



FAIRMONT HOTELS & RESORTS INC.
NOTICE OF ANNUAL AND SPECIAL MEETING
OF SHAREHOLDERS
AND MANAGEMENT PROXY CIRCULAR

March 1, 2002

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NOTICE OF ANNUAL AND SPECIAL MEETING

NOTICE IS HEREBY GIVEN that the Annual and Special Meeting (the “Meeting”) of the shareholders of Fairmont Hotels & Resorts Inc. (“Fairmont” or the “Corporation”) will be held in the Imperial Room at The Fairmont Royal York, 100 Front Street West, Toronto, Ontario at 10:00 a.m. on April 15, 2002 (Toronto time).

Shareholders are invited to attend the Meeting for the following purposes:

1. to receive the consolidated financial statements for the year ended December 31, 2001 and the auditors’ report thereon;
2. to elect directors;
3. to appoint auditors and authorize the directors to fix their remuneration;
4. to consider and, if thought fit, to approve, with or without variation, an ordinary resolution approving the general by-law of the Corporation;
5. to consider and, if thought fit, to approve, with or without variation, an ordinary resolution approving the shareholder rights plan of the Corporation; and
6. to transact such other business as may properly come before the Meeting or any adjournment thereof.

Shareholders of record at the close of business on March 1, 2002 will be entitled to vote at the Meeting.

Registered shareholders unable to attend the Meeting in person are requested to complete, date, sign and return (in the envelope provided for that purpose) the accompanying form of proxy for use at the Meeting. To be used at the Meeting, proxies must be received before 5:00 p.m. (Toronto time) on April 12, 2002 by Fairmont’s transfer agent, Computershare Trust Company of Canada (“Computershare”), 1800 McGill College Avenue, 6th Floor, Montreal, Quebec, H3A 3K9. Registered shareholders may also fax both sides of their completed proxy to Computershare at the following fax number: 1-514-982-7792. Registered shareholders may also vote by telephone or over the Internet. Complete instructions on how to vote by telephone or over the Internet are described in the Management Proxy Circular. Non-registered shareholders must seek instructions on how to complete their form of proxy and vote their shares from their nominee.

The 2001 Annual Report, the Management Proxy Circular and a form of proxy accompany this Notice of Meeting.

By order of the board of directors,



TERENCE P. BADOUR
Senior Vice President, General Counsel and Secretary
Toronto, Ontario
March 1, 2002

MANAGEMENT PROXY CIRCULAR

General Information

This Management Proxy Circular (the “Circular”) is furnished in connection with the solicitation of proxies by management of Fairmont Hotels & Resorts Inc. (“Fairmont” or the “Corporation”) to be used at the annual and special meeting of shareholders and at any adjournment or adjournments thereof (the “Meeting”) to be held in Toronto, Ontario on April 15, 2002, at The Fairmont Royal York, 100 Front Street West, Toronto, Ontario and for the purposes set out in the accompanying Notice of Annual and Special Meeting (the “Notice of Meeting”).

Prior to October 1, 2001, Fairmont was known as Canadian Pacific Limited (“CPL”). Upon the completion of CPL’s 2001 corporate reorganization (the “Arrangement”), CPL changed its name to Fairmont.

It is anticipated that copies of this Circular, Fairmont’s 2001 Annual Report and the form of proxy for shareholders will be distributed to shareholders on or before March 14, 2002. The cost of soliciting proxies will be borne by the Corporation. While most proxies will be solicited by mail only, some shareholders may also be contacted by Fairmont employees personally or by telephone. In addition, the Corporation will provide proxy materials to brokers, custodians, nominees and fiduciaries and request that such materials be promptly forwarded to the beneficial owners of shares registered in the names of such brokers, custodians, nominees and fiduciaries. Fairmont has retained Georgeson Shareholder Communications Canada, 66 Wellington Street West, Toronto Dominion Bank Tower, Suite 5210, Toronto, Ontario M5K 1J3 at a fee of approximately \$21,000 plus out-of-pocket expenses to aid in the solicitation of proxies from individual and institutional investors in Canada and the United States.

Except as noted otherwise, the information contained in this Circular is given as of March 1, 2002 and all dollar amounts used in this document are in U.S. dollars. On January 2, 2002, the rate of exchange based on the noon rate as quoted by the Bank of Canada was US\$0.6258. All historical financial information converted into U.S. dollars in this document has been converted using this exchange rate.

For those shareholders who cannot attend the Meeting in person, Fairmont has made arrangements to provide a live webcast of the speech of the Chief Executive Officer of the Corporation at the Meeting. Details on how shareholders may view the webcast will be found on the Corporation’s website (www.fairmont.com) and will also be set out in a press release to be issued prior to the Meeting.

Information on Voting

Record Date for Notice of Meeting and Provisions Relating to Voting

The board of directors of Fairmont has fixed March 1, 2002 as the record date (the “Record Date”) for the purpose of determining shareholders entitled to receive the Notice of Meeting. Each shareholder is entitled to one vote for each share held by him or her, as shown as registered in such holder’s name on the list of shareholders prepared as of the close of business on the Record Date. This list will be available for inspection during usual business hours at the office of Computershare Trust Company of Canada (“Computershare”), 1800 McGill College Avenue, 6th Floor, Montreal, Quebec, H3A 3K9 and will be available for inspection at the Meeting.

Appointment of Proxy Holders

Registered shareholders wishing to be represented by proxy at the Meeting must deposit a properly executed proxy with Computershare prior to 5:00 p.m. (Toronto time) on April 12, 2002, or must present a properly executed proxy at the Meeting.

All shares represented by a properly executed proxy will be voted or withheld from voting on the matters identified in the Notice of Meeting in accordance with the instructions of the shareholder as specified thereon.

Registered shareholders may also vote by telephone or over the Internet. Those registered shareholders electing to vote by telephone require a touch-tone telephone to transmit their voting preferences. The telephone number to call (in Canada and the United States) is 1-800-816-9061. Registered shareholders must follow the instructions, included in the form of proxy received from the Corporation, and provide the 14-digit Control Number and five-digit Personal Identification Number, located on the form of proxy on the lower left-hand side. Voting instructions are then conveyed by use of the touch-tone selections over the telephone. Registered shareholders electing to vote via the Internet must

access the Web site www.computershare.com/ca/proxy. Registered shareholders must then follow the instructions included in the form of proxy received from the Corporation which will have provided a 14-digit Control Number and a five-digit Personal Identification Number located on the form of proxy on the lower left-hand side. The registered shareholder's voting instructions are then conveyed electronically over the Internet.

Non-registered shareholders, or shareholders that hold their shares in the name of a "nominee" such as a bank, trust company, securities broker or other financial institution, must seek instructions as to how to complete their form of proxy and vote their shares from their nominee. Non-registered shareholders will have received this Circular in a mailing from their nominee, together with a form of proxy or voting instruction form. It is important that non-registered shareholders adhere to the voting instructions provided to them by their nominee. Since Fairmont's registrar and transfer agent, Computershare, does not have a record of the names of the Corporation's non-registered shareholders, Computershare will have no knowledge of a non-registered shareholder's right to vote, unless the nominee has appointed the non-registered shareholder as proxyholder. Non-registered shareholders that wish to vote in person at the Meeting must insert their name in the space provided on the form of proxy or voting instruction form, and adhere to the signing and return instructions provided by their nominee. By doing so, non-registered shareholders are instructing their nominee to appoint them as proxyholder.

Shareholders who have appointed a named appointee of management to act and vote on their behalf as provided in the enclosed form of proxy and who do not provide any instructions concerning any matter identified in the Notice of Meeting will have the shares represented by such proxy voted FOR:

- 1. an ordinary resolution confirming the appointment of PricewaterhouseCoopers LLP, Chartered Accountants, as auditors and the authorization of the directors to set their remuneration;**
- 2. the election of the persons nominated for election as directors;**
- 3. an ordinary resolution confirming the general by-law of the Corporation; and**
- 4. an ordinary resolution confirming the shareholder rights plan of the Corporation.**

The enclosed form of proxy, when properly signed, confers discretionary authority on the person or persons named to vote on any amendment to matters identified in the Notice of Meeting and on any other matter properly coming before the Meeting. Management is not aware of any such amendment or other matter. If, however, any such amendment or other matter properly comes before the Meeting, the proxies will be voted at the discretion of the person or persons named on the form of proxy, all of whom are officers of Fairmont.

Revocability of Proxies

A registered shareholder may revoke a proxy by depositing an instrument in writing executed by such shareholder or such shareholder's attorney authorized in writing (or, in the case of a corporation, by a duly authorized officer or attorney), either at the registered office of Fairmont, Canadian Pacific Tower, 100 Wellington Street West, Suite 1600, TD Centre, P.O. Box 40, Toronto, Ontario, M5K 1B7, at any time up to and including April 12, 2002 or any adjournment thereof, or with the Chairman of the Meeting on the day of the Meeting or an adjournment thereof or in any other manner permitted by law.

Non-registered shareholders that have voted and wish to change their voting instructions should contact their nominee to discuss whether this is possible and what procedure to follow.

Voting Shares and Principal Shareholders

At March 1, 2002, there were 78,630,477 shares outstanding. Each share carries one vote.

To the knowledge of the directors and officers of Fairmont, based on information at March 1, 2002, no individual or corporation beneficially owned, directly or indirectly, or exercised control over, more than ten per cent of the outstanding shares.

BUSINESS TO BE TRANSACTED AT THE MEETING

This Circular contains information relating to the receipt of Fairmont's audited consolidated financial statements, the appointment of auditors, the election of directors, the confirmation of the Corporation's general by-law and the confirmation of Fairmont's shareholder rights plan.

Financial Statements

The audited consolidated financial statements of the Corporation for the year ended December 31, 2001 and the report of the auditors thereon will be placed before the Meeting. These audited consolidated financial statements form part of the Annual Report of the Corporation which was mailed to shareholders with the Notice of Meeting and Circular. Additional copies of the Annual Report, in English or French, may be obtained from the Senior Vice President, General Counsel and Secretary of Fairmont upon request and will be available at the Meeting.

Appointment of Auditors

The board of directors recommends that PricewaterhouseCoopers LLP, Chartered Accountants, be reappointed as Fairmont's auditors to hold office until the close of the next annual meeting and that the directors be authorized to fix their remuneration. PricewaterhouseCoopers LLP and its predecessors have served as the auditors of Fairmont and CPL prior to the Arrangement for more than five years. The appointment of auditors shall be decided by a simple majority of votes cast by shareholders at the Meeting.

The aggregate fees billed by PricewaterhouseCoopers LLP for audit and audit-related services provided to Fairmont and CPL (continuing operations) for the 2001 fiscal year were approximately \$3.8 million, which included fees of \$0.6 million for audit services, \$2.8 million related to the Arrangement (with respect to CPL and Fairmont only) and \$0.4 million for fees related to tax and other services. For non-audit services, fees billed in 2001 were approximately \$0.5 million.

Representatives of PricewaterhouseCoopers LLP will be present at the Meeting, will be given the opportunity to make a statement if they so wish and will respond to appropriate questions.

Election of Directors

Fairmont's articles provide for the board of directors to consist of a minimum of five and a maximum of 15 directors. The number of directors presently in office is nine. The board has set the number of directors to be elected at the Meeting at nine. The nominees for election as directors of the Corporation are: Stephen E. Bachand, William R. Fatt, Angus A. MacNaughton, John D. McNeil, David P. O'Brien, John L. Sharpe, L. Peter Sharpe, Allan R. Taylor, O.C., and Carole Taylor.

The Corporate Governance and Nominating Committee of the board reviews annually the qualification of persons proposed for election to the board of directors and submits its recommendations to the board for consideration. The persons proposed for nomination are, in the opinion of the board and in the opinion of management, well qualified to act as directors for the ensuing year. Each nominee has established his or her eligibility and willingness to serve as a director if elected. The persons named in the form of proxy are officers of Fairmont who intend to vote at the Meeting for the election of the nominees whose names are set out below, unless specifically instructed on the form of proxy to withhold such vote. If, prior to the Meeting, any of the listed nominees becomes unable or unwilling to serve, the persons named in the form of proxy will have the right to use their discretion in voting for a properly qualified substitute. Each director elected will hold office until the next annual meeting or until his or her successor is earlier elected or appointed.

