THIS IS A PRELIMINARY SHORT FORM PROSPECTUS RELATING TO THESE SECURITIES, A COPY OF WHICH HAS BEEN FILED WITH THE SECURITIES COMMISSION OR SIMILAR REGULATORY AUTHORITY IN EACH OF THE PROVINCES OF CANADA BUT WHICH HAS NOT YET BECOME FINAL FOR THE PURPOSE OF A DISTRIBUTION TO THE PUBLIC. INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. THESE SECURITIES MAY NOT BE SOLD TO, NOR MAY OFFERS TO BUY BE ACCEPTED FROM, RESIDENTS OF SUCH JURISDICTIONS PRIOR TO THE TIME A RECEIPT FOR THE FINAL SHORT FORM PROSPECTUS IS OBTAINED FROM THE APPROPRIATE SECURITIES COMMISSION OR REGULATORY AUTHORITY.

PRELIMINARY SHORT FORM PROSPECTUS

Dated June 10, 1997

This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. No securities commission or similar authority in Canada has in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offence.

The securities being offered pursuant to this short form prospectus have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "1933 Act") and accordingly may not be offered or sold in the United States of America or to any U.S. person (as defined in Rule 902 under the 1993 Act) except in compliance with the registration requirements of that Act or pursuant to an exemption from those requirements.

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Director of Investor Relations, Four Seasons Hotels Inc., 1165 Leslie Street, Toronto, Ontario, M3C 2K8 (telephone (416) 449-1750). For the purpose of the Province of Quebec, this simplified prospectus contains information to be completed by consulting the permanent information record. A copy of the permanent information record may be obtained from the Director of Investor Relations of Four Seasons Hotels Inc. at the above-mentioned address and telephone number.

THIS SHORT FORM PROSPECTUS HAS BEEN FILED UNDER PROCEDURES IN EACH OF THE PROVINCES WHICH PERMIT CERTAIN INFORMATION WITH RESPECT TO THESE SECURITIES TO BE DETERMINED AFTER THE PROSPECTUS HAS BECOME FINAL AND PERMIT THE OMISSION FROM THIS SHORT FORM PROSPECTUS OF SUCH INFORMATION. SUCH PROCEDURES REQUIRE THE DELIVERY TO PURCHASERS OF A PROSPECTUS OR A PROSPECTUS SUPPLEMENT CONTAINING THIS OMITTED INFORMATION WITHIN A SPECIFIED TIME AFTER AGREEING TO PURCHASE ANY OF THESE SECURITIES.

NEW ISSUE

FOUR SEASONS HOTELS INC.

$ ●

● % Debentures due 2002
(Unsecured)

Dated:	●, 1997
Maturity:	●, 2002
Payment Dates:	Semi-annually, in arrears on ● and ● of each year commencing ●, 1997.
Rank:	*Pari passu* with other unsecured and unsubordinated indebtedness of the Company.
Eligibility for Investment:	In the opinion of counsel, the Debentures will qualify as eligible investments under certain statutes as disclosed under "Eligibility for Investment".

	Price to Public	Underwriting Commission(1)	Proceeds to Company(2),(3)
Per $1,000 principal amount of Debentures	Non-fixed Price	$ ●	$ ●
Total	Non-fixed Price	$ ●	$ ●

(1) The Underwriters have agreed to purchase the Debentures from the Company at ● % of their principal amount, plus accrued interest, if any, from ● , 1997 to the date of delivery, subject to the terms and conditions set forth in the Underwriting Agreement described under "Plan of Distribution" and will receive a fixed fee of $ ● . The Underwriters' overall compensation will increase or decrease by the amount by which the aggregate price paid for the Debentures by purchasers exceeds, or is less than, the gross proceeds paid by the Underwriters to the Company. The Company has agreed to indemnify the Underwriters against certain liabilities, including liabilities under applicable securities legislation. See "Plan of Distribution".

(2) Plus any accrued interest from ● , 1997 to the date of delivery.

(3) Before deducting expenses payable by the Company estimated at $ ● which, together with the Underwriting Commissions, will be paid by the Company.

The Debentures will be offered to the public at prices to be negotiated by the Underwriters with purchasers. Accordingly, the price at which Debentures will be offered and sold to the public may vary as between purchasers and during the period of distribution of the Debentures.

The Underwriters, as principals, conditionally offer the Debentures, subject to prior sale, if, as and when issued by the Company and accepted by the Underwriters in accordance with the conditions of the Underwriting Agreement and subject to approval of certain legal matters by Goodman Phillips & Vineberg, counsel for the Company, and by Osler, Hoskin & Harcourt, counsel for the Underwriters. It is expected that closing of this offering and delivery of the Debentures in definitive form will be made on or about ● ,1997, or such other date as the Company and the Underwriters agree, but in any event no later than ● , 1997, at the office of ● , against payment in same day funds. Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice.

One of the Underwriters is a wholly-owned subsidiary of a bank which is Four Seasons's principal lender. A portion of the proceeds of this offering may be applied to repay amounts that may be borrowed from that lender to fund the Company's purchase of its 9⅛% Notes and related costs. See "Use of Proceeds" and "Plan of Distribution".

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ELIGIBILITY FOR INVESTMENT

In the opinion of Goodman Phillips & Vineberg and Osler, Hoskin & Harcourt, at the date of closing, the Debentures offered hereby will be eligible investments, without resort to so-called "basket provisions", or their purchase will not be prohibited, in each case subject to general investment provisions, and in certain cases subject to prudent investment requirements and to additional requirements relating to investment or lending policies or goals and subject to restrictions and prohibitions on investments made in the capacity of a fiduciary or administrator, under the following statutes:

Insurance Companies Act (Canada)
Trust and Loan Companies Act (Canada)
Pension Benefits Standards Act, 1985 (Canada)
Pension Benefits Act (Ontario)
Loan and Trust Corporations Act (Ontario)
an Act respecting trust companies and savings companies (Québec)
an Act respecting insurance (Québec)
Supplemental Pension Plans Act (Québec)
Financial Institutions Act (British Columbia)
Pension Benefits Standards Act (British Columbia)
Loan and Trust Corporations Act (Alberta)
Pension Benefits Act, 1992 (Saskatchewan)
The Pension Benefits Act (Manitoba)
The Insurance Act (Manitoba)
The Trustee Act (Manitoba)
The Pension Benefits Act (Nova Scotia)

In the opinion of such counsel, the Debentures offered hereby will, on the date of closing, be qualified investments under the *Income Tax Act* (Canada) and the Regulations thereunder for trusts governed by registered retirement savings plans, registered retirement income funds, and deferred profit sharing plans (other than trusts governed by deferred profit sharing plans for which any of the employers is the Company or is an employer which does not deal at arm's length with the Company within the meaning of the *Income Tax Act* (Canada)). The Debentures will not, on the date of closing, be foreign property for the purpose of the *Income Tax Act* (Canada) and the Regulations thereunder.

SUMMARY

The following information is a summary only, the contents of which necessarily are selective. This summary is qualified in its entirety by the more detailed information appearing elsewhere, and that is incorporated by reference in this short form prospectus. In this short form prospectus, the "Company" means Four Seasons Hotels Inc., an Ontario corporation, and "Four Seasons" means, collectively, the Company and Four Seasons Hotels Limited, an Ontario corporation that is a wholly-owned subsidiary of the Company, and its subsidiaries.

In this short form prospectus, unless otherwise indicated, all dollar amounts are expressed in Canadian dollars. References to "Cdn.$" or "$" are to Canadian dollars and references to "U.S.$" are to United States dollars.

