

Attachment #2: 1998 Settlement Agreement

THIS AGREEMENT MADE THE 7 DAY OF APRIL, A.D. 1998

BETWEEN:

COPY

THE TOWN OF CANMORE,
a municipal corporation
("the Town")

OF THE FIRST PART

- AND -

THREE SISTERS RESORTS INC.
a body corporate duly authorized
to carry on business in the
Province of Alberta
("the Developers")

OF THE SECOND PART

AGREEMENT

WHEREAS in November, 1992 the Natural Resources Conservation Board ("the NRCB") issued a decision ("the NRCB Decision") which approved, in part, an application by Three Sisters Resorts Inc. ("Three Sisters") to develop, for residential, commercial and recreational purposes, certain lands owned or controlled by Three Sisters within the Town;

AND WHEREAS on September 1, 1995 Section 619 of the Municipal Government Act (Alberta) came into force, which Section inter alia, requires a municipality in certain circumstances to amend its Land-Use Bylaw if the municipality receives an application for an amendment which complies with an approval of the NRCB;

AND WHEREAS on April 10, 1996 Three Sisters applied to the Town to amend the Town's Land-Use Bylaw to allow for the development, for residential purposes, of Pods 7 & 8;

AND WHEREAS the Town on July 22, 1996 only approved Three Sisters'



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application in part because, inter alia, the Town was of the view that the application was not in conformity with the NRCB Decision and that, in any event, Section 619 did not apply to the NRCB Decision since Section 619 came into force subsequent to the issuance of the NRCB Decision;

AND WHEREAS on July 31, 1996 Three Sisters appealed to the Municipal Government Board ("the Board") the Town's decision of July 22, 1996 on the grounds that Three Sisters' application was in conformity with the NRCB Decision and that the Town had a legal obligation to amend the Town's Land-Use Bylaw in accordance with Three Sisters' application;

AND WHEREAS on February 28, 1997 the Board issued Order 35/97 ("the Board Decision") which ordered the Town to amend the Town's Land-Use Bylaw in accordance with Three Sisters' application of April 10, 1996;

AND WHEREAS on March 20, 1997 the Town commenced Alberta Court of Appeal Action 9703-0154-AC seeking leave to appeal the Board Decision on various questions of law and jurisdiction;

AND WHEREAS on April 9, 1997, a Justice of the Alberta Court of Appeal granted to the Town leave to appeal the Board Decision on various questions of law and jurisdiction;

AND WHEREAS the Developers desire to obtain assurances from the Town in respect to the long term use of the Three Sisters Lands;

AND WHEREAS subsequent to the Alberta Court of Appeal granting leave, the Town and the Developers entered into discussions in an attempt to resolve various differences between them, including the ultimate zoning of the Three Sisters Lands;

AND WHEREAS the Town and the Developers have reached an agreement on a

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variety of issues and wish to reduce their various agreements to writing;

NOW THEREFORE WITNESSETH THAT in consideration of the terms, conditions, covenants and provisios hereinafter set forth, the Town and the Developers agree as follows.

1. Definitions

1.1 In this Agreement:

- (a) "Master Zoning Bylaw" means the document attached to this Agreement as Schedule "A" which is intended to be adopted by the Town as an amendment to, and incorporated in, the Town's Land-Use Bylaw No. 18(1986).
- (b) "NRCB Decision" means the Decision Report of the Natural Resources Conservation Board dated November, 1992 in respect to Application #9103 made to the Natural Resources Conservation Board.
- (c) "Pod" has the same meaning as in the NRCB Decision.
- (d) "Section 619" means Section 619 of the Municipal Government Act (Alberta).
- (e) "Three Sisters Lands" means those lands approved for development by the NRCB in the NRCB Decision.
- (f) "Town", depending on the context, means the Municipal Corporation of the



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Town of Canmore or the area within the corporate boundaries of the Town.

- (g) "Site" has the same meaning as in the Master Zoning Bylaw.
- (h) Words and phrases used in both this Agreement and in the Master Zoning Bylaw shall have the same meaning.
- (i) Unless the context otherwise requires, the singular shall include the plural, the plural shall include the singular, and any word indicating gender shall include the masculine, the feminine and the neuter.