The following are the names of the proposed nominees; their municipalities of residence; all positions and offices held by them with Fairmont, as applicable; their principal occupations or employment during the past five years; the year from which each has continually served as a director of Fairmont or CPL prior to the Arrangement, as applicable; and the number of shares owned by each of them or over which control or direction is exercised by each of them.

<u>Nominee and Residence</u>	<u>Principal Occupation and Employment</u>	<u>Shares Beneficially Owned or over which Control or Direction is Exercised</u>
STEPHEN E. BACHAND, Ponte Vedra Beach, Florida	Stephen E. Bachand, 63, 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 Fairmont since then.	1,564
WILLIAM R. FATT, Toronto, Ontario	William R. Fatt, 50, was appointed Chief Executive Officer and a director of Fairmont on October 1, 2001. In January 1998, he was appointed Chairman and Chief Executive Officer of Canadian Pacific Hotels & Resorts Inc. (“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 Hotels Real Estate Investment Trust. He is also a director of PanCanadian Energy Corporation, Enbridge Inc. and Sun Life Financial Services of Canada Inc.	83,822 ⁽¹⁾
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 Fairmont 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.	16,250
JOHN D. MCNEIL, Toronto, Ontario	John D. McNeil, 68, is a director and was appointed Chairman of the board of Fairmont 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.	3,000

**Shares
Beneficially
Owned or
over which
Control or
Direction is
Exercised**

<u>Nominee and Residence</u>	<u>Principal Occupation and Employment</u>	
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 Fairmont 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.	2,785
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 Fairmont in October 2001.	Nil
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 Fairmont in October 2001.	1,500
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 Fairmont 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.	3,201

**Shares
Beneficially
Owned or
over which
Control or
Direction is
Exercised**

3,788

Nominee and Residence

CAROLE TAYLOR,
Vancouver, British Columbia

Principal Occupation and Employment

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 Fairmont since then.

Note:

1. Includes 35,800 deferred share units under the Fairmont DSU Plan (see below).

The information disclosed above as to shares beneficially owned or over which control or direction is exercised, not being within the knowledge of Fairmont, has been furnished by each of the nominees. The percentage of outstanding shares beneficially owned by any one director or nominee or by all directors and officers of Fairmont as a group does not exceed 1% of the shares.

Confirmation of General By-law

After the Arrangement, the directors of Fairmont approved a general by-law for the Corporation that was more consistent with the business of Fairmont than the by-laws inherited from CPL and which reflects recent changes to the *Canada Business Corporations Act*. Pursuant to subsection 103(2) of the *Canada Business Corporations Act*, the directors must submit this general by-law to the Meeting for confirmation by a simple majority of the shares voted on this resolution. The complete text of the general by-law is set out in Appendix C to the Circular.

Confirmation of Shareholder Rights Plan

On July 30, 2001, the board of directors of CPL approved a shareholder rights plan (the “Original Rights Plan”). The Original Rights Plan took effect on October 1, 2001, the effective date of the arrangement (the “Effective Date of the Arrangement”), and will terminate in accordance with its terms at the end of the Meeting unless it is confirmed at the Meeting by shareholders. The shareholders will be asked at the Meeting to adopt a resolution in the form set out in Appendix B hereto (the “Rights Plan Resolution”) approving and confirming the amended and restated rights plan (the “Amended and Restated Rights Plan”).

The purpose of the Rights Plan Resolution is to enable the Corporation to continue to have in place the protection afforded by the Amended and Restated Rights Plan, which is in a form similar to that adopted by many Canadian corporations.

At the present time, the Corporation has no knowledge of any take-over bid, or any intended take-over bid, from any person.

The Amended and Restated Rights Plan does not in any way alter the financial condition of the Corporation or its current business plans.

Background

The primary objective of the Amended and Restated Rights Plan is to provide the board sufficient time to explore and develop alternatives for maximizing shareholder value if a take-over bid is made for the Corporation and to provide every shareholder an equal opportunity to participate in such a bid. The Amended and Restated Rights Plan encourages a potential acquiror to proceed either by way of a Permitted Bid (as defined in the Amended and Restated Rights Plan),

which requires the take-over bid to satisfy certain minimum standards designed to promote fairness, or with the concurrence of the board.

In recommending the Amended and Restated Rights Plan, the board considered the legislative framework in Canada governing take-over bids. Under provincial securities legislation, a take-over bid generally means an offer to acquire voting or equity shares of a corporation, where the shares subject to the offer to acquire, together with shares already owned by the bidder and any person or company acting jointly or in concert with the bidder, aggregate 20% or more of the outstanding shares of a corporation.

The existing legislative framework for take-over bids in Canada continues to raise the following concerns for shareholders of the Corporation:

- (i) *Time* – Current legislation permits a take-over bid to expire 35 days (21 days in the Province of Quebec) after it is initiated. The board is of the view that this is not sufficient time to permit shareholders to consider a take-over bid and make a reasoned and unhurried decision.
- (ii) *Pressure to Tender* – A shareholder may feel compelled to tender to a take-over bid which the shareholder considers to be inadequate out of a concern that in failing to do so, the shareholder may be left with illiquid or minority discounted shares. This is particularly so in the case of a partial take-over bid for less than all of the shares, where the bidder wishes to obtain a control position but does not wish to acquire all of the shares. The Amended and Restated Rights Plan provides the shareholder with a tender approval mechanism, which is intended to ensure that the shareholder can separate the decision to tender from the approval or disapproval of a particular take-over bid.
- (iii) *Unequal Treatment: Full Value* – While existing provincial securities legislation has substantially addressed many concerns in this regard, there remains the possibility that control of the Corporation may be acquired pursuant to a private agreement in which one or a small group of shareholders dispose of shares at a premium to market price which premium is not shared with the other shareholders. In addition, a person may slowly accumulate shares through stock exchange acquisitions which may result, over time, in an acquisition of control without payment of fair value for control or a fair sharing of a control premium among all shareholders.

While the Amended and Restated Rights Plan is intended to regulate certain aspects of take-over bids for the Corporation, it is not intended to deter a *bona fide* attempt to acquire control of the Corporation if the offer is made fairly. The Amended and Restated Rights Plan does not diminish or otherwise affect the duty of the board to give due and proper consideration to any offer that is made and to act honestly, in good faith and in the best interests of the shareholders.

Summary of the Amended and Restated Rights Plan

The following is a summary of the principal terms of the Amended and Restated Rights Plan. A shareholder or any other interested party may obtain one or more copies of the Amended and Restated Rights Plan by contacting the Senior Vice President, General Counsel and Secretary of the Corporation at Fairmont Hotels & Resorts Inc., Canadian Pacific Tower, 100 Wellington Street West, Suite 1600, TD Centre, P.O. Box 40, Toronto, Ontario, M5K 1B7.

Effective Date – If approved by the shareholders at the Meeting, the Amended and Restated Rights Plan will take effect immediately after the Meeting (the “Effective Date of the Rights Plan”).

Term – If the Amended and Restated Rights Plan is approved at the Meeting, it will then be in effect until the end of the annual meeting of shareholders of the Corporation to be held in 2003 unless the Amended and Restated Rights Plan is reconfirmed at that meeting by the shareholders. If the Amended and Restated Rights Plan is so reconfirmed, it will then need to be reconfirmed at subsequent annual meetings. If the Amended and Restated Rights Plan is not reconfirmed, it will terminate.

Issue of Rights – On the Effective Date of the Rights Plan, each right (a “Right”) issued under the Original Rights Plan will continue to be issued and attached to each outstanding Fairmont share.

Rights Exercise Privilege – The Rights will separate from the Fairmont shares and will be exercisable ten trading days (the “Separation Time”) after a person has acquired, or commenced a take-over bid to acquire, 20% or more of the Fairmont shares, other than by an acquisition pursuant to a take-over bid permitted by the Amended and Restated Rights Plan (a “Permitted Bid”). The acquisition by any person (an “Acquiring Person”) of 20% of the Fairmont

shares, other than by way of a Permitted Bid or a treasury issue, is referred to as a “Flip-in Event”. Any Rights held by an Acquiring Person will become void upon the occurrence of a Flip-in Event. Ten trading days after the occurrence of the Flip-in Event, each Right, other than those held by an Acquiring Person, will permit the purchase of Fairmont shares at a 50% discount to their market price by holders of Rights.

Certificates and Transferability – Prior to the Separation Time, the Rights are evidenced by a legend imprinted on the Fairmont share certificates and are not transferable separately from the shares. From and after the Separation Time, the Rights will be evidenced by Rights certificates which will be transferable and traded separately from the shares.

Permitted Bid Requirements – The requirements for a Permitted Bid include the following:

- (i) the take-over bid must be made by way of a take-over bid circular;
- (ii) the take-over bid must be made to all shareholders of the Corporation;
- (iii) the take-over bid must be outstanding for a minimum period of 60 days and shares tendered pursuant to the take-over bid may not be taken up prior to the expiry of the 60-day period and only if at such time more than 50% of the shares of the Corporation held by shareholders, other than the bidder, its affiliates and persons acting jointly or in concert and certain other persons (the “Independent Shareholders”), have been tendered to the take-over bid and not withdrawn; and
- (iv) if more than 50% of the shares held by Independent Shareholders are tendered to the take-over bid within the 60-day period, the bidder must make a public announcement of that fact and the take-over bid must remain open for deposits of shares for not less than ten business days from the date of such public announcement.

The Amended and Restated Rights Plan allows for a competing Permitted Bid (a “Competing Permitted Bid”) to be made while a Permitted Bid is in existence. A Competing Permitted Bid must satisfy all the requirements of a Permitted Bid except that it may expire on the same date as the Permitted Bid, subject to the requirement that it be outstanding for a minimum period of 35 days.

Waiver – The board, acting in good faith, may, prior to the occurrence of a Flip-in Event, waive the application of the Amended and Restated Rights Plan to a particular Flip-in Event (an “Exempt Acquisition”) where the take-over bid is made by a take-over bid circular to all holders of shares of the Corporation. Where the board exercises the waiver power for one take-over bid, the waiver will also apply to any other take-over bid for the Corporation made by a take-over bid circular to all holders of shares prior to the expiry of any other bid for which the Amended and Restated Rights Plan has been waived.

Redemption – The board with the approval of a majority of the votes cast by shareholders (or holders of Rights if the Separation Time has occurred) voting in person or by proxy at a meeting duly called for that purpose may redeem the Rights at \$0.000001 per Right. Rights will be deemed to have been redeemed by the board following completion of a Permitted Bid, Competing Permitted Bid or Exempt Acquisition.

Amendment – Prior to the Meeting, the board may make any changes to the Amended and Restated Rights Plan which the board acting in good faith may deem necessary or desirable without the approval of any holders of Rights or shares. After the Meeting, the board may amend the Amended and Restated Rights Plan with the approval of a majority of the votes cast by shareholders (or the holders of Rights if the Separation Time has occurred) voting in person and by proxy at a meeting duly called for that purpose. The board without such approval may correct clerical or typographical errors and, subject to approval at the next meeting of the shareholders (or holders of Rights, as the case may be), may make amendments to the Amended and Restated Rights Plan to maintain its validity due to changes in applicable legislation.

Board of Directors – The Amended and Restated Rights Plan will not detract from or lessen the duty of the board to act honestly and in good faith with a view to the best interests of the Corporation. The board, when a Permitted Bid is made, will continue to have the duty and power to take such actions and make such recommendations to shareholders as are considered appropriate.

Exemptions for Investment Advisors – Investment advisors (for fully-managed accounts), trust companies (acting in their capacities as trustees and administrators), statutory bodies whose business includes the management of funds and administrators of registered pension plans acquiring greater than 20% of the shares of the Corporation are exempted from triggering a Flip-in Event, provided that they are not making, or are not part of a group making, a take-over bid.

The board of directors has determined that continuing to have the Amended and Restated Rights Plan is in the best interests of the shareholders and therefore recommends that the shareholders vote to approve the Rights Plan Resolution. The Rights Plan Resolution requires the approval of a simple majority of the votes cast at the Meeting in order to be adopted, failing which the Original Rights Plan will terminate.

COMPENSATION AND OTHER INFORMATION

Fairmont is the only remaining business unit of CPL following the Arrangement. The effective date of the Arrangement was October 1, 2001 (the "Effective Date of the Arrangement"). The following is information concerning the compensation of the directors and the Named Executive Officers of Fairmont for 2001, both before and after the Effective Date of the Arrangement.