Issue:	●% Debentures, due ●, 2002.
Principal:	$●.
Price:	The Underwriters have agreed to purchase the Debentures from the Company at ●% of their principal amount, plus accrued interest, if any, from ●, 1997 to the date of delivery. The Debentures will be offered to the public at prices to be negotiated by the Underwriters with purchasers.
Delivery:	On or about ●, 1997.
Maturity:	●, 2002.
Interest:	●% per annum, payable semi-annually in arrears on ● and ● of each year, commencing ●, 1997.
Redemption:	The Debentures will be redeemable in whole at any time or in part from time to time, at the option of the Company, on not less than 30 nor more than 60 days' prior notice at a redemption price equal to the higher of the Canada Yield Price (as defined under "Details of the Offering — Definitions") and par, plus, in each case, accrued and unpaid interest to (but excluding) the date fixed for redemption.
Purchase:	Debentures may be purchased for cancellation at any time by the Company in the open market or by tender or by private contract at prices not exceeding the price at which the Debentures can be redeemed at the time of purchase plus reasonable costs of purchase.
Rank:	The Debentures will be direct, unsubordinated, unsecured obligations of the Company and will rank *pari passu* with all other present and future unsecured and unsubordinated indebtedness of the Company. The Debentures effectively will be subordinated to all existing and future obligations of the Company's subsidiaries and consolidated partnership interests including, without limitation, indebtedness for borrowed money, which aggregated $31.2 million (excluding intercorporate debt) at March 31, 1997. The trust indenture pursuant to which the Debentures will be issued will contain a negative pledge and a cross-default provision, together with covenants imposing limitations on certain sale and lease-back transactions and on mergers and consolidations. See "Details of the Offering".
Rating:	The Debentures are rated ● by Dominion Bond Rating Service Limited and ● by Canadian Bond Rating Service Inc.
Use of Proceeds:	The proceeds of sale of the Debentures will be used primarily to partially fund the Company's purchase of its outstanding 9⅛% Notes and related costs. See "Recent Developments — Note Purchase and Consent Solicitation".

Interest and Asset Coverages:

The following consolidated financial ratios are calculated for the 12 months ended March 31, 1997 and December 31, 1996, after giving effect to this issue, the use of the proceeds of this issue to fund the Company's purchase of its outstanding 9⅛% Notes and as adjusted for changes in existing debt to ●, 1997.

	March 31, 1997	December 31, 1996
Interest coverage on long-term borrowings	● times	● times
Net tangible asset coverage on long-term borrowings		
Before deduction of cash and cash equivalents	● times	● times
After deduction of cash and cash equivalents	● times	● times

An investment in the Debentures involves certain risks. Before making an investment decision, prospective purchasers should consider carefully all of the information in this short form prospectus and the documents incorporated by reference, including the factors set forth under "Operating Risks" in the 1996 Annual Information Form of the Company.

FOUR SEASONS HOTELS INC.

Overview

Four Seasons is one of the world's leading managers of luxury hotels and resorts. Four Seasons manages 38 luxury urban and resort hotel properties comprising approximately 11,900 guest rooms, primarily under the Four Seasons and Regent brand names, in principal cities and resort destinations in 16 countries in North America, Europe, Asia, Australia, and the Caribbean. In addition, 14 urban hotels and resort hotels are currently under construction or development in six additional countries around the world.

Four Seasons earns revenues primarily from hotel management and hotel ownership operations. In 1996, revenue generated by the hotels and resorts managed by Four Seasons exceeded $1.9 billion. The Company's consolidated revenues from hotel management and hotel ownership from these properties in 1996 was $120.7 million.

Four Seasons was founded in 1961 by Isadore Sharp, its Chairman and Chief Executive Officer. Since that time, Four Seasons has achieved international brand recognition by providing consistent high-quality service and accommodation at hotels and resorts under its management. Hotels managed by Four Seasons have repeatedly ranked among the top luxury hotels in leading industry surveys. In September 1996, *Institutional Investor* ranked 15 hotels managed by Four Seasons in the "World's Top 100 Hotels". For 1997, the 16th consecutive year, more Four Seasons managed properties received the *American Automobile Association* Five Diamond Award for lodging excellence than any other hotel company, with Four Seasons managing 14 out of the 52 properties receiving the award.

The Company believes that the strength of its brand name, its global marketing presence and its operational expertise result in yield premiums and strong operating profitability for luxury hotels under its management, providing Four Seasons with a competitive advantage in obtaining new management contracts worldwide. REVPAR (or "yield", being the average room revenue per available room) for "stabilized hotels" (being hotels and resorts that were fully open under Four Seasons management throughout a particular year and during the last quarter of the prior year) worldwide and in North America during 1995, the most recent year for which comparable data is available, were $200 and $208, respectively, 48.2% and 81.8% higher than the REVPAR of the worldwide and North American luxury segments, respectively, as compiled by Horwath International.

Hotel Management

Four Seasons recently completed an asset disposition programme, which was initiated in 1993, and now is principally a hotel management company. In contrast to more volatile hotel ownership, hotel management operations tend to generate relatively stable earnings and cash flow and should provide a more solid platform for Four Seasons' future growth. Through its management agreements, Four Seasons generally supervises all aspects of the hotel operations on behalf of the hotel owners, including hotel sales and marketing, hotel reservations, hotel accounting, purchasing, budgeting and the hiring, training and supervising of staff. For providing these services, Four Seasons typically receives a base fee calculated as a percentage of the gross revenue of the hotel. In addition, Four Seasons may receive incentive fees based on the operating performance of the hotel.

In 1996, hotel management operations accounted for approximately 86.5% of the Company's consolidated operating earnings. From 1992 through 1996, Four Seasons has increased its fee revenue from hotel management operations from $42.5 million to $94.7 million, a 22.2% compounded annual growth rate. Over this period, Four Seasons increased its hotel management earnings at a 31.6% compounded annual rate of growth from $18.6 million in 1992 to $55.7 million in 1996. In this period, Four Seasons' profit margin from hotel management operations increased from 44% to 59%.

The following table sets forth certain summary hotel operating data for hotels and resorts under Four Seasons management in the periods shown.

	Three Months Ended March 31,		Years Ended December 31,				
	1997	1996	1996	1995	1994	1993	1992
				(unaudited)			
All Managed Hotels:							
Worldwide							
No. of properties	38	37	37	38	38	37	34
No. of rooms	11,874	12,098	11,628	12,663	12,850	12,591	11,893
Stabilized Hotels(1):							
Worldwide(2)							
No. of properties	35	33	33	36	36	31	22
No. of rooms	11,040	10,725	10,725	12,212	12,286	10,831	7,003
Occupancy(3)	73.2%	73.1%	74.9%	71.7%	70.9%	67.6%	65.1%
ADR(4)	$333.68	$310.93	$316.27	$278.79	$255.83	$214.15	$207.25
REVPAR(5)	$244.27	$227.24	$236.75	$199.94	$181.43	$144.78	$134.97
Gross operating margin(6)	32.3%	31.2%	32.6%	28.9%	26.4%	21.4%	17.1%

(1) "Stabilized Hotels" are hotels and resorts that were fully open under Four Seasons management throughout a particular year and during the last quarter of the prior year.

(2) Excludes results in 1993 for the Four Seasons Hotel Tokyo and The Regent Taipei which are Stabilized Hotels but for which operating results are not available.

(3) Occupancy percentage is defined as the total number of rooms occupied divided by the total number of rooms available.

(4) ADR is defined as average daily room rate per room occupied.

(5) REVPAR (or yield) is defined as average room revenue per available room. REVPAR and yield are commonly used indicators of market performance for hotels and represent the combination of the average room rate and the average occupancy rate achieved during the period. REVPAR and yield do not include food and beverage or other ancillary revenues generated by a hotel.

(6) Gross operating margin represents gross operating profit as a percent of gross operating revenue.

The following table sets forth by region certain comparative information with respect to all hotels and resorts managed by Four Seasons as of March 31, 1997.