2. Passage of Master Zoning Bylaw

2.1 The Town covenants that on or before April 15, 1998, the Town shall present to the Town Council the Master Zoning Bylaw for purposes of second and third reading and that the Town Council shall give good faith consideration to giving second and third reading to the Master Zoning Bylaw.

2.2 In the event that the Town Council does not within the time limit specified pass the Master Zoning Bylaw in substantially the same form and content as set forth in Schedule "A" then this Agreement shall automatically terminate and be of no force or effect.

3. Court of Appeal Action 9703-0154-AC

3.1 It is agreed that nothing in this Agreement constitutes a settlement of Alberta Court of Appeal Action 9703-0154-AC and whether the said action is to be taken to its completion or is to be settled shall be a matter for future discussions between the Town and Three Sisters.

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4. Development of Pods 7 and 8

4.1 The Town and the Developers agree that the Gross Developable Area for Pods 7 & 8 combined shall not exceed 45 acres and that the density of Pods 7 & 8 combined shall not exceed 404 Residential Units; provided that in the event that the Developers donate to the Town, or the Town's nominee, lands within Pods 7 or 8 for purposes of community housing then the lands donated and any Residential Units constructed thereon shall not be counted when calculating the said 45 acres and 404 Residential Units.

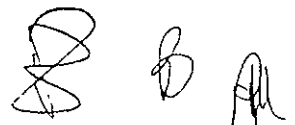
5. Master Zoning Bylaw

5.1 This Section of this Agreement is intended to clarify and assist in the interpretation of the overall intent of the Master Zoning Bylaw.

5.2  The Town acknowledges that the general intent of the Master Zoning Bylaw is to provide a reasonable level of certainty of the use for the ultimate development of the Three Sisters Lands and the Town covenants that it will expeditiously and in good faith process and give due consideration to all applications and approvals contemplated in the Master Zoning Bylaw.

5.3 The Developers acknowledge that the Master Zoning Bylaw is intended to put in place some zoning and approval mechanisms which are generally consistent with the NRCB Decision and the **Developers further acknowledge that future appeals under Section 619 will not be undertaken if future approvals under the Master Zoning Bylaw are consistent with the NRCB Decision.**

5.4 The Developers covenant that they will comply with the provisions of the Master Zoning Bylaw and will expeditiously and in good faith follow the procedures contemplated in the Master Zoning Bylaw and will expeditiously and in good faith provide all information and



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documentation specified in the Master Zoning Bylaw which is reasonably required by the Town to process and decide upon any application or approval for the subdivision or development of the Three Sisters Lands.

5.5 Nothing in this Agreement limits nor precludes the right of the Developers from time to time, in accordance with the Master Zoning Bylaw or Part 17 of the Municipal Government Act, to apply for or seek approval for changes or amendments to the Master Zoning Bylaw or any decision or approval made pursuant to the Master Zoning Bylaw.

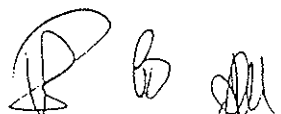
5.6 **Nothing in this Agreement limits nor precludes the right of the Town, in accordance with Part 17 of the Municipal Government Act, from time to time to change or amend the Master Zoning Bylaw.**

5.7 In the event that either the Town or the Developers are of the opinion that changes or amendments to the Master Zoning Bylaw, or any approval or decision thereunder, is necessary or appropriate, the Town or the Developers, as the case may be, shall first consult with the other party prior to initiating any formal process for change or amendment.

6. Gross Developable Area for a Site

6.1 This Section is intended to clarify and assist in the interpretation of Clause (b) of the definition of "Gross Developable Area" ("GDA") in the Master Zoning Bylaw.

6.2 It is acknowledged by the parties that the primary intent of the said Clause (b) is to exclude from the GDA those areas within a site which are used primarily for golf course purposes, but the parties also acknowledge that there will be other circumstances (eg. lands used for parkland purposes) where lands are developable and privately owned, but not used for normal residential, commercial or industrial purposes, and which are intended to be excluded from the GDA.



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6.3 In the event that there is any disagreement between the Town and the Developers as to whether a particular area should be excluded from the GDA for a Site, the parties shall meet and attempt in good faith to resolve the disagreement.