COMPENSATION OF DIRECTORS

CPL

Prior to October 1, 2001, each director of CPL was paid a basic annual retainer of Cdn\$40,000. An additional annual retainer of Cdn\$6,000 was paid to the Chairman of each committee of the board of directors of CPL (the "CPL Board"). A fee of Cdn\$2,000 was paid to each director and to committee members for each meeting attended (Cdn\$1,300 if attended by telephone), with a maximum fee of Cdn\$4,000 for any one day (Cdn\$2,600 if attended by telephone). Foreign resident directors were paid the same face amount in U.S. dollars. Salaried officers of CPL were not compensated for serving as a director or as a member or the Chairman of any committee of the CPL Board.

Under the CPL Director Share Compensation Plan, directors owning less than 5,000 common shares of CPL were required to apply at least 50% of each quarterly instalment of their basic annual retainer towards the purchase of CPL common shares. Directors owning 5,000 or more common shares were not required to purchase any shares under the plan, but were permitted to elect to use any portion of their retainer for that purpose.

Some directors of CPL also received compensation from certain subsidiaries of CPL for serving as directors of these subsidiaries during the last completed financial year: Ms. Dian Cohen and Mr. McNeil were directors of Canadian Pacific Securities Limited ("CPSL") and Canadian Pacific Securities (Ontario) Limited ("CPSO"); and Ms. Cohen and Messrs. O'Brien and Fatt were directors of PanCanadian Petroleum Limited ("PCPL"). CPSL and CPSO each paid an annual retainer of Cdn\$3,000 and a per meeting fee of Cdn\$500 for board and committee meetings attended. PCPL paid an annual retainer of Cdn\$15,000, a per meeting fee of Cdn\$1,000 for board and committee meetings attended and an additional retainer of Cdn\$2,500 to the Chairman of the audit committee and the human resources management and compensation committee.

Fairmont

After October 1, 2001, each director of the Corporation who is not an employee of Fairmont is paid a basic annual retainer of \$20,000. The non-executive Chairman of the board of directors is paid an additional retainer of \$65,000. An additional amount of \$2,000 per year is paid to a director for each committee on which he or she sits, and an additional amount of \$3,000 per year is paid to the Chairman of each committee of the board, or \$5,000 in the case of the Chairman of the Audit Committee. A fee of \$1,500 is paid to each director for each board meeting attended and a fee of \$1,000 is paid to each committee member for each committee meeting attended, up to a maximum of \$3,000 per day. Mr. Fatt, as a salaried officer of Fairmont, is not compensated for serving as a director. Directors are reimbursed for their costs in travelling to and attending board or committee meetings. Non-employee directors are also eligible to participate in the Directors' Stock Option Plan that is summarized below. Fairmont's current board of directors began serving immediately after the completion of the Arrangement.

Directors' DSU Plan

After the Effective Date of the Arrangement, the board of Fairmont established the Deferred Share Unit Plan for directors of Fairmont to provide directors with an opportunity to receive some or all of their directors' compensation in the form of deferred share units ("DSUs"). DSUs are bookkeeping entries on the books of Fairmont, each of which will have a value equal to the value of one common share of the Corporation. Prior to the beginning of each calendar year, directors must elect the percentage of their total compensation as directors they wish to receive that year in DSUs;

directors may elect to receive up to all of their compensation for the next year in DSUs. During the year, instead of receiving directors' fees in cash, on each directors' fee payment date directors who have elected to receive DSUs will be credited in their DSU account with the number of common shares which have a value equal to the fees payable on that date. In addition, any dividends paid on the common shares will be credited to the directors' DSU accounts in the form of additional DSUs. DSUs may not be redeemed or "cashed" until a director ceases to be on the board. At any time from the date a director ceases to be on the board until December 15 of the year following that date, a director may elect to redeem the DSUs and to receive the value of DSUs in his or her account. The number of DSUs in the account will then be multiplied by the share price on the date of redemption of the DSUs and the director will be paid that amount, less any applicable deductions. Alternatively, a director may elect to have the Corporation purchase shares in the market on behalf of the director instead of paying cash.

Directors' Stock Option Plan

The purpose of the Directors' Stock Option Plan (the "Directors' Option Plan") is to promote a proprietary interest in Fairmont among its directors, align the interests of the directors more closely to those of other shareholders and assist the Corporation in retaining and attracting individuals with the experience and ability to act as directors of Fairmont. An initial grant of 8,000 options was made to each non-employee director in October 2001 and will be made for each person who subsequently becomes a non-employee director. An annual grant of 4,000 options will also be made to each non-employee director. The exercise price of an option is the closing price of a board lot of shares on The Toronto Stock Exchange (the "TSE") on the grant date. An option may be exercised by an optionholder from time to time on and after the grant date, as to 100% of the optioned shares or any part thereof. The expiry date of an option is normally ten years after the grant date.

REPORT ON EXECUTIVE COMPENSATION

General

Prior to October 1, 2001, the Management Resources and Compensation Committee of the CPL Board (the "CPL Committee") was composed of five directors of CPL who were neither current nor former officers or employees of CPL or its subsidiaries. Prior to the Effective Date of the Arrangement, the CPL Committee was responsible for, among other matters, recommending to the CPL Board the compensation to be paid to executive officers of CPL. The CPL Committee assessed the performance of the Chief Executive Officer and determined his compensation based on the attainment of objectives set by the CPL Board that were consistent with CPL's strategic plan and that reflected the performance criteria of the CPL's short- and long-term incentive plans. The CPL Board as a whole reviewed the recommendations of the CPL Committee and had final approval on compensation matters for senior officers and major policy changes. The members of the CPL Committee were two current members of Fairmont's board of directors, Messrs. Taylor (who was the Chairman of the Committee) and Bachand, as well as three former CPL directors, Ms. Cohen and Messrs. Michael E.J. Phelps and Ronald D. Southern.

Since October 1, 2001, the Management Resources and Compensation Committee of the Fairmont board (the "Fairmont Committee") has been composed of three directors of Fairmont who are neither current nor former officers or employees of the Corporation. Since the Effective Date of the Arrangement, the Fairmont Committee has been responsible for, among other matters, recommending to the board the compensation to be paid to executive officers of Fairmont. The Fairmont Committee assesses the performance of the Chief Executive Officer and determines his compensation based on the attainment of objectives set by the board that are consistent with Fairmont's strategic plan and that are reflected in the performance criteria of the Corporation's short- and long-term incentive plans. The board as a whole reviews the recommendations of the Fairmont Committee and has final approval on compensation matters for senior officers and major policy changes.

Principles of Executive Compensation

CPL

Prior to October 1, 2001, the compensation of CPL's executive officers, including those named in the Summary Compensation Table (the "Named Executive Officers"), was determined by the CPL Board upon recommendation made by the CPL Committee.

CPL's executive compensation program was designed to pay for performance and to be competitive with leading Canadian companies having significant international operations. The program was designed to facilitate the attraction

and retention of executives critical for CPL's current and long-term success. The level of responsibility and the importance of all positions in CPL were evaluated to establish appropriate bases for internal relativity and external comparison. To provide maximum objectivity, the evaluation of each executive officer position, including the position of each Named Executive Officer, was determined by the CPL Committee based on a number of factors including advice from independent compensation consultants.

Compensation for executive officers, including each of the Named Executive Officers, consisted of a base salary, an annual bonus opportunity, and long-term share-based incentives, all of which were administered by the CPL Committee. Increasing emphasis was placed on the variable compensation component of the compensation program as the level of responsibility and importance of the position increased, thereby linking compensation more closely to the performance of CPL.

Fairmont

Since October 1, 2001, the Fairmont Committee has obtained advice from a leading independent compensation consulting firm with respect to the components of its executive compensation package and the appropriate levels of compensation for each individual executive. Fairmont operates in a highly competitive hospitality market. As the Corporation continues to expand in its North American marketplace, its compensation programs need to offer sufficient flexibility to reflect North American compensation structures, where appropriate, while maintaining competitive compensation costs in local markets.

Compensation for executive officers consists of a base salary, an annual bonus opportunity and stock-based compensation. The bonus and stock-based incentive compensation of Fairmont is designed to focus on shareholder value creation and operating performance improvement.

Base Salary and other Cash Compensation

CPL

Prior to October 1, 2001, the CPL Committee annually reviewed the individual base salaries of the executive officers of CPL. Salaries were adjusted, as needed, based on individual performance, responsibility and experience to ensure they reflected the contribution of each officer. In establishing base salaries, the CPL Committee used a benchmark of average base salaries paid to the most senior executive officers of the comparator group. The comparator group used by CPL for this purpose consisted of private sector Canadian companies with significant international operations. CPL's policy for the range of base salaries was to match the average of the comparator group.

In preparation for the Arrangement, the CPL Board concluded, after receiving advice from independent compensation consultants, that a number of existing compensation arrangements, which provided incentives for increasing profitability and shareholder return over the long term, did not provide any incentive to divide the holdings of CPL into five separate public companies as proposed under the Arrangement. The CPL Board consulted independent compensation consultants for advice on compensation that would provide incentives for the continued satisfactory and profitable operation of CPL until the Effective Date of the Arrangement, as well as for the restructuring of CPL as proposed under the Arrangement. In addition to new incentives, steps had to be taken to ensure that the participants in CPL's benefit plans did not lose the economic value of existing benefits due to the Arrangement. The changes made to compensation arrangements in connection with the Arrangement are described below.

Having decided to divide CPL into five separate publicly-traded companies, the CPL Board concluded that performance incentives for 2001 should be related to both the successful completion of the Arrangement and the satisfactory and profitable operation of CPL up to the Effective Date of the Arrangement. Accordingly, the Senior Executive Long-Term Incentive Plan ("SELTIP") performance period was terminated and incentive arrangements for 2001 (described below) were adopted. Under SELTIP, awards were made for the two-year performance period ended December 31, 2000.

In lieu of the long-term incentive under SELTIP and the annual incentive under CPL's Short-Term Incentive Plan (the "CPL STIP"), the executive officers of CPL were given the opportunity to earn a restructuring incentive payable once the CPL Board determined that the Arrangement was substantially completed on a satisfactory basis and an operating performance incentive which was to be payable unless the CPL Board determined that CPL's operating performance to the Effective Date of the Arrangement was inadequate. In this regard, Mr. D.P. O'Brien was granted a

restructuring incentive of \$1,251,600 and an operating performance incentive of \$1,251,600. Each of Messrs. W.R. Fatt and M.A. Grandin was granted a restructuring incentive of \$500,640 and an operating performance incentive of \$500,640. In addition, Mr. R.B. Hodgins was granted a restructuring incentive of \$87,862 and an operating performance incentive of \$43,931 on the same basis.

In addition to the termination of the SELTIP, the CPL Board concluded that instead of granting stock options under the CPL Stock Option Plan in 2001, incentives for 2001 should be related to the Arrangement. Accordingly, in lieu of awarding options to the executive officers of CPL, the CPL Board put in place a separate share appreciation right arrangement ("CPL SAR") for them. Mr. D.P. O'Brien was granted 850,000 CPL SARs and each of Messrs. W.R. Fatt and M.A. Grandin was granted 350,000 CPL SARs. 50,000 CPL SARs were granted to Mr. R.B. Hodgins. Each of these CPL SARs had a reference price of \$26.03 per share, being the closing price of the CPL common shares on the date when the CPL Committee approved these arrangements in principle. These CPL SARs were not exercisable unless the CPL Board determined that the Arrangement was substantially complete. In addition, 50% of these CPL SARs became exercisable, in equal increments, as the CPL common shares traded at premiums of 15%, 25% and 35% above the reference price of \$26.03 per share. Any CPL SAR not exercised on December 31, 2004 would expire.

Following the Effective Date of the Arrangement, each CPL SAR was split into five, one for each of Fairmont, Canadian Pacific Railway Limited ("New CPR"), CP Ships Limited ("New Ships"), Fording Inc. ("New Fording") and PanCanadian Energy Corporation ("New PanCanadian") (collectively, New CPR, New Ships, New Fording and New PanCanadian are referred to in this Circular as the "New Companies"). The number of split CPL SARs (the "new CPL SARs") received in respect of each of Fairmont and the New Companies was based on the exchange ratio (the "Exchange Ratio") established for the purposes of the Arrangement, being 0.50 of a New CPR common share, 0.25 of a New Ships common share, 0.25 of a Fairmont share, 0.166 of a New Fording common share and 0.684 of a New PanCanadian common share. Each new CPL SAR was separately exercisable. The reference price was split among the new CPL SARs based on the Trading Price (as defined below) of the common shares of Fairmont and the New Companies as a result of the Arrangement (the "Arrangement Common Shares"). The exercise value of each new CPL SAR is an amount equal to the share price of the appropriate company at the time of exercise less the applicable reference price, adjusted to result in the grantee achieving the same after tax income as if the new CPL SARs were stock options. After the Effective Date of the Arrangement, the new CPL SARs were exercisable at any time prior to December 31, 2004. Fairmont continued to be liable to pay all amounts due upon the exercise of the new CPL SARs, with its obligations secured by a letter of credit.

Fairmont

Since October 1, 2001, the Fairmont Committee has set the base salaries of the Fairmont executive officers following a review of market data. Salaries are adjusted, as needed, based on individual performance, responsibility and experience to ensure they reflect the contribution of each officer. In establishing the base salaries, the Fairmont Committee uses a benchmark of average base salaries paid to the senior executive officers of leading North American lodging companies.

Fairmont's Short-Term Incentive Plan provides an opportunity for participants to earn an annual cash award based on the achievement of financial targets and individual performance criteria. Financial performance is measured by comparing actual results against targets established at the beginning of the year. The financial and individual performance criteria vary based upon the responsibilities of the participant. Potential awards are expressed as a percentage of base salary. For the senior executive officers of Fairmont, potential awards range between 30% and 50% of base salary when targets are met and between 60% and 100% when performance criteria above the target level are met. No awards were paid under this plan in 2001.

Each of the senior executive officers of Fairmont, with the exception of Mr. Fatt, participates in the Long-Term Incentive Plan of Fairmont (the "Fairmont LTIP"). Fairmont LTIP participants were eligible to earn a cash award based on a specified performance period. A performance period ended on December 31, 2001, and any awards earned were paid in February 2002.

Chief Executive Officer Compensation

CPL

Prior to October 1, 2001, the pay-for-performance philosophy of CPL's executive compensation program applied equally to the Chief Executive Officer of CPL. The compensation of the Chief Executive Officer of CPL was recommended by the CPL Committee and approved by the CPL Board after careful assessment of his personal contribution to the performance of CPL. The assessment of the Chief Executive Officer's performance was based on a number of quantitative and qualitative factors which included corporate financial results, strategic planning and initiatives, personal leadership and business acumen.

Fairmont

Following October 1, 2001, the compensation of the Chief Executive Officer of Fairmont has been based on a similar philosophy to that of CPL. The compensation of the Chief Executive Officer is approved by the Fairmont Committee after careful assessment of his personal contribution to the performance of Fairmont.

Stock-Based Compensation Programs

CPL Stock Option Plan

Prior to October 1, 2001, CPL had various stock-based compensation programs. CPL adopted the CPL stock option plan in 1986 (the "CPL Stock Option Plan"). The CPL Stock Option Plan was designed primarily to give executives and other key employees of CPL a personal interest in maximizing shareholder value over the longer term. Participants were granted a number of CPL stock options ("CPL Stock Options"), with attached share appreciation rights ("SARs"), which were exercisable during a ten-year period from the date of grant, after a vesting period, at the market price of the CPL common shares on the date of the grant. Under the plan, half of the CPL Stock Options became exercisable on the second anniversary of the grant and the balance on the third anniversary. The SARs became exercisable on the third anniversary of the grant. As at September 30, 2001, 2,318,072 CPL Stock Options were outstanding. The exercise prices ranged from \$11.30 to \$24.97. CPL Stock Options were held by both employees and former employees of CPL and employees and former employees of subsidiaries.

The CPL Stock Option Plan contained a provision requiring an "equitable adjustment" in the kind of shares issuable under the plan and the subscription price of those shares in the event of a restructuring of CPL, such as the Arrangement. The CPL Stock Option Plan also provided that, in the event of such a restructuring, all options and share appreciation rights became exercisable. Accordingly, it was determined that the CPL Stock Options should be replaced with stock options and attached SARs granted by each of Fairmont and the New Companies (the "Replacement Stock Options") in such manner as to (i) be consistent with the provisions of the CPL Stock Option Plan, (ii) preserve but not enhance the economic benefit to the holders of CPL Stock Options without altering the treatment of that benefit under the *Income Tax Act* (Canada) and (iii) not result in any dilution in terms of equity or voting to the public shareholders of PanCanadian Petroleum Limited (the predecessor of New PanCanadian) (the "PanCanadian Public Shareholders").

Pursuant to the Arrangement, the holders of CPL Stock Options disposed of their CPL Stock Options in consideration for the issuance by each of Fairmont and the New Companies of the number of Replacement Stock Options determined by multiplying the number of CPL Stock Options held by the same Exchange Ratio as determined the number of Arrangement Common Shares received by a CPL common shareholder. In other words, for each CPL Stock Option to acquire one CPL common share, the holder was to be issued:

- Replacement Stock Option by New CPR to acquire 0.50 of a New CPR common share;
- Replacement Stock Option by New Ships to acquire 0.25 of a New Ships common share;
- Replacement Stock Option by Fairmont to acquire 0.25 of a share;
- Replacement Stock Option by New Fording to acquire 0.166 of a New Fording common share; and
- Replacement Stock Option by New PanCanadian to acquire 0.684 of a New PanCanadian common share.

The Replacement Stock Options were issued under the key employee stock option plan ("KESOP") adopted by each of Fairmont and the New Companies. Fractional Replacement Stock Options will be paid out in cash on the first exercise of such options.

To preserve the economic benefits of the CPL Stock Options immediately before the Arrangement, the exercise price of the Replacement Stock Options (the “Adjusted Exercise Price”) issued by Fairmont or a New Company was determined in accordance with the following formula and rounded up to the nearest whole cent:

$$\text{Adjusted Exercise Price} = \text{Trading Price} \quad \times \quad \frac{\text{Original Exercise Price}}{\text{Aggregate Exchange Trading Price}}$$

where:

“Aggregate Exchange Trading Price” means the amount equal to the aggregate of the results obtained when the Trading Price of a common share of Fairmont or each New Company is multiplied by the respective Exchange Number for the company issuing the share.

“Exchange Number” means the fraction of a common share of Fairmont or a New Company, respectively, received by a CPL common shareholder for every CPL common share pursuant to the Exchange Ratio.

“Original Exercise Price” means the original exercise price per share of the CPL Stock Option.

“Trading Price” means the weighted average price of the common shares of Fairmont or a New Company, as the case may be, on the TSE for the first ten trading days on which such shares traded on the TSE after the Effective Date of the Arrangement.

In order to ensure that the issuance of Replacement Stock Options by New PanCanadian did not result in any dilution to the PanCanadian Public Shareholders, the number of New PanCanadian common shares issued to CPL common shareholders under the Arrangement was determined after deducting the number of New PanCanadian common shares issuable pursuant to the Replacement Stock Options to be granted by New PanCanadian to holders of CPL Stock Options.

Fairmont Key Employee Stock Option Plan

After the Effective Date of the Arrangement, Fairmont adopted the Fairmont KESOP. The purpose of the Fairmont KESOP is to assist and encourage key officers, employees and consultants of Fairmont and its subsidiaries and certain persons employed at hotel properties managed by the Corporation or its subsidiaries, to work towards and participate in the growth and development of Fairmont and its subsidiaries by granting stock options to such persons. Participants are granted a number of options which are exercisable during a ten-year period from the date of grant, after a vesting period, at the closing price of a board lot of the shares on the TSE on the date of grant. Unless modified by the board of directors, the terms of the Fairmont KESOP provide that half of options become exercisable on the second anniversary of the grant and the balance on the third anniversary.

Fairmont SARs may also be granted to participants under the Fairmont KESOP at the same time as the grant of an option. Fairmont SARs, if granted, have the following terms: (a) one Fairmont SAR is granted for every two optioned shares; (b) the reference price for a Fairmont SAR is the same as the exercise price of the related option; (c) Fairmont SARs may be exercised from time to time by an optionholder on and after the third anniversary of the grant date; (d) exercise of Fairmont SARs results in a reduction in the number of optioned shares on the basis of one optioned share for each exercised Fairmont SAR; (e) exercise of an option results in a reduction in the number of Fairmont SARs on the basis of one Fairmont SAR for each optioned share purchased in excess of 50% of the number of optioned shares; and (f) the expiry date of a Fairmont SAR is ten years after the grant date. Fairmont will pay to the optionholder, for each exercised Fairmont SAR, an amount equal to the closing price of a board lot of the shares on the TSE on the day of exercise, less the exercise price.

Deferred Share Unit Plan

In connection with the Arrangement, the board of Fairmont approved the adoption of a deferred share unit plan (the “Fairmont DSU Plan”). The Fairmont DSU Plan was designed to align the interests of participating executives of Fairmont and the shareholders of Fairmont by providing participants with the equivalent of an equity stake in Fairmont, prior to the date upon which the participants would be granted options under the Fairmont KESOP. The Fairmont DSU Plan was intended to replicate the economic value to the participating executives of stock options, while recognizing that stock options could not be granted until after the completion of the Arrangement. Fairmont deferred share units (the “Fairmont DSUs”) are bookkeeping entries on the books of Fairmont, each of which will have a value equal to

the value of one Fairmont share when paid in July 2004. In July 2001, participants were granted the right to receive a number of Fairmont DSUs calculated with reference to both the number of options to be granted to them following the completion of the Arrangement and the increase in the share price of Fairmont shares from a base of \$15.65 per share to the market value of the Fairmont shares on the date of grant of options under the Fairmont KESOP, subject to a maximum increase of \$3.13 per Fairmont share. A total of 110,980 Fairmont DSUs were granted to the participating executives, at a value of \$16.77. Mr. Fatt was granted 35,800 Fairmont DSUs.

Pension Plans

CPL Pension Plans

Prior to October 1, 2001, CPL maintained a contributory pension plan (the “CPL Basic Plan”), which was amended effective January 1, 2001 to provide employees with the option of participating in defined benefit or defined contribution pension provisions. CPL also maintained a non-contributory supplemental plan (the “CPL Supplemental Plan”) in which executive officers and senior managers participated. CPL employees who did not continue employment with Fairmont or one of the New Companies received their earned pension benefits under the CPL Basic Plan under one of several optional arrangements. Benefits under the CPL Supplemental Plan and other supplementary pension arrangements were paid in cash or pensions.

After the Effective Date of the Arrangement and in connection with the Arrangement, Fairmont caused or is in the process of causing the ongoing liabilities and proportionate assets from the CPL Basic Plan and the CPL Supplemental Plan, as applicable, to either: (i) be transferred to the plans of the New Companies or that of their main operating subsidiaries for the benefit of the participants in those plans who were formerly members in the CPL Basic Plan and the CPL Supplemental Plan and became employees of an operating subsidiary of a New Company; or (ii) be settled in a lump-sum cash payment (with the lump-sum value payable from the CPL Basic Plan transferred to a locked-in registered vehicle for such employee’s benefit). For those employees whose employment terminated, Fairmont caused the entitlements under the CPL Supplemental Plan to be settled in a lump-sum cash payment in satisfaction of all pension entitlements owed under this plan. Subject to regulatory approval, the entitlements under the CPL Basic Plan will be transferred to locked-in registered vehicles in satisfaction of all pension entitlements owed under this plan. In this regard, each of Messrs. O’Brien, Gamey, Grandin and Hodgins received or will receive the following amounts (including applicable interest as at December 31, 2001 payable in respect of the CPL Basic Plan): Mr. O’Brien, \$11,721,699, Mr. Gamey, \$2,375,601, Mr. Grandin, \$1,420,614 and Mr. Hodgins \$243,758. The payment of these amounts, plus applicable interest payable since December 31, 2001 in respect of the CPL Basic Plan, will satisfy all pension entitlements owed to the Named Executive Officers under CPL Basic Plan and the CPL Supplemental Plan. As Mr. Fatt continued in the employment of Fairmont after the Arrangement, he continues to participate in the Fairmont pension plans.

Fairmont Pension Plans

In addition to maintaining the CPL Basic Plan and the CPL Supplemental Plan, Fairmont maintains contributory defined benefit pension plans (the “Basic Plans”) pursuant to which pensions are paid to eligible officers and employees of the Corporation at retirement. Under the Basic Plans, the amount of pension is based on the sum of: (a) 1.3% of the average of the best five consecutive years or final 60 months of pensionable earnings (wages or salary) up to the Canada Pension Plan maximum pensionable earnings, multiplied by credited years of service; and (b) 2% of the average of the best five consecutive years or final 60 months of pensionable earnings in excess of the Canada Pension Plan maximum pensionable earnings multiplied by credited years of service. Credited years of service are limited to 35 years. The normal retirement age under the Basic Plans is 65. The pension is payable for the lifetime of the former member and continues to the surviving spouse at a rate of 50% or at a rate determined in accordance with the actuarial principles set out in the Basic Plans. Under the Basic Plans, the pension is limited to the maximum under the *Income Tax Act* (Canada).

Fairmont also maintains non-contributory supplemental pension plans (the “Supplemental Plans”) in which executive officers and senior managers participate. The Supplemental Plans provide pension benefits in excess of the maximum provided under the Basic Plans. Short-term incentive plan awards (i.e. annual bonus) are included in the calculation of pensionable earnings (the best five-year average of such awards is limited to the individual’s target award level at retirement). The Supplemental Plans provide additional benefits for executives who join a Basic Plan in mid-career.

The following table shows the aggregate annual retirement benefit payable under the Basic Plans and Supplemental Plans to participants in the specified compensation and years of service categories assuming retirement at age 65 based upon the defined benefit pension provisions in effect during 2001.

PENSION PLAN TABLE

Remuneration (\$)	Years of Service				
	15 (\$)	20 (\$)	25 (\$)	30 (\$)	35 (\$)
200,000	104,566	115,925	124,177	130,069	134,296
300,000	159,759	176,797	189,175	198,014	204,296
400,000	218,654	239,951	255,424	266,472	274,296
500,000	274,772	301,394	320,735	334,545	344,296
600,000	335,790	365,857	387,701	403,298	414,296
700,000	392,725	427,803	453,288	471,485	484,296
800,000	455,466	493,328	520,836	540,477	554,296
900,000	513,127	555,722	586,668	608,764	624,296
1,000,000	570,788	618,116	652,500	677,051	694,296

Mr. Fatt is the only one of the Named Executives Officers who participates in the Fairmont pension plans. He did not receive any payments upon completion of the Arrangement in respect of his participation in the CPL Basic Plan and the CPL Supplemental Plan up to the Effective Date of the Arrangement. Mr. Fatt's years of credited service for purposes of the Basic Plan and the Supplemental Plan as at normal retirement age (age 65) will be 28 years.

Fairmont Share Ownership Guidelines

The Fairmont Committee has agreed that the minimum stock ownership for executive officers should be three times salary for the Chief Executive Officer and two times salary for other senior executives. Executives may count Fairmont DSUs towards these guidelines, and must meet these guidelines within four years of taking office.

Severance Agreements

CPL

Prior to October 1, 2001, CPL had agreements with its Named Executive Officers that provided for the payment of certain severance benefits if a change in control of CPL were to occur and, within the three-year period following the change in control, the individual's employment were to be terminated by CPL other than for cause, disability, retirement or death, or by the individual for certain defined reasons such as a change in responsibilities or a reduction in salary or benefits. The individual was to receive a lump-sum severance payment equal to the base salary that would have been earned through the end of a 36-month severance period. In addition to the lump-sum severance payment, the severance agreements provide that the Named Executive Officer is entitled to certain benefits including payments under CPL's compensation plans and the continuation of certain insurance plan benefits for the duration of the severance period. The Arrangement constituted a change in control pursuant to these agreements. As a result, pursuant to these agreements and following the termination of their employment with CPL after the completion of the Arrangement, payments were made to each of Messrs. O'Brien, Gamey, Grandin and Hodgins in respect of base salary and certain benefits as follows: Mr. O'Brien, \$7,466,845, Mr. Gamey, \$3,208,488, Mr. Grandin, \$2,849,261 and Mr. Hodgins, \$1,235,013. Mr. Fatt's severance agreement entitles him to these benefits if he ceases to be employed by Fairmont, for the reasons enumerated in the change of control agreement, for three years following the Arrangement.

Fairmont

Certain executive officers of Fairmont are entitled to receive, pursuant to the terms of severance agreements between Fairmont and the executive officers, severance benefits if a change in control of the Corporation occurs and, within the three-year period following the change in control, the individual's employment is terminated by Fairmont other than for cause, disability, retirement or death, or by the individual for defined reasons such as a change in responsibilities or a reduction in salary or benefits. In such event, the executive officer will receive a lump-sum severance payment equal to the base salary that the he or she would have earned through the end of a 24-month severance period. Each severance agreement also provides that the applicable executive officer is entitled to benefits,

including payments under Fairmont's bonus compensation plan and the continuation of certain insurance plan and other benefits for the duration of the severance period. Mr. Fatt's severance agreement was with CPL and is described above.

Report of the Management Resources and Compensation Committee

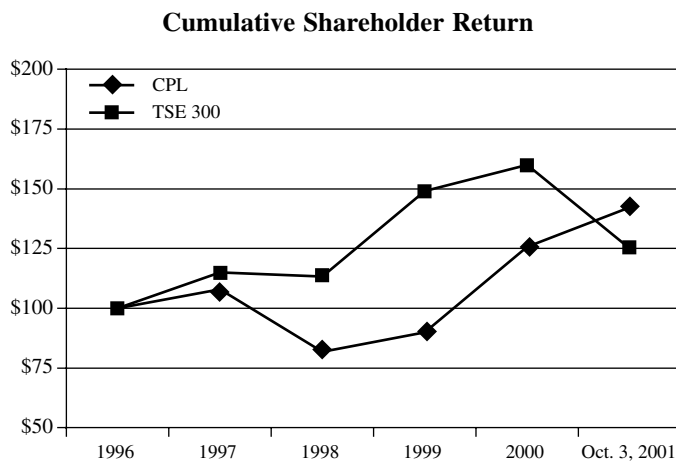
The foregoing report has been made by the members of the Management Resources and Compensation Committee of the board of directors of Fairmont:

STEPHEN E. BACHAND (Chairman)
 ALLAN R. TAYLOR
 CAROLE TAYLOR

PERFORMANCE GRAPHS

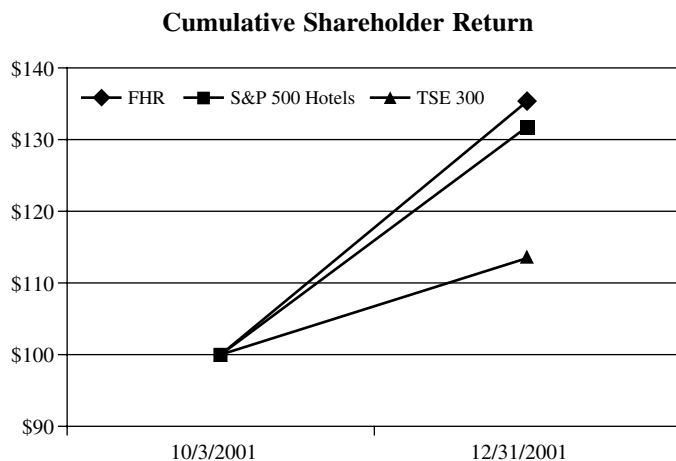
CPL

The following graph compares the total cumulative shareholder return for Cdn\$100 invested in CPL common shares on December 31, 1996, with the cumulative total return of the TSE 300 Composite Index, to October 3, 2001.



Fairmont

The following graph compares the total cumulative return for Cdn\$100 invested in shares on October 3, 2001, with the cumulative total return of the TSE 300 Composite Index and the S & P 500 Hotels Index, to December 31, 2001.



OFFICERS' REMUNERATION

The following table sets out, for the periods indicated, the compensation of the Named Executive Officers of CPL for the financial year ended December 31, 2001.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Annual Compensation		Long-term Compensation			All Other Compensation (\$)(e)(f)
		Salary(\$)	Bonus\$(b)	Awards		Payouts	
				Securities Under Options & SARs Granted (#)(c)	Restricted Shares or Restricted Share Units	LTIP Payouts(\$)	
D.P. O'BRIEN Chairman, President and Chief Executive Officer	2001	565,052	2,503,200	850,000	0	9,026,139	19,237,911
	2000	688,380	1,032,570	120,000	0	0	19,400
	1999	663,348	663,348	80,000	0	0	19,400
W.R. FATT(a) Executive Vice-President	2001	359,853	1,001,280	885,800(d)	0	1,534,397	36,127
	2000	328,545	250,320	45,000	0	0	16,271
	1999	272,223	166,150	45,500	0	0	16,271
R.K. GAMEY Executive Vice-President	2001	213,798	0	0	0	2,798,843	5,598,158
	2000	274,100	219,280	25,000	0	0	0
	1999	267,842	214,274	24,000	0	0	0
M.A. GRANDIN Executive Vice-President and Chief Financial Officer	2001	228,876	1,001,280	350,000	0	1,670,367	4,303,284
	2000	272,223	217,778	60,000	0	0	18,148
	1999	257,830	206,264	60,000	0	0	18,774
R.B. HODGINS Vice-President and Treasurer	2001	138,695	131,794	50,000	0	661,909	1,491,195
	2000	168,966	101,380	12,500	0	0	0
	1999	161,456	96,874	17,500	0	0	0

- (a) Mr. Fatt was appointed Chairman and Chief Executive Officer of CPH&R effective January 1, 1998. Mr. Fatt served as Executive Vice-President of CPL until October 1, 2001, at which time he became a director and Chief Executive Officer of Fairmont.
- (b) Amounts referred to in this table as "Bonus" are paid under the CPL STIP and were actually paid in the first quarter of the immediately succeeding year, except for operating and restructuring bonuses payable on the successful completion of the Arrangement, which were paid in October, 2001.
- (c) SARs under the CPL Stock Option Plan granted prior to the Arrangement are attached to 50% of the number of options set out in the table. SAR grants for 2001 are grants of CPL SARs.
- (d) Includes 350,000 CPL SARs, 500,000 options under the Fairmont KESOP, and 35,800 Fairmont DSUs.
- (e) These amounts include the payments made to each of the Named Executive Officers, other than Mr. Fatt, under severance agreements between each of the Named Executive Officers and CPL in respect of the completion of the Arrangement, as described in "Severance Agreements – CPL". These amounts also include the payments made or to be made in respect of the CPL Basic Plan and the CPL Supplemental Plan to each of the Named Executive Officers, other than Mr. Fatt, in satisfaction of all pension entitlements owed under these plans, as described in "Pension Plans – CPL Pension Plans".
- (f) Amounts include directors' fees for services provided to a non-wholly-owned subsidiary and, for 2000 and 1999, do not include the value of perquisites and other personal benefits as they are not greater than the lesser of Cdn\$50,000 and 10% of the total annual salary and bonus of any of the Named Executive Officers.

OPTION AND SAR GRANTS DURING 2001

The table below sets out information regarding grants of stock options and SARs to the Named Executive Officers during the financial year ended December 31, 2001.

Name	Securities Under Options & SARs Granted (#) (a)	% of Total Options & SARs Granted to Employees in Financial Year (a)	Exercise or Base Price (\$/Security) (a)	Market Value of Securities Underlying Options & SARs on the Date of Grant (\$/Security) (a)	Expiration Date (a)
D.P. O'BRIEN	850,000	48.6%	26.03	26.03	Dec. 31, 2004
W.R. FATT	350,000	20.0%	26.03	26.03	Dec. 31, 2004
(b)	500,000	15.8%	16.77	16.77	Oct. 22, 2011
(c)	35,800	32.3%	16.77	16.77	Jul. 03, 2004
R.K. GAMEY	N/A	N/A	N/A	N/A	N/A
M.A. GRANDIN	350,000	20.0%	26.03	26.03	Dec. 31, 2004
R.B. HODGINS	50,000	2.9%	26.03	26.03	Dec. 31, 2004

(a) Unless otherwise indicated, represents CPL SARs granted in 2001.

(b) Represent options granted under the Fairmont KESOP

(c) Represents DSUs granted under the Fairmont DSU Plan.

AGGREGATED OPTION AND SAR EXERCISES DURING 2001 AND YEAR-END OPTION AND SAR VALUES

The following table summarizes for each of the Named Executive Officers the aggregated option and SAR exercises during 2001 and the option and SAR values at December 31, 2001.

Name	Securities Acquired on Exercise (#)(a)	Aggregate Value Realized (\$)(a)	Unexercised Options & SARs at Financial Year-End Exercisable/Unexercisable (#)	Value of Unexercised in-the-money Options & SARs at Financial Year-End Exercisable/Unexercisable (\$)
D.P. O'BRIEN	1,410,000	20,929,723	30,000/0(g)	422,603/0(l)
(b)	50,000	858,519		0/0
(c)	50,000	557,150		0/0
(d)			8,000/0	58,475/0
W.R. FATT	627,308	9,419,125	16,937/0(h)	240,652/0(m)
(e)			0/500,000	0/3,485,706
(f)			0/35,800	0/849,770
R.K. GAMEY	164,175	2,372,818	15,293/0(i)	208,160/0(n)
M.A. GRANDIN	470,000	6,000,427	22,500/0(j)	319,674/0(o)
R.B. HODGINS	108,750	1,396,023	5,312/0(k)	75,623/0(p)

(a) Unless otherwise indicated, the amounts relate to CPL Stock Options and/or CPL SARs.

(b) Amounts relate to options granted to Mr. O'Brien prior to 1995 under the PanCanadian Petroleum Limited Key Employee Stock Option Plan ("PCPL Option Plan") in respect of PCPL common shares. The terms of the PCPL Option Plan are substantially similar to those of KESOP.

(c) Amounts related to Replacement Options of New CPR.

(d) Amounts relate to options granted under the Fairmont Directors' Option Plan in October 2001, which were immediately exercisable.

(e) Amounts relate to options granted under the Fairmont KESOP, which are exercisable as to 20% on the first anniversary of the date of grant, 20% on the second anniversary, 20% on the third anniversary and the balance on the fourth anniversary.

(f) Amounts relate to DSUs granted under the Fairmont DSU Plan.

- (g) Amounts relate to the Fairmont Replacement Options received as a result of the Arrangement. In addition Mr. O'Brien received Replacement Options in each of the other four companies as follows: New CPR: 30,000; New Ships: 40,000; New Fording: 26,560; and New PanCanadian: 109,440. All grants of options and SARs became exercisable on the Effective Date of the Arrangement.
- (h) Amounts relate to the Fairmont Replacement Options received as a result of the Arrangement. In addition Mr. Fatt received Replacement Options in each of the other four companies as follows: New CPR: 33,875; New Ships: 16,937; New Fording: 11,246; and New PanCanadian: 46,341. All grants of options and SARs became exercisable on the Effective Date of the Arrangement.
- (i) Amounts relate to the Fairmont Replacement Options received as a result of the Arrangement. In addition Mr. Gamey received Replacement Options in each of the other four companies as follows: New CPR: 30,587; New Ships: 15,293; New Fording: 10,155; and New PanCanadian: 41,843. All grants of options and SARs became exercisable on the Effective Date of the Arrangement.
- (j) Amounts relate to the Fairmont Replacement Options received as a result of the Arrangement. In addition Mr. Grandin received Replacement Options in each of the other four companies as follows: New CPR: 45,000; New Ships: 22,500; New Fording: 14,940; and New PanCanadian: 61,560. All grants of options and SARs became exercisable on the Effective Date of the Arrangement.
- (k) Amounts relate to the Fairmont Replacement Options received as a result of the Arrangement. In addition Mr. Hodgins received Replacement Options in each of the other four companies as follows: New CPR: 10,625; New Ships: 5,312; New Fording: 3,527; and New PanCanadian: 14,535. All grants of options and SARs became exercisable on the Effective Date of the Arrangement.
- (l) The value of unexercised in-the-money options at December 31, 2001 relates to the Fairmont Replacement Options, and is the difference between their exercise price and the fair market value of the underlying securities on December 31, 2001. Pursuant to the Arrangement, the value of the unexercised in-the-money Replacement Options received by Mr. O'Brien (see note (g) above) was calculated by using the replacement exercise price and the fair market value of the underlying securities. The fair market values at December 31, 2001 of the common shares of each of New CPR, New Ships, New Fording and New PanCanadian were \$20.09 for New CPR, \$10.73 for New Ships, \$17.71 for New Fording, and \$25.85 for New PanCanadian. The value of unexercised in-the-money options for each of these companies is as follows: New CPR: \$328,357; New Ships: \$264,901; New Fording: \$267,851; and New PanCanadian: \$1,251,610. These options have not been, and may never be, exercised and actual gains, if any, on exercise will depend on the value of these securities on the date of exercise.
- (m) The value of unexercised in-the-money options at December 31, 2001 relates to the Fairmont Replacement Options, and is the difference between their exercise price and the fair market value of the underlying securities on December 31, 2001. Pursuant to the Arrangement, the value of the unexercised in-the-money Replacement Options received by Mr. Fatt (see note (h) above) was calculated by using the replacement exercise price and the fair market value of the underlying securities. The fair market values at December 31, 2001 of the common shares of each of New CPR, New Ships, New Fording and New PanCanadian were \$20.09 for New CPR, \$10.73 for New Ships, \$17.71 for New Fording, and \$25.85 for New PanCanadian. The value of unexercised in-the-money options for each of these companies is as follows: New CPR: \$374,614; New Ships: \$112,393; New Fording: \$113,691; and New PanCanadian: \$532,118. These options have not been, and may never be, exercised and actual gains, if any, on exercise will depend on the value of these securities on the date of exercise.
- (n) The value of unexercised in-the-money options at December 31, 2001 relates to the Fairmont Replacement Options, and is the difference between their exercise price and the fair market value of the underlying securities on December 31, 2001. Pursuant to the Arrangement, the value of the unexercised in-the-money Replacement Options received by Mr. Gamey (see note (i) above) was calculated by using the replacement exercise price and the fair market value of the underlying securities. The fair market values at December 31, 2001 of the common shares of each of New CPR, New Ships, New Fording and New PanCanadian were \$20.09 for New CPR, \$10.73 for New Ships, \$17.71 for New Fording, and \$25.85 for New PanCanadian. The value of unexercised in-the-money options for each of these companies is as follows: New CPR: \$321,001; New Ships: \$97,557; New Fording: \$97,833; and New PanCanadian: \$442,867. These options have not been, and may never be, exercised and actual gains, if any, on exercise will depend on the value of these securities on the date of exercise.
- (o) The value of unexercised in-the-money options at December 31, 2001 relates to the Fairmont Replacement Options, and is the difference between their exercise price and the fair market value of the underlying securities on December 31, 2001. Pursuant to the Arrangement, the value of the unexercised in-the-money Replacement Options received by Mr. Grandin (see note (j) above) was calculated by using the replacement exercise price and the fair market value of the underlying securities. The fair market values at December 31, 2001 of the common shares of each of New CPR, New Ships, New Fording and New PanCanadian were \$20.09 for New CPR, \$10.73 for New Ships, \$17.71 for New Fording, and \$25.85 for New PanCanadian. The value of unexercised in-the-money options for each of these companies is as follows: New CPR: \$497,605; New Ships: \$149,300; New Fording: \$151,025; and New PanCanadian: \$706,792. These options have not been, and may never be, exercised and actual gains, if any, on exercise will depend on the value of these securities on the date of exercise.
- (p) The value of unexercised in-the-money options at December 31, 2001 relates to the Fairmont Replacement Options, and is the difference between their exercise price and the fair market value of the underlying securities on December 31, 2001. Pursuant to the Arrangement, the value of the unexercised in-the-money Replacement Options received by Mr. Hodgins (see note (k) above) was calculated by using the replacement exercise price and the fair market value of the underlying securities. The fair market values at December 31, 2001 of the common shares of each of New CPR, New Ships, New Fording and New PanCanadian were \$20.09 for New CPR, \$10.73 for New Ships, \$17.71 for New Fording, and \$25.85 for New PanCanadian. The value of unexercised in-the-money options for each of these companies is as follows: New CPR: \$117,772; New Ships: \$35,313; New Fording: \$35,733; and New PanCanadian: \$167,495. These options have not been, and may never be, exercised and actual gains, if any, on exercise will depend on the value of these securities on the date of exercise.

LONG-TERM INCENTIVE PLANS – AWARDS IN 2001

Name	Securities, Units or Other Rights (#)(a)	Performance or Other Period Until Maturation or Payout	Estimated Future Payouts Under Non-Securities-Price-Based Plans		
			Threshold (#)	Target (#)	Maximum (#)
D.P. O'BRIEN	1,936.05	—	N/A	N/A	N/A
W.R. FATT	82.30	—	N/A	N/A	N/A
R.K. GAMEY	600.33	—	N/A	N/A	N/A
M.A. GRANDIN	358.28	—	N/A	N/A	N/A
R.B. HODGINS	141.93	—	N/A	N/A	N/A

(a) Amounts represent share equivalents ("S.E.s") credited on dividend payment dates in 2001 in respect of S.E.s previously credited under the CPL SELTIP (see "Base Salary and other Cash Compensation – CPL").

ADDITIONAL ITEMS

Directors' and Officers' Liability Insurance

CPL

Prior to October, 2001, CPL carried on its own behalf, and on behalf of its subsidiaries, a Directors' and Officers' Liability Insurance Policy. This policy had a three-year aggregate coverage limit of \$125,160,000, subject to a deductible of \$156,450 in cases where a director or officer was reimbursed by CPL or a subsidiary for any loss covered by the policy. The approximate amount of the premium, including corporate reimbursement coverage, paid by CPL in 2001 in respect of its directors as a group and its officers as a group was \$47,069 and \$27,456, respectively. The aggregate amount of the premium paid by the directors and officers of CPL in respect of the year 2001 was approximately \$51 and \$55 respectively.

Fairmont

Since October, 2001, Fairmont has maintained Directors' and Officers' Liability Insurance with policy limits of \$125,000,000 in the aggregate, subject to a deductible in respect of corporate reimbursement of \$250,000 for each loss. Generally, under this insurance, Fairmont is reimbursed for payments made under corporate indemnity provisions on behalf of its directors and officers, and individual directors and officers (or their heirs and legal representatives) are reimbursed for losses arising during the performance of their duties for which they are not indemnified by Fairmont. Major exclusions from coverage include claims arising from illegal acts, those acts which result in illegal personal profit, violation of any fiduciary duty under the U.S. *Employee Retirement Income Security Act of 1974*, pollution damage (except for resultant shareholder actions) and claims brought by a director or officer against another director or officer or by Fairmont against a director or officer except for shareholder derivative actions. For the year ended December 31, 2001, the total annual premium in respect of such insurance was \$225,825 which was paid entirely by Fairmont. The aggregate amount of the premium paid by the directors and officers of Fairmont in respect of the year 2001 was approximately \$150 and \$566 respectively.

Corporate Governance

Fairmont's board of directors and the members of Fairmont's management are committed to the highest standard of corporate governance. Fairmont's corporate governance practices comply with the Guidelines for Improved Corporate Governance adopted by the TSE. Fairmont's "Statement of Corporate Governance Practices" is attached to this Circular as Appendix D. It has been approved by the Corporate Governance and Nominating Committee of the board and by the board as a whole. The board has also approved a detailed set of corporate governance guidelines that describe Fairmont's governance regime.

The board discharges its responsibilities directly and through committees. At regularly scheduled meetings, members of the board and management discuss a broad range of issues relevant to Fairmont's strategy and business interests. The board also receives reports from management on Fairmont's operational and economic performance.

The four standing committees of the board are composed of the following individuals:

Audit Committee: Messrs. Taylor (Chairman), McNeil, O'Brien, J. Sharpe and P. Sharpe.

Corporate Governance and Nominating Committee: Messrs. McNeil (Chairman), Bachand and P. Sharpe.

Management Resources and Compensation Committee: Messrs. Bachand (Chairman), Taylor and Ms. Taylor.

Environmental and Safety Committee: Messrs. J. Sharpe (Chairman), O'Brien and Ms. Taylor.

The board does not have an executive committee.

Shareholder Proposals

For the next annual meeting of the Corporation, shareholders must submit any proposal that they wish to be considered at such meeting by December 1, 2002.

Directors' Approval

The contents of this Circular and the sending of it to each shareholder entitled to receive notice of the Meeting, to each director, to the auditors of Fairmont and to the appropriate governmental agencies, have been approved by the board of directors of Fairmont.



TERENCE P. BADOUR
Senior Vice President, General Counsel and Secretary
Dated at Toronto, Ontario
March 1, 2002

APPENDIX A

RESOLUTION REGARDING THE GENERAL BY-LAW

RESOLVED THAT:

the general by-law of the Corporation, as set out in Appendix C to the Management Proxy Circular for the Annual and Special Meeting of the Corporation dated March 1, 2002, is confirmed.

APPENDIX B
RESOLUTION REGARDING
THE SHAREHOLDER RIGHTS PLAN

RESOLVED THAT:

the shareholder rights plan of the Corporation, as described in the Management Proxy Circular for the Annual and Special Meeting of the Corporation dated March 1, 2002, is confirmed.

APPENDIX C

GENERAL BY-LAW OF FAIRMONT HOTELS & RESORTS INC.

SECTION ONE INTERPRETATION

- 1.01 **Definitions.** In this by-law, which may be cited as the General By-law, unless the context otherwise requires:
- “Act” means the *Canada Business Corporations Act*, and any statute that may be substituted therefor, as from time to time amended and includes regulations made thereunder;
 - “Articles” means the articles of the Corporation as defined in the Act;
 - “Board” means the board of directors of the Corporation;
 - “Corporation” means Fairmont Hotels & Resorts Inc.;
 - “meeting of shareholders” means any meeting of shareholders including an annual meeting;
 - “non-business day” means Saturday, Sunday and any other day that is a holiday as defined in the *Interpretation Act* (Canada);
 - “recorded address” means in the case of a shareholder the address as recorded in the securities register; and in the case of joint shareholders the address appearing in the securities register in respect of such joint holding or the first address so appearing if there are two or more; and in the case of a director, officer or auditor, the latest address as recorded in the records of the Corporation.
- 1.02 **Construction.** Save as aforesaid, words and expressions defined in the Act have the same meanings when used herein; and words importing the singular include the plural and vice versa; and words importing persons include individuals, bodies corporate, partnerships, trusts and unincorporated organizations.

SECTION TWO MEETING OF SHAREHOLDERS

- 2.01 **Meetings of Shareholders.** The annual meeting of shareholders shall be held in each year on a date to be determined by the Board. The board, the Chairman or the Chief Executive Officer may call a meeting of shareholders, other than an annual meeting of shareholders, at any time.
- 2.02 **Chairman, Secretary and Scrutineers.** The chairman of any meeting of shareholders shall be the Chairman or, in the absence of the Chairman, the Chief Executive Officer or, in the absence of such officer, any director who is present and willing to act as chairman of the meeting. If no such person is present within fifteen minutes from the time fixed for holding the meeting, the persons present and entitled to vote shall choose one of their number to act as chairman. The secretary of any meeting of shareholders shall be the Secretary of the Corporation. If the Secretary is absent, the chairman shall appoint some person, who need not be a shareholder, to act as secretary of the meeting. The chairman may appoint one or more persons who need not be shareholders to act as scrutineers at the meeting.
- 2.03 **Persons Entitled to be Present.** The only persons entitled to be present at a meeting of shareholders shall be those entitled to vote thereat, the directors, the auditor of the Corporation and others who, although not entitled to vote, are entitled or required under any provision of the Act or the Articles or the General By-law to be present. Any other person may be admitted with the consent of the meeting or of the chairman of the meeting. The chairman of a meeting of shareholders may order the removal of from the meeting of any person whose conduct, in the opinion of the chairman, has prejudiced or is likely to prejudice, the orderly conduct of the meeting.
- 2.04 **Proxies.** To the extent permitted by the Act, the Board may from time to time pass resolutions regarding the lodging of instruments appointing a proxyholder at some place or places other than the place at which a meeting or adjourned or postponed meeting of shareholders is to be held and for particulars of such instruments to be telegraphed, telecopied, sent by facsimile or in writing or otherwise communicated by such electronic means that is capable of producing a written copy before the meeting or adjourned meeting to the Corporation or any agent

of the Corporation appointed for the purpose of receiving such particulars and providing that instruments appointing a proxy so lodged may be voted upon as though the instruments themselves were produced at the meeting or adjourned meeting and votes given in accordance with such resolutions shall be valid and shall be counted. The chairman of any meeting of shareholders may, subject to any resolutions made as aforesaid and applicable law, in his or her discretion accept telegraphic, teletype, facsimile or written communication or electronic communication that is capable of producing a written copy, as to the authority of anyone claiming to vote on behalf of and to represent a shareholder notwithstanding that no instrument of proxy conferring such authority has been lodged with the Corporation, and any votes given in accordance with such telegraphic, teletype, facsimile, written or electronic communication accepted by the chairman of the meeting shall be valid and shall be counted.

2.05 **Quorum.** Except as otherwise provided in the Articles, a quorum for the transaction of business at any meeting of shareholders shall be at least two persons present in person, each being a shareholder entitled to vote thereat or a duly appointed proxyholder for or representative of such a shareholder and together holding or representing in the aggregate not less than 25% of the outstanding shares of the Corporation entitled to be voted at the meeting.

SECTION THREE DIRECTORS

3.01 **Number of Directors.** Subject to the Articles, the number of directors of the Corporation may be fixed from time to time by resolution of the Board.

3.02 **Qualification of Directors.** In addition to the disqualifications provided for in the Act, no person shall be elected or appointed a director at or after the annual meeting of the shareholders of the Corporation held in 2004 if the person exceeds the age of seventy years at the date of election or appointment. A director ceases to hold office (a) when the director ceases to be qualified as a director under the Articles, (b) should the director be a salaried officer of the Corporation other than the Chairman or the Chief Executive Officer, when the director ceases to be a salaried officer of the Corporation or (c) at the close of the annual meeting of shareholders next held following the date on which the director reaches the age of seventy years.

3.03 **Quorum.** A majority of the directors shall form a quorum of the Board.

3.04 **Meeting following Annual Meeting.** The Board shall meet without notice as soon as practicable after each annual meeting of shareholders to transact such business as may come before the meeting

3.05 **Other Meetings of the Board.** Meetings of the Board shall be held from time to time at a time and place determined by the Board, the Chairman, the Chief Executive Officer, or any two directors.

3.06 **Notice of Meeting.** Subject to any resolution of the Board, notice of the time and place of each meeting of the Board requiring notice shall be given to each director not less than twenty-four hours before the time at which the meeting is to be held.

3.07 **Chairman.** The chairman of any meeting of the Board shall be the Chairman or, in the absence of such officer, the Chief Executive Officer of the Corporation or, in the absence of such officer, any director who is present and willing to act as chairman of the meeting.

3.08 **Votes to Govern.** At all meetings of the Board, every question shall be decided by a majority of the votes cast.

3.09 **Remuneration.** If any director or officer of the Corporation shall be employed by or shall perform services for the Corporation otherwise than as a director or officer or shall be a member of a firm or a shareholder, director or officer of a body corporate which is employed by or performs services for the Corporation, the fact of being a director or officer of the Corporation shall not disentitle such director or officer or such firm or body corporate, as the case may be, from receiving proper remuneration for such services.

**SECTION FOUR
THE TRANSACTION OF BUSINESS**

- 4.01 **Execution of Instruments.** All instruments and documents of whatsoever kind in written, electronic or any other form binding upon the Corporation may be signed in writing or in electronic form or otherwise assented to in any legally effective manner on behalf of the Corporation by two persons, one of whom is the Chief Executive Officer, the President, a Vice-President or a director of the Corporation and the other of whom is the Secretary, the Treasurer, an Assistant Secretary or an Assistant Treasurer. The Board may from time to time determine the manner in which and the person or persons by whom any particular instrument or document or class of instruments or documents may or shall be signed in writing or in electronic form or otherwise assented to in any legally effective manner, including, without limitation, the use of facsimile reproduction of any or all signatures and the use of the corporate seal or a facsimile reproduction thereof.
- 4.02 **Cheques.** All cheques upon the bank or banks where the funds of the Corporation are kept shall be drawn payable to the order of the party entitled to the payment to be made, which cheques, notwithstanding section 5.01, shall be signed by the Treasurer, or by an Assistant Treasurer, or by such other person as may be appointed by the Board, and countersigned by the Chief Executive Officer, the President, or by a Vice-President, or by some other person authorized by the Board so to do. The Board may from time to time authorize the signing and countersigning of cheques by means of the facsimile signature of any of the persons authorized to sign or countersign cheques.

**SECTION FIVE
DIVIDENDS**

- 5.01 **Dividends.** The Board may from time to time declare dividends payable to shareholders according to their respective rights.
- 5.02 **Dividend Payment.** A dividend payable in money may be paid by cheque drawn on the Corporation's bankers, or one of them, to the order of each registered holder of shares of a class or series in respect of which the dividend has been declared, and mailed by prepaid ordinary mail to such registered holder at the holder's recorded address. In the case of joint holders the cheque shall, unless such joint holders otherwise direct, be made payable to the order of all of such joint holders and mailed to them at their recorded address. The Corporation may pay a dividend by cheque to a registered holder or to joint holders other than in the manner herein set out, if the registered holder or joint holders so request. The mailing of such cheque as aforesaid, unless the same is not paid on due presentation, shall satisfy and discharge the liability for the dividend to the extent of the sum represented thereby plus the amount of any tax which the Corporation is required to and does withhold.
- 5.03 **Idem.** The Corporation may, when directed by a registered holder of a share in respect of which a dividend in money has been declared, pay the dividend in the manner so directed.
- 5.04 **Non-receipt or Loss of Dividend Cheques.** In the event of non-receipt or loss of any dividend cheque by the person to whom it is sent, the Corporation shall issue to such person a replacement cheque for a like amount on such terms as to indemnity, reimbursement of expenses and evidence of non-receipt or loss and of entitlement as the Board, the Vice-President in charge of finance or the Treasurer may from time to time prescribe, whether generally or in a particular case.
- 5.05 **Unclaimed Dividends.** To the extent permitted under applicable law, any dividend unclaimed after a period of ten years from the date on which such dividend has been declared payable shall be forfeited and shall revert to the Corporation.

**SECTION SIX
BORROWING AND RELATED POWERS**

- 6.01 **Borrowing and Related Powers.** The Board may, without authorization of the shareholders,
- (a) borrow money upon the credit of the Corporation;
 - (b) issue, reissue, sell or pledge debt obligations of the Corporation;

- (c) subject to the Act, give a guarantee on behalf of the Corporation to secure performance of an obligation of any person; and
- (d) mortgage, hypothecate, pledge or otherwise create a security interest in all or any property of the Corporation, owned or subsequently acquired, to secure any obligation of the Corporation.
- (e) The Board may, by resolution, delegate the powers referred to in this section to a director, a committee of directors or an officer.

SECTION SEVEN PROTECTION OF DIRECTORS AND OFFICERS

- 7.01 Limitation of Liability.** No director or officer shall be liable for the acts, receipts, neglects or defaults of any other director, officer, employee or agent, or for joining in any receipt or act for conformity, or for any loss, damage or expense happening to the Corporation through the insufficiency or deficiency of title to any property acquired by, for or on behalf of the Corporation, or for the insufficiency or deficiency of any security in or upon which any of the moneys of the Corporation shall be placed out or invested, or for any loss or damage arising from the bankruptcy, insolvency or tortious act of any person with whom any moneys, securities or effects shall be lodged or deposited, or for any loss, conversion, misapplication or misappropriation of or any damage resulting from any dealings with any moneys, securities or other assets belonging to the Corporation, or for any other loss, damage or misfortune whatever which may happen in the execution of the duties of the director's or officer's respective office or trust or in relation thereto unless the same shall happen by or through the director's or officer's failure to act honestly and in good faith with a view to the best interests of the Corporation and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.
- 7.02 Indemnity.** The Corporation shall indemnify a director or officer of the Corporation, a former director or officer of the Corporation or a person who acts or acted at the Corporation's request as a director or officer of a body corporate of which the Corporation is or was a shareholder or creditor, and the heirs and legal representatives thereof, to the extent permitted by the Act or otherwise by law.

SECTION EIGHT NOTICES

- 8.01 Method of Giving Notices.** Any notice, communication or document to be given, sent, delivered or served pursuant to the Act, the regulations thereunder, the Articles, the General By-law or otherwise, to a shareholder, director, officer or auditor shall be sufficiently given if delivered personally to the person to whom it is to be given or if delivered to the person's recorded address or if mailed to the person at the person's recorded address by prepaid ordinary or air mail or if sent to the person at the person's recorded address by any means of prepaid transmitted or recorded communication, including facsimile, telex, telegram or other electronic means that is capable of producing a written copy. A notice so delivered shall be deemed to have been given when it is delivered personally or to the recorded address as aforesaid; a notice so mailed shall be deemed to have been given when deposited in a post office or public letter box; and a notice so sent by any means of transmitted or electronic communication shall be deemed to have been given when dispatched or delivered to the appropriate communication company or agency or its representative for dispatch.
- 8.02 Omissions and Errors.** The accidental omission to give any notice to any shareholder, director, officer or auditor or the non-receipt of any notice by any such person or any error in any notice not affecting the substance thereof shall not invalidate any action taken at any meeting to which the notice related.
- 8.03 Persons Entitled by Death or Operation of Law.** Every person who, by operation of law, transfer, death of a shareholder or any other means whatsoever, becomes entitled to any share, shall be bound by every notice in respect of such share which shall have been duly given to the shareholder from whom such person derives such person's title to such share prior to such person's name and address being entered on the securities register.
- 8.04 Waiver of Notice.** A shareholder, proxyholder, director, officer or auditor may at any time waive any notice, or waive or abridge the time for any notice, required to be given to him under any provision of the Act, the regulations thereunder, the Articles, the General By-law or otherwise and such waiver or abridgement, whether

given before or after the meeting or other event of which notice is required to be given, shall cure any default of defect in the giving or in the time of such notice, as the case may be. Any such waiver or abridgement shall be in writing except a waiver of notice of a meeting of shareholders or of the Board or of a committee of the Board which may be given in any manner.

SECTION NINE
EFFECTIVE DATE AND REPEAL

9.01 **Effective Date.** The General By-law shall come into force on October 22, 2001.

9.02 **Repeal.** All previous by-laws of the Corporation are repealed on the coming into force of the General By-law.

9.03 **Effect of Repeal.** All persons appointed or elected under any by-law repealed on the coming into force of the General By-law shall continue to act until ceasing to hold office or until re-appointed or re-elected and all resolutions of the shareholders or the Board having continuing effect and passed under any repealed by-law or otherwise shall continue to be operative until amended or repealed except to the extent that they are inconsistent with the General By-law.

MADE this 22nd day of October, 2001.

APPENDIX D

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

Guideline 1: The board should explicitly assume responsibility for stewardship of the corporation

The board supervises the management of the Corporation's businesses with a view to enhancing shareholder value. It delegates to management the authority and responsibility for day-to-day affairs.

Guideline 1(a): The board should specifically assume responsibility for the adoption of a strategic planning process

One board meeting a year is specifically set aside for a substantial strategic planning session in which the board reviews and discusses strategies developed by management. The Corporation's general strategies and their implementation are discussed regularly at meetings of the board.

Guideline 1(b): The board should specifically assume responsibility for the identification of principal business risks, and implementation of risk management systems

The board, through the Audit Committee and the Environmental and Safety Committee, requires management to put into place systems to address risks and to periodically report to the board on these systems and risks.

Guideline 1(c): The board should specifically assume responsibility for succession planning, including appointing, training and monitoring senior management

The Management Resources and Compensation Committee reviews, reports and, where appropriate, provides recommendations to the board on the appointment of officers, existing management resources and succession plans for officers.

Guideline 1(d): The board should specifically assume responsibility for communications policy

It is the policy of the Corporation to comply with all applicable requirements concerning public disclosure.

The board has adopted a disclosure policy and has appointed a disclosure committee comprised of senior management to monitor public disclosure and ensure compliance with all applicable requirements.

Material documents such as the annual report, management's discussion and analysis, the proxy circular, the annual information form and quarterly financial statements are reviewed and, where required, approved by the board or one of its Committees, in each case before they are distributed.

The Corporation's investor relations personnel are required to make ongoing disclosure and to respond to inquiries from shareholders and other stakeholders with the review, as appropriate, by senior management and the board. The Corporation's investor relations personnel are available to shareholders by telephone and fax and the Corporation maintains an extensive investor relations website at www.fairmont.com.

Quarterly earnings conference calls are broadcast live over the Internet through the Corporation's website and are accessible on a live and recorded basis by telephone. Presentations at investor conferences are promptly made available on the Corporation's website or via telephone.

Guideline 1(e): The board should specifically assume responsibility for the integrity of internal control and management information systems

The board, through the Audit Committee, oversees the integrity of the Corporation's internal control and management information systems. See Guideline 13.

Guideline 2: A majority of directors should be "unrelated" (independent from management and free from conflicts of interest)

If the proposed directors are elected to the board, eight out of nine directors will be unrelated to Fairmont.

William R. Fatt, the Chief Executive Officer ("CEO"), is the only board member who is considered by the board to be related.

Guideline 3: Disclose for each director whether he or she is unrelated, and how that conclusion was reached

William R. Fatt – related – is CEO of the Corporation.

For the remainder of the directors, none of them or their associates have:

- worked for Fairmont, with the exception of Mr. O’Brien, who was employed by CPL prior to the Effective Date of the Arrangement;
- significant business or other relationships with Fairmont; and
- receive remuneration from Fairmont in addition to directors’ fees.

Proposed directors and directors continuing in office: Stephen E. Bachand, William R. Fatt, Angus A. MacNaughton, John D. McNeil, David P. O’Brien, John L. Sharpe, L. Peter Sharpe, Allan R. Taylor, O.C., and Carole Taylor.

Guideline 4: Appoint a committee of outside directors responsible for appointment of new nominees and ongoing assessment of directors

The mandate of the Corporate Governance and Nominating Committee of the board includes:

- recommending candidates for election to the board;
- reviewing, on an annual basis, credentials of nominees for re-election; and
- recommending candidates for filling vacancies on the board.

All members of the Corporate Governance and Nominating Committee are non-management and unrelated.

Guideline 5: Implement a committee process for assessing the effectiveness of the board, its committees and the contribution of individual directors

The mandate of the Corporate Governance and Nominating Committee includes:

- assessing the effectiveness of the board as a whole and making recommendations to improve the board’s effectiveness;
- reviewing the performance of the board and, to the extent deemed necessary by the Committee, the performance of the Chairman of the board and individual directors; and
- reviewing the composition of the various committees of the board and making recommendations to the board.

Guideline 6: Provide orientation and education programs for new recruits to the board

The Corporation’s Senior Vice President, General Counsel and Secretary prepares a “Director’s Manual” for new and existing directors, which is updated annually and distributed to the full board.

The board has been provided with an orientation session and new directors will be provided with an orientation session. Presentations are made regularly to the board on different aspects of Fairmont’s business and operations.

Guideline 7: Examine size of board, with a view to improving effective decision-making and, if appropriate, undertake a program to reduce the number of directors

Fairmont believes that its board must have enough directors to carry out its duties efficiently while presenting a diversity of views and experience. The board reviews the contributions of the directors and considers whether the current size of the board promotes effectiveness and efficiency.

Guideline 8: Review adequacy and form of compensation of directors to ensure compensation reflects risks and responsibilities

The mandate of the Corporate Governance and Nominating Committee includes reviewing and recommending the remuneration of directors to the board. In determining directors’ remuneration, the Committee considers, among other factors, time commitment, compensation provided by comparable companies and risks and responsibilities.

Guideline 9(a): Committees should generally be composed of outside directors a majority of which are unrelated

Currently, all of the board Committees are composed of unrelated directors.

Guideline 9(b): Describe the responsibilities of the Committees of the board

Audit Committee: responsibilities are described under Guideline 13.

Management Resources and Compensation Committee: employment, remuneration and succession planning.

Environmental and Safety Committee: environmental and health and safety compliance.

Corporate Governance and Nominating Committee: responsibilities are described under Guidelines 4, 5, 8, 10 and 12.

Guideline 10: Appoint a committee responsible for developing an approach to corporate governance issues

The mandate of the Corporate Governance and Nominating Committee includes responsibility for the board's approach to corporate governance issues such as:

- monitoring developments in corporate governance theory and practice;
- reviewing the mandates of the board's committees and recommending changes;
- recommending the composition of the various committees of the board; and
- undertaking such other initiatives as are needed to help the board deliver effective corporate governance.

Guideline 11(a): Define limits to management's responsibilities by developing position descriptions for:

(i) the board

The board's primary responsibility is to foster the long-term success of the Corporation consistent with the board's fiduciary responsibility to the shareholders to maximize shareholder value.

The board of directors has plenary power. Any responsibility not delegated to management or a committee of the board remains with the board. However, the board has adopted its own terms of reference which were prepared to assist the board and management in clarifying responsibilities and ensuring effective communication between the board and management.

(ii) the CEO

The CEO's objectives are discussed annually with the Management Resources and Compensation Committee. These objectives include the general mandate to manage the Corporation and its businesses, including physical, financial and human resources, and to maximize shareholder value. In addition, the board has authorized the CEO to approve the commitment of funds for any non-budgeted transaction (consistent with the approved business plan of the Corporation) within a set monetary limit; approve the commitment of the Corporation for any budgeted or otherwise approved transaction, regardless of the monetary limit; and authorized the CEO to delegate authority to other officers and employees to commit the Corporation within set monetary limits.

Guideline 11(b): The board should approve or develop corporate objectives which the CEO is responsible for meeting

The Management Resources and Compensation Committee approves the CEO's general objectives on an annual basis and reviews the corporate targets for which the CEO has responsibility. These are then reviewed by the full board.

Guideline 12: Establish procedures to enable the board to function independently of Management

The Corporate Governance and Nominating Committee is responsible for ensuring that the board functions independently of management.

The board acts in a supervisory role and expects management to:

- present a comprehensive annual budget and report on Fairmont's financial performance against the annual budget;

- report regularly on the Corporation's business and affairs, and on any matters of material consequence for Fairmont and its shareholders; and
- maintain an ongoing review of the Corporation's strategies and their implementation in light of evolving conditions.

The board meets on a regular basis with the CEO and without other management present, and it meets from time to time without the CEO.

Guideline 13: Establish an audit committee composed only of outside directors with specifically defined roles and responsibilities

The mandate of the Audit Committee includes:

- monitoring audit functions and the preparation of financial statements;
- reviewing management's actions in relation to the preparation of financial statements and the maintenance of internal controls and the integrity of management information systems;
- reviewing the Corporation's financial reporting in connection with the annual audit and the preparation of financial statements;
- discussing with management the Corporation's policies and procedures for risk management;
- reviewing audit plans of the internal and external auditors;
- recommending external auditors and their fees; and
- meeting with the internal and external auditors independently of management.

All members of the Audit Committee are non-management and are unrelated directors.

Guideline 14: Implement a system to enable individual directors to engage outside advisors at the corporation's expense

Individual directors may, with the authorization of the Corporate Governance and Nominating Committee, engage outside advisors at the expense of the Corporation.

The Management Proxy Circular dated February 12, 2001 for the Corporation's last annual meeting has been filed with the securities commissions or similar authorities in Canada. The Amended Annual Information Form of Fairmont for the year ended December 31, 2000, dated January 18, 2002, has also been filed with the securities commissions or similar authorities in Canada, and under cover of Form 40-F/A with the U.S. Securities and Exchange Commission. The 2002 Management Proxy Circular, and the Annual Information Form for the year ended December 31, 2001 (on or about May 1, 2002), will be available without charge to Fairmont's shareholders, upon request to the Senior Vice President, General Counsel and Secretary of Fairmont Hotels & Resorts Inc., Canadian Pacific Tower, 100 Wellington Street West, Suite 1600, TD Centre, P.O. Box 40, Toronto, Ontario, M5K 1B7.

Canadian Mail Service Interruption: If there is a mail service interruption in Canada prior to mailing by a shareholder of a completed proxy to Fairmont's transfer agent, Computershare Trust Company of Canada, it is recommended that the shareholder deposit the completed proxy, in the envelope provided, at any of the following offices of Computershare:

Alberta
530 – 8th Avenue S.W., Suite 600
Calgary

Ontario
100 University Ave., 9th Floor
Toronto

British Columbia
510 Burrard Street, 2nd Floor
Vancouver

Quebec
1800 McGill College Avenue, 6th Floor
Montreal

Shareholders may also fax both sides of their completed proxy to Computershare Trust Company of Canada to the following fax number: 1-514-982-7792.