	Number of Properties	Total Number of Rooms	Percentage of All Rooms Under Management
North America	23	7,083	59.7%
Asia/Pacific	11	4,197	35.3%
Europe	4	594	5.0%
Total	38	11,874	100.0%

Hotel Ownership

Four Seasons acquires minority interests in properties that it manages where necessary to obtain new management agreements and when the overall economic return to Four Seasons justifies the investment. However, Four Seasons generally seeks to limit its total capital exposure to no more than 20% of the total equity required for a new property and typically can choose to have its ownership interest diluted if additional capital is required. Four Seasons structures its equity interests separately from its management interests so as to enable it to dispose of equity ownership interests as sales opportunities arise, without affecting its management interests.

Four Seasons holds an ownership interest in, or has advances to, eleven of the 38 hotels and resorts currently under its management. Four Seasons' significant ownership interests are: a 100% leasehold interest in each of the Four Seasons Hotel Berlin, the Four Seasons Hotel Vancouver and The Pierre in New York, a 25% leasehold interest in The Regent Hong Kong and a 25% investment in The Ritz-Carlton Hotel Chicago. Four Seasons received a secured cash flow bond in connection with the sale of the Four Seasons Hotel London in 1995 and is expected to make a material advance in connection with the Hotel George V in Paris.

Competitive Strengths

The hotel industry is highly competitive. The Company believes that it has several distinguishing competitive strengths, including:

Strong Brand Recognition

The Company believes that its brand name recognition cannot easily be replicated by competitors, as it is dependent upon the establishment of a global chain of unique properties of the highest quality.

Superior Hotel Operating Results

Four Seasons generally has average REVPAR or yield and operating profit margins for hotels under its management above the average achieved in the luxury segment of the lodging industry. Owners and developers of luxury hotels worldwide recognize the economic benefits of this reputation.

Global Presence

Four Seasons manages a global portfolio of 38 luxury urban and resort hotels in 16 countries. Fourteen additional properties are under construction or development in a further six countries. In 1996, approximately 62%, 34% and 4% of the Company's consolidated revenues were derived from hotels and resorts in North America, Asia/Pacific and Europe, respectively. Four Seasons maintains a fully-integrated global reservation system that provides international coverage.

Hotel Management Focus

As a result of an extensive asset disposition programme, Four Seasons now is principally a global hotel management company. Although Four Seasons will continue to make loans or minority investments to secure long-term management contracts, these investments will only be made in order to expand its management business and where the overall economic return to Four Seasons justifies the investment. Management agreements for the hotels and resorts managed by Four Seasons generally are long term, having an average remaining term of approximately 58 years for Four Seasons hotels and approximately 18 years for Regent hotels. These agreements entitle Four Seasons to earn base fees, as well as a range of fees for pre-opening development, purchasing, marketing and afford the Company the opportunity to participate through incentive fees at 33 hotels, which generally are based on operating profits of the hotel.

Strategic Relationships

Strategic relationships with investors are an important source of future development opportunities and financing for the expansion of Four Seasons' hotel management operations. Four Seasons has established relationships with numerous institutional and private equity sources that invest in and develop luxury hotel properties. Several of the existing owners have an ownership interest in more than one hotel or resort, including two owners who each have an interest in five hotels.

Strong Management Team

Four Seasons' corporate executive management team consists of 11 individuals who are responsible for the global strategic direction of the Company and who have an average of 16 years of experience with Four Seasons.

Strong Competitive Position

The Company believes that its competitive position is strengthened by the significant impediments to entry into the luxury segment of the hotel management business. Those impediments include the time and resources required to establish a well recognized luxury brand name and to obtain management contracts for luxury properties in key locations in strategic markets worldwide. The Company also believes that it has developed a unique service culture and depth of management expertise over its 35 year history that would be difficult to replicate.

Business and Growth Strategy

The business strategy of Four Seasons is to continue to enhance its industry position and overall profitability through a focused international expansion programme that capitalizes on the strengths of its core hotel management operations and the global value of its brand names.

Internal Growth

The Company believes opportunities exist for growth within its existing and newly opened properties primarily by increasing market share and yield, thereby improving the hotels' profitability.

New Hotel and Resort Opportunities

Four Seasons currently has 14 new hotels and resorts under construction or development and is evaluating over 30 additional management opportunities in various locations around the world. The Company believes that it will continue to consider and acquire appropriate new hotel and resort management agreements as a result of its competitive strengths. In 1997, the Company expects to assume the management of five additional hotels and resorts, including the Four Seasons Hotel in Atlanta, which was relaunched under Four Seasons' management in March of 1997.

Luxury Vacation Ownership and Residential Properties

As part of its programme to leverage its brand name and capitalize on its existing operational and marketing base, Four Seasons is exploring opportunities such as luxury vacation ownership properties and hotel-serviced residential real estate developments integrated with Four Seasons managed hotels and resorts. Four Seasons expects to earn a range of management fees (including royalty fees for the use of the Four Seasons brand) for the provision of management services in connection with these projects and to receive fee income for overseeing the sales and marketing of the vacation ownership projects.

Regent Joint Venture

Four Seasons also expects to earn fee income from its December 1996 alliance with Carlson Hospitality Worldwide ("Carlson"), which is intended to enhance the future development of Regent hotels around the world. In addition to its share of management fees from new Regent hotels, Four Seasons will be entitled to receive payments from Carlson calculated as a percentage of the gross royalty revenue of the new franchise development effort. These payments will be nominal as the development programme gets underway, and thereafter will be determined by the future success of the new enterprise to generate revenue. The goal of the alliance is to maximize the global value of the Regent brand name to create a larger chain of Regent properties throughout the world.

RECENT DEVELOPMENTS

Note Purchase and Consent Solicitation

On June 10, 1997, Four Seasons offered to purchase for cash the US$106.5 million principal amount of its outstanding 9⅛% Notes due July 1, 2000. The offer is scheduled to expire on July 9, 1997, unless extended. The purchase price will be determined, as described in the offer to purchase and consent solicitation statement dated June 10, 1997, by reference to a fixed spread of 25 basis points over the yield to maturity of the United States Treasury 6¼% Notes due June 30, 1998 at 3:00 p.m. (New York City time), on June 24, 1997. Of that purchase price, an amount equal to 1% of the principal amount of each Note purchased will constitute an additional payment that will be paid only for 9⅛% Notes tendered at or prior to June 20, 1997 by holders of record at the close of business on June 9, 1997. The remainder will constitute the purchase price that will be paid for all 9⅛% Notes tendered at or before the expiry of the offer, plus accrued but unpaid interest to (but excluding) the date of payment of that purchase price.

In conjunction with the offer to purchase the 9⅛% Notes, the Company also is soliciting consents from the registered holders of the 9⅛% Notes to the adoption of certain amendments to the trust indenture pursuant to which the 9⅛% Notes were issued. These amendments would eliminate certain covenants and other provisions contained in the indenture and would, in general terms, leave the Company only with the obligation to make payments of principal and interest when due on the 9⅛% Notes.

The offer to purchase the 9⅛% Notes is conditional upon, among things, receipt of valid and unrevoked consents to the proposed amendments with respect to a majority of the principal amount of the outstanding 9⅛% Notes.

USE OF PROCEEDS

The net proceeds to be received by the Company from the issue and sale of the Debentures are estimated to be $ ● , after deducting the Underwriters' commission and other expenses of the issue, which will be paid out of the general funds of the Company. These net proceeds will be used primarily to partially fund the Company's purchase of its outstanding 9⅛% Notes and related costs. See "Recent Developments — Note Purchase and Consent Solicitation".

One of the Underwriters is a wholly-owned subsidiary of a bank which is Four Seasons' principal lender. A portion of the proceeds of this offering may be applied to repay amounts that may be borrowed from that lender to fund the Company's purchase of its 9 ⅛% Notes. See "Plan of Distribution".

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following table sets forth certain financial data for the periods indicated that has been prepared in accordance with Canadian generally accepted accounting principles and should be read in conjunction with Management's Discussion and Analysis and the audited and unaudited consolidated financial statements of the Company that are incorporated by reference in this short form prospectus.