6.4 For purposes of attempting to resolve a disagreement, as contemplated in paragraph 6.3, the parties shall take into account all matters relevant to the question of whether the area in dispute is used or proposed to be used primarily for residential, recreational, commercial or industrial purposes including, but not so as to limit the generality of the foregoing, the actual or proposed use, access to the area by individuals and the public generally, the manner in which use and access is to be controlled and the relationship between the use or proposed use of the area in dispute and the use or proposed use of adjacent areas.

6.5 Nothing in this Section limits any remedy that the Town or Three Sisters may otherwise have to ensure compliance with the provisions of the Master Zoning Bylaw.

7. Sequence of Development Within Three Sisters Lands

7.1 This Section is intended to clarify and assist in the interpretation of Section G.9 of the Master Zoning Bylaw.

7.2 The Town and the Developers agree that the intent of Section G.9 is to ensure that necessary infrastructure and roadways are available or constructed when land is subdivided and developed, and further, that Section G.9 does not prevent the Developers from proceeding with a non-contiguous or "leap frog" subdivision and development if the Developers concurrently construct adequate infrastructure and roadways to service the proposed subdivision and development to the Town's normal standards.

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8. Residential Growth Phasing

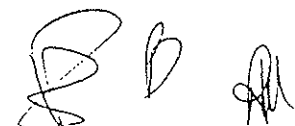
8.1 This Section is intended to clarify and assist in the interpretation of Section G.10 of the Master Zoning Bylaw.

8.2 The Town and the Developers acknowledge that it is the intent of Section G.10 to provide assurances to the Developers that the Developers will be able in each year to place on the market a certain minimum number of Residential Units, but the parties also acknowledge that the implementation monitoring of growth phasing will be difficult due to market and other factors and the parties therefore agree that it will be necessary to use a flexible approach to achieve the intent of Section G.10.

8.3 Although Section G.10 contemplates that the minimum annual residential growth within the Three Sisters Lands is to be monitored by reference to subdivision plans endorsed by the Town, the Town acknowledges that circumstances may arise where it is inappropriate or undesirable, in a particular year, for residential development to proceed for all or a portion of an area in respect to which a subdivision plan has been endorsed by the Town.

8.4 In the event that the development of residential lots has been approved (Approved Lots) by the endorsement of a subdivision plan, the Developers shall have the right to seek approval from the Town to "bank" any or all of the Approved Lots. During the time that any Approved Lots are banked, such banked lots shall not be counted in the annual allotment of Residential Units contemplated in Section G.10.

8.5 In the event that the Town approves the banking of any Approved Lots, the Developers covenant that they will not undertake nor allow any housing construction on such Approved Lots so long as the Approved Lots are banked, and further, the Developers covenant that they will not sell, transfer, lease or otherwise dispose of such Approved Lots to any person or firm



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as long as the Approved Lots are banked, other than as provided in this Section.

8.6 Where Approved Lots have been banked, the Developers may sell, transfer, lease or otherwise dispose of such Approved Lots to an affiliate or subsidiary of the Developers; provided, that any such affiliate or subsidiary has first entered into a written agreement with the Town, in form and content satisfactory to the Town, which ensures to the Town that no housing construction will be undertaken or allowed so long as such Approved Lots are banked.

8.7 If the Town receives a request from the Developers to bank any Approved Lots, upon the Town receiving assurances satisfactory to the Town, acting reasonably, that no housing construction will be undertaken or allowed on such Approved Lots, the Town shall approve the Developers' request to bank the Approved Lots.

8.8 If Approved Lots have been banked, subject always to the annual residential allotment contemplated in Section G.10, the Developers may at anytime thereafter, upon written notice to the Town, remove any or all of the Approved Lots from the "bank" and in such an event the Developers may undertake or allow the construction of housing on the Approved Lots removed from the bank.

8.9 In the event that the Developers seek the endorsement of a subdivision plan which includes any lots intended for multi-unit residential development, the Town and the Developers shall, prior to the endorsement of the subdivision plan, meet and attempt to agree on the number of Residential Units which will likely be constructed on such multiple housing sites.

8.10 In the event that the Town and the Developers agree on the number of Residential Units likely to be constructed on a multiple housing site, then, subject to paragraph 8.12, the number of Residential Units agreed upon shall be used to calculate the annual allotment of Residential Units, as contemplated in Section G.10, for the particular year.

