second preferred shares; change the number of directors to a minimum of five and a maximum of 15; and change its registered office to Toronto, Ontario.

As of March 28, 2002 the intercorporate relationships among FHR and its principal subsidiaries are depicted in the diagram below.



(1) CPPI holds FHR's interests in the Southtown and Coal Harbour lands.
(2) Legacy is an unincorporated closed-end real estate investment formed under the laws of the Province of Alberta.

ITEM 2: GENERAL DEVELOPMENT OF THE BUSINESS

Prior to the Arrangement, FHR's hotel business was carried on through a wholly-owned subsidiary, CPH&R.

In 1997, CPH&R was a Canadian hotel management and ownership business with 25 properties, approximately 11,000 guestrooms and one luxury brand, Canadian Pacific Hotels. The portfolio was primarily a combination of FHR's original Canadian Pacific properties and seven hotels purchased from Canadian National Railway Co. in 1988. In November 1997, FHR sold 11 city center business hotels to Legacy concurrent with Legacy's commencement of operations and initial public offering. FHR acquired an approximate 33% interest in Legacy under this offering. In 1998, FHR purchased Delta Hotels Limited ("Delta"), which at the time had 27 hotels and 10,000 guestrooms under management or franchise. Also in 1998, FHR purchased the Princess hotel portfolio, a group of seven warm weather resorts in Mexico, Bermuda, Barbados and the United States.

Significant Acquisitions

In October 1999, Fairmont Hotels Inc. ("Fairmont") was created through the combination of FHR's luxury hotel management business with that of Fairmont Hotel Management L.P. ("Fairmont L.P."), a U.S.-based luxury hotel manager. Fairmont immediately became the largest luxury hotel management company in North America as measured by the number of rooms under management. FHR contributed management contracts for 27 luxury properties while Fairmont L.P. contributed management contracts for seven hotels in key United States gateway cities and all rights to the Fairmont brand. FHR owns a 67% controlling interest in Fairmont while the original owners of Fairmont L.P., His Royal Highness Prince Alwaleed bin Talal bin Abdul aziz Al Saud ("Prince Alwaleed") and a fund represented by Maritz, Wolff & Co., each own 16.5%. This acquisition provided FHR with an international luxury brand under which it now operates its world class hotels and its luxury hotel management business.

In November 2000, FHR acquired the remaining 80% of The Fairmont Chateau Whistler for approximately $94 million.

In January 2001, FHR acquired the remaining 51% of its Barbados hotels, The Fairmont Royal Pavilion and The Fairmont Glitter Bay. In February 2001, FHR acquired The Fairmont Kea Lani Maui on the Wailea coast in Maui, Hawaii for approximately $250 million. In July 2001, FHR purchased a 50% interest in The Fairmont Copley Plaza Boston for $21 million from interests controlled by Prince Alwaleed. In addition, in November 2001, FHR announced the acquisition of a 27% minority stake for approximately $29 million in Dubai's newest convention hotel, The Fairmont Dubai, with the private office of His Highness Dr. Sheikh Sultan bin Khalifa Al Nahyan ("His Highness Dr. Sheikh Sultan"). Fairmont manages the hotel, which opened in February 2002, under a long-term management contract. See "Owned Hotels".

Significant Dispositions

In February 2001, FHR sold The Fairmont Empress in Victoria, British Columbia and Fairmont Le Château Frontenac in Quebec City, Quebec to Legacy for approximately $200 million, while retaining the long-term management contracts, each of which had a remaining term of 49 years at the time of sale.

ITEM 3: NARRATIVE DESCRIPTION OF THE BUSINESS

Overview

FHR is one of North America's leading managers of luxury hotels. FHR currently has 77 luxury and first class hotels and resorts in its portfolio, representing more than 30,000 rooms. The properties are located in Canada, the United States, Mexico, Bermuda, Barbados and the UAE. An additional four properties are currently under development. FHR has operated and owned hotels for 115 years and currently manages properties principally under the Fairmont and Delta brand names.

Fairmont caters to the luxury segment of the market, which is sometimes referred to as four or five star. Luxury hotels are full service properties offering an exceptional level of personalized service and a complete range of amenities and facilities, including food and beverage outlets, meeting rooms and recreational activities. Hotel staff to guest ratios tend to be higher at luxury hotels in order to allow for more personalized service. Delta is a first class hotel management company, a segment which is sometimes referred to as three or four star. First class hotels offer full service amenities and facilities similar to those found in luxury hotels.

In addition to its management business, FHR has real estate ownership interests ranging from approximately 20% to 100% in 21 properties. This distinctive collection of hotel properties is located primarily in exclusive resort destinations or key North American gateway cities. FHR also has an approximate 35% equity interest in Legacy, which owns 21 hotels across Canada, all of which are managed by either Fairmont or Delta. In addition, FHR owns two real estate properties in downtown Toronto and Vancouver which are suitable for commercial or residential development.

FHR's EBITDA of $165 million in 2001 represented a 15.5% decrease and a 1.2% decrease over 2000 and 1999, respectively. Revenues under management increased to $1.6 billion in 2001 from $1.2 billion in 1999. In 2001, the management business contributed approximately 19% of EBITDA while the balance was generated by the ownership business. FHR intends to increase the amount of its EBITDA generated by hotel management activities, which are less capital intensive and which management believes will provide additional growth and stability in earnings and cash flow.

Fairmont

Fairmont is the largest luxury hotel management company in North America as measured by number of rooms under management. It currently manages over 19,000 guestrooms at 38 luxury properties in major city centers and key resort destinations throughout Canada, the United States, Mexico, Bermuda, Barbados and the UAE. As of October 1999, the Fairmont brand was used at all of FHR's luxury properties outside Canada, and, in November 2000, the brand was extended to include all of its luxury properties in Canada to further develop brand recognition and provide a consistent brand message.

One of Fairmont's strengths is the diversity of its revenue base, which is relatively balanced within each of the individual and group travel, business and leisure travel, and city center and resort hotel segments. The individual or transient traveler is typically less price sensitive, whereas the group travel business helps fill rooms in off-peak seasons, providing stability in earnings and occupancy. Business travel accounts for approximately 54% of Fairmont's revenues under management and the balance is derived from leisure travel. Further diversification is provided to Fairmont as approximately 55% of revenues are derived from city center locations and the balance from resort properties. The resorts attract both corporate travelers for offsite retreats and leisure customers who take advantage of the activities and amenities offered by these locations.

Fairmont has certain amenities and expertise in diverse areas that distinguish it in the luxury sector. For example, its Fairmont Gold product has carved out a niche that competes with other upscale luxury hotels. This "hotel within a hotel", typically one or two floors of a Fairmont property, has its own check-in desk, lounge area, upgraded amenities in each guestroom and offers superior personalized service. This product commands a higher rate and competes with the upper end of the luxury hotel and resort segment from both a service and room rate perspective.

Fairmont also has resources dedicated to both golf and spa operations. FHR has operated golf courses since 1911 and its courses, situated in some of North America's finest natural settings, are designed by some of the world's foremost golf course architects. Fairmont has considerable experience in golf course management and maintenance and retail golf operations. FHR is the largest championship golf course and hotel operator in Canada and has recently upgraded three of its Canadian courses. Another two of its Canadian courses and one of the courses in Acapulco will be upgraded shortly.

Fairmont introduced its new spa product, "Willow Stream – the Spas at Fairmont", with the opening of the new spas at The Fairmont Scottsdale Princess in December 2001, The Fairmont Empress in January 2002 and The Fairmont Dubai in February 2002. Two more Willow Stream spas will open during 2002, at The Fairmont Southampton Princess and at The Fairmont Acapulco Princess and, in addition, the spa at The Fairmont Banff Springs will be rebranded.

Fairmont enjoys a considerable competitive advantage in the large group or corporate business segment of the industry over other exclusively luxury four or five star brands, insofar as its hotels generally have more guestrooms and also have excellent meeting space to accommodate these groups. Fairmont's average number of rooms per hotel is approximately 500, whereas Fairmont's major competitors, including Ritz-Carlton, Four Seasons, Sheraton Luxury Collection and Preferred Hotels and Resorts, generally range from between 200 to 330 rooms per hotel. See "Hotels Under Management".

Management is of the view that Fairmont's current brand positioning has poised FHR for above average growth in earnings. The Fairmont name dates back to 1907 and is well known in the United States. In 1999 and 2000, FHR leveraged this strong brand recognition by rebranding 30 properties in Canada, the U.S., Mexico, Bermuda and Barbados as Fairmont properties. Although Fairmont has now become the largest North American luxury hotel management company, management believes that Fairmont is still in the early stages of building consumer awareness of the new Fairmont brand. Many of Fairmont's properties are icons and landmarks in their own right and, as the connection between the brand and these assets is solidified, its strength and value should continue to grow. FHR also believes that there continues to be significant growth potential in the United States and internationally. Currently, 15 of the top 25 U.S. markets do not have a Fairmont property.

Delta

Delta is Canada's largest first class hotel management company with approximately 12,000 guestrooms at 39 managed or franchised hotels located in Canada. Since FHR acquired Delta in 1998, FHR has upgraded its portfolio of properties and enhanced the reputation of the Delta brand. Delta is of strategic importance to FHR as it strengthens its leadership position in the Canadian marketplace, adds a complementary brand to its portfolio and allows FHR to achieve significant economies of scale.

Delta has certain amenities and expertise in diverse areas that distinguish it in the first class sector. For example, Delta's Signature Club combines the exclusive use of a private lounge and upgraded guestrooms and amenities. Signature Club guestrooms achieve premium rates, enabling Delta to increase revenues. Delta has a strong regional sales network across Canada and is recognized for its brand strength and property distribution within its marketplace. Delta's major brand competitors are Hilton, Radisson and Sheraton.

Direct Ownership

All of FHR's 21 hotel ownership interests are held directly or indirectly by FHR Real Estate Corporation ("Fairmont Real Estate"), with the exception of The Fairmont Chateau Lake Louise, which is held by another subsidiary of FHR. See "Owned Hotels". Fairmont manages 19 of these hotels as luxury properties and Delta manages the other two as first class properties.

