



Employee Share Ownership Plan (ESOP) - FAQ

This guide will help you get familiar with Banff Lodging Company's ESOP. You'll learn about the eligibility requirements for participation, the basic terms and conditions of our ESOP, and how the program is administered.

ESOP Overview

Our principal owner, Wim Pauw, wanted to establish a plan to ultimately transition ownership of Banff Caribou Properties to employees, as a way of perpetuating local ownership in the company and "keeping Banff in Banff". The Employee Share Ownership Program (ESOP) was launched in 2008, motivated in large part by the founding shareholder's vision to create a meaningful opportunity for employees to invest in their workplace and save for retirement, much like a personalized pension fund. The company is now up to almost 200 employee owners who live in the community.

Eligibility

1. I'm not a Canadian citizen. Can I still invest in the ESOP?

Yes, you do not need to be a Canadian citizen or permanent resident to invest in the ESOP.

2. Do I have to be a full-time employee to invest in the ESOP?

No, all active employees may invest in the ESOP if they have worked a minimum of 1,000 insurable hours in the 12 months prior to May 1st of that issue year. Working 1,000 insurable hours is the approximate equivalent of 40 hours per week for 6 months or 20 hours per week for 12 months. You must meet this insurable house requirement each year to continue holding your shares.

3. If I go on maternity leave can I still invest?

Employees on maternity leave are still considered to be employees and can continue to hold shares while on leave. However, in order to subscribe to purchase more shares, you still need to meet the eligibility criteria of having worked 1,000 insurable hours in the 12 months prior to May 1st of that issue year.

Purchasing Shares

4. How do I subscribe to purchase shares?

You'll need to complete an ESOP subscription agreement that confirms how much money you'd like to invest in ESOP in the upcoming year and how you will pay for the shares.

5. Can I purchase shares at any time?

You can subscribe to purchase shares as soon as the new share price is set each year (normally this happens in March) and up to May 1st of that same year. Payment is due in full by October 31st. The shares you have purchased will be issued to you in mid-December.

6. How much can I invest into the ESOP each year?

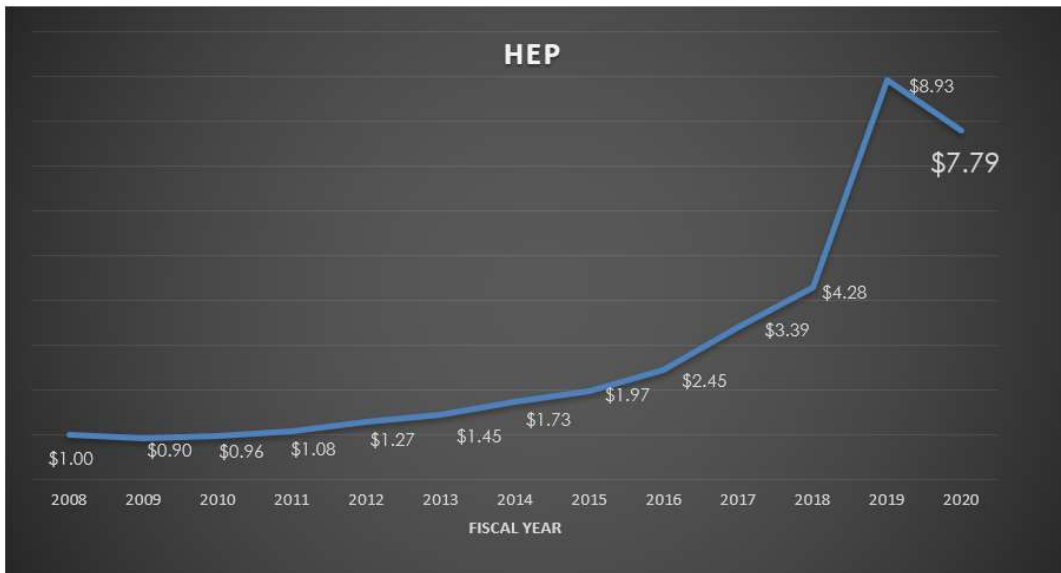
The maximum amount that can be invested by an hourly employee is 40% of Box 14 on their prior year T4. Salaried employees may invest up to 40% of their total compensation for the current year. The minimum purchase is \$1,000 per year.