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8.11 In the event that the Town and the Developers do not agree on the number of Residential Units likely to be constructed on a multiple housing site, then the Town shall on its own establish the number of Residential Units likely to be constructed on the multiple housing site, based upon the land use designation for the site, and the number of Residential Units established by the Town, subject to paragraph 8.12, shall be used to calculate the annual allotment of Residential Units, as contemplated in Section G.10, for the particular year.

8.12 In the event that the number of Residential Units actually constructed on a multiple housing site is greater or lesser than the number estimated pursuant to either paragraph 8.10 or 8.11, when a development permit is issued for a multiple housing site, the annual allotment of Residential Units, as contemplated in Section G.10, for the then current year shall be adjusted upwards or downwards to reflect the difference between the estimate and the actual number of Residential Units authorized by the development permit.

8.13 The Town and the Developers agree that nothing in this Agreement or in Section G.10 precludes the Developers from seeking approval from the Town, and the Town granting approval, to increase, in any particular year, the minimum annual allotment of Residential Units contemplated in Section G.10.

9. Community Land

9.1 This Section is intended to clarify and assist in the interpretation of Section G.13 of the Master Zoning Bylaw.

9.2 The parties agree that it is contemplated that there are existing roadways within the Three Sisters Lands, totalling approximately 35 acres in area, which are proposed to be closed by the Town and exchanged with other lands owned by the Developers.

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9.3 The Town and the Developers agree that on or before June 30, 1998 they shall identify and ascertain the actual area of roadways proposed to be closed, and which portions of those roadways are developable and which are not developable, and in the event of a disagreement between the Town and the Developers in respect to the actual area of the said roadways, or which portions are developable and which are not developable, either party may refer the disagreement to arbitration in accordance with the provisions of the Arbitration Act (Alberta).

9.4 For purposes of this Section 9, roadways shall be considered as developable if they are of a similar nature and quality to other adjacent lands proposed to be developed and are capable of being used for normal development purposes such as private lots, roadways, public utility lots and municipal reserve.

9.5 The Developers covenant that they shall transfer to the Town, free and clear of all interests excepting interests acceptable to the Town acting reasonably, fully serviced lots within Sites 2, 3 and 7 which shall be of an area, up to a maximum of 30 acres, equal to the area of developable roadways to be transferred by the Town to the Developers.

9.6 When a Conceptual Scheme of Subdivision or an Area Structure Plan is prepared and approved for Sites 2, 3 and 7, the Conceptual Scheme of Subdivision or Area Structure Plan shall identify the approximate location of the lots to be transferred by the Developers to the Town and the Developers shall in any subdivision application made concurrently or subsequently incorporate the lots as part of the subdivision design.

9.7 The location, size and shape of the lots to be transferred by the Developers to the Town shall be to the satisfaction of the Town acting reasonably.

9.8 The Town agrees it shall pay to the Developers a proportionate share of the



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servicing costs for the servicing of the subdivision in which a lot is located.

9.9 The Town and Developers shall negotiate the proportionate share of the servicing costs payable by the Town and, failing agreement between the Town and the Developers, either party may refer the matter to arbitration in accordance with the provisions of the Arbitration Act (Alberta).

9.10 The Town shall pay its proportionate share of the servicing costs forthwith upon the costs being determined and the Town receiving title to a lot.

9.11 For purposes of this Section 9, servicing costs shall mean on-site and off-site costs prudently incurred which are fairly and reasonably attributable to the servicing of the particular subdivision, and where appropriate shall include engineering and design costs, construction costs for roadways, utilities and landscaping, testing costs, acreage assessments, supervision costs, overhead costs and any other costs normally attributable, in the industry, to the development and servicing of land.

9.12 When the Developers require title to any of the developable roadways identified pursuant to paragraph 9.3, the Developers shall in writing request the Town to close the particular roadways and transfer them to the Developers.

9.13 Upon receiving a request from the Developers to close and transfer a roadway pursuant to paragraph 9.12, the Town shall in good faith prepare all necessary bylaws and present such bylaws to the Town Council for consideration.

9.14 When a road closure bylaw is passed for a roadway identified pursuant to paragraph 9.3, and the Town has received all necessary approvals from the Minister of Transportation and Utilities, the Town shall deliver to the Developers a registerable transfer for the closed roadway,



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free and clear of all interests excepting interests acceptable to the Developers acting reasonably.