	Three months ended March 31,		Years ended December 31,				
	1997	**1996**	**1996**	**1995**	**1994**	**1993**	**1992**
	(unaudited)		(in thousands, except per share amounts)				
Statement of Operations Data:							
Consolidated revenues[1]	$ 49,611	$ 26,849	$ 120,711	$ 135,587	$ 128,501	$ 101,116	$133,894
Hotel Management Operations							
Fee revenues	$ 24,171	$ 21,346	$ 94,729	$ 88,460	$ 79,884	$ 60,279	$ 42,451
Hotel management earnings before other operating items	14,309	12,161	55,672	51,751	45,884	27,920	18,586
Hotel Ownership Operations							
Revenues	24,318	3,400	17,639	42,430	43,093	38,019	93,099
Distribution from hotel investments	2,091	2,192	9,174	6,036	6,795	3,839	1,845
Hotel ownership earnings (loss) before other operating items	(779)	1,853	8,672	14,940	14,153	7,162	(6,293)
Earnings before other operating items	13,530	14,014	64,344	66,691	60,037	35,082	12,293
(Provision for loss) recovery of loss, net[2]	—	—	—	(95,000)	—	(127,000)	883
Earnings (loss) from operations[3]	9,931	10,435	50,593	(45,019)	43,628	(101,933)	2,999
Interest expense, net	(3,621)	(4,795)	(18,767)	(25,669)	(27,239)	(17,855)	(8,604)
Earnings (loss) before taxes[4]	6,310	5,640	31,826	(70,688)	9,561	(119,788)	(5,605)
Net earnings (loss)	$ 5,771	$ 5,029	$ 29,866	$ (74,571)	$ 6,805	$ (120,802)	$ 7,182
Earnings (loss) per share:							
Basic and fully diluted	$ 0.19	$ 0.18	$ 1.04	$ (2.62)	$ 0.24	$ (4.35)	$ 0.30
Other Data:							
Total revenues of all managed hotels[5]	$485,255	$461,321	$1,901,523	$1,837,945	$1,698,155	$1,351,926	$878,718
Fee revenues as a % of consolidated revenues	48.7%	79.5%	78.5%	65.2%	62.2%	59.6%	31.7%
Percentage of fee revenues derived from outside North America	38.6%	42.7%	38.3%	40.9%	38.8%	35.9%	24.2%
Hotel management operating margin[6]	59.2%	57.0%	58.8%	58.5%	57.4%	46.3%	43.8%
Hotel management earnings before other operating items as a % of earnings before other operating items	105.8%	86.8%	86.5%	77.6%	76.4%	79.6%	151.2%
EBITDA[7]	$ 13,530	$ 14,014	$ 64,344	$ 66,691	$ 60,037	$ 35,082	$ 12,293

	As at March 31, 1997	
	Actual	**As Adjusted[8]**
	(unaudited) (in thousands)	
Balance Sheet Data:		
Total assets	$ 434,306	$ ●
Total debt	$ 178,473	$ ●
Total debt less cash and cash equivalents	$ 97,085	$ ●
Shareholders' equity	$ 208,404	$ ●

(1) Consolidated revenues are comprised of fee revenues from Hotel Management Operations, revenues from Hotel Ownership Operations, distributions from hotel investments, less fees from Hotel Ownership Operations to Hotel Management Operations.

(2) Provision for losses on certain hotel investments, long-term receivables and related assets were made in 1993 and 1995 in order to write those investments down to their estimated net recoverable values, and to provide for likely losses on debt guarantees and lease commitments relating to certain of the hotel investments. Most of these assets were subsequently sold in the period from January 1994 to December 31, 1996 for aggregate net proceeds approximating the written down values. Accordingly, no further net gains or losses were recorded.

(3) Earnings (loss) from operations represent Earnings before other operating items plus (i) investment income less (ii) depreciation and amortization plus (iii) recovery of loss less (iv) provision for loss.

(4) Earnings (loss) before taxes represent Earnings (loss) from operations plus (i) interest income less (ii) interest expense less (iii) costs associated with sale of shares in 1994.

(5) Total revenues of all managed hotels consist of rooms, food and beverage, telephone and other revenues of all the hotels which Four Seasons manages. These amounts are unaudited.

(6) Hotel management operating margin is equal to hotel management earnings before other operating items divided by fee revenues.

(7) EBITDA is equal to net earnings (loss) plus (i) income tax expense less (ii) income tax recovery plus (iii) costs associated with sale of shares plus (iv) interest expense less (v) interest income plus (vi) provision for loss less (vii) recovery of loss plus (viii) depreciation and amortization less (ix) investment income. EBITDA is not intended to represent cash flow from operations as defined by generally accepted accounting principles, and such information should not be considered as an alternative to net income, cash flow from operations or any other measure of performance prescribed by generally accepted accounting principles. EBITDA is included herein because management believes that certain investors find it to be a useful tool for measuring the ability to service debt.

(8) Represents the use of net proceeds from the sale of the Debentures to fund the Company's purchase of its outstanding 9⅛% Notes and related costs.

CONSOLIDATED CAPITALIZATION

The following table sets forth the consolidated capitalization of the Company as at March 31, 1997, and as adjusted to give effect to the offering of the Debentures and the application of the proceeds of the offering.

	March 31, 1997	
	Historical	As Adjusted[1]
	(unaudited) (in thousands)	
Cash	$ 81,388	$ ●
Long-term debt (including current portion):		
Bank credit facility	$ —	$ ●
9⅛% Notes due July 1, 2000	146,917	●
Debentures offered hereby	—	●
Other	31,556	31,556
Total long-term debt	178,473	●
Shareholders' equity:		
Capital		
First Preference Shares, unlimited number authorized, none outstanding	—	—
Second Preference Shares, unlimited number authorized, none outstanding	—	—
Variable Multiple Voting Shares, 4,171,924 authorized and outstanding	46	46
Limited Voting Shares, unlimited number authorized, 28,955,640 outstanding[2]	291,765	291,765
Contributed surplus	4,784	4,784
Deficit	(86,507)	● [3]
Equity adjustment from foreign currency translation	(1,684)	(1,684)
Total shareholders' equity	208,404	●
Total consolidated capitalization	$386,877	$ ●

(1) After giving effect to the offering of Debentures and the application of the proceeds of the offering.

(2) Excludes (i) outstanding options to purchase 2,422,877 Limited Voting Shares under the Company's Director, Officer and Employee Stock Option Plan as at March 31, 1997, and (ii) Limited Voting Shares issuable upon conversion of any of the 4,171,924 outstanding Variable Multiple Voting Shares. See Note 11(a) to the audited comparative consolidated financial statements of the Company as at December 31, 1996 for a discussion of the outstanding options to purchase Limited Voting Shares.

(3) Four Seasons will incur an accounting loss as a result of purchasing the 9⅛% Notes prior to their maturity. The amount of the loss is dependent on the amount of the 9⅛% Notes purchased, and is equal to the premium paid for the 9⅛% Notes, and related costs, plus the unamortized discount and financing costs relating to the 9⅛% Notes purchased.

Since December 31, 1996, the only material changes in the capital of the Company relate to completion of the issuance of 4,370,000 Limited Voting Shares on February 12, 1997 for gross proceeds of approximately $122.4 million. The net proceeds from the sale of the Limited Voting Shares, after deducting the estimated offering expenses and underwriters' commission, were approximately $114 million. The Company used approximately $49 million of the net proceeds of the offering to repay all outstanding borrowings under Four Seasons' bank credit facility.

INTEREST AND ASSET COVERAGES

The following consolidated financial ratios are calculated for the 12 months ended March 31, 1997 and December 31, 1996, after giving effect to this issue, the use of the proceeds of this issue to fund the Company's purchase of its outstanding 9⅛% Notes and as adjusted for changes in existing debt to ● , 1997.

	March 31, 1997	December 31, 1996
Interest coverage on long-term borrowings	● times	● times
Net tangible asset coverage on long-term borrowings		
Before deduction of cash and cash equivalents	● times	● times
After deduction of cash and cash equivalents	● times	● times

DETAILS OF THE OFFERING

The following is a summary of the material attributes and characteristics of the ● % Debentures (the "Debentures"). This summary does not purport to be complete. Reference should be made to the Indenture referred to below for the full particulars of these attributes and characteristics. Certain capitalized terms used in the following summary are defined under "Details of the Offering — Definitions".

Indenture

The Debentures will be issued under a trust indenture to be dated as of ● , 1997 (the "Indenture"), between the Company and Montreal Trust Company of Canada, as trustee (the "Trustee").

Rank

The Debentures will be direct, unsubordinated, unsecured obligations of the Company and will rank *pari passu* with one another and with all other present and future unsecured and unsubordinated indebtedness of the Company, subject to exceptions prescribed by statute.

The Company is a holding company that operates through subsidiaries and partnership interests, with the result that the Debentures effectively will be subordinated to existing and future obligations of those subsidiaries and effectively would be subordinated to any preferred shares issued by a Subsidiary. The Company relies on dividends from, and payments of principal and interest on advances made by the Company to, its subsidiaries and partnerships in which it has an interest to generate the funds required to meet the Company's debt service obligations, including the payment of principal and interest on the Debentures. The Company and an affiliate have entered into agreements with Four Seasons' principal Canadian banker whereby all principal payments and, under certain circumstances, interest payments to the Company from the Company's subsidiaries under intercorporate indebtedness are subordinated to the indebtedness of that bank. The ability of the Company's subsidiaries and partnerships in which it has an interest to pay dividends is subject to applicable laws. Claims of creditors of the Company's subsidiaries and partnerships in which it has an interest, including trade creditors and bank lenders, will have priority as to the assets of such subsidiaries and partnerships over claims of the Company and holders of its indebtedness, including holders of the Debentures. As at March 31, 1997, the aggregate indebtedness for borrowed money of the Company's subsidiaries and consolidated partnership interests (excluding intercorporate debt) was approximately $31.2 million.

Interest and Maturity

The Debentures will be dated ● , 1997, will mature ● , 2002 and will bear interest at the rate of ● % per annum, payable semi-annually in arrears on ● and ● in each year. Interest will be payable on overdue interest at the same rate. The first payment of interest, to be computed from ● , 1997 and to be payable on ● , 1997, will be $ ● per $1,000 principal amount of Debentures assuming a date of issue ● , 1997. The principal amount of the Debentures and interest will be payable in lawful money of Canada at any branch in Canada of the chartered bank to be specified in the Debentures.

Form, Denomination and Transfer

The Debentures will be issued in full registered form only in denominations of $1,000 and integral multiples thereof. The Debentures initially will be transferable at the principal offices of the Trustee in Montreal, Toronto and Vancouver.

Negative Pledge

The Indenture will contain covenants of the Company to the effect that so long as any of the Debentures remain outstanding none of the Company or any Subsidiary will create or have outstanding any mortgage, charge, hypothec, pledge, lien or other encumbrance ("Security") of or upon the whole or any part of its assets or properties to secure any Indebtedness unless concurrently therewith it secures all the Debentures then outstanding equally and rateably with such Indebtedness. Among other things, this covenant shall not apply or operate to prevent:

(a) the continuation of any Security existing on ● , 1997;

(b) the creation of any Security by the Company or any Subsidiary on any assets or properties currently held or owned, or subsequently acquired, by the Company or any such Subsidiary, as the case may be, to secure Indebtedness incurred solely for the purpose of financing the acquisition, construction, development or improvement of such assets or properties;

(c) the assumption of any Security by the Company or any Subsidiary on any assets or properties in existence at the time of the acquisition thereof by the Company or any such Subsidiary, as the case may be, including any such assumption consequent upon any amalgamation, merger, winding-up, arrangement or other corporate reorganization;

(d) any Security given by the Company or any Subsidiary to secure Indebtedness incurred in the ordinary course of business by the Company or any such Subsidiary, as the case may be, under operating facilities with recognized financial institutions established for the Company, or any such Subsidiary, as the case may be;

(e) any Security given by any Subsidiary to secure Guarantees of Indebtedness incurred by the Company or any Wholly-Owned Subsidiary, where such Indebtedness could be the subject of Security permitted under (b), (c) or (d) hereof;

(f) any Security given by any Subsidiary in favour of the Company or any Wholly-Owned Subsidiary;

(g) the extension, renewal or replacement of any Security permitted under (a) to (g) hereof, provided that the Security as extended, renewed or replaced is limited to all or a part of the assets or properties which were subject to the Security so extended, renewed or replaced;

(h) any Security not provided for in (b), (c), (d), (e), (f) or (g) hereof and given by any Subsidiary to secure Indebtedness incurred in the ordinary course of business of such Subsidiary, provided that the aggregate principal amount of such Indebtedness of all Subsidiaries (excluding the amount of any Guarantees of Indebtedness incurred by the Company or any Wholly-Owned Subsidiary and provided for in (e) and (i) hereof) outstanding from time to time shall not exceed $40 million; and

(i) any Security given by any Subsidiary to secure Guarantees of Indebtedness incurred by any Wholly-Owned Subsidiary, where such Indebtedness could be the subject of Security permitted under (h) hereof; or

(j) any Security imposed by law.

For greater certainty, and notwithstanding that this covenant applies and operates to restrict the ability of the Company to grant any Security over any of its assets or properties to secure Guarantees of Indebtedness incurred by any Subsidiary, this covenant shall not apply to or operate to prevent the Company from subordinating and postponing any Indebtedness owing to it by any of its Subsidiaries to any Indebtedness owing by any of its Subsidiaries to any other person in all respects where such Indebtedness owing by any of its Subsidiaries could be the subject of security permitted under this covenant.

Limitations on Sale and Leaseback Transactions

The Indenture will contain covenants of the Company to the effect that neither the Company nor any Subsidiary may enter into any Sale and Leaseback Transaction (except for a period not exceeding 36 months and other than a Sale and Leaseback Transaction between the Company and a Subsidiary and between Subsidiaries) unless the aggregate Attributable Value of the Sale and Leaseback Transactions entered into after the date of the Indenture does not exceed 10% of Consolidated Tangible Assets.

Merger and Consolidation

The Indenture will contain covenants to the effect, that the Company shall not consolidate with, amalgamate with or merge into any other corporation or convey, transfer or lease all or substantially all of its assets as an entirety to any person, unless (i) the corporation formed by such consolidation or amalgamation or into which the Company is merged or the person which acquires by operation of law or by conveyance or by transfer the assets of the Company substantially as an entirety shall be a corporation organized or existing under the laws of Canada or any Province or Territory thereof or the laws of the United States of America or any state thereof or the District of Columbia and shall (except where such assumption is deemed to have occurred by the sole operation of law) expressly assume, by a supplemental trust indenture, the due date and punctual payment of the principal of and interest on all the Debentures and the performance of every covenant of the Company under the Indenture; and (ii) after giving effect to such transaction, no Event of Default, and no event which, after notice or lapse of time, or both, would become an Event of Default, shall have happened and be continuing under the Indenture.

Events of Default

The Indenture will provide, in effect, that if one or more of the following events (“Events of Default”) shall have occurred and be continuing:

(a) if the Company makes default in payment of the principal of any Debenture when the same becomes due under any provision of such Debenture;

(b) if the Company makes default in payment of any interest due on any Debenture and any such default shall have continued for a period of five days;

(c) if the Company makes default in the observance of the covenant described under “Negative Pledge” above and any such default shall have continued for a period of 30 days after notice thereof from the Trustee;

(d) certain events of bankruptcy, insolvency, winding-up or dissolution related to the Company or any Material Subsidiary for the benefit of its creditors as set out in the Indenture;

(e) if an encumbrancer shall take possession of all the property of the Company or any Material Subsidiary or any part of such property which is, in the opinion of the Trustee, a substantial part thereof, or if a distress or execution or any similar process is levied or enforced upon or against any such property or any part thereof which is, in the opinion of the Trustee, a substantial part thereof and remains unsatisfied for a period in excess of 30 days or such shorter period as would permit such property to be sold;

(f) if the Company or any Material Subsidiary:

  (i) makes default in the payment of any principal of or interest or premium on any Indebtedness (other than the Debentures or any obligation which is fully and effectively subordinated in right of payment to the Debentures) on the stated payment date therefor and such default continues after any applicable grace period, or fails to honour a Guarantee of any such Indebtedness; or

  (ii) fails to perform any other covenant applicable to any Indebtedness (other than the Debentures or any obligation which is fully and effectively subordinated in right of payment to the Debentures) with the result that the maturity of such Indebtedness is accelerated, unless such acceleration is being disputed in good faith or an attempt is being made in good faith to cure such failure, and provided that such acceleration in any event is rescinded within a period of 30 days;

and if the aggregate of all such sums not paid, not honoured or accelerated is in excess of $10 million, unless, in the case of (i) above, such payment is made or honoured or default is waived, and any acceleration is rescinded before acceleration of the Debentures and, in the case of (ii) above, any such acceleration, if not rescinded within such 30 day period, is rescinded prior to acceleration of the Debentures; or

(g) if the Company shall neglect to carry out or observe any other covenant or condition contained in the Debentures or in the Indenture on its part to be observed or performed for a period of 30 days after notice in writing by the Trustee has been given to the Company specifying such default and requiring the Company to put an end to the same unless the Trustee (having regard to the subject matter of the failure or non-observance) shall have agreed to a longer period and, in such event, within the period agreed to by the Trustee;

then, in each and every case, the principal amount of the Debentures together with accrued interest thereon shall, upon written notice to the Company by the Trustee, mature and become due and payable.

Redemption

The Debentures will be redeemable by the Company, in whole at any time or in part from time to time, at the option of the Company on not less than 30 nor more than 60 days' prior notice, at a redemption price equal to the higher of the Canada Yield Price (as defined below) and par, plus, in each case, accrued and unpaid interest to (but excluding) the date fixed for redemption. In cases of partial redemption the Debentures to be redeemed will be selected by the Trustee by lot or such other manner as the Trustee may deem equitable.

Purchase

The Debentures may be purchased for cancellation at any time by the Company in the open market or by tender or by private contract at prices not exceeding the price at which the Debentures can be redeemed at the time of purchase plus reasonable costs of purchase. Debentures so purchased by the Company will be cancelled and may not be reissued or resold.

Modification

The rights of holders of Debentures under the Indenture may be modified. For that purpose, among others, the Indenture will contain provisions whereby all holders of Debentures issued under the Indenture will be bound by resolutions passed by the affirmative vote of holders of not less than 66⅔% of the principal amount of the Debentures represented and voting at a meeting of holders of Debentures or by instruments in writing signed by the holders of not less than 66⅔% of the principal amount of the outstanding Debentures. Notwithstanding the foregoing, the approval of holders of at least 75% of the principal amount of the outstanding Debentures will be required to (i) change the stated maturity of the principal of, or any instalment of interest on, any Debentures, (ii) reduce the principal amount of, or interest on, any Debentures, (iii) change the place or currency of payment of the principal of, or interest on, any Debentures, (iv) amend the above stated percentage of Debentures necessary to modify or amend the Indenture, or (v) reduce the percentage of the principal amount of the outstanding Debentures necessary for waiver of compliance with certain provisions of the Indenture or for waiver of certain Events of Default.

The holders of a majority of the principal amount of the outstanding Debentures, on behalf of all holders of Debentures, may waive compliance by the Company with certain restrictive provisions of the Indenture. Subject to certain rights of the Trustee, as provided in the Indenture, the holders of a majority of the principal amount of the outstanding Debentures, on behalf of all holders of outstanding Debentures, may waive any past Event of Default under the Indenture, except an Event of Default arising from the failure to pay principal or interest or an Event of Default arising from failure to redeem any Debentures tendered pursuant to a notice of redemption.

In addition, the Company and the Trustee will be entitled, without the consent of the Debentureholders, to amend or supplement the Indenture or the Debentures for certain limited purposes, including curing ambiguities, defects or inconsistencies provided that, in the opinion of the Trustee, the rights of the Trustee and the Debentureholders would not be prejudiced thereby.

Lack of Public Market for the Debentures

There is no public market for the Debentures and the Company does not intend to apply for listing of the Debentures on any stock exchange. The Company has been advised by Goldman Sachs Canada that, following completion of the initial offering of the Debentures, it presently intends to make a market in the Debentures, but Goldman Sachs Canada is not obligated to do so and any market making may be discontinued at any time without notice. There can be no assurance as to the liquidity of the trading market for the Debentures or that a trading market for the Debentures will develop.

Definitions

For the purposes of the foregoing, certain terms will be defined substantially as follows in the Indenture:

"Attributable Value" shall mean, as to any particular lease under which any person is at the time liable, and at any date as of which the amount thereof is to be determined, the total net amount of rent required to be paid by such person under such lease during the initial term thereof as determined in accordance with generally accepted accounting principles accepted in Canada from time to time, discounted from the last date of such initial term to the date of determination at a rate per annum equal to the discount rate that would be applicable to a Capital Lease Obligation with a similar term in accordance with generally accepted accounting principles accepted in Canada from time to time. The net amount of rent required to be paid under any such lease for any period shall be the aggregate amount of rent payable by the lessee with respect to such period after excluding amounts required to be paid on account of insurance, taxes, assessments, utility, operating and labour costs and similar charges. In the case of any lease which is terminable by the lessee on the payment of a penalty, such net amount also shall include the amount of such penalty, but no rent shall be considered to be required to be paid under such lease after the first date on which it may be terminated;

"Canada Yield Price" shall mean a price equal to the price of the Debentures calculated to provide a yield to maturity, compounded semi-annually and calculated in accordance with generally accepted financial practice, equal to the Government of Canada Yield plus • % on the business day preceding the date on which the Company gives notice of redemption pursuant to the Indenture. **"Government of Canada Yield"** on any date shall mean the average of the yields determined by two registered Canadian investment dealers selected by the Company, as being the yield to maturity on such date, compounded semi-annually and calculated in accordance with generally accepted financial practice, which a non-callable Government of Canada Bond would carry if issued in Canadian dollars in Canada at 100% of its principal amount on such date with a term to maturity approximately equal to the remaining term to maturity of the Debentures;

"Capital Lease Obligation" shall mean, with respect to any person, the obligation to pay rent or other payment amounts under a lease of (or other Indebtedness arrangements conveying the right to use) real or personal property of such person which is required to be classified and accounted for as a capital lease or a liability on the face of a balance sheet of such person in accordance with generally accepted accounting principles accepted in Canada from time to time. The stated maturity of such obligations shall be the date of the last payment of rent or any other amount due under such lease before the first date upon which such lease may be terminated by the lessee without payment of a penalty;

"Consolidated Tangible Assets" shall mean, with respect to any person, the sum of the Tangible Assets of such person after eliminating inter-company items, determined on a consolidated basis in accordance with generally accepted accounting principles accepted in Canada from time to time, including appropriate deductions for any minority interest in Tangible Assets of such person's Subsidiaries;

"Guarantee" shall means any guarantee, indemnity or similar obligation;

"Indebtedness" shall mean direct indebtedness or the Guarantee of any indebtedness of any other person;

"Material Subsidiary" shall mean any Subsidiary:

(a) the revenues of which for the most recently completed fiscal year of the Subsidiary represent 10% or more of the revenues of the Company for the most recently completed fiscal year of the Company;