A significant portion of FHR's owned real estate EBITDA is generated by nine resort hotels in six locations. The Fairmont Banff Springs and The Fairmont Chateau Lake Louise in the Canadian Rockies, two world class hotels, are protected by high barriers to entry as they are located in Banff National Park, which is controlled by the Government of Canada. The Fairmont Chateau Whistler is in Whistler, British Columbia, a year-round resort widely recognized as North America's best ski destination. The Whistler hotel market is nearing full development capacity, which will restrict new supply growth. The Fairmont Scottsdale Princess is a Five Diamond hotel in the growing Scottsdale, Arizona market. The Fairmont Hamilton Princess and The Fairmont Southampton Princess are located in Bermuda, where FHR enjoys favorable income tax treatment on its earnings. The Fairmont Acapulco Princess and The Fairmont Pierre Marques in Acapulco, Mexico represent an opportunity to create substantial increases in the value of FHR's portfolio through the continuing development of these hotels. Finally, The Fairmont Kea Lani Maui on Wailea beach is an all-suite hotel and spa in one of Hawaii's most sought after locations.

FHR retained certain lands as a result of the Arrangement, including the Southtown lands in Toronto and the Coal Harbour lands in Vancouver. These properties provide FHR significant development opportunities in the future.

The Southtown lands are located in the downtown core of Toronto between the financial district and Lake Ontario. Zoning for the site allows for the development of 5.8 million square feet of commercial and residential space. The site is subdivided into eight parcels and is in close proximity to the Air Canada Centre. The site is located south of Union Station and north of the Gardiner Expressway, primarily on either side of York Street. There have been ongoing discussions with several prospective parties who have expressed interest in purchasing sites for future hotel, office and residential developments. The Coal Harbour lands, in downtown Vancouver, stretch over one kilometer along Burrard Inlet west of The Fairmont Waterfront and are in close proximity to Stanley Park. Zoning for this site allows for the development of 2.7 million square feet of residential and commercial space.

Legacy

In November 1997, FHR sold 11 city center business hotels to Legacy concurrent with Legacy's commencement of operations and initial public offering. Since then, FHR has maintained at least a one-third interest in Legacy in addition to managing all of the properties in Legacy's portfolio. Legacy currently holds a portfolio of 21 luxury and first class hotels consisting of more than 9,500 rooms. Fairmont manages Legacy's 10 luxury properties which constitute approximately 73% of Legacy's revenues, while Delta manages the remaining 11 first class properties. FHR's intention is to maintain an approximate one-third interest in Legacy as a long-term strategic investment.

Legacy and FHR are parties to a strategic alliance agreement which provides Legacy with the right to participate in any new investments made by FHR in resort or business hotels located in Canada. The agreement also provides Legacy with a right of first offer to purchase any properties that FHR proposes to divest. By selling selected assets to Legacy, FHR is provided with capital while retaining long-term management contracts on the divested assets. Legacy in turn can acquire high quality, well managed assets.

Competitive Strengths

The hotel industry is highly competitive. FHR believes that it has several distinguishing competitive strengths, including the following.

Irreplaceable Collection of Distinctive Assets

FHR manages and owns a portfolio of unique, high quality hotels in exceptional locations that provide it with an unrivaled presence throughout North America. FHR's managed assets principally consist of historic landmark properties in prime locations in major city centers or resort destinations. Its properties are typically renowned assets with long-standing traditions and reputations, such as The Plaza in New York City, The Fairmont San Francisco, The Fairmont Royal York in Toronto and Fairmont Le Château Frontenac in Quebec City. FHR's portfolio of owned assets are located primarily in exclusive resort locations where their competitive position is strengthened by high barriers to entry, such as The Fairmont Kea Lani Maui in Hawaii and The Fairmont Banff Springs, The Fairmont Chateau Lake Louise and The Fairmont Jasper Park Lodge, which are situated on and surrounded by National Park land owned and controlled by the Government of Canada.

Growing Fairmont Brand Position

Fairmont enjoys a prominent position in the luxury market segment by virtue of its distinctive collection of 38 properties and a reputation for excellence in people, product and service. The Fairmont name dates back to 1907 and is well known in the United States. FHR has leveraged this strong brand recognition by rebranding 30 properties in Canada, the U.S., Mexico, Bermuda and Barbados as Fairmont properties. Although Fairmont is the largest North American luxury hotel management company, management believes that Fairmont is still in the early stages of building consumer awareness of the new Fairmont brand. Many of Fairmont's properties are icons and landmarks in their own right and, as the connection between the brand and these assets is solidified, its strength and value should continue to grow. FHR also believes that there continues to be significant growth potential in the United States and internationally. Currently, 15 of the top 25 U.S. markets do not have a Fairmont property.

Strategic Relationships

Strategic relationships are an important source of financing and future growth opportunities for FHR's hotel management and ownership businesses. FHR's strategic alliance agreement with and approximate 35% interest in Legacy provides FHR with a potential buyer for FHR's stabilized real estate assets while enabling it to retain long-term management contracts for these properties. In the event of a sale of an owned asset to Legacy, FHR has the ability to participate, through its ownership interest in Legacy and through base and incentive management fees, in approximately 38% to 48% of the future increases in operating profits of the property, in addition to receiving a significant portion of its proceeds from the sale on a tax-efficient basis. This allows FHR to generate significant capital which can be reinvested to fund future growth and expand the Fairmont brand presence. Since the establishment of the strategic alliance, Legacy has purchased six properties from FHR for an aggregate consideration of approximately $250 million. In addition, FHR has established strong partnerships with institutional and private equity sources, including Kingdom Hotels (USA) Ltd., controlled by Prince Alwaleed, and Maritz, Wolff & Co., one of the premier luxury hotel investment firms in the United States. These partners are a potential source of capital to develop luxury and first class hotel properties and can also facilitate FHR's entry into new markets.

In early 2001, Fairmont became a founding member of Avendra, LLC, a North American purchasing consortium that combines the purchasing powers of its founders, Fairmont, Hyatt, ClubCorp, Six Continents and Marriott, to bring each member and their hotels anticipated savings in the cost of goods. All founding members in Avendra, LLC are guaranteed the same purchasing benefits.

Long-Term, Incentive-Based Management Contracts

Fairmont and Delta both earn management fees for services they provide to properties owned by FHR, Legacy and third parties. Base fees are typically calculated as a percentage of a property's gross revenues and provide earnings and cash flow stability. Incentive fees are earned as a result of improvements in financial performance, usually above a pre-determined level, and provide significant opportunities for cash flow and earnings growth. Generally, the longer the term of the management contract, the greater the opportunity for increased incentive fees.

Fairmont's incentive-based management contracts have an average remaining term of more than 40 years, which management believes are among the longest in the industry. In 2002, Fairmont expects that less than one-third of its management contracts will earn incentive fees. Within the next few years, Fairmont expects that substantially all of its current contracts will be earning incentive fees. Almost all of these contracts have set thresholds that do not change over the life of the contract except, in certain cases, for adjustments corresponding to significant capital expenditures. Fairmont participates in up to 30% of earnings above the threshold. Delta's incentive-based management contracts have an average remaining term of more than 10 years. In 2002, approximately one-third of Delta's managed hotels are expected to earn incentive fees.

Focused Acquisition Strategy

FHR has developed a five-step process for acquiring and repositioning underperforming real estate assets which has allowed it to maximize the revenues it receives from its owned properties, while following its strategy of increasing the management segment of its business. This five-step process consists of: acquiring an asset and managing it in the short term to increase its revenues; rebranding the asset as either a Fairmont or a Delta property; repositioning and enhancing the revenue potential of the asset through capital investment; aggressively managing the asset to optimize cash flows and operating margins; and monetizing the appreciated value of the stabilized asset by selling it to Legacy or a third party, which enables FHR to use the proceeds to make further acquisitions and equity investments, as well as reinvesting in existing assets. FHR's intention is to retain long-term management contracts on the assets it sells.

Proven Management Team

FHR has been providing outstanding service in the lodging sector for over 115 years. FHR's senior management team has, since 1997, successfully completed the initial public offering of Legacy, the acquisitions of Delta and the Princess hotel portfolio, the creation of Fairmont and the transition from being privately-held to being a publicly-traded corporation pursuant to the Arrangement. Also during this period, FHR has reported strong operating and financial performance, as rooms under management and revenues under management have tripled. The senior management team is supported by 10 corporate vice presidents and by 12 regional vice presidents, and oversees a workforce of over 30,000 employees.

Conservative Capital Structure

FHR believes it has a conservative capital structure. As at December 31, 2001, the Company had approximately $277 million total outstanding debt, resulting in a debt to total capitalization of approximately 18%, one of the lowest among major publicly-traded North American lodging companies. This capital structure provides FHR with a financial advantage relative to many of its competitors, enabling the Company to use its balance sheet to aggressively grow its business both through the refurbishment and expansion of existing properties and through selective acquisitions.

Growth Strategy

In addition to benefiting from the overall growth trends of the luxury segment of the market, FHR intends to grow revenue and profits through a comprehensive growth strategy.

Maximize Operating Performance of Existing Assets

FHR continues to grow revenues and earnings by maximizing the operating performance of its managed and owned hotels through profit enhancing capital improvements and more focused marketing programs and sales efforts. FHR also anticipates that the Fairmont brand will continue to enhance revenue opportunities through a consistent brand image and increased North American and international recognition of the properties in the portfolio.

FHR also expects that the rebranding of newly-acquired assets will leverage the operating performance of its existing properties. Not only will the rebranding enhance the revenue opportunities of the new assets through their immediate association with the Fairmont brand but, in addition, it will raise the profile of the rest of the Fairmont properties by raising the profile of the Fairmont brand as a whole.

Invest Capital to Expand, Reposition and Refurbish Existing Assets

A number of FHR's owned and managed assets have recently undergone or are currently undergoing major renovation programs which has affected operating revenues. Once these renovations are completed, FHR expects that it will earn significant returns on the capital invested. One example of this strategy was the expansion of The Fairmont Chateau Whistler. With the growing recognition of Whistler as a world class destination resort in the early 1990s, FHR determined that increasing demand warranted an addition of guestrooms and meeting space. In September 1997, the hotel opened 216 new guestrooms. In 2001, operating and financial results supported the expansion as EBITDA had more than doubled since 1996 and revenue per available room ("RevPAR") had risen significantly.

Broaden Revenue Streams

Incremental investments in spas, golf courses, residential and retail enhance the Fairmont brand and are also attractive investment opportunities, as the hotel infrastructure and land are already in place. There are currently two new spas under development and an additional four spas planned in the next five years. In addition, FHR operates 10 golf courses and has developed expertise in this area. FHR is focusing its acquisition strategy to target hotels that already have spas and golf courses in place or have the space to accommodate these facilities. FHR also continues to evaluate opportunities to develop residential accommodations at certain of its resort properties. Several of FHR's existing properties, such as The Fairmont Royal Pavilion and The Fairmont Scottsdale Princess could accommodate residential development. Fairmont currently has a large portfolio of retail shops within its hotels, providing rental income for FHR. The Fairmont Scottsdale Princess currently operates its own retail shops and The Fairmont Banff Springs has completed the final stage of renovations to upgrade its retail outlets and convert leased tenancies into hotel-operated shops. Fairmont will continue to pursue opportunities for future growth in retail revenue, through both leased tenancies and owned and operated stores.

Growth Through New Incentive-Based Management Contracts

FHR intends to further develop and leverage the Fairmont brand by seeking new single and multiple incentive-based management contract opportunities. The Company believes it has substantial growth potential in the United States as 15 of the top 25 markets currently do not have a Fairmont property. FHR also intends to capitalize on opportunities outside North America.

Fairmont is well positioned to attract hotel owners and new partners through its management expertise, unique portfolio of properties and service culture. In addition, it has established a scalable technology infrastructure that supports management information systems which are critical to the globalization of the brand.

Delta has proven its ability to secure new management contracts within Canada, with nine new management contracts being entered into in the past two years. It is anticipated that the Delta brand may also be extended beyond Canada to certain U.S. border states where it has significant brand recognition.

Growth Through Acquisitions

To support and complement the growth of its management business, FHR intends to use its strong balance sheet and effective management capabilities to make selective acquisitions in key North American gateway cities, destination resorts and strategic international markets. FHR intends to focus on assets that are consistent in size, quality and customer base with its existing portfolio, or that are in protected markets or have significant development potential.

Once an acquired asset has been stabilized, FHR will consider selling all or a portion of the asset to Legacy or a third party. As part of the sale agreement, FHR would retain a long-term management contract. The cash generated from the sale of stabilized properties would then be redeployed into new investment opportunities. This strategy was utilized with the sale of The Fairmont Empress and Fairmont Le Château Frontenac where the proceeds were used for the subsequent purchase of The Fairmont Kea Lani Maui, thereby expanding FHR's presence in a key resort market.

FHR also plans to leverage its strong financial position by increasing the use of minority equity investments as opposed to outright acquisitions. This will enable FHR to secure long-term management contracts with only a modest capital investment. The Delta Sun Peaks Resort arrangement is an example of a minority equity investment by the Company. FHR acquired an approximate 29% interest in the equity of the project and secured a long-term management contract for Delta. This Delta resort facility is currently being developed in Sun Peaks, British Columbia.

Although the Company is focused on expanding primarily in the United States, FHR will also consider strategic acquisitions outside of North America. For example, in 2001 FHR announced a joint venture which involves a minority equity investment and a long-term management contract for The Fairmont Dubai. This 394-room luxury business hotel located in Dubai, UAE, consists of four interlocking towers with 128 suites, state-of-the-art business facilities, residential apartments, office space, a world class spa and a health club. The Fairmont Dubai will be opposite Dubai's World Trade Center and the area earmarked for a new convention center, the site of the International Monetary Fund's meeting in 2003. FHR views this project as the first step in a strategic alliance between the private office of His Highness Dr. Sheikh Sultan and Fairmont to build and operate a number of luxury hotels in the region and other international markets.

Hotels Under Management

The following tables provide certain information relating to each property managed by Fairmont and Delta as of March 28, 2002.

Fairmont **Property**	**Year Opened**	**Ownership** [(4)]	**Total Rooms**	**Fairmont Gold Rooms**	**Meeting Rooms/ Sq. Footage**
The Fairmont Kea Lani Maui *Wailea, Maui, Hawaii*	1991	Fairmont Real Estate	450	—	4/11,400
The Fairmont San Francisco *San Francisco, California*	1907		591	—	20/50,000
The Fairmont San Jose *San Jose, California*	1987		805	—	23/51,200
The Fairmont Miramar Hotel, Santa Monica *Santa Monica, California*	1921		302	—	12/22,500
The Fairmont Scottsdale Princess *Scottsdale, Arizona*	1987	Fairmont Real Estate	651	—	29/53,000
The Fairmont Dallas *Dallas, Texas*	1969		551	—	25/71,400
The Fairmont Kansas City At The Plaza *Kansas City, Missouri*	1972		366	—	17/29,000
The Fairmont New Orleans *New Orleans, Louisiana*	1893		700	—	15/70,000
The Fairmont Chicago *Chicago, Illinois*	1987		692	—	14/62,000
The Plaza [(1)] *New York, New York*	1907		805	—	13/27,600
The Fairmont Copley Plaza Boston *Boston, Massachusetts*	1912	Fairmont Real Estate 50% [(2)]	379		9/20,000
The Fairmont Empress *Victoria, British Columbia*	1908	Legacy	476	39	5/10,000
The Fairmont Chateau Whistler *Whistler, British Columbia*	1989	Fairmont Real Estate	550	53	14/28,000
The Fairmont Hotel Vancouver *Vancouver, British Columbia*	1939	Legacy	556	39	14/48,100
The Fairmont Waterfront *Vancouver, British Columbia*	1991	Legacy	489	47	11/24,000
The Fairmont Vancouver Airport *Richmond, British Columbia*	1999	Fairmont Real Estate	392	36	14/7,600
The Fairmont Jasper Park Lodge *Jasper, Alberta*	1922	Fairmont Real Estate	446	—	13/26,000
The Fairmont Chateau Lake Louise *Lake Louise, Alberta*	1890	Fairmont Real Estate	487	—	14/18,000
The Fairmont Banff Springs *Banff, Alberta*	1888	Fairmont Real Estate	770	—	36/75,000
The Fairmont Palliser *Calgary, Alberta*	1914	Legacy	405	48	14/21,700
The Fairmont Hotel Macdonald *Edmonton, Alberta*	1915	Legacy	198	—	8/10,600
The Fairmont Winnipeg *Winnipeg, Manitoba*	1970	Legacy	340	36	10/19,800
The Fairmont Royal York *Toronto, Ontario*	1929	Legacy	1,365	85	39/69,000
Fairmont Château Laurier *Ottawa, Ontario*	1912	Legacy	429	35	16/36,400
Fairmont Le Château Montebello and Kenauk *Montebello, Quebec*	1930	Fairmont Real Estate	211	—	17/14,200

Fairmont **Property**	**Year** **Opened**	**Ownership** [4]	**Total** **Rooms**	**Fairmont** **Gold** **Rooms**	**Meeting** **Rooms/** **Sq. Footage**
Fairmont The Queen Elizabeth *Montreal, Quebec*	1958	Legacy	1,050	79	31/52,600
Fairmont Tremblant *Mont Tremblant, Quebec*	1997	Fairmont Real Estate 19.9%	316	—	19/16,000
Fairmont Le Château Frontenac *Quebec City, Quebec*	1893	Legacy	617	55	14/22,000
Fairmont Le Manoir Richelieu *Charlevoix, Quebec*	1899	Fairmont Real Estate 25%	405	21	12/22,000
The Fairmont Algonquin *St. Andrews By-the-Sea, New Brunswick*	1889		234	—	9/12,500
The Fairmont Newfoundland *St. John's, Newfoundland*	1982	Fairmont Real Estate 20%	301	56	17/23,000
The Fairmont Acapulco Princess *Acapulco, Mexico*	1971	Fairmont Real Estate	1,017	—	8/38,100
The Fairmont Pierre Marques *Acapulco, Mexico*	1958	Fairmont Real Estate	335	—	5/9,500
The Fairmont Southampton Princess *Southampton, Bermuda*	1972	Fairmont Real Estate	593	86	12/35,000
The Fairmont Hamilton Princess *Hamilton, Bermuda*	1884	Fairmont Real Estate	410	95	4/17,200
The Fairmont Royal Pavilion *St. James, Barbados*	1987	Fairmont Real Estate	76	—	2/1,200
The Fairmont Glitter Bay *St. James, Barbados*	1981	Fairmont Real Estate [5]	68	—	1/2,500
The Fairmont Dubai *Dubai, UAE*	2002	Fairmont Real Estate 27.4%	394	66	22/21,700
Puerto Rico resort [3] *Rio Grande, Puerto Rico*	2003 (est.)	Fairmont Real Estate 24%	TBA	TBA	TBA/TBA
TOTAL			19,222	876	

(1) A Fairmont managed hotel.
(2) Acquisition completed in June, 2001.
(3) Under development.
(4) Ownership interest is held by a third party unless otherwise indicated.
(5) Some of the units at this resort are privately owned.

Delta **Property**	**Year Opened**	**Ownership** [4]	**Total Rooms**	**Signature Club Rooms**	**Meeting Rooms/ Sq. Footage**
Delta Victoria Ocean Pointe Resort & Spa, *Victoria, British Columbia*	1992		245	—	12/14,100
Delta Vancouver Airport *Richmond, British Columbia*	1973	Delta	415	—	15/15,400
Delta Vancouver Suites *Vancouver, British Columbia*	1998	Fairmont Real Estate 34.8%	225	23	5/2,700
Delta Pinnacle *Vancouver, British Columbia*	2000		434	51	12/15,700
Delta Whistler Resort [1] *Whistler, British Columbia*	1982		288	—	19/4,000
Delta Whistler Village Suites *Whistler, British Columbia*	1997		207	—	5/3,000
Tantalus Lodge [2] *Whistler, British Columbia*	1980		76	—	2/1,300
Delta Bow Valley *Calgary, Alberta*	1981		398	—	10/10,000
Delta Calgary Airport *Calgary, Alberta*	1979	Legacy	296	—	15/19,500
Delta Lodge at Kananaskis *Kananaskis Village, Alberta*	1988		321	70	18/16,000
Delta Edmonton Centre Suite Hotel *Edmonton, Alberta*	1987		169	—	12/12,000
Delta Edmonton South Hotel & Conference Centre [1] *Edmonton, Alberta*	1975		237	—	28/31,900
Delta Red Deer Hotel and Conference Centre *Red Deer, Alberta*	1957		219	—	19/60,000
Delta Bessborough *Saskatoon, Saskatchewan*	1935	Legacy	225	37	11/20,000
Delta Regina [1] *Regina, Saskatchewan*	1988		255	—	23/28,700
Delta Winnipeg *Winnipeg, Manitoba*	1974	Legacy	392	49	13/18,100
Delta London Armouries [1] *London, Ontario*	1987		250	—	15/9,500
Delta Meadowvale Resort and Conference Centre [1] *Mississauga, Ontario*	1981		374	—	34/30,200
Four Points Hotel Toronto Airport [2] *Mississauga, Ontario*	1976	Legacy	296	—	25/14,100
Delta Toronto Airport *Toronto, Ontario*	1970		250	—	13/9,500
Delta Chelsea *Toronto, Ontario*	1975		1,590	73	25/21,500
Delta Toronto East *Toronto, Ontario*	1982	Legacy	368	20	23/22,000
Delta Pinestone Resort *Haliburton, Ontario*	1976		103	—	14/15,000
Delta Sherwood Inn *Port Carling, Ontario*	1939		49	—	3/3,500
Delta Grandview Resort *Huntsville, Ontario*	1911		130	—	12/8,800
Delta Rocky Crest Resort *MacTier, Ontario*	1965		65	—	3/3,000

Delta **Property**	**Year Opened**	**Ownership** (4)	**Total Rooms**	**Signature Club Rooms**	**Meeting Rooms/ Sq. Footage**
Delta Lake Joseph Resort *Port Carling, Ontario*	1997		21	—	3/3,300
Delta Ottawa Hotel and Suites *Ottawa, Ontario*	1975	Legacy	328	23	14/12,000
Delta Montreal (1) *Montreal, Quebec*	1986		456	42	17/16,000
Delta Centre-Ville *Montreal, Quebec*	1977	Legacy	711	128	18/22,600
Delta Sherbrooke Hotel and Conference Centre *Sherbrooke, Quebec*	1989		178	—	17/18,900
Delta Trois-Rivières Hotel and Conference Centre *Trois Rivières, Quebec*	1991		159	—	13/18,300
Delta Brunswick (1) *Saint John, New Brunswick*	1981		255	—	15/12,800
Delta Beauséjour *Moncton, New Brunswick*	1972	Legacy	310	—	15/24,000
Delta Halifax *Halifax, Nova Scotia*	1974	Legacy	296	—	12/9,000
Delta Barrington *Halifax, Nova Scotia*	1980	Legacy	200	31	9/6,700
Delta Sydney (1) *Sydney, Nova Scotia*	1987		152	—	8/5,500
Delta Prince Edward *Charlottetown, P.E.I.*	1984	Legacy	211	—	13/25,000
Delta St. John's Hotel and Conference Centre *St. John's, Newfoundland*	1987		276	30	16/18,000
Delta St. Eugene Mission Resort (3) *Cranbrook, British Columbia*	2002		TBA	TBA	TBA/TBA
Delta Sun Peaks Resort (3) *Sun Peaks, British Columbia*	2002	Fairmont Real Estate 29%	TBA	TBA	TBA/TBA
Delta Glen Abbey Resort & Conference Centre (3) *Oakville, Ontario*	2003	Fairmont Real Estate	TBA	TBA	TBA/TBA
TOTAL			11,430	577	

(1) A Delta franchised hotel.
(2) A Delta managed hotel, non branded.
(3) Under development.
(4) Ownership interest is held by a third party unless otherwise indicated.

Industry Awards

Fairmont and Delta have each developed reputations for quality, service and innovation in the luxury and first class markets, respectively. Their reputations have been acknowledged by the following leading surveys.

2001

In the November 2001 edition of *Forbes*, The Fairmont Chateau Whistler and Fairmont Tremblant were listed as two of the 10 best ski resorts in North America. The highly respected monthly magazine selected both properties for their upscale accommodations and for the quality of their nearby ski runs.

Nine Fairmont hotels received the 2002 Mobil Four and Five-Star Award from Exxon Mobil Travel Publications. Highlighting this year's list was The Fairmont Scottsdale Princess, which received a coveted Five-Star ranking. Additionally, two of the hotel's restaurants, La Hacienda and The Marquesa received this distinction.

Condé Nast Traveler magazine named seven Fairmont hotels to its annual "Top 100 - Best in the World" readers' poll. The extensive readers' poll undertaken by the magazine evaluates various aspects of the travel industry including, resorts, hotels, cities, cruises and islands from all around the world, with the criteria for ranking resorts and hotels based on room offerings, service provided, food and beverage and location.

In addition, the *Condé Nast Traveler* annual readers' choice poll, *The Gold List*, found that Fairmont hotels epitomized luxury, with the Company having 21 of its world class facilities appearing on this year's survey. Headlining this year's list for Fairmont was one of Canada's great landmarks, the Fairmont Château Laurier which scored an extraordinary 96.2% for its location in the category of The Americas. One Delta property also appeared on the list.

The Plaza was recently the recipient of two large U.K. travel awards. In 2001, the hotel was honored as the "Best Business Hotel in North America" and "The World's Best Hotel" by *Business Traveler* magazine.

Meetings & Conventions magazine awarded 15 Fairmont hotels/resorts, including The Fairmont Empress and The Fairmont Acapulco Princess, with the magazine's annual Gold Key award. Celebrating the finest meeting properties world-wide, the awards are based on the overall quality of the staff, meeting rooms, food and beverage offerings and the level of service provided.

Travel & Leisure Magazine's 2001 Annual World's Best Awards' readers' poll ranked 15 Fairmont properties in their annual evaluation of prestigious hotels and resorts throughout the world. Topping the list was The Fairmont Southampton Princess, which was named the "Best Hotel in the Bermuda, Bahamas and Caribbean Region".

The Learning Channel selected The Fairmont Chateau Lake Louise as one of the "Ultimate 10 Hotels in the World". The program recognized The Chateau Lake Louise and nine other of the most luxurious resorts around the world as ultimate travel destinations, with The Chateau Lake Louise being the only hotel in Canada to be awarded this honor.

The American Automobile Association ("AAA") and the Canadian Automobile Association ("CAA") recognized 26 Fairmont properties with Four or Five Diamond Awards.

The 2001 Zagat's travel survey of top U.S. hotels/resorts/spas ranked Fairmont fourth among lodging companies in the country. In the international edition of the acclaimed guidebook, Fairmont also ranked high with travelers with The Fairmont Empress and The Fairmont Chateau Whistler placing amongst the best hotels/resorts in Canada.

2000

The *Mobil Travel Guide* awarded seven of Fairmont's properties and one of its restaurants its Four Star Award.

The AAA and the CAA recognized 29 of FHR's properties with Four or Five Diamond Awards.

The *Corporate & Incentive Traveler* magazine gave three Fairmont hotels its Award of Excellence.

Meeting & Conventions magazine presented 10 of Fairmont's hotels with its Gold Key Award.

Successful Meetings magazine awarded 14 Fairmont properties and one Delta property the Pinnacle Award.

Delta's long-standing commitment to quality was recognized when it became the first hotel company to receive an award from the National Quality Institute's prestigious Canada Awards for Excellence.

Owned Hotels

The following is a description of the individual hotels in which FHR currently has an ownership interest. Fairmont Real Estate or one or more of its subsidiaries has a 100% interest in these properties, unless otherwise indicated.

The Fairmont Kea Lani Maui

Known as the island's only all-suite luxury oceanfront hotel, The Fairmont Kea Lani Maui is situated on Polo Beach in the world class destination of Wailea, on the southwestern coast of Maui. With 413 one-bedroom suites and 37 private beachfront villas, the 22-acre resort offers a full service spa and fitness center and a range of water sports. The resort is located close to Wailea's three 18-hole championship, par 72 golf courses and 14 tennis courts. The resort appears in *Condé Nast Traveler's* 2002 Gold List. In 2001, The Fairmont Kea Lani Maui received the Gold Key Award from *Meetings & Conventions* magazine. Fairmont Real Estate holds its indirect interest in the resort through a Hawaiian limited partnership, Kea Lani Limited Partnership.

The Fairmont Scottsdale Princess

Built in 1987, The Fairmont Scottsdale Princess is located on a 450-acre property, with the McDowell Mountains as the backdrop. In 2002, the resort received a Mobil Five-Star Award from Exxon Mobil Travel Publications as did two of the hotel's restaurants, La Hacienda and The Marquesa. For the eleventh consecutive year the hotel received two Five-Diamond Awards from AAA, one for the hotel's striking and luxurious facilities and exceptionally high degree of service and the other for its signature dining room, The Marquesa. The property has access to two championship golf courses which are leased by the City of Scottsdale to and operated by the Tournament Players Club of Scottsdale. For several years, one of these courses has been the site of the PGA Tour's Phoenix Open. The hotel has also been the host of the ATP/Franklin Templeton Men's Tennis Tournament for a number of years. In 2002, the hotel appeared in *Condé Nast Traveler's* Gold List. Willow Stream – the Spa at The Fairmont Scottsdale Princess, a 44,000 square-foot luxury spa, opened at the end of 2001. The Fairmont Scottsdale Princess is owned by the Scottsdale Princess Partnership, an Arizona partnership, which is indirectly owned by Fairmont Real Estate. The hotel is located on land leased from the City of Scottsdale, which lease expires at the end of 2085.

The Fairmont Copley Plaza Boston

Known as the "Grande Dame" of Boston, The Fairmont Copley Plaza Boston has been a landmark of elegance since its opening in 1912. The 379-room hotel was designed by the same architect as The Plaza in New York and has many features in common with that hotel. The Fairmont Copley Plaza Boston is centrally located beside the Hancock Tower, the Boston Public Library and Trinity Church and is close to Beacon Hill and Newbury Street. The hotel received the AAA Four Diamond Award in 2001. In June 2001, Fairmont Real Estate acquired a 50% ownership position in the hotel, and Fairmont, which has been the manager of the hotel since 1996, entered into a new long-term management contract. The hotel will be undergoing substantial renovations to its guestrooms and common areas during the next year or so. Fairmont Real Estate holds its interest in the owner of the hotel, Copley Plaza 2001 LLC, a limited Delaware partnership, through an indirectly wholly-owned subsidiary.

The Fairmont Chateau Whistler

Opened in 1989, The Fairmont Chateau Whistler was the first chateau-style hotel built by FHR since the turn of the century. Tourism in the Whistler area has generally been increasing and the hotel has been expanded over the past decade to accommodate increased demand. Located at the base of Blackcomb Mountain, the chateau is within walking distance of Whistler Mountain and now offers a full service spa. The hotel features an 18-hole championship golf course designed by Robert Trent Jones, Jr. The resort appeared in *Condé Nast Traveler's* 2002 Gold List and was voted one of the 50 Best Golf Resorts by the magazine in 2001. In the November 2001 edition of *Forbes*, the resort was listed as one of the 10 best ski resorts in North America. The hotel also received the Four Diamond Award from the CAA in 2002. All of the lands relating to the hotel property and the golf course are owned by Chateau Whistler Resort Partnership, a British Columbia partnership which is wholly-owned, directly and indirectly, by Fairmont Real Estate.

The Fairmont Vancouver Airport

Built in 1999, The Fairmont Vancouver Airport is a state-of-the-art hotel connected to the Vancouver International Airport. It is the first hotel in the world to offer an in-room airline check-in service and the first hotel in North America to introduce a satellite lobby in the airport arrival halls. With a full service work center, spa and health club, this hotel combines all the expected amenities and facilities of a luxury hotel with the conveniences of an airport property. In 2002, the hotel earned the Four Diamond Award from CAA. Fairmont Real Estate leases the land on which the hotel is located from the Vancouver Airport Authority. The lease term expires in 2050.

The Fairmont Jasper Park Lodge

The Fairmont Jasper Park Lodge is an alpine-like village of cedar chalets and authentic log cabins originally designed in 1922. Located near Marmot Basin Ski Resort in Jasper National Park, the property offers year-round activities including skiing and golf on its championship golf course designed by Stanley Thompson. In 2002, the hotel appeared in *Condé Nast Traveler's* Gold List in addition to being ranked as one of the 50 Best Golf Resorts by the magazine in 2001. In 2001, this golf course received numerous honors including Best Golf Course, Best Canadian Golf Destination and Best Scenery in Canada by *Score Golf* magazine. Also in 2002, CAA presented its main restaurant, the Edith Cavell Dining Room, with the Four Diamond Awards. The hotel is under a single lease with the Government of Canada, expiring March 31, 2010, with a right to an additional term of 10 years.

The Fairmont Chateau Lake Louise

The Fairmont Chateau Lake Louise was expanded from a mountain chalet in 1912 and is on the shores of Lake Louise in the Canadian Rockies. The hotel is in close proximity to world class skiing at the Lake Louise Ski Area in Alberta. In 2002, the hotel appeared in *Condé Nast Traveler's* Gold List. The Fairmont Chateau Lake Louise was selected as one of the "Ultimate 10 Hotels in the World" by The Learning Channel, recognizing the property as one of the top luxury hotels in the world. The hotel also received the Four Diamond Award from the CAA in 2002. The hotel is under perpetually renewable leases with the Government of Canada, the owner of all the land in Banff National Park, with the exception of a new lease of a road right-of-way and other lands including minor portions of the hotel and a staff building which is for a fixed term of 42 years. The leases for The Fairmont Chateau Lake Louise are held by Chateau Lake Louise Corporation, a Nova Scotia corporation which is a wholly-owned subsidiary of FHR.

The Fairmont Banff Springs

Designed and built in 1888, and often referred to as the "Castle in the Rockies", The Fairmont Banff Springs is a year-round hotel located in the Canadian Rocky Mountains in Banff National Park. The hotel is in close proximity to a number of internationally renowned ski facilities, including Sunshine Village and Lake Louise Ski Area, and has a 27-hole championship golf course designed by Stanley Thompson. In 2002, the hotel appeared in *Condé Nast Traveler's* Gold List. In 1995, the hotel opened Solace, a luxury spa that was ranked second in the category of "World's Best Spa Destinations" by *Condé Nast Traveler's* 2001 Readers' Choice Awards. The spa will be rebranded as a Willow Stream spa in 2002. The hotel also received the Four Diamond Award from the CAA in 2002. In 2001, a major three-year renovation program was completed at the property, returning the hotel to its original splendor. The main structures of the hotel containing the reception areas, kitchen, guestrooms and the majority of the staff accommodations are subject to perpetually renewable leases with the Government of Canada. The remaining leasehold lands forming the hotel and containing the conference center, parkade, other staff accommodations, the tennis courts and the golf course are subject to a number of leases for fixed terms of up to 42 years.

Fairmont Le Château Montebello and Fairmont Kenauk at Le Château Montebello

Located between Ottawa and Montreal, this historic resort's focal point is its red cedar log chateau built in 1930. Fairmont Le Château Montebello has approximately 65,000 acres of protected wilderness domain that is one of North America's largest and oldest private fish and game reserves, with more than 70 lakes within its borders. The resort has an extensive recreation program and offers a Stanley Thompson championship golf course, for which it received a Double Platinum ranking from Canada's *Golf Ranking* magazine.

Fairmont Tremblant

Opened in 1997, this hotel is located at the base of Mont Tremblant in the Laurentians. In 2002, the hotel appeared in *Condé Nast Traveler's* Gold List. In 2002, Fairmont Tremblant received the CAA Four Diamond Award. In the November 2001 edition of *Forbes*, the resort was listed as one of the 10 best ski resorts in North America. Fairmont Real Estate has a 19.9% direct interest in Chateau M.T. Inc., a Quebec corporation, which owns the property.

Fairmont Le Manoir Richelieu

First established in 1899, this "Castle on the Cliff" located in Charlevoix, Quebec, celebrated its centennial shortly after the completion of a $92 million major renovation. In 2000, Fairmont Le Manoir Richelieu received a Double Platinum ranking from Canada's *Golf Ranking* magazine for its 18-hole championship golf course. The hotel and its restaurant Le Charlevoix each received the Four Diamond Award from CAA in 2002. The hotel offers a spa, casino and whale watching on the St. Lawrence River. Fairmont Real Estate holds a 25% interest in the property through its direct ownership in Manoir Richelieu Limited Partnership, a Quebec limited partnership.

The Fairmont Newfoundland

Rebuilt in 1982, The Fairmont Newfoundland is located in the heart of St. John's, overlooking the harbor. This modern hotel offers a 24-hour business center and all guestrooms are provided with business amenities. Fairmont Real Estate holds its 25% interest directly in this property.

The Fairmont Acapulco Princess

Designed to resemble an Aztec pyramid, The Fairmont Acapulco Princess is located on, and shares with The Fairmont Pierre Marques, 480 tropical acres along the Revolcadero Beach. Each of the more than 1,000 guestrooms has recently been refurbished and the grounds offer five freshwater pools, waterfalls and a salt-water pool. The hotel offers tennis, water sports and an 18-hole championship golf course. In 2002, the hotel appeared in *Condé Nast Traveler's* Gold List. In 2002, The Fairmont Acapulco Princess also received the Gold Key Award from *Meetings & Conventions* magazine and the AAA Four Diamond Award. The hotel is currently adding a luxury spa that will open in June 2002. The hotel and golf course are owned by Organización Ideal, S.A. de C.V. and Impulsora de Revolcadero S.A. de C.V., both Mexican corporations, which are indirect wholly-owned subsidiaries of Fairmont Real Estate.

The Fairmont Pierre Marques

Located minutes from The Fairmont Acapulco Princess on a secluded section of Revolcadero Beach, the hotel was originally built in 1958 as a lavish personal hideaway for oil magnate J. Paul Getty. Previously open for only three months of the year, the hotel has been catering to guests year-round since it was purchased by FHR. The hotel has retained the privacy and intimacy of its original days with villas, bungalows and low-rise pavilions in a garden setting. The property offers three freshwater pools and an 18-hole championship golf course. By the end of 2002, FHR will have completed an extensive renovation of all of its 335 guestrooms. In 2002, the hotel appeared in *Condé Nast Traveler's* Gold List. The hotel and golf course are owned by Impulsora de Revolcadero, S.A. de C.V., a Mexican corporation which is an indirect wholly-owned subsidiary of Fairmont Real Estate. A small section of the land is held in trust from Banca Cremi, S.A. by Organización Ideal, S.A. de C.V., a Mexican corporation which is an indirect wholly-owned subsidiary of Fairmont Real Estate.

The Fairmont Southampton Princess

Located on the south shore of Bermuda's highest point, The Fairmont Southampton Princess opened in 1972 overlooking approximately 100 acres of property. The hotel has a pink sand beach, tennis and an 18-hole par 3 executive golf course. The hotel is currently undergoing a four-year, $48 million renovation to be completed in 2003. Fairmont Gold is now available and a full service spa will open in early 2002. In 2002, the hotel appeared in *Condé Nast Traveler's* Gold List and was also named the best hotel in the Caribbean/Bermuda/Bahamas by *Travel & Leisure* magazine. In 2002, The Fairmont Southampton Princess received the Four Diamond Award from AAA. Westend Properties Limited, a

Bermuda corporation which is an indirect wholly-owned subsidiary of Fairmont Real Estate, owns the hotel.

The Fairmont Hamilton Princess

Built in 1884, The Fairmont Hamilton Princess is located in the heart of Hamilton, Bermuda's capital. In 2001, the hotel received numerous awards for its meeting facilities and services, including the Gold Key Award from *Meetings & Conventions* magazine and the Pinnacle Award from *Successful Meetings* magazine. The property has recently completed a major renovation program, including all guestrooms, and the addition of Fairmont Gold. Renovations to the lobby and hotel entrance are presently underway with an anticipated completion in May 2002. The property is owned by Hamilton Properties Limited, a Bermuda corporation, which is an indirect wholly-owned subsidiary of Fairmont Real Estate.

The Fairmont Glitter Bay and The Fairmont Royal Pavilion

These two hotels are located next to each other on a tropical estate that overlooks the Caribbean, on a half-mile stretch of beach on Barbados' west coast. The Fairmont Glitter Bay opened in 1981 and was followed by the opening of The Fairmont Royal Pavilion in 1987. The Fairmont Glitter Bay contains one, two and three-bedroom suites, some of which are privately owned. Resort amenities include tennis courts, a water sports center and fitness center. In 2002, AAA presented the Four Diamond Award to The Fairmont Royal Pavilion. Fairmont Real Estate's interest in the two properties is held through its indirect wholly-owned subsidiary, CP Hotels (Barbados) Inc., a Barbados corporation.

The Fairmont Dubai

A unique blend of contemporary design and urban chic, the 394-room The Fairmont Dubai is the latest addition to the Fairmont collection. Opened in February 2002, the hotel is minutes from Dubai's shopping facilities and golf clubs and is directly linked to the World Trade Center by "Fairmont Walkway". Business facilities include The Exchange Floor, a 225-seat auditorium with smart wall and the latest in hi-tech audio visual and computerized services. Flexibility is assured with 17 breakout rooms and a ballroom ideal for any exhibition and social event. The Exchange Floor offers individual virtual offices and meeting rooms all equipped with DSL lines, while 128 suites boast panoramic views of the city. The hotel also features Willow Stream – The Spa at The Fairmont Dubai.

Delta Vancouver Suites

Delta Vancouver Suites is located in the waterfront district, close to the Vancouver Trade and Convention Centre. This all-suite hotel offers state-of-the-art technology in the heart of downtown Vancouver. Fairmont Real Estate holds its 34.8% indirect interest in the property through Conference Plaza Hotel Limited Partnership, a British Columbia limited partnership.

Delta Vancouver Airport

Located on nine acres of land on the banks of the Fraser River, the Delta Vancouver Airport is in close proximity to the Vancouver International Airport. FHR, through Delta, leases the land on which the property is situated. This lease expires in January 2009, and there are not further renewal rights.

Fees and Services

Under their management contracts, Fairmont and Delta generally oversee all aspects of the day-to-day operations of each property on behalf of the owner, including hiring, training, and supervising staff, maintaining sales and marketing efforts, providing accounting and budgeting functions, providing support for management information systems and applications and providing for the safekeeping, repair and maintenance of the physical assets. Fairmont and Delta perform these services within the guidelines contained in the annual operating and capital plans that are submitted to the owners of the properties during the last quarter of the preceding year for their review and approval. For these services, Fairmont and Delta typically earn a base fee calculated as a percentage of a property's gross revenues and may earn an incentive fee based on certain operating results of the property.

Fairmont and Delta provide centralized reservation services, marketing and sales programs and advertising services to properties under management. All of these services are provided by Fairmont and Delta on a cost recovery basis.

Owners' Responsibilities

Under Fairmont and Delta's management contracts, the hotel owner generally is responsible for the funding of the hotel's working capital requirements and capital expenditures. Fairmont and Delta annually prepare an operating plan and capital expenditure budget for the property owner to approve. All structural changes, major refurbishing programs and major repairs require the separate approval of a property owner prior to implementation by Fairmont or Delta. The property owner also employs the hotel staff and pays their salaries, including all benefits.

Capital Improvements and Investments

FHR maintains the high quality of its properties through an annual maintenance program, which is funded by the owners of the properties. The annual maintenance program is based on a percentage of revenues and generally ranges from 4% to 5% of each property's gross revenue. Other projects are undertaken in order to maximize profits. During 2001, approximately $129 million was spent on maintenance and improvements to the owned assets, the majority of which was spent on profit improving projects.

Marketing and Guest Recognition Programs

FHR has several e-commerce initiatives designed to assist in the optimization of asset performance, including a direct web-based hotel and activity booking system, a content management framework, sophisticated hotel search engines and marketing campaign management and reporting systems. Fairmont has also re-engineered its core systems to exploit the latest web-based technologies, which now operate over the Internet to any location in the world. Fairmont has built a digital infrastructure that interconnects its guestrooms, the employee base, the Internet and all the traditional travel distribution channels.

As part of the initiatives outlined above, FHR's existing third party web-based systems are being replaced with more sophisticated systems that will, among other things, enable guests to plan their Fairmont experience on-line. The new system includes a data warehouse which will capture the entire transaction history of guests, which will be matched with profiles that can be developed on-line. The resulting data can be leveraged to gain a larger share of guests' spending and enhance loyalty to the brand. Guests will be able to view Fairmont's facilities and book their rooms on-line, as well as arrange a variety of other activities both off property and at the destination, including spa appointments and golf tee times. This information will then become a part of a guest's profile, making it possible to offer tailored packages to that guest at his or her next on-line session. Members of President's Club, Fairmont's guest recognition program, will have access to their own secure area of the web site where they can update their personal profiles. These enhanced profiles will then be communicated to personnel at the hotel who will "customize" the guest's stay. In addition, this information will greatly enhance Fairmont's ability to communicate with this very important target group, ensuring that Fairmont provides the services that these customers consider important. Fairmont currently has approximately 131,000 active President's Club members. Delta Privilege, a guest recognition membership program designed for frequent business travelers, has approximately 66,000 active members.

Seasonality of Business

FHR's hotels are affected by normal recurring seasonal patterns. The Canadian and U.S. city center properties tend to experience a slowdown in demand during the December through March period. As a result, the majority of these properties typically incur a loss in the first quarter of each year. This negative impact on operations at the city center hotels is offset, to some degree, by increased travel to FHR's warm weather and ski resorts in these months and may, in the future, be offset to a greater extent as FHR's portfolio of resort properties increases.

Environmental Protection

Environmental compliance programs are in place at all properties that FHR manages and owns. No significant issues were identified in any of the owned or managed properties as a result of the 2001 environmental questionnaire completed by all the hotels.

Environmental assessments were reviewed for the Fairmont hotels in the United States and the Princess hotels as part of the acquisition of the management contracts or assets of these properties. Any removal or containment of hazardous materials in Fairmont U.S. properties, as well as the Princess hotels, is being carried out during planned renovations of these properties. All of the properties purchased by Legacy are required by its Declaration of Trust to have environmental assessments.

In addition to compliance with regulations, FHR is a leader in promoting environmentally friendly activities at its owned and managed hotels. In 1991, the Green Partnership program was launched which focused mainly on recycling. This program was extended in 1998 with the goal of including the industrial composting of organic waste, eco-friendly meeting options for guests, the donation of left-over food to food banks and used soaps and amenities to charities, or their return to the manufacturer for recycling. CP Green Tours were introduced through partnerships with local ecotourism operators.

All of the golf courses at the Fairmont properties in Canada are registered with the Audubon Cooperative Sanctuary program and are working to achieve the requirements in the six categories of environmental planning: wildlife and habitat management; integrated pest management; water conservation; water quality management; outreach; and education. The golf courses at The Fairmont Banff Springs and The Fairmont Chateau Whistler have received the Audubon Accreditation. Plans are underway to incorporate the other Fairmont golf courses, wherever they are located, into the Audubon program.

Where development is planned in environmentally sensitive areas, FHR works with the local, provincial or state and federal governments with respect to environmental approvals. FHR endeavors to consult with the appropriate stakeholders and to conform with the best practices in environmental management.

Human Resources

FHR currently employs or supervises more than 30,000 full-time and part-time employees. FHR encourages a strong service-based culture among employees with the goal of providing consistent, personalized service of an exceptional standard. Fairmont has developed a series of programs designed to select, train and motivate employees who will share its objective of ensuring that the expectations of guests are consistently met and exceeded. Delta has its own human resources training programs, which are similar to those at Fairmont.

Fairmont endeavors to ensure that it hires the people that are most suited for the positions offered by requiring each candidate to undergo a screening process which has been developed by a well-known management consulting firm. Delta's dedication to being an employer of choice was recognized for the second year when *The Globe and Mail*'s respected *Report on Business* magazine named the company one of the "Top 50 Companies To Work For" in Canada in 2001.

Approximately 50% of the employees at FHR's managed and owned hotels are members of collective bargaining units. These employees are represented by 27 unions, with a total of 68 bargaining units. The agreements with the various bargaining units have staggered expiry dates. Contract negotiations were successfully concluded with seven bargaining units during 2001, while another four contracts expired in 2001 and are being negotiated in 2002 at market rates. Collective agreements with 25 bargaining units expire in 2002. Of these, one has been successfully negotiated and another seven are currently in negotiation.

Intellectual Property

FHR believes that its brands are very important to its success. FHR has a significant number of tradenames, trademarks and service marks, including those relating to Fairmont and those acquired as a result of its purchase of the Delta and Princess portfolios. In addition, it is the owner of many Internet domain names related to its brands. FHR vigorously defends its brands and spends considerable time and resources in surveillance, registration, protection and prosecution of infringers. The "Canadian Pacific" trademark and its derivatives were transferred to Canadian Pacific Railway Company as part of the Arrangement, however FHR has secured a perpetual, royalty-free license for its continued use of these trademarks.

Insurance

All hotels managed by FHR are insured against property damage, business interruption and liability at the expense of the owner of the hotel. Under these policies, FHR is also insured against loss of fee income in the event of a temporary business interruption arising from an insured peril at any of the properties that it manages. In addition, FHR obtains indemnities from the owners of the properties that it manages in respect of damages caused by acts, omissions and liabilities of the employees of the property or of FHR, other than damages resulting from certain actions of FHR and certain senior management personnel. FHR also maintains directors and officers liability insurance. FHR believes that its insurance coverage is adequate. However, if FHR were held liable for amounts exceeding the limits of its insurance coverage or for claims outside the scope of that coverage, its business, results of operations and financial conditions could be materially and adversely affected.

FHR's Ownership Interests

As at March 28, 2002, FHR had a beneficial interest in the following entities, which could be viewed as being material to the Company:

Entity and Governing Jurisdiction	FHR's Beneficial Interest
Canadian Pacific Hotels & Resorts Inc. (Canada)	100%
Canadian Pacific Properties Inc. (Canada)	100%
Chateau Lake Louise Corporation (Nova Scotia)	100%
Chateau M.T. Inc. (Quebec)	19.9%
Chateau Whistler Resort Partnership (British Columbia)	100%
Conference Plaza Hotel Limited Partnership (British Columbia)	34.8%
Copley Plaza 2001 LLC (Delaware)	50%
CP Hotels (Barbados) Inc. (Barbados)	100%
CPH International Financing Rt. (Hungary)	100%
Delta Hotels Limited (Ontario)	100%
Fairmont Hotels Inc. (Canada)	67%
Fairmont Hotels & Resorts International Rt. (Hungary)	100%
FHR Real Estate Corporation (Canada)	100%
Hamilton Properties Limited (Bermuda)	100%
Impulsora de Revolcadero S.A. de C.V. (Mexico)	100%
Kea Lani Limited Partnership (Hawaii)	100%
Legacy Hotels Real Estate Investment Trust (Alberta)	34.8%
Manoir Richelieu Limited Partnership (Quebec)	25%
Organización Ideal, S.A. de C.V. (Mexico)	100%
Scottsdale Princess Partnership (Arizona)	100%
Westend Properties Limited (Bermuda)	100%

SELECTED CONSOLIDATED FINANCIAL INFORMATION

SUMMARY INCOME STATEMENT AND OTHER FINANCIAL INFORMATION

(Millions of dollars, except amounts per share)

	Year ended December 31		
	2001	2000	1999
SUMMARY INCOME STATEMENT			
Revenues			
Hotel ownership operations	$ 489.6	$ 464.7	$ 439.7
Management operations	34.3	41.8	29.1
Income from investments and other	18.7	24.3	21.9
	542.6	530.8	490.7
Expenses			
Hotel ownership operations	358.8	320.8	311.9
Management operations	18.6	14.6	11.6
	377.4	335.4	323.5
Operating income before undernoted items	165.2	195.4	167.2
Amortization	50.7	40.6	32.8
Other (income) and corporate expenses – net	2.9	4.6	(18.1)
Reorganization and corporate expenses	166.2	72.1	29.7
Interest expense – net	69.6	44.5	22.5
Income before income tax expense, non-controlling interest, goodwill charges and discontinued operations	(124.2)	33.6	100.3
Income tax expense (recovery)	(99.6)	(24.9)	19.0
Non-controlling interest	1.1	4.2	0.6
Income (loss) before goodwill charges and discontinued operations	(25.7)	54.3	80.7
Goodwill charges	3.1	2.4	2.0
Income taxes thereon	(0.6)	(0.5)	(0.4)
Income (loss) from continuing operations	(28.2)	52.4	79.1
Discontinued operations	958.7	1,101.9	304.1
Net income for the year	$ 930.5	$ 1,154.3	$ 383.2
Basic earnings (loss) per common share			
Income (loss) from continuing operations	(0.43)	0.56	0.87
Discontinued operations	12.15	13.86	3.67
Net income available to common shareholders	11.72	14.42	4.54
Dividends declared			
Per common share	Cdn$1.12	Cdn$1.48	Cdn$1.48
Per preferred share	$0.8426	$0.9307	$0.5444
OTHER FINANCIAL INFORMATION			
Revenues under management [(1)]	$ 1,570.8	$ 1,625.6	$ 1,179.6
EBITDA [(2)]	165.2	195.4	167.2
Operating cash flow	1,829.2	2,197.8	1,197.6
Capital expenditures	129.3	89.9	80.9
Total assets	1,897.2	15,850.1	13,136.3
Cash and cash equivalents	58.7	595.9	369.8
Total debt	276.7	3,707.2	2,837.0
Shareholder's equity	1,307.3	6,248.2	5,442.9

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(1) Revenues under management comprise all revenue generated by all FHR owned and franchised hotels.
(2) Management considers EBITDA to be a meaningful indicator of hotel operations. However, readers are cautioned that EBITDA is not a defined measure of operating performance under Canadian GAAP. FHR's calculation of EBITDA may be different than the calculations used by other entities.

Quarterly Information

The following table sets out certain financial information for FHR on a consolidated basis for each of the quarters in 2001 and 2000.

	2001 For the three months ended			
	March 31	**June 30**	**September 30**	**December 31**
	(in millions, except amounts per share)			
Revenues from continuing operations	134.5	152.5	154.8	100.8
Income (loss) from continuing operations	(6.1)	27.7	(99.4)	49.6
Net income	349.7	382.8	148.4	49.6
Earnings per share (basic) available to common shareholders				
Income (loss) from continuing operations	(0.10)	0.32	(1.27)	0.63
Net income	4.42	4.82	1.86	0.63
Average number of common shares outstanding (1)	78.7	79.0	79.1	78.8

	2000 For the three months ended			
	March 31	**June 30**	**September 30**	**December 31**
	(in millions, except amounts per share)			
Revenues from continuing operations	104.5	145.7	165.3	115.3
Income (loss) from continuing operations	16.4	17.8	30.3	(12.1)
Net income	197.9	248.1	308.2	400.1
Earnings per share (basic) available to common shareholders				
Income (loss) from continuing operations	0.18	0.20	0.36	(0.18)
Net income	2.41	3.10	3.89	5.07
Average number of common shares outstanding (1)	81.1	79.5	78.8	78.5

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(1) The average number of common shares outstanding in each quarter, except for the three months ended December 31, 2001, is based upon the average number of common shares of CPL outstanding for the relevant period, multiplied in each case by 0.25, which was the exchange ratio for FHR under the Arrangement.

ITEM 4: MANAGEMENT'S DISCUSSION AND ANALYSIS

Reference is made to the section entitled "Management's Discussion and Analysis" set out at pages 25 to 37 of FHR's 2001 Annual Report, which is incorporated by reference in this Annual Information Form.

ITEM 5: DESCRIPTION OF SHARE CAPITAL, DIVIDEND POLICY AND MARKETS FOR SECURITIES

Description of Share Capital

As of October 1, 2001, FHR's authorized capital consists of an unlimited number of common shares, an unlimited number of first preferred shares and an unlimited number of second preferred shares. Only common shares have been issued and are outstanding.

Shareholders are entitled to receive notice of and to attend all annual and special meetings of the shareholders of the Company and one vote in respect of each share held at all such meetings. The shareholders are entitled, at the discretion of FHR's board of directors, to receive out of any or all profits or surplus of FHR properly available for the payment of dividends, any dividend declared by the board and payable by FHR on the shares. The shareholders will participate rateably in any distribution of the assets of FHR upon the liquidation, dissolution or winding-up of FHR or other distribution of its assets among its shareholders for the purpose of winding up its affairs. Such participation will be subject to the rights, privileges, restrictions and conditions attached to any securities of the Company issued and outstanding at such time ranking in priority to the shares upon liquidation, dissolution or winding-up of FHR.

Dividend Policy

FHR's board has established a policy to pay an annual dividend of $0.04 per share, paid semi-annually. The payment of dividends by the Company will be dependent upon the financial requirements of FHR to fund future growth, the financial condition of the Company and other factors the board may consider appropriate in the circumstances. There can be no assurance that a dividend will be declared in any given year.

Market for Securities

The shares are listed under the symbol "FHR" on The Toronto Stock Exchange and the New York Stock Exchange.

ITEM 6: DIRECTORS AND SENIOR OFFICERS

The following are the names and the municipalities of residence of the individuals who are FHR's directors and senior officers, their positions and principal occupations within the past five years. Each of the directors will serve his or her term in office until FHR's annual meeting in 2002.

Directors

Stephen E. Bachand, Ponte Vedra Beach, Florida

Stephen E. Bachand, 64, is the former President and Chief Executive Officer of Canadian Tire Corporation, Limited, a hard goods retailer specializing in automotive, sports, leisure and home products. He held that position from March 1993 until August 2000. He is a director of the Bank of Montreal and Canadian Pacific Railway Company. Mr. Bachand was a director of CPL from 1997 until October 2001 and has been a director of FHR since then.

William R. Fatt, Toronto, Ontario

William R. Fatt, 51, was appointed Chief Executive Officer and a director of FHR on October 1, 2001. In January 1998, he was appointed Chairman and Chief Executive Officer of CPH&R, positions he still holds. Up to October 1, 2001, he was Executive Vice President of CPL. From 1990 to his appointment to CPH&R, Mr. Fatt had been Chief Financial Officer of CPL. He is Vice Chairman, Chief Executive Officer and a Trustee of Legacy. He is also a director of PanCanadian Energy Corporation, Enbridge Inc. and Sun Life Financial Services of Canada Inc.

Angus A. MacNaughton, San Francisco, California

Angus A. MacNaughton, 70, is President of Genstar Investment Corporation, a private investment company. He has held that position since 1987. He was a director of CPL from 1985 until October 2001 and has been a director of FHR since then. He is also a director and Vice-Chairman of Barrick Gold Corporation and a director of Varian Semiconductor Equipment Associates, Diversified Collection Services Inc., Sun Life Assurance Company of Canada (U.S.), Sun Life and Annuity Company of New York, Independent Life and Annuity Co., Keyport Benefit Life Insurance Co. and Keyport Life Insurance Co.

John D. McNeil, Toronto, Ontario

John D. McNeil, 68, is a director and was appointed Chairman of the board of FHR on October 1, 2001. He was Chairman and Chief Executive Officer of Sun Life Assurance Company of Canada, a financial services company, from May 1988 until April 1998 and Chairman from April 1998 until April 1999. He was elected to the board of directors of CPL in 1992 and served until October 2001. He is also a director of Sun Life Assurance Company of Canada, Sun Life Financial Services of Canada Inc., Shell Canada Limited, CP Ships Limited, DWL Incorporated, Hampton Re Holdings Ltd., Hampton Re Limited, The Canadian Ditchley Foundation, a Trustee of The Hospital for Sick Children (Toronto) and Chairman and director of the Canada-India Business Counsel.

David P. O'Brien, Calgary, Alberta

David P. O'Brien, 60, was until October 1, 2001 the Chairman, President and Chief Executive Officer of CPL, positions that he had held from May 1996. Mr. O'Brien was first elected as a director of CPL in 1995 and served until October 2001 and has been a member of the board of FHR since then. He is also a director, Chairman and Chief Executive Officer of PanCanadian Energy Corporation, an energy company. He is a director of the Royal Bank of Canada, TransCanada PipeLines Limited, Air Canada, Inco Limited, the C.D. Howe Institute, a member of the board of governors of the University of Calgary and Honorary Chairman and director of the Canadian Council of Chief Executives.

John L. Sharpe, Scottsdale, Arizona

John L. Sharpe, 59, is the former President and Chief Operating Officer of Four Seasons Hotels Inc., a hotel management company, which position he held from 1995 to 1999. He also served on the board of directors of Four Seasons Hotels Inc. during the same period. Mr. Sharpe is a director of Elizabeth Arden Salons and Spas Inc. and Grand Expeditions Inc. He serves as a trustee of the Culinary Institute of America, as a member of the Cornell University Council and as Chairman of the Industry Advisory Board for the School of Hotel Administration at Cornell University. He was appointed to the board of FHR in October 2001.

L. Peter Sharpe, Toronto, Ontario

L. Peter Sharpe, 55, was appointed President and Chief Executive Officer of The Cadillac Fairview Corporation Limited, a real estate company, in April 2000. Prior to this appointment, Mr. Sharpe was Executive Vice President, The Cadillac Fairview Corporation Limited, a position he held from January 1995. Mr. Sharpe also serves as a director of The Sunnybrook Foundation and the Canadian Institute of Public and Private Real Estate Companies. He was appointed to the board of FHR in October 2001.

Allan R. Taylor, O.C., Toronto, Ontario

Allan R. Taylor, 69, was Chairman and Chief Executive Officer of the Royal Bank of Canada from 1986 to 1994 and Chairman until 1995. He was a director of CPL from 1986 until October 2001 and has been a director of FHR since then. He is also a director of General Motors of Canada Limited, Max Bell Foundation, The Canadian Institute for Advanced Research and Canadian Neuroscience Partners.

Carole Taylor, Vancouver, British Columbia

Carole Taylor, 56, was appointed Chair of the board of directors of CBC/Radio-Canada, a public broadcaster, in July 2001. She was the Chair of Canada Ports Corporation from 1997 until 1999. During that time she also served as Chair of the Vancouver Port Corporation. Prior to her involvement with the Ports system, she was elected to the Vancouver City Council for two terms. Currently she is Chair of the Vancouver Board of Trade, as well as a director of HSBC Bank Canada and Canfor Corporation. Ms. Taylor was a director of CPL from 1999 until October 2001 and has been a director of FHR since then.

Senior Officers

William R. Fatt, Chief Executive Officer, Toronto, Ontario

William R. Fatt, 51, was appointed Chief Executive Officer on October 1, 2001. In October 1999, he was appointed Chairman and Chief Executive Officer of Fairmont, positions he still holds. He was appointed Chairman and Chief Executive Officer of CPH&R in January 1998 and still holds these positions. He is Vice Chairman, Chief Executive Officer and a Trustee of Legacy. From January 1998 to October 2001, he was Executive Vice-President of CPL. From 1990 to his appointment at CPH&R, Mr. Fatt was Chief Financial Officer, CPL.

Chris J. Cahill, President and Chief Operating Officer, Oakville, Ontario

Chris J. Cahill, 48, was appointed President and Chief Operating Officer on October 1, 2001. In October 1999, he was appointed a director, President and Chief Operating Officer of Fairmont, positions he still holds. He was appointed President and Chief Operating Officer for CPH&R in January 1998, positions he still holds. He is also Executive Vice President and a Trustee of Legacy. Before his appointment to the position of President and Chief Operating Officer, Mr. Cahill held the position of Executive Vice President, CPH&R, from 1995 to 1997.

M. Jerry Patava, Executive Vice President and Chief Financial Officer, Toronto, Ontario

M. Jerry Patava, 48, was appointed Executive Vice President and Chief Financial Officer on October 1, 2001. In October 1999, he was appointed a director, Executive Vice President and Chief Financial Officer of Fairmont, positions he still holds. He was appointed Executive Vice President and Chief Financial Officer of CPH&R in January 1998, positions he still holds. He is also a Trustee, Executive Vice President and Chief Financial Officer of Legacy. In 1990, Mr. Patava became Vice-President and Treasurer of CPL and held this appointment until he joined CPH&R.

Thomas W. Storey, Executive Vice President, Business Development and Strategy, Alpena, Michigan

Thomas W. Storey, 44, was appointed Executive Vice President, Business Development and Strategy on October 1, 2001. He joined the Company as Executive Vice President, Business Development and Strategy in February 2001. Mr. Storey was with Promus Hotels, a hotel management and ownership company, from 1997 to 2000, as Executive Vice President Strategic Planning & Venture Operations from 1998 until 2000 and Executive Vice President Marketing from 1997 to 1998. Prior to joining Promus Hotels, he was Executive Vice President Sales and Marketing at Doubletree Hotels.

John S. Williams, Executive Vice President, Operations, Vancouver, British Columbia

John S. Williams, 58, was appointed Executive Vice President, Operations on October 1, 2001. He was appointed Regional Vice President, British Columbia for CPH&R in May 1995 and held the same position for Fairmont's U.S. and Mexican hotels from September 1998. Mr. Williams was appointed Executive Vice President, Operations of Fairmont in August 2000, a position he still holds**.**

John M. Johnston, Executive Vice President, Toronto, Ontario

John M. Johnston, 54, was appointed Executive Vice President on October 1, 2001. In October 1999, he was appointed a director of Fairmont, a position he still holds. He was appointed President of Delta in October 1998 following its acquisition by CPH&R. From 1996 to 1998, Mr. Johnston served as Executive Vice President Operations for Loews Hotels in New York, a hotel management company. From 1990 until 1996, Mr. Johnston was Vice-President, Asia for Four Seasons Hotels Inc., a hotel management company.

Terence P. Badour, Senior Vice President, General Counsel and Secretary, Toronto, Ontario

Terence P. Badour, 45, was appointed Senior Vice President, General Counsel and Secretary on October 1, 2001. In October 1999, he was appointed director, Senior Vice President, General Counsel and Secretary of Fairmont, positions he still holds. He is also Secretary of Legacy. He was appointed Vice President, General Counsel and Corporate Secretary of CPH&R in 1998, and became Senior Vice President, General Counsel and Corporate Secretary in February 2001, and still holds these positions. Mr. Badour was appointed Corporate Counsel and Assistant Secretary of CPL in 1996 and served in that capacity until he joined CPH&R.

Neil J. Labatte, Senior Vice President, Real Estate, Toronto, Ontario

Neil J. Labatte, 44, was appointed Senior Vice President, Real Estate on October 1, 2001. In October 1999, he was appointed director and Senior Vice President, Real Estate of Fairmont, positions he still holds. Mr. Labatte joined CPH&R in 1997 as Vice President Acquisitions, and was appointed Senior Vice President, Real Estate in February 2001, a position he still holds. In July 1999, he was also appointed President and Chief Operating Officer of Legacy, positions he still holds. For the four years prior to joining CPH&R, Mr. Labatte was a founder, principal and board member of A.E.W. Mexico Company, a real estate investment management company.

Shareholdings of Directors and Senior Officers

As at March 28, 2002 the directors and senior officers, as a group, beneficially owned, either directly or indirectly, or exercised control or direction over less than 1% of any class of voting securities of the Company or those of any subsidiaries.

Committees of the Board

Audit Committee: A.R Taylor (Chairman), J.D. McNeil, D.P. O'Brien, J.L. Sharpe and L.P. Sharpe

Corporate Governance and Nominating Committee: J.D. McNeil (Chairman), S.E. Bachand and L.P. Sharpe

Management Resources and Compensation Committee: S.E. Bachand (Chairman), A.R. Taylor and C. Taylor

Environmental and Safety Committee: J.L. Sharpe (Chairman), D.P. O'Brien and C. Taylor

ITEM 7: ADDITIONAL INFORMATION

Copies of the following documents may be obtained upon request from the Secretary, Fairmont Hotels & Resorts Inc., Canadian Pacific Tower, 100 Wellington Street West, Suite 1600, TD Centre, P.O. Box 40, Toronto, Ontario, M5K 1B7:

(i) one copy of the Annual Information Form ("AIF"), together with one copy of any document, or the pertinent pages of any document, incorporated by reference in the AIF;

(ii) one copy of the comparative financial statements of FHR for its most recently completed financial year for which financial statements have been filed together with the accompanying report of the auditor and one copy of the most recent interim financial statements of FHR that have been filed, if any, for any period after the end of its most recently completed financial year;

(iii) one copy of the information circular of FHR in respect of its most recent annual meeting of shareholders that involved the election of directors or one copy of any annual filing prepared instead of that information circular, as appropriate; and

(iv) one copy of any other documents that are incorporated by reference into a preliminary short form prospectus or a short form prospectus and are not required to be provided under clauses (i), (ii) or (iii).

With respect to any document referred to in clauses (i), (ii) and (iii), FHR may require the payment of a reasonable charge if the request is made by a person or company who is not a security holder of FHR.

Additional information including directors' and officers' remuneration and indebtedness, principal holders of FHR's securities, options to purchase securities and interests of insiders in material transactions, if applicable, is contained in the FHR information circular for its most recent annual meeting of shareholders that involved the election of directors. Additional financial information is provided in FHR's comparative financial statements for the year ended December 31, 2001.