9.15 In the event that the Town Council does not approve the closure of a developable roadway identified pursuant to paragraph 9.3, then an amount equal to the area of such roadway shall be deducted from the total area of the lots to be transferred by the Developer to the Town pursuant to paragraph 9.5.

9.16 In the event that the Developers request the closure and transfer of developable roadways in excess of 30 acres, or in the event that the Developers request the closure or transfer of any roadways which are not developable, such a request shall be the subject of negotiations between the Town and the Developers and shall be subject to further agreement between the parties.

10. Staff Accommodation

10.1 This Section is intended to clarify and assist in the interpretation of Section G.14 of the Master Zoning Bylaw.

10.2 The Developers agree that they shall establish and be responsible for the operation of a Staff Accommodation Authority or similar authority whose functions shall include the operation and maintenance of Staff Accommodation.

10.3 The Developers shall consult with the Town in respect to the establishment and operation of the Staff Housing Authority or similar authority.

10.4 The Town and the Developers agree that all Staff Accommodation shall meet the requirements of the Master Zoning Bylaw in order to qualify as Staff Accommodation.



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11. Wildlife Corridors and Highway Crossings

11.1 This Section is intended to clarify and assist in the interpretation of Section G.15 of the Master Zoning Bylaw.

11.2 The Town agrees that it will cooperate with the Developers in respect to Three Sisters securing approval from Alberta Environmental Protection for the location, within the Three Sisters lands, of wildlife corridors and highway crossings as well as the development and implementation of appropriate mitigation strategies.

12. Conceptual Scheme of Subdivision and Development Standards

12.1 This Section is intended to clarify and assist in the interpretation of Section G.20 of the Master Zoning Bylaw.

12.2 The Town and the Developers acknowledge that the intent of Section G.20 is to provide for Sites 1,2A and 4 a framework for the subdivision and development of lands in a manner analogous to an Area Structure Plan, but with greater flexibility. !

12.3 The Town and the Developers agree that the Developers may apply to the Town for approval of a Conceptual Scheme of Subdivision for an entire Site or for a portion of a Site.

12.4 If the Developers apply to the Town for the approval of a Conceptual Scheme of Subdivision for a portion of a Site, the requirements of Clause G.20(a) may be modified by the Town, by deferring some of the requirements of Clause G.20(a) to the extent considered appropriate by the Town, but in any event the application by the Developers shall, at minimum, identify the major transportation routes and public utilities within the entire Site and shall also describe conceptual land uses within the entire Site.



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12.5 The Town and the Developers agree that the Developers shall be at liberty at any time to apply to the Town to amend any Conceptual Scheme of Subdivision which has previously been approved by the Town.

12.6 The Town agrees that when the Developers apply to the Town to approve a Conceptual Scheme of Subdivision, or an amendment to a Conceptual Scheme of Subdivision, the Town shall give good faith consideration, based on the land-use planning merits, to the Developers' application.

12.7 The Town and the Developers agree that development standards different from those set forth in the Master Zoning Bylaw may be established, upon application by the Developers to the Town, on a subdivision by subdivision basis and need not be established when a Conceptual Scheme of Subdivision is approved.

12.8 The Developers agree that for Sites other than Sites 1, 2A and 4 Area Structure Plans shall be prepared and approved prior to subdivision and development.

13. Site 1 Development Standards

13.1 This Section is intended to clarify and assist in the interpretation of Section 1.4 of the Master Zoning Bylaw.

13.2 The Town and the Developers agree that Section 1.4 is intended to establish development standards for Site 1 and that Section 1.4 does not require that either a resort commercial centre or a business park be constructed at the same time that the Visitor Accommodation Units for a resort centre are constructed.



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14. Monitoring of Development

14.1 The purpose of this Section is to ensure that procedures are put in place which will monitor compliance with the provisions of the Master Zoning Bylaw.

14.2 On or before December 15 in each year the Town and the Developer shall meet for purposes of monitoring development within the Three Sisters Lands to ensure that development is in compliance with the Master Zoning Bylaw generally, and more particularly, to provide an ongoing monitoring mechanism in respect to those matters identified in paragraph 14.3.