(b) the gross assets of which as at the end of the most recently completed fiscal year of the Subsidiary represent 10% or more of the gross assets of the Company as at the end of the most recently completed fiscal year of the Company; or

(c) the earnings, before interest and taxes, of the Subsidiary for its most recently completed fiscal year represent 10% or more of the earnings, before interest and taxes, of the Company for the most recent completed fiscal year of the Company;

calculated in each case on a consolidated basis and in accordance with generally accepted accounting principles accepted in Canada from time to time;

"Sale and Leaseback Transactions" shall mean, with respect to any person, an arrangement with any lender or investor or to which such lender or investor is a party providing for the leasing by such person of any property, asset or undertaking of such person that has been or is being sold or transferred by such person more than 270 days after the acquisition of such property, asset or undertaking and the completion of construction or commencement of operation thereof to such lender or investor or to any person to whom funds have been or are to be advanced by such lender or investor on the security of such property, asset or undertaking. The stated maturity of such arrangement shall be the date of the last payment of rent or any other amount due under such arrangement before the first date on which such arrangement may be terminated by the lessee without payment of a penalty;

"Subsidiary" shall mean (a) a corporation of which securities to which are attached more than 50% of the votes that may be cast to elect directors are held (other than by way of security only), directly or indirectly, by or for the benefit of the Company; or (b) a partnership of which an interest in more than 50% of the capital or income is held (other than by way of security only), directly or indirectly, by or for the benefit of the Company;

"Tangible Assets" shall mean, with respect to any person, at any date, the gross book value as shown by the accounting books and records of such person of all its properties, assets and undertaking both real and personal, less (i) the net book value of all its licenses, patents, patent applications, copyrights, trademarks, brand names, goodwill, non-competes or organizational expenses and other like intangibles, (ii) unamortized Indebtedness discount and expense, (iii) all reserves for depreciation, obsolescence, depletion and amortization of its properties, assets and undertaking excluding reserves for the assets in clause (i) above, and (iv) all other proper reserves which in accordance with generally accepted accounting principles accepted in Canada from time to time should be provided in connection with the business conducted by such person; and

"Wholly-Owned Subsidiary" shall mean (a) a corporation of which all of the issued and outstanding voting securities are held (other than by way of security only and other than any director's qualifying securities or similar arrangements in respect of any securities required by the law of any jurisdiction to be held by any person who is a national of that jurisdiction), directly or indirectly, by or for the benefit of the Company; or (b) a partnership of which the interest in all of the capital and income is held (other than by way of security only and other than any general partner's interest or similar arrangement or any interest required by the law of any jurisdiction to be held by any person who is a national of that jurisdiction), directly or indirectly, by or for the benefit of the Company.

CREDIT RATINGS

The following table sets forth the ratings of the Debentures by the rating agencies indicated:

Rating	Rating Agency
●	Dominion Bond Rating Service Limited ("DBRS")
●	Canadian Bond Rating Service Inc. ("CBRS")

Ratings are intended to provide investors with an independent measure of the credit quality of an issue of securities. DBRS and CBRS rate debt instruments by rating categories ranging from a high of "AAA" to a low of "C" in the case of DBRS, and from a high of "A++" to a low of "D", in the case of CBRS. The rating of " ● " from DBRS is characterized as "investment grade" and is in the ● highest of ● available rating categories. The rating of “ ● ” from CBRS also is characterized as “investment grade” and is in the ● highest of ● available rating categories. Prospective purchasers of the Debentures should consult the rating agencies with respect to the interpretation of the foregoing ratings and the implications of those ratings.

Neither of the ratings should be construed as a recommendation to buy, sell or hold the Debentures. Either of the ratings may be revised or withdrawn at any time by the rating agency. These ratings have been confirmed by DBRS and CBRS.

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Goodman Phillips & Vineberg, counsel to the Company, and Osler, Hoskin and Harcourt, counsel to the Underwriters, the following is a general summary of the principal Canadian federal income tax considerations generally applicable to a holder of Debentures (a “Holder”) who acquires Debentures pursuant to this short form prospectus and who, at all relevant times, (i) for purposes of the *Income Tax Act* (Canada) (the “Tax Act”) holds the Debentures as capital property; (ii) for purposes of the Tax Act deals with the Company at arm’s length; and (iii) for purposes of the Tax Act and any applicable tax treaty or convention, is or is deemed to be resident in Canada. Generally, the Debentures will be considered to be capital property to a Holder provided that the Holder does not hold the Debentures in the course of carrying on a business and has not acquired them as an adventure in the nature of trade. Certain Holders whose Debentures otherwise might not qualify as capital property may be entitled to obtain such qualification in certain circumstances by making the irrevocable election permitted by subsection 39(4) of the Tax Act. Debentures held by certain “financial institutions” (as defined in the Tax Act) generally will not be capital property to such holders and will be subject to special “mark-to-market” rules contained in the Tax Act. This summary does not take into account these mark-to-market rules and Holders to whom these rules may be relevant should consult their own tax advisors.

This summary is based on the current provisions of the Tax Act and the regulations thereunder (the “Regulations”) and counsels’ understanding of the current published administrative practices of Revenue Canada, Customs, Excise and Taxation. This summary takes into account all specific proposals to amend the Tax Act and Regulations (the “Tax Proposals”) publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof. There is no certainty that the Tax Proposals will be enacted in the form proposed, if at all; however, the Canadian federal income tax consequences applicable to the disposition of the Debentures will not be materially different if the Tax Proposals are not enacted. This summary does not otherwise take into account or anticipate any changes in law or practice, whether by judicial, governmental or legislative decision or action, nor does it take into account tax legislation or considerations of any province, territory or foreign jurisdiction.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular Holder, and no representations with respect to the income tax consequences to any particular Holder are made. Accordingly, prospective purchasers should consult their own tax advisors for advice with respect to the tax consequences to them of acquiring, holding and disposing of Debentures.

A Holder that is a corporation, partnership, unit trust or trust of which a corporation or partnership is a beneficiary will be required to include in its income for a taxation year any interest that accrues to the Holder to the end of that taxation year or becomes receivable or is received by it before the end of that year, except to the extent that such amount was included in its income for a preceding taxation year. Any other Holder, including an individual, will be required to include in income for a taxation year any interest received or receivable by that Holder in that year (depending upon the method regularly followed by the Holder in computing income), except to the extent that such amount was included in its income for a preceding taxation year.

Where a Holder is required to include in income interest on a Debenture that accrued before such Debenture was acquired by the Holder, the Holder will be entitled to a deduction in computing income of an equivalent amount.

The amount of any premium paid by the Company on the redemption of a Debenture prior to its stated maturity will generally be deemed to be interest received by a Holder to the extent that such premium can reasonably be considered to relate to, and does not exceed the value at the time of the redemption of the

Debenture of, the interest that would have been paid or payable by the Company on that Debenture for a taxation year of the Company ending after the redemption.

On a disposition or deemed disposition of a Debenture, including a redemption, a Holder generally will be required to include in income any premium deemed to be interest and the amount of interest accrued on the Debenture from the date of the last interest payment to the date of disposition, to the extent that such amount has not otherwise been included in the Holder's income for the taxation year or a previous taxation year. In general, a disposition of a Debenture will give rise to a capital gain (or capital loss) to the extent that the proceeds of disposition, net of any accrued interest and any amount deemed to be interest and any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of the Debenture to the Holder immediately prior to the disposition.

Three-quarters of the amount of any capital gain (a "taxable capital gain") realized by a Holder in a taxation year generally must be included in income in that year, and three-quarters of the amount of any capital loss (an "allowable capital loss") realized in a taxation year may be deducted from taxable capital gains realized by the Holder in that year. Allowable capital losses in excess of taxable capital gains may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any following taxation year against net taxable capital gains realized in such years to the extent and under the circumstances described in the Tax Act.

A Holder that is a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable for a refundable tax of 6⅔% on investment income, including an amount in respect of interest and capital gains. Such tax will generally be refunded (at a rate of one dollar for every three dollars of taxable dividends paid) when such corporation pays taxable dividends. Capital gains realized by an individual Holder may increase the individual's liability for alternative minimum tax.

PLAN OF DISTRIBUTION

Under an agreement dated ● , 1997 (the "Underwriting Agreement") between the Company and Goldman Sachs Canada and ScotiaMcLeod Inc. (the "Underwriters"), the Company has agreed to sell and the Underwriters have severally agreed to purchase, as principals, on or about ● , 1997, or such other date not later than ● , 1997 as may be agreed upon, subject to the terms and conditions stated therein, all but not less than all, of the Debentures at a purchase price of $ ● per $1,000 principal amount of Debentures for a total consideration of $ ● plus accrued interest, if any, from ● , 1997 to the date of delivery, payable to the Company against delivery of such Debentures. The Underwriters will be paid a commission of $ ● for their services performed in connection with this offering. The Underwriting Agreement provides that the obligations of the Underwriters may be terminated at their discretion upon the occurrence of certain stated events. The Underwriters are, however, obligated to take up and pay for all of the Debentures if any are purchased under the Underwriting Agreement.

The Debentures will be offered to the public at prices to be negotiated by the Underwriters with purchasers. Accordingly, the price at which the Debentures will be offered and sold to the public may vary as between purchasers and during the period of distribution of the Debentures. The Underwriters' overall compensation will increase or decrease by the amount by which the aggregate price paid for the Debentures by purchasers exceeds or is less than the gross proceeds paid by the Underwriters to the Company.

The Company has been advised by the Underwriters that, in connection with this offering, the Underwriters may over-allot or effect transactions which may stabilize or maintain the market price of the Debentures at levels other than those which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time.

The Company has agreed to indemnify the Underwriters against certain liabilities, including liabilities under applicable securities legislation.

ScotiaMcLeod Inc., one of the Underwriters, is a wholly-owned subsidiary of a Canadian chartered bank (the "Connected Bank") which is Four Seasons' principal lender. A portion of the proceeds of this offering may be applied to repay amounts that may be borrowed from that lender under a US $100 million committed credit facility (the "Credit Facility") to fund the Company's purchase of its 9⅛% Notes. Consequently, the Company may be considered a connected issuer of ScotiaMcLeod Inc. under applicable Canadian securities legislation. Neither the Connected Bank nor ScotiaMcLeod Inc. was involved in the Company's decision to distribute the Debentures offered hereby. ScotiaMcLeod Inc., together with Goldman Sachs Canada, negotiated with the Company the price at which they would purchase the Debentures.

The securities offered pursuant to this short form prospectus have not been, and will not be, registered under the 1933 Act and accordingly may not be offered or sold in the United States of America or to any U.S. person (as defined in Rule 902 under the 1933 Act) except in compliance with the registration requirements of that Act or pursuant to an exemption from those requirements.

LEGAL MATTERS

Certain legal matters relating to the Debentures offered by this short form prospectus will be passed upon for the Company by Goodman Phillips & Vineberg, Toronto, Ontario. The Underwriters are being represented by Osler, Hoskin & Harcourt, Toronto, Ontario.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of the Company are KPMG, Chartered Accountants, 40 King Street West, Suite 5400, Toronto, Ontario, Canada, M5H 3Z2.

The transfer agent and registrar for the Debentures is Montreal Trust Company of Canada at its principal offices in Montreal, Toronto and Vancouver.

PURCHASERS' STATUTORY RIGHTS

Securities legislation in several of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, securities legislation further provides a purchaser with remedies for rescission or, in certain provinces, damages where the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that such remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal adviser.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents, filed with the provincial securities commissions or similar authorities in Canada, are specifically incorporated by reference and form an integral part of this short form prospectus:

(i) 1996 Annual Information Form of the Company, which incorporates Management's Discussion and Analysis;

(ii) audited consolidated statements of operations, consolidated balance sheets, consolidated statements of cash provided by operations and consolidated statements of changes in financial position of the Company including the notes thereto, as at and for the years ended December 31, 1996 and 1995, together with the auditors' report thereon;

(iii) unaudited comparative consolidated statements of operations, consolidated balance sheets, consolidated statements of cash provided by operations and consolidated statements of changes in financial position of the Company as at and for the three months ended March 31, 1997;

(iv) Management Information Circular of the Company dated April 11, 1997, issued in connection with the meeting of shareholders of the Company held on May 23, 1997; and

(v) material change report of the Company dated February 17, 1997 regarding the sale by the Company of 4,370,000 Limited Voting Shares.

All documents of the Company of the type referred to above and any material change reports (excluding confidential material change reports) that are filed by the Company with a securities commission or any similar authority in Canada after the date of this short form prospectus and prior to the termination of the Offering shall be deemed to be incorporated by reference into this short form prospectus.

The information permitted to be omitted from this short form prospectus will be contained in a supplemented short form prospectus and will be deemed to be incorporated herein as of the date of such supplemented short form prospectus.

Any statement contained in a document incorporated or deemed to be incorporated by reference in this short form prospectus shall be deemed to be modified or superseded for the purposes of this short form prospectus to the extent that a statement contained in this short form prospectus or in any other subsequently filed document that also is, or is deemed to be, incorporated by reference in this short form prospectus, modifies or supersedes that statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set out in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purpose that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified, to constitute a part of this short form prospectus.

Copies of the documents incorporated herein by reference and not delivered with this short form prospectus may be obtained on request without charge from Barbara Henderson, Director of Investor Relations, Four Seasons Hotels Inc., 1165 Leslie Street, Toronto, Ontario, Canada M3C 2K8, telephone number (416) 449-1750.

CERTIFICATE OF THE COMPANY

Dated: June 10, 1997

The foregoing, together with the documents incorporated herein by reference, and the information deemed to be incorporated herein by reference, as of the date of the supplemented prospectus providing the information permitted to be omitted from this prospectus, will constitute full, true and plain disclosure of all material facts relating to the securities offered by this prospectus, as required by the securities laws of all provinces of Canada, and for the purpose of the *Securities Act* (Quebec), will not contain any misrepresentation likely to affect the value or the market price of the securities to be distributed.

(Signed) ISADORE SHARP Chairman and Chief Executive Officer	(Signed) DOUGLAS LUDWIG Executive Vice-president and Chief Financial Officer

On behalf of the Board of Directors

(Signed) JOHN SHARPE Director	(Signed) LIONEL H. SCHIPPER Director

CERTIFICATE OF THE UNDERWRITERS

Dated: June 10, 1997

To the best of our knowledge, information and belief, the foregoing, together with the documents incorporated herein by reference, and the information deemed to be incorporated herein by reference, as of the date of the supplemented prospectus providing the information permitted to be omitted from this prospectus, will constitute full, true and plain disclosure of all material facts relating to the securities offered by this prospectus, as required by the securities laws of all Provinces of Canada, and for the purposes of the *Securities Act* (Quebec), to our knowledge, will not contain any misrepresentation likely to affect the value or the market price of the securities to be distributed.

GOLDMAN SACHS CANADA (by its General Partner, Goldman Sachs Canada Inc.)	SCOTIAMCLEOD INC.
By: (Signed) JAMES T. KIERNAN	By: (Signed) WILLIAM J. MENEAR

The following includes the name of every person or company having an interest, either directly or indirectly, to the extent of not less than 5%, in the capital of:

GOLDMAN SACHS CANADA: a limited partnership of which The Goldman Sachs Group, L.P. is the limited partner and Goldman Sachs Canada Inc., a wholly-owned subsidiary of The Goldman Sachs Group, L.P., is the general partner; and

SCOTIAMCLEOD INC.: an indirect, wholly-owned subsidiary of a Canadian chartered bank.