7. How much do shares cost?

Shares are issued at Fair Market Value (FMV), likewise any purchase will take place at FMV. Unlike public companies that have shares traded on an open market, private companies have no open market. FMV for private companies is most accurately reflected within a range. The valuation will consist of a Low End Price (LEP) and High End Price (HEP).

As an employee, the tendency is to apply the LEP to shares you purchase, and if leaving the company on good terms, apply the HEP to shares you are selling. The share price is determined each year based on the value of the company. A HEP and LEP are established and the new share price is effective as of May 1st each year. The difference between the HEP and LEP is approximately 20%.

This graph shows the yearly share price since the ESOP began.



8. What options do I have to pay for the shares?

You may pay for your shares by making a lump sum payment to the payroll department by cash or cheque, or you can request that a standard amount is deducted from your pay cheque throughout the year. You may also use any future bonus to purchase shares, allocate a portion of your total compensation (salaried employees only), or take a loan against your existing shares to finance the purchase of additional shares. Payment must be made in full by October 31st, and the aforementioned methods of payments may be combined.

9. Can I use my anniversary to pay for shares?

Yes, you may use your anniversary bonus to purchase shares provided that you subscribe to purchase at least the minimum of \$1,000 in shares. If your bonus is less than \$1,000, you may use one or several of the other payment methods mentioned above to cover the outstanding payment.

10. What happens if I can't afford to pay for all of the shares I subscribed to purchase?

The deadline to pay for shares is October 31st and your subscription is a commitment to paying the aggregate subscription price in full. If, due to unforeseen circumstances, you are not able to pay for your shares in full, The Board will determine appropriate action to remedy the situation.

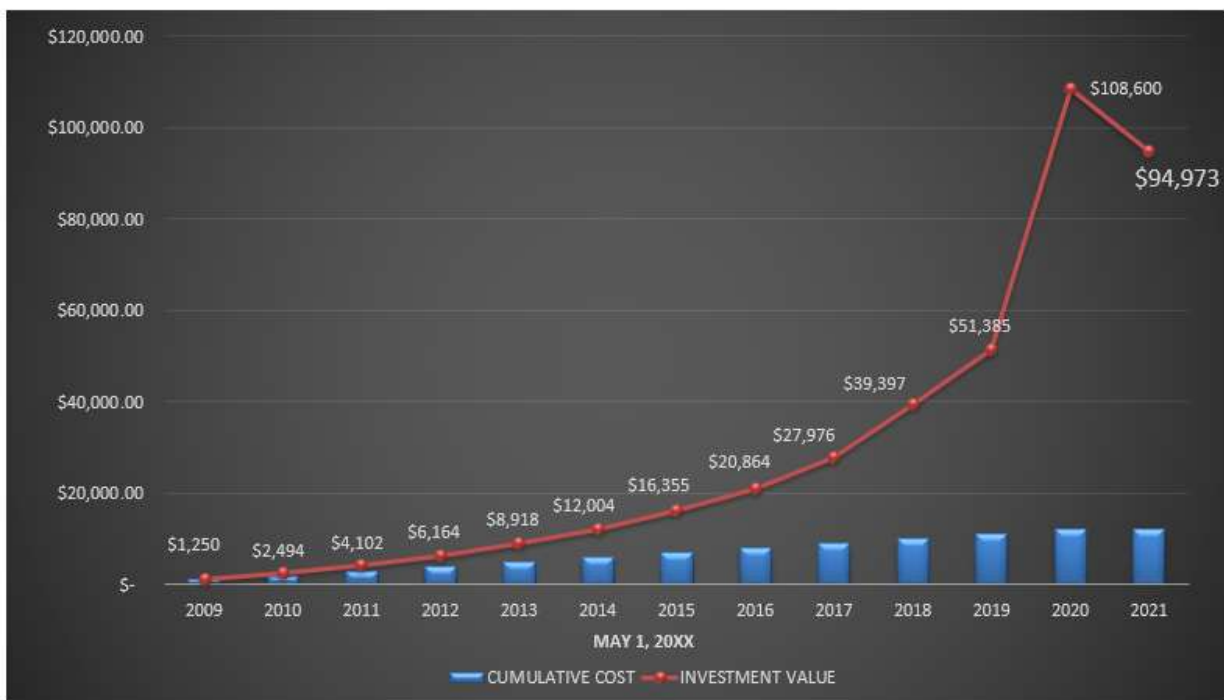
11. What if I sign my subscription agreement and, for whatever reason, I leave the company? What happens to the money that was taken by payroll deduction to pay for the shares that I haven't purchased yet?

Any monies collected from you that is not used to pay for shares will be refunded to you. You will not earn any interest on it.

12. How can I learn about the performance of my shares and the Company?

As a shareholder, you will be invited to attend the annual ESOP Shareholder Meeting, normally held in March. At this meeting, the Executive team shares an overview of the previous year's and the upcoming year's significant capital, operational, and sales activities. The previous year's ESOP share performance is presented, and the new share price and conditions of purchase are announced.

The graph below demonstrates the investment performance of a cumulative \$1,000 ESOP investment each year since 2008.



13. Where can I see how much I own in shares?

To check your ESOP Statement, go to <https://esop.bestofbanff.com/> Login in with your first name and the initial of your last name. Your password is your SIN.

USERNAME: johnw

PW (SIN): 123456789

14. How do I report my ESOP investment on my tax return?

We recommend that you discuss your ESOP investment with your tax advisor. You may also wish to review the ESOP Income Tax Summary Guide.

15. Will I get to go to the meetings and vote on the decisions of the Company?

The ESOP shares are non-voting shares so, no, you do not get a vote. However, the Company welcomes your input and you should be more motivated than ever to contribute because any improvements in the operation of the Company will improve the value of the Company and thereby the value of your investment.

16. Will I get a copy of the Company financial statements?

No, as an investor in the ESOP shares you waive your rights to see the financial statements. The Company financial results are audited and the value of the Company and the shares are determined by independent professionals and approved by the Board of Directors.

17. How do I get my shareholder jacket?

Jackets are presented at the shareholder meeting each year to shareholders who purchased shares for the first time during the previous year. Jackets may also be picked up from the HR department at any time after the shareholder meeting.

Selling Shares

18. What if I desperately need the money due to special circumstances such as a family medical emergency, and I want to sell my shares?

The Plan Administrator has the ability to have the Company buyback your shares in very rare situations. Currently, the only provisions for selling your shares back are: Retirement; Termination; Resignation; Death; Permanent Disability; Bankruptcy and Family Law.

The ESOP should be considered a long-term investment in which you build wealth for your future. It should not be considered a get-rich-quick scheme. There may also be the option of using your shares to secure a loan through an ESOP loan. For more information on ESOP loans, please contact Jessica Munn.

19. If I leave the company, or I am permitted to sell my shares, what is the process of cashing in my shares? How is this taxed?

A price for your shares will be determined at the time of your departure based on the current HEP and LEP. The amounts received for your shares will need to be reported on your tax return in the year that they are sold.

ESOP Loan

20. What is an ESOP loan?

This initiative was created for the purpose of providing some liquidity to shareholders. In simple terms, this means that eligible shareholders may use their ESOP shares as security against a loan to either pay for shares (not more than subscribed amount), or to receive cash proceeds.

21. How do I apply for an ESOP loan?

Loan applications are available from September 1st to October 31st each year. Contact Jessica Munn to complete a loan application during this period. Once your loan application is approved, the funds will be advanced to you on November 1st.

22. How can I use an ESOP loan to purchase shares?

You must declare the total number of shares you are going to purchase on your subscription form before May 1st, including shares to be purchased through ESOP loan financing. Then, in October, you must complete an ESOP loan application for the amount required (within the min. and max. ESOP loan limits) to purchase the shares you subscribed to prior to May 1st.

23. How much can I borrow?

The minimum loan amount is \$5000, and the maximum loan amount is the lesser of 1) 50% of the value of your shares (with consideration of LEP and HEP) or 2) \$90,000.

24. What is the term of an ESOP loan?

ESOP loans have a 1 year term beginning on November 1st and ending on October 31st of the following year.

25. What is the interest rate on an ESOP loan?

The interest rate is calculated at a rate equal to the Alberta Treasury Branches ("ATB") prime rate plus 2% per annum as of the date of advance calculated and compounded in advance. Interest is paid in full at the end of the loan term.

More Information

If you'd like more information about ESOP, please contact Jessica Munn, jmunn@bestofbanff.com.

The information in this document is correct as of **March 16, 2021**, and is subject to change without notice. For up to date information, please contact Jessica Munn.