14.3 When the Town and the Developers meet to monitor compliance with the Master Zoning Bylaw, the parties shall, for the current year and past years, attempt to identify and reach agreement in respect to the following matters:

- (a) The number and type of Residential Units approved for each Site;
- (b) The Gross Developable Area approved for each Site;
- (c) The number of Visitor Accommodation Units approved within the Three Sisters Lands;
- (d) The number of Timeshare Units approved within the Three Sisters Lands;
- (e) The amount of Staff Accommodation made available within the Three Sisters Lands;
- (f) The gross floor area of commercial development, of the type identified in clause 1.4(f), which has been approved within Site 1;



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- (g) The amount of municipal reserve which has been dedicated in each Site;
- (h) The amount of Uncredited Municipal Reserve which has been dedicated in each Site; and
- (i) The amount of Community Land provided to the Town as contemplated in Section G.13 of the Master Zoning Bylaw.

14.4 In the event that the Town and the Developers are unable to reach agreement in respect to any of the matters identified in paragraph 14.3, then the parties shall engage the services of an independent mediator, acceptable to the parties, in a further attempt to reach agreement; provided, that if mediation is not successful, the parties shall then be free to pursue any other remedies available to them.

14.5 In the event that the Town and the Developers reach agreement in respect to any of the matters identified in paragraph 14.3, then the agreement shall be documented for future reference.

15. NRCB Hearing Costs

15.1 The Town and the Developers acknowledge that Three Sisters has previously represented to the Town that Three Sisters would reimburse the Town for certain of the costs incurred by the Town in connection with the NRCB hearing process.

15.2 The Town and the Developers agree that the said costs incurred by the Town are in the amount of \$261,828.84, and further, the Developers covenant that they shall within 15 days of a further subdivision being approved for Pods 7 and 8, unconditionally pay to the Town the said sum

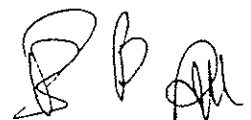


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of \$261,828.84.

15.3 The Town covenants that it will use its best efforts to expeditiously and diligently process and present to council, for council's approval, any rezoning or subdivision application for those portions of Pods 7 and 8 which have not yet been approved and subdivided for residential and related development.

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16. Other Matters

16.1 The parties to this Agreement shall execute and deliver all further documents and assurances reasonably necessary to give effect to this Agreement and to discharge the respective obligations of the parties.

16.2 A waiver by either party hereto of the strict performance by the other of any covenant or provision of this Agreement shall not, of itself, constitute a waiver of any subsequent breach of such covenant or provision or of any other covenant or provision of this Agreement.

16.3 Whenever under the provisions of this Agreement any notice is required or permitted to be given by either party to the other, such notice shall be given by delivery to the other party, the respective addresses of the parties being:

The Town of Canmore
600 - 9th Street
Canmore, Alberta
T1W 2T2
Fax: (403) 678-1524

and

Three Sisters Resorts Inc. and Destination Resorts Inc.
3rd Floor
1422 Kensington Road N.W.
Calgary, Alberta
T2N 3P9
Fax: (403) 270-7895

16.4 If any provision of this Agreement is contrary to law, the same shall be severed and the remainder of this Agreement shall be of full force and effect.

16.5 Time shall be of the essence in this Agreement.



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16.6 This Agreement shall not be assignable by the Developers without the prior written consent of the Town, such consent not to be unreasonably withheld and in any event the Town may require, prior to any assignment, written assurances from the proposed assignee in form and content satisfactory to the Town.

16.7 The Developers acknowledge that in the event that the Developers propose to transfer any undeveloped portion of lands within any of the sites to:

- (a) a person, firm, partnership or corporation affiliated with or controlled by the Developers; or
- (b) a person, firm, partnership or corporation affiliated with or controlled by Destination Resorts Inc.;

THEN the Town, as a condition of any subdivision approval to accommodate any such proposed transfer, may require that the proposed Transferee enter into an Agreement with the Town whereby the Transferee will be required to assume such of the obligations of the Developers under this Agreement as the Town considers appropriate."

IN WITNESS WHEREOF the parties have executed this Agreement as the day and year first above written.

APPROVED AS TO CONTENT



TOWN OF CANMORE

Per:

Per:

THREE SISTERS RESORTS INC.

Per:

Per: