

LEASE

THIS INDENTURE MADE THE 1ST DAY OF JANUARY, 2002 IN PURSUANCE OF THE LAND TRANSFER ACT, PART II

BETWEEN:

SCHULTE INVESTMENTS LTD., a company duly incorporated under the laws of British Columbia and having its Registered and Records Offices at 4130 Burkehill Place, in the District of West Vancouver, in the Province of British Columbia

(hereinafter called the "Landlord")

OF THE FIRST PART

AND:

SAN JOSEF INVESTMENTS LTD., a company duly incorporated under the laws of the Province of British Columbia and having its Registered and Records Offices at 300 - 5687 Yew Street, in the City of Vancouver, in the Province of British Columbia

(hereinafter called the "Tenant")

OF THE SECOND PART


AND:

ARTHUR JONES, of 2407 West 41st Avenue, in the City of Vancouver, in the Province of British Columbia

(hereinafter called the "Guarantor")

OF THE THIRD PART

WHEREAS:

- A. The Landlord has agreed to lease to the Tenant and the Tenant has agreed to take by way of lease from the Landlord on the terms and conditions hereinafter set out, the Premises as outlined in red on the sketch attached hereto as Schedule "A" and forming part thereof (hereinafter called the Premises) being a portion of the building (hereinafter called the Building) on lands situate in the North Shore - Squamish Valley Assessment Area, Town of Gibsons, in the Province of British Columbia and more particularly described as:
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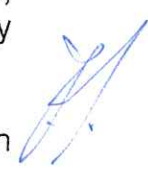
Parcel Identifier: 011-984-651, Lot 3, Blocks D, H and J, District Lot 686,
Plan 3971

(which lands and all improvements thereon are hereinafter called the Lands).

- B. The Guarantor has agreed to guarantee the payment of money and the performance of the covenants on behalf of the Tenant as set out herein as further consideration for the granting of the demise to the Tenant.

NOW THEREFORE WITNESSETH that pursuant to the premises and for and in consideration of the rents reserved and the covenants and agreements herein contained, the parties hereto covenant and agree as follows:

DEFINITIONS


1. In this Lease, unless there is something in the context inconsistent therewith, the parties agree that:
 - (a) "Area of Premises" means the area expressed in square feet measured from the centre line of all walls separating the Premises from the adjacent premises and from the outer surface of outer walls which are on the Premises including outer building walls and walls adjoining corridors or common facilities and if part of a wall or entrance to the Premises is recessed from the lease line as shown on Schedule "A" the area of such recess shall for all purposes be part of the Premises;
 - (b) "Commencement Date of the Term" means 1 January, 2002;
 - (c) "Common Area and Facilities" means those portions of the Lands, including the Building not set aside by the Landlord exclusively for a Tenant, including stairwells, halls, the roof, walls, common doors, elevators and all pipes, wires, equipment and machinery for the common use or benefit of the Tenants;
 - (d) "Cost of Insurance" means the cost to the Landlord or the Strata Corporation of all premiums and all policies of insurance carried by the Landlord or Strata Corporation covering loss or damage to the Premises or the Lands or the liability of the Landlord from such insurable hazards as the Landlord may from time to time reasonable determine, including fire, malicious damage, earthquake, flood, claims for personal injury or property damage and loss of rental;
 - (e) "Tax Costs" means the total of sums paid or payable by the Landlord in respect of taxes to a taxing authority;
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- (f) "Taxes" means the aggregate of all taxes, local improvement or similar rates, duties, assessments and charges, realty taxes, corporation capital taxes, machinery taxes, water rates, school taxes or any other taxes, rates, duties, assessments, interest and penalties thereon, both general and special, levied or imposed upon in respect of the Lands, the Premises and improvements thereon, including business taxes charged to the Tenants of the Lands;
- (g) "Taxing Authority" means any duly constituted governmental authority, either federal, provincial, municipal, city or otherwise, legally empowered to impose taxes, rates, assessments or charges on, upon or in respect of the Lands, Premises, improvements thereon or business conducted therein.

DEMISE AND TERM


2. In consideration of the rents, covenants and agreements hereinafter reserved and contained on the part of the Tenant to be paid, kept, observed, and performed, the Landlord hereby demises and leases unto the Tenant the Premises containing an area measured in accordance with Clause 1(a) herein to have and to hold for and during the term of five (5) years from the Commencement Date of the Term unless terminated sooner as hereinafter provided. The Tenant shall be entitled to the benefit of the Premises to enjoy upon the terms and conditions set out in this Lease and subject to the control by the Landlord, the Strata Corporation and Strata Council (if any) the non-exclusive use in common with other entitled thereto of the Common Area and Facilities of the Building.


RENEWAL

3. If the Tenant duly and regularly pays the rent hereby reserved and performs all and every of the covenants, provisos and agreements herein on the part of the Tenant to be paid, observed and performed, the Landlord shall, at the expiration of the term, on the written request of the Tenant delivered or mailed to the Landlord not more than 12 months and not less than 6 months prior to the expiration of the term, and at the Tenant's expense, grant to the Tenant one (1) renewal term of the Lease for a period of three (3) years on the same terms and conditions as are in this Lease contained, save any right of renewal beyond the said renewal term and save that the basic rent payable under the renewal term shall be mutually agreed between the parties, and if the parties cannot agree on the basic rent on or before 6 months prior to the commencement of the renewal term, then the amount of basic rent for the renewal term shall be referred to the award and determination of one arbitrator in accordance with the Commercial Arbitration Act of British Columbia and the rent shall be the fair market rent being paid for comparable quality and quantity of space including in such comparable rents any percentage rental paid provided that such basic rent shall not be less than the basic rent
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basic rent payable during the last year of the term.

RENT

4. The Tenant covenants and agrees to pay to the Landlord or as the Landlord may in writing direct, without set-off, compensation or deduction, on the days and at the times hereinafter specified, rent and costs which shall be the aggregate of the following:
 - (a) During the first year of the term, a basic rent of Thirty Nine Thousand Four Dollars and Eighty Cents (\$39,004.80) per annum (plus applicable Goods and Services Tax) payable in equal monthly instalments of Three Thousand Two Hundred Fifty Dollars and Forty Cents (\$3,250.40) per month (plus applicable Goods and Services Tax) on the first day of each month occurring during the term;
 - (b) During the second year of the term, a basic rent of Thirty Nine Thousand Seven Hundred Eighty Four Dollars and Ninety Cents (\$39,784.90) per annum (plus applicable Goods and Services Tax) payable in equal monthly instalments of Three Thousand Three Hundred Fifteen Dollars and Forty One Cents (\$3,315.41) per month (plus applicable Goods and Services Tax) on the first day of each month occurring during the term;
 - (c) During the third year of the term, a basic rent of Forty Thousand Five Hundred Eighty Dollars and Sixty Cents (\$40,580.60) per annum (plus applicable Goods and Services Tax) payable in equal monthly instalments of Three Thousand Three Hundred Eighty One Dollars and Seventy Two Cents (\$3,381.72) per month (plus applicable Goods and Services Tax) on the first day of each month occurring during the term;
 - (d) During the fourth year of the term, a basic rent of Forty One Thousand Three Hundred Ninety Two Dollars and Twenty Two Cents (\$41,392.22) per annum (plus applicable Goods and Services Tax) payable in equal monthly instalments of Three Thousand Four Hundred Forty Nine Dollars and Thirty Six Cents (\$3,449.36) per month (plus applicable Goods and Services Tax) on the first day of each month occurring during the term;
 - (e) During the fifth year of the term, a basic rent of Forty Three Thousand Forty Seven Dollars and Ninety Two Cents (\$43,047.92) per annum (plus applicable Goods and Services Tax) payable in equal monthly instalments of Three Thousand Five Hundred Eighty Seven Dollars and Thirty Three Cents (\$3,587.33) per month (plus applicable Goods and Services Tax) on the first day of each month occurring during the term;
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- (f) The aggregate of the following sums (hereinafter called Additional Rent);
- i. the Tax Costs for the Premises;
 - ii. the cost, charge and expense for the operating, maintaining and repairing and replacing the Premises and the cost of heating, ventilating, air-conditioning, lighting and providing other services to the Premises including the cost of maintaining, repairing, replacing and operating such services but excluding structural repairs to the Premises which shall be the Landlord's responsibility;
 - iii. the assessments charged by the Strata Corporation or Strata Council to the strata lot forming all or part of the Premises or the owner or occupier thereof;
 - iv. the cost of insurance for the Premises;
 - v. the Tenant's share of the cost of operating, maintaining, repairing and replacing the Common Area and Facilities of the Building, the cost of lighting, heating, ventilating, air-conditioning and providing other services to the Common Area of the Building including all costs for operating, maintaining, repairing and replacing such services, the cost of insurance to the Common Area and Facilities and the Tax Costs for the Common Area and Facilities but excluding structural repairs to the Common Area of the Building which shall be the Landlord's responsibility;
 - vi. all public utility charges, rates, taxes, duties, and assessments and other charges that may be levied, rated, charged or assessed against the improvements, equipment and facilities of the Tenant on the Premises or in respect of their use or occupancy by the Tenant (and any and every assignee, sub-tenant, concessionaire, licensee and other person conducting business on or from the Premises) whether the public utility charges, taxes, rates, duties, assessments and all licence fees are charged by a municipal, provincial, federal, school or other body.
- (g) The basic rent payable herein shall be absolutely net to the Landlord such that, without limiting the generality of the foregoing, the Tenant shall pay as
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Additional Rent without variation, set-off or deduction, all amounts, charges, costs, duties, expenses, fees (including management fees), rates, sums, taxes and increases therein in any way relating to the Premises and the Tenant's share of the same relating to the Common Area and Facilities of the Lands.

- (h) The Landlord acknowledges that the Tenant has deposited with it the sum of Six Thousand Eight Hundred and Thirty Seven Dollars and Thirty Cents (\$6,837.30) representing the first and last months rent under the Tenant's previous Lease. The Tenant covenants and agrees with the Landlord that in the event of a default in payment by the Tenant of Additional Rent or basic rent during the Term the Landlord may apply the said sum of part thereof to recover any such defaulted payments. The said deposit shall be credited without interest to the last month's basic or Additional Rent if the Tenant is not in default.
5. If any assessment, cost or expense payable by the Tenant is charged as a lump sum against the Premises and other premises or against the Lands or any part thereof, the Tenant's share thereof shall be the share specified herein or if not specified, the assessment calculated by the Strata Corporation or Strata Council, if any, or, if the assessment is not calculated by the Strata Corporation or Strata Council, the Landlord shall apportion such assessment, cost or expense based on the use or consumption by the Tenant and other tenants of the service, facility, Premises or Lands or the area of the Premises compared with an area of the Premises of the Lands occupied and similarly serviced and for such purpose the Landlord may employ consultants and make such estimates as may be reasonably necessary to make such apportionments.
6. Additional Rent shall be paid by the Tenant to the Landlord upon demand by the Landlord. The Landlord may estimate the Additional Rent for such period as the Landlord may determine and the Tenant shall pay to the Landlord or as the Landlord otherwise directs, such estimated amount in monthly instalments in advance during such period on the dates and the times for payment of basic rent.
7. Within 90 days after the end of each calendar year, the Landlord shall furnish to the Tenant a statement of the actual costs, charges and expenses incurred with respect to the Premises or the Common Areas and Facilities and which the Tenant is wholly or partially responsible to pay showing in such reasonable detail the information relevant and necessary to the calculation of such amounts insofar as such costs, charges, and expenses are available to the Landlord. If the amount payable by the Tenant as shown on such statement is greater or less than the Additional Rent paid by the Tenant to the Landlord pursuant to Clause 6, the proper adjustment shall be made within 14 days after delivery of the statement and the payment made by the Tenant to the Landlord (if due) on or before the expiry
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of the said 14 day period. The Landlord may retain any overpayment of Additional Rent and apply it to the estimated instalments of Additional Rent for the next succeeding period.


8. All rent reserved, including Additional Rent shall be deemed to accrue from day-to-day and if rent must be calculated for an irregular period for less than one year an adjustment shall be made on a daily basis in order to compute rent for such irregular period. The Tenant waives and renounces any and all existing and future claims, off-sets and compensation against basic rent and other amounts due hereunder and agrees to pay such rent and other amounts regardless of any claim, off-set or compensation which may be asserted by the Tenant or on its behalf.

USE

9. The Tenant will use the Premises for the purpose of a restaurant and the Tenant will not use the Premises or permit them to be used for any other purpose without limitation. The Tenant shall not use the Premises for an illegal purpose.
 10. The Tenant will conduct its business and use the whole of the Premises continuously throughout the term in a manner befitting the Building and on the days and during the hours that the Landlord from time to time reasonably designates. Nothing in this section requires the Tenant to conduct its business during a period prohibited by law or by-law regulating the hours when the business may be conducted. The Tenant may have access to the Building and the Premises after the hours reasonably designated by the Landlord as office hours, provided the Tenant, at its cost, provides all necessary security for the Building and bears all costs related to the use of the Building during such times.
 11. The Tenant will not erect or place or suffer to be erected or placed or maintain any sign or any nature of kind from the roof or exterior of the Building or elsewhere in the Building without first obtaining the Landlord's written approval and consent.
 12. The Tenant will not install equipment which will exceed or overload the capacity of the utility facilities or bring upon the Premises any machinery, equipment or thing that by any reason of its weight, size or use might damage the Premises or the Building or the Lands or overload the floors of the Premises.
 13. No debris, garbage, trash or refuse shall be placed or left or permitted to be placed or left in, on or upon any of the Building, the Lands or the Premises, but shall be deposited by the Tenant in areas and at times and in a manner specifically designated by the Landlord from time to time. All perishable debris shall be stored in refrigerated containers as the cost of the Tenant.
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14. The Tenant shall maintain the Premises in a clean and sanitary condition and shall use and maintain the Premises in accordance with all applicable laws, rules, directions and regulations of all governmental officials, including the health officer, fire marshall, building inspector or other proper officers of the City of Vancouver*, the Landlord, the Strata Corporation, Strata Council, the insurers and other agencies having jurisdiction.
15. The Tenant will not carry on or perform or suffer or permit to be carried on, performed or suffered on the Premises any business activity which may be deemed a nuisance or a menace or which in any way may injure the Premises, the Building or the Lands or any part thereof.
16. The Tenant further covenants with the Landlord:
 - (a) That the Tenant will not assign without leave; and
 - (b) The Tenant will not sublet without leave;


The Landlord's consent to a subletting or assignment shall not be unreasonably withheld provided that it shall not be unreasonable for the Landlord to consider the financial background and status, business history and capability of the proposed assignee or subtenant and to require a further guarantee and indemnity. The consent by the Landlord to an assignment or subletting will not constitute a waiver of its consent to a subsequent assignment or subletting. Despite an assignment or subletting the Tenant remains fully liable under this lease. The Tenant shall pay all costs of the Landlord for seeking and/or obtaining the Landlord's consent to sublet and assign.

17. The Tenant covenants with the Landlord:
 - (a) The Tenant shall at all times during the term or any renewal thereof, repair, maintain, and keep the Premises and all equipment, fixtures and improvements thereon in a good and substantial state of repair and the Tenant covenants to perform such maintenance to effect such repairs and replacement and to decorate at its cost and expense when necessary or reasonable required to do so by the Landlord;
 - (b) If part of the Lands, including common areas of facilities, becomes in disrepair or is damaged or destroyed through the negligence of the Tenant, its officers, directors, employees, customers, or other invitees, the Tenant shall reimburse the Landlord, the Strata Corporation or the Strata Council for the cost of repairs or replacements promptly on demand;
 - (c) The Landlord and any employee or agent shall be entitled at all reasonable
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times and during any emergency, from time to time, to enter and examine the state of maintenance, repair, decoration and order of the Premises, all equipment and fixtures within the Premises and any improvements now or hereafter made to the Premises, and the Landlord may give notice to the Tenant requiring that the Tenant perform such maintenance or effect such repairs, replacements or decorations as may be found necessary from such examination. The failure of the Landlord to give such notice shall not however relieve the Tenant from its obligation to maintain, repair, decorate and keep the Premises and appurtenances in good order and repair as aforesaid and to make such replacements as may be necessary;

- (d) The Tenant shall, when necessary and whether upon receipt of such notice from the Landlord or not, effect and pay for such maintenance, repairs, replacements or decoration as may be the responsibility of the Tenant. In the event that the Tenant fails to comply with the Landlord's request to effect repairs, replacements or maintenance within the time provided by the Landlord, then the Landlord may cause such repairs, replacements or maintenance to be undertaken at the cost of the Tenant, payable immediately upon demand as Additional Rent;
- (e) At the end or sooner termination of the term, the Tenant will deliver to the Landlord vacant possession of the Premises in the condition in which the Tenant is required to maintain the Premises;
- (f) The Tenant will take out and keep in force throughout the term and any renewal all risk direct damage insurance upon its inventory, furniture, plate glass, fixtures and improvements to the full replacement value thereof and such other insurance in amounts and upon terms reasonable for a prudent Tenant to provide as determined by the Landlord from time to time. The Tenant will take out and keep in force throughout the term comprehensive general liability insurance against claims for personal injury, death or property damage or loss arising out of all operations of the Tenant, its directors, officers, employees, invitees, and licensees, indemnifying and protecting the Landlord to a minimum limit of \$5,000,000.00 per occurrence. Each insurance policy will name the Landlord and any other person, firm or corporation designated by the Landlord as an additional insured and will contain a waiver of the right of subrogation against the Landlord, employees and others for whom the Landlord is in law responsible and will contain a clause that the insurer will not cancel or change or refuse to renew the insurance without first giving the Landlord 30 days prior written notice. The Tenant shall deliver to the Landlord all certificates and policies of such insurance.


18. If an insurance policy upon the Lands or any part thereof is cancelled or threatened to be cancelled by an insurer to be cancelled or the coverage reduced because of the use and occupation of the Premises and the Tenant fails to remedy the condition giving rise to cancellation or a reduction of coverage within 48 hours after notice thereof by the Landlord, the Landlord may re-enter the Premises and terminate this Lease or remedy the condition giving rise to the cancellation or reduction and the Tenant will pay to the Landlord the cost on demand as Additional Rent.
19. If there is damage to the Premises or damage to the Lands and Building which prevents access to the Premises or the supply of services essential to the Premises and if the damage is such that the Premises or a substantial part of the Premises is rendered not reasonably capable of use by the Tenant for the conduct of its business for a period of time exceeding ten days;
- (a) unless damage was caused by the negligence of the Tenant, assignee, sub-tenant, concessionaire, licensee or other person conducting business on or from the Premises or an officer, director, employee, customer or other invitee of any of them, the basic rent payable for the period beginning at the end of the ten days after the occurrence of the damage until at least a substantial part of the Premises is again reasonably capable of use and occupancy for the purpose aforesaid will abate in the proportion that the area of the Premises rendered not reasonably capable of use by the Tenant for conduct of its business bears to the Area of the Premises but not exceeding the amount of rental income insurance proceeds payable to the Landlord for the period;
- (b) unless this Lease is terminated under Clause 20 the Landlord or the Tenant or both as the case may be (according to the nature of the damage and the Tenant's obligation to repair under Clause 17) will repair the damage with all reasonable diligence but any abatement of Basic Rent to which the Tenant is entitled under this Article will not extend beyond the date by which in the reasonable opinion of the Landlord the Tenant should have completed its repairs with all reasonable diligence. 
20. (a) The Landlord by written notice to the Tenant given within 30 days of the occurrence of damage to the Lands may terminate this Lease if the Lands or any part thereof, including improvements thereon are damaged by any cause and in the reasonable opinion of the Landlord either cannot be repaired or rebuilt with reasonable diligence within 180 days after the occurrence of the damage, or the cost of repairing or rebuilding would exceed the proceed of the Landlord's insurance available for the purpose.

- (b) If this Lease is terminated under this Clause neither the Landlord nor the Tenant will be bound to repair as provided herein and the Tenant will deliver up possession of the Premises to the Landlord with reasonable speed but in any event within sixty days after the giving of notice of termination and all rent will be apportioned and paid to the date upon which possession is delivered up subject to any abatement to which the Tenant may be entitled under Clause 19(2) but otherwise the Landlord or the Tenant or both as the case may be will repair the damage with all reasonable diligence.
21. The Tenant will indemnify and save the Landlord harmless from and against any and all claims, actions, damages, liability and expenses in connection with loss of life, personal injury or damage to property arising from any occurrence on the Premises or the occupancy or use of the Premises or occasioned wholly or in part by an act or omission of the Tenant, its officers, employees, agents, customers, contractors or other invitees, licensees or concessionaires or anyone permitted by the Tenant to be on the Premises. In case the Landlord without actual (as opposed to vicarious) fault on its part, is made a party to litigation begun by or against the Tenant, excepting a bona fide action by the Tenant against the Landlord the Tenant will protect and hold the Landlord harmless and will pay all costs, expenses and reasonable legal fees incurred or paid by the Landlord in connection with the litigation. The Tenant will also pay all costs, expenses and reasonable legal fees incurred by the Landlord in enforcing this Lease.
22. The Landlord is not liable for the death of or injury to the Tenant or others on the Premises or for the loss of or damage to the property of the Tenant or others by theft or otherwise. Without limiting the generality of the foregoing, the Landlord is not liable for death, injury, loss or damage of or to persons or property resulting from fire, explosion, falling plaster, steam, gas, electricity, water, rain, or snow or leaks from any part of the Premises, the Building or the Lands, or from the pipes, appliances, or plumbing works or from the roof, street or sub-surface or from any other place or by dampness or by other cause of any kind or by reason of interruption or loss of utility services. The Landlord is not liable for death, injury, loss or damage caused by other tenants or occupants or other persons on the Premises or in any other part of the Lands, or resulting from construction, alteration or repair. The Tenant agrees that there is no promise, representation or undertaking by or binding upon the Landlord with respect to alterations, remodelling or decoration of or installation of equipment or fixtures in the Premises except such, if any, as is expressly contained or referred to in this Lease and that unless an express provision provides for completion of the alteration, remodelling, decoration or installation after the Tenant's taking occupancy of the Premises, the taking of occupancy, constitutes conclusive evidence as against the Tenant that the alterations, remodelling or decoration or installation of equipment or fixtures has been satisfactorily completed. All property of the Tenant kept or stored on the Premises or the Lands will be kept or stored at the risk of the Tenant only and the
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Tenant will hold the Landlord harmless from all claims arising out of damage to it including subrogation claims by the Tenant's insurers.

23. All fixtures installed by the Tenant will be the best quality. The Tenant will not make or cause to be made any change, decoration, addition or improvement or cut or drill into, nail or otherwise attach, secure or install any trade fixture, exterior sign, floor covering, interior or exterior lighting or mechanical or electrical system or fixture, or plumbing fixture, shade or awning to any part of the Premises or to the exterior of the Premises or hang from or affix anything to a ceiling without first obtaining the Landlord's written approval. The Tenant will present to the Landlord plans and specifications for the work at the time approval is sought and the work will be done by contractors or other workers or tradesmen approved by the Landlord and in good workmanlike manner with first class materials.
24. All alterations, decorations, additions and improvements made by the Tenant or made by the Landlord on the Tenant's behalf become on affixation the property of the Landlord. No alteration, decoration, addition or improvement will be removed from the Premises without the prior consent in writing from the Landlord. Upon termination of this Lease the alterations, decorations, additions and fixed improvements excepting the Tenant's fixtures will remain the property of the Landlord as part of the reversion, but the Tenant will remove all or some of the alterations, decorations, additions and fixed improvements and restore the Premises if and to the extent requested by the Landlord. Every installation, removal or restoration by the Tenant of its fixtures will be done at the sole expense of the Tenant and the Tenant promptly will make good or reimburse the Landlord the cost of making good all damage to structural elements relating to the Premises or to the heating, ventilating, air-conditioning, plumbing, electrical or other mechanical systems in the Lands caused thereby.
25. The Tenant will promptly pay all its contractors and materialmen and will not permit, do or cause anything to be done to the Premises at any time which would allow any lien, lis pendens, judgment or certificate of any Court or any mortgage, charge or encumbrance of any nature whatsoever to be imposed upon or remain upon the Premises or the Lands. In the event of any registration of any lien or other encumbrance the Tenant shall at its own expense cause the same to be discharged within 10 days after it is brought to the attention of the Tenant. The Landlord may post notices in the Premises as contemplated in the Builders Lien Act of British Columbia.
26. The Tenant covenants that it will abide by any and all reasonable rules and regulations which may, from time to time, be established by the Landlord for the Lands and all rules and regulations of the Strata Corporation and Strata Council. The Landlord shall communicate the rules and regulations to the Tenant in writing and after such communication such rules and regulations shall be deemed to be

an integral part of the Lease.

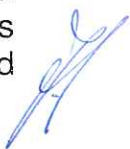
27. If default shall be made by the Tenant in the payment of any monies due when the same become due and payable pursuant to any covenant, agreement or condition contained in this Lease interest at the rate of 5% above the prevailing prime rate then being charged by the Landlord's bankers per annum shall be payable on any such monies from the date of default to date of payment and no such default shall be considered to be remedied until the interest has been paid.
28. If and whenever the rent hereby reserved or any part thereof shall not be paid on the day appointed for payment thereof whether lawfully demanded or not or in the case of breach or non-observance or non-performance of any of the covenants, agreements, provisos, conditions, or rules and regulations on the part of the Tenant to be kept, observed or performed or if the Tenant or an agent of the Tenant falsifies a report required to be furnished to the Landlord pursuant to this Lease or in case the Premises shall be vacated or remain unoccupied for five (5) days without the written permission of the Landlord or the Premises shall be used by any other person than the Tenant, the Tenant's permitted assigns or permitted sub-lessees or for any other purpose than that for which the same were let or in case the Term shall be taken into execution or attachment for any cause whatever then and in every such case it shall be lawful for the Landlord at any time thereafter to enter into and upon the Premises or any part thereof in the name of the whole and the same to have again repossessed and enjoy as of its former state anything in this Lease contained to the contrary notwithstanding. The Landlord in addition to any other right or remedy it may have will have the right to remove all persons and property from the Premises and the property may be removed and stored in a public warehouse or elsewhere at the cost of and for the account of the Tenant and without service of notice or resort to legal process and without being considered guilty of trespass or becoming liable for loss or damage occasioned thereby.
29. If
- (a) the Term or any of the goods and chattels of the Tenant on the Premise at any time during the Term are seized or taken in execution or attachment by a creditor of the Tenant,
 - (b) the Tenant or Guarantor makes an assignment for the benefit of creditors or a bulk sale from the Premises other than a bulk sale to an assignee or sublessee pursuant to an assignment or sublease which was consented to by the Landlord,
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- (c) a receiver-manager is appointed to control the conduct of the business on or from the Premises.
- (d) the Tenant becomes bankrupt or insolvent or takes the benefit of an Act now or hereafter in force for bankrupt or insolvent debtors.
- (e) an order is made for the winding-up of the Tenant,
- (f) the Tenant without the written consent of the Landlord, abandons or attempts to abandon the Premises or sells or disposes of goods or chattels of the Tenant or removes any of them from the Premises so that there would not in the event of abandonment, sale or disposal be sufficient goods on the Premises subject to distress to satisfy all rentals accruing due hereunder,


the then current month's rent and the next ensuing three (3) months Basic Rent and Additional Rent immediately will become due and payable as accelerated rent and the Landlord may re-enter and take possession of the Premises as though the Tenant or the servants of the Tenant or any other occupant of the Premises were holding over after the expiration of the Term and the Lease at the option of the Landlord, forthwith will become forfeited and determined. In every one of the cases above mentioned the accelerated rent may be recovered by the Landlord in the same manner as rent hereby reserved and in arrears and the option will be considered to have been exercised if the Landlord or its agents give notice to that effect to the Tenant.

- 30. If at any time, an action is brought for the recovery of possession of the Premises, for the recovery of rental or any other amount due under the provisions of this Lease, or because of a breach by act or omission of any covenant herein contained on the part of the Tenant, and a breach is established, the Tenant shall pay to the Landlord all expenses incurred by the Landlord in enforcement of its rights and remedies hereunder.
- 31. If at any time and so often as the same shall happen, the Tenant shall make default in the observance and performance of any covenant contained herein on its part to be observed or performed or shall have failed to make payment of any money hereby undertaken by it to be paid other than as rent to the Landlord then the Landlord may but shall not be obligated so to do, without waiving or releasing the Tenant from its obligations under this Lease, itself observe and perform the covenant or covenants in respect of which Tenant has made default or make payment of the moneys the Tenant has failed to pay; and all costs and expenses incurred by the Landlord in the observance or performance of such covenant or covenants including without limitation legal costs as between solicitor and client and any moneys so paid by the Landlord will, with interest thereon from the date

of the incurring of such costs or expenses or payment of moneys so paid by the Landlord, at a rate equal to 5% per annum above the prevailing prime rate then being charged by the Landlord's bankers per annum, be a charge on the Premises in favour of the Landlord in priority to the interest of the Tenant hereunder and of any person claiming through or under the Tenant and all such costs, expenses and moneys and interest thereon shall be payable forthwith by the Tenant to the Landlord and the Tenant covenants to pay the same forthwith on demand by the Landlord and the same shall be treated as rent due and payable to the Landlord hereunder and the Landlord shall have the same rights and remedies and may take the same steps for the recovery thereof as for the recovery of rent in arrears.

32. The Tenant waives and renounces the benefit of any present or future law, taking away or limiting the Landlord's rights against the property of the Tenant and notwithstanding any such law, the Landlord may seize and sell all the Tenant's goods and property whether within the Premises or not, and apply the proceeds of such sale upon rental and all other amounts outstanding and upon the costs of the seizure and sale in the same manner as might have been done if such law had not been passed. The Tenant further agrees that if it leaves the Premises leaving any rental or other amounts provided to be paid under this Lease unpaid, the Landlord, in addition to any remedy otherwise provided by law, may seize and sell the goods and chattels of the Tenant at any place to which the Tenant or any other person may have removed them, in the same manner as if such goods and chattels had remained upon the Premises.
33. If the Landlord re-enters as herein provided, it might either terminate this Lease or it may from time to time without terminating the Tenant's obligations under this Lease make alterations and repairs considered by the Landlord necessary to facilitate a re-letting and re-let the premises or any part thereof as agent of the Tenant for such term or terms and at such rent or rentals and upon such other terms and conditions as the Landlord in its reasonable discretion considers available. Upon each re-letting all rents and other monies received by the Landlord from the re-letting will be applied first to the payment of the indebtedness other than rent due hereunder from the Tenant to the Landlord, second to the payment of costs and expenses of the re-letting including brokerage fees and solicitor's fees and costs of alterations and repairs and third to the payment of rent due and unpaid hereunder.
34. No condoning, excusing or overlooking by the Landlord or Tenant of any default breach or non-observance by the Tenant or the Landlord at any time or times in respect of any covenant, proviso or condition herein contained shall operate as a waiver of the Landlord's or the Tenant's rights hereunder in respect of any continuing or subsequent default, breach or non-observance, or so as to defeat in any way the rights of the Landlord or the Tenant herein in respect of any such continuing or subsequent default or breach, and no waiver shall be inferred from
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or implied by anything done or omitted by the Landlord or the Tenant save only express waiver in writing.

35. No exercise of a specific right or remedy by the Landlord precludes it from or prejudices it in exercising another right or pursuing another remedy or maintaining an action to which it may otherwise be entitled at law or in equity.
 36. The Landlord and its agents may enter the Premises at all reasonable times to examine them and to show them to a prospective purchaser, lessee or mortgagee. The Landlord may make alterations, additions and adjustments to and changes of location of the pipes, conduits, wiring, ducts and other installations of any kind in the Premises where the necessary to service another part of the Lands, and the Landlord may enter the Premises and take all material required therefor on to the Premises without constituting an eviction of the Tenant in whole or in part and the rent reserved will not abate while the alterations, additions or changes of location are being made by reason of loss or interruption of the business by the Tenant, or otherwise, and the Landlord will not be liable for damage to property of the Tenant or of others located on the Premises as a result of an entry. The Landlord will provide notice to the Tenant of the Landlord's intention to carry out such alterations, additions and adjustments (unless the same are done in the case of an emergency) and the Landlord at the end of such work will leave the Premises clean and in good order. During the six (6) months prior to the expiration of the Term, the Landlord may place upon the Premises the usual notice "For Rent" which the Tenant will permit to remain without interference. If the Tenant is not present to open and permit entry into the Premises, the Landlord or its agents may enter by a master key or forcibly without rendering the Landlord liable therefor and without terminating this Lease.
 37. The rights of the Landlord under this Lease may be mortgaged, charged, transferred or assigned to a Purchaser or to a mortgagee or a trustee for bond holders and in the event of a sale or default by the Landlord under the mortgage, trust deed or trust indenture and the Purchaser, mortgagee or trustee as the case may be, duly entering into possession of the Lands or the Premises, the Tenant agrees to attorn to and become the Tenant of such Purchaser, mortgagee, or trustee under the terms of this Lease.
 38. This Lease is subject to and subordinate of all mortgages, trust deeds or trust indentures which may now or at any time hereafter affect in whole or in part the Premises or the Lands and whether or not any such mortgage, trust deed or trust indenture shall affect only the Premises or the Lands or shall be a blanket mortgage, trust deed or trust indenture affecting other premises as well. This Lease shall also be subject and subordinate of all renewals, modifications, consolidations, replacements and extensions of any such mortgage, trust deed or trust indenture. In confirmation of such subordination and agreement to attorn, the
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Tenant shall execute promptly upon request by the Landlord any certification, instruments of postponement or attornment or other instruments which, and from time to time, are required to give effect hereto. The Tenant hereby irrevocably appoints the Landlord as the Attorney for the Tenant with full power and authority to execute and deliver such instruments for and in the name of the Trustee.

39. Within ten days after request therefor by the Landlord or in the event that upon any sale, assignment, hypothecation or mortgaging of the Premises or Lands by the Landlord an offset statement will be required from the Tenant, the Tenant covenants and agrees with the Landlord to deliver in recordable form a certificate to any proposed mortgagee or purchaser, or to the Landlord certifying that this Lease is in full force and effect and that there are no defenses, offsets or prepayments thereto.
40. In the event of the sale or lease by the Landlord of the Lands or a portion thereof containing the Premises or the assignment by the Landlord of this Lease or any interest of the Landlord hereunder, and to the extent that such purchaser, lessee under such lease or assignee has agreed to assume the covenants and obligations of the Landlord hereunder, the Landlord shall, without further agreement, be freed and relieved of the liability upon such covenants and obligations. The Tenant shall, from time to time at the request of the Landlord certify or acknowledge to any mortgagee, purchaser, lessee or assignee or proposed mortgagee, purchaser, lessee or assignee the status and validity of this Lease and the state of the Landlord's and Tenant's account hereunder.
41. At the Tenant's request, the Landlord shall provide this Lease to the Tenant in registrable form at the cost and expense of the Tenant.
42. If the Tenant remains in possession of the Premises after the end of the Term, and without execution and delivery of a new lease or a written renewal or extension of this Lease and unless arbitration to fix renewal rent is in process, there is no tacit or other renewal of this Lease and the Tenant will be considered to be occupying the Premises as a Tenant from month to month at a monthly rental payable in advance of the first day of each month equal to the sum of
 - (a) 1/6th of the annual instalment of Basic Rent payable for the last year of the Term, and
 - (b) 1/6th of the amount of Additional Rent and charges payable by the Tenant for the year immediately preceding the last Lease Year of this Lease,

and otherwise upon the terms and conditions set forth in this Lease so far as applicable.

43. The Landlord covenants with the Tenant that if the Tenant pays the rent hereby reserved and performs the covenants herein on its part contained, it shall and may peaceably possess and enjoy the Leased Premises for the Term hereby granted without any interruption or disturbance from the Landlord or any other person or persons lawfully claiming under it subject to the terms of this Lease.
44. Time shall be of the essence of this Lease.
45. The Tenant acknowledges that there have been no representations made by the Landlord which are not set out in this Lease.
46. This Lease shall be construed and governed by the laws of the Province of British Columbia. Should any provision or provisions of this Lease or its conditions be illegal or not enforceable, it or they shall be considered separate and severable from the Lease and its remaining provisions and conditions shall remain in force and be binding upon the parties hereto as though the said provision or provisions or conditions had never been included.
47. The Tenant and the Guarantor shall be jointly and severally liable to the Landlord for the due performance and observance of the obligations on the part of the Tenant herein contained.
48. Any notice, demand, request, consent or objection required or contemplated to be given or made by any provision of this Lease shall be given or made in writing and either delivered personally or sent by registered mail, postage prepaid, addressed to the parties at the respective addresses shown above or addressed to the Tenant at the Premises or addressed to the Guarantor at the Premises or to such other address of which a party may from time to time notify the other in writing. The time of giving or making such notice, demand, request, consent or objection shall be, if delivered, when delivered, and if mailed, then on receipt at such address.
49. The Tenant shall be entitled to utilize the unoccupied portion of the lower level of the Premises as sleeping quarters or for the purposes of storage until such time as the unoccupied portion of the lower level shall be renovated so as to make it habitable.
50. If during the renewal of the term, or any subsequent renewal of the term, whether provided for in this Lease or otherwise, Landlord desires at any time during such period to demolish the Building or to take down the Building for the purposes of rebuilding, or if the Land or any part of it or of the Building is expropriated the Landlord has the right to terminate this Lease by giving notice in writing to the Tenant personally or by registered post addressed to the Tenant at the Premises and the Tenant agrees to vacate the Premises at the expiration of

one year from the date the notice is given to the Tenant or is deposited in the post office in West Vancouver, B. C. and if the notice expires on any day other than the day provided for the payment of rent, the rent for the month in which the notice expires shall be apportioned.

51. The Guarantor, in order to induce the Landlord to enter into this Lease and for other good and valuable consideration, the receipt of which is hereby acknowledged, hereby makes the following indemnity and agreement with the Landlord:

(a) The Guarantor covenants and agrees with the Landlord:

- i. To make the due and punctual payment of all rents and other charges and costs expressed to be payable under the Lease during the Term of and any renewal thereof;
- ii. To effect prompt and complete performance of all the terms, covenants, conditions, and provisions in the Lease contained on the part of the Tenant to be kept, observed and performed during the Term and any renewal thereof;
- iii. To indemnify and save harmless the Landlord from any loss, costs or damages arising out of any failure to pay the aforesaid rents and other charges and costs and/or the failure to perform any of the terms, covenants, conditions and provisos hereof.

(b) This indemnity is absolute and unconditional and the obligation of the Guarantor shall not be released, discharged, mitigated, impaired or affected by:

- i. Any extensions of time, indulgences or modifications which the Landlord may extend to or make with the Tenant in respect of the performance of any of the obligations of the Tenant under any one or more of the provisions of the Lease;
- ii. Any waiver by or failure of the Landlord to enforce any of the terms, covenants, conditions and provisions of the Lease;
- iii. Any assignment of the Lease by the Tenant or by any Trustee, receiver, liquidator; or
- iv. Any consent which the Landlord may give to any such assignment.

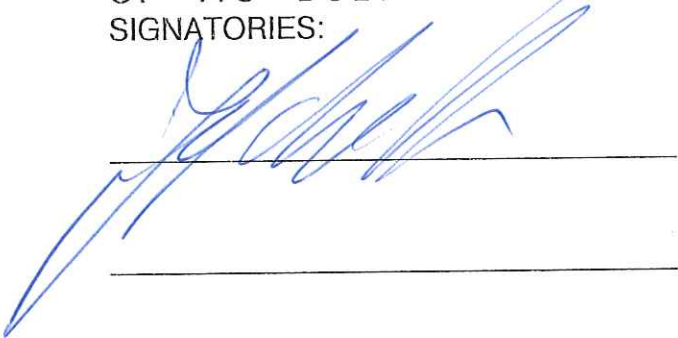
- (c) In the event of a default under the Lease, waive any right to require the Landlord to:
- i. proceed against the Tenant to pursue any rights or remedies with respect to the Lease;
 - ii. proceed against or exhaust any security of the Tenant held by the Landlord; or
 - iii. pursue any other remedy whatsoever in the Landlord's power.

The Landlord shall have the right to enforce this indemnity regardless of the acceptance of additional security from the Tenant and regardless of the release or discharge of the Tenant by the Landlord or by others or by operation of law;

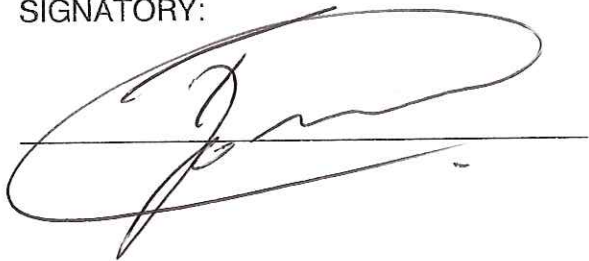
- (d) Without limiting the generality of the foregoing, the liability of the Guarantor under this indemnity shall not be deemed to have been waived, released, discharged, impaired or affected by reason of the release or discharge of the Tenant in any receivership, bankruptcy, winding-up or other creditor's proceeding or the rejection, disaffirmance or disclaimer of the Lease in any proceeding and shall continue with respect to the term originally contemplated and expressed in this Lease. The liability of the Guarantor shall not be affected by any repossession of the Leased Premises by the Landlord, PROVIDED HOWEVER that the net payments received by the Landlord after deducting all costs and expenses of repossessing and/or reletting the same shall be credited from time to time by the Landlord to account of the Tenant and the Guarantor shall pay any balance owing to the Landlord from time to time within thirty (30) days after ascertainment;
- (e) No action or proceeding brought or instituted under this indemnity and no recovery in pursuance thereof shall be a bar or defence to any further action or proceeding which may be brought under this indemnity by reason of any further default or defaults hereunder and/or in the performance and observance of the terms, covenants, conditions and provisions in this Lease;
- (f) No modifications of this indemnity shall be effective unless the same be in writing and signed by the Guarantor and the Landlord;
- (g) The Guarantor shall without limiting the generality of the foregoing, be bound by this indemnity in the same manner as though it were the Tenant named in this Lease.

IN WITNESS WHEREOF, THE PARTIES HERETO HAVE HEREUNTO AFFIXED THEIR HANDS AND SEALS AND IN THE CASE OF A CORPORATE ENTITY, IN THE PRESENCE OF THEIR DULY AUTHORIZED SIGNATORIES AS OF THE DAY AND YEAR ABOVE FIRST WRITTEN:

EXECUTED BY SCHULTE INVESTMENTS LTD. IN THE PRESENCE OF ITS DULY AUTHORIZED SIGNATORIES:

A handwritten signature in blue ink is written over a horizontal line. The signature is stylized and appears to be a cursive name.

EXECUTED BY SAN JOSEF INVESTMENTS LTD. IN THE PRESENCE OF ITS DULY AUTHORIZED SIGNATORY:

A handwritten signature in black ink is written over a horizontal line. The signature is stylized and appears to be a cursive name.

SIGNED, SEALED AND DELIVERED BY
ARTHUR JONES IN THE PRESENCE
OF:

ARTHUR JONES