

THIS INDENTURE (the "Lease") made the _____ day of _____, 20_____.

BETWEEN:

SUNSHINE VALLEY DEVELOPMENTS LTD.

#330-522 Seventh Street
New Westminster, BC V3M 5T5

0765228 B.C. LTD.

#330 – 522 Seventh Street
New Westminster, BC V3M 5T5

(the "Landlord")

OF THE FIRST PART

AND:

(the "Tenant(s)")

OF THE SECOND PART

**Article 1
DEFINITIONS**

The following definitions apply in this Lease.

1.1 "Additional Rent" means all amounts to be paid by the Tenant(s) under this Lease except for Rent.

1.2 "CMHC" means Canada Mortgage and Housing Corporation.

1.3 "Common Areas" means all that part of the Development Lands which is not leased, or subject to Easements granted to Tenant(s) of the Development Lands, together with all other areas which are provided or designated from time to time by the Landlord for the use by or benefit of the Tenant(s) or its invitees in common with others entitled to the use or benefit of such areas.

1.4 "Development Lands" means Sunshine Valley Grove, which is legally described in Schedule "A" hereto.

1.5 "Development Lands Taxes" means the aggregate of all real property, taxes and rates, whether general or special, of any nature whatsoever, including school and local improvement taxes levied, charged, rated or assessed by any lawful authority against the Development Lands and any other taxes, assessments or duties levied, rated, charged or assessed in substitution for or in addition to any of the foregoing, together with the costs of the Landlord in contesting or negotiating the same.

- 1.6 “**Easement Area**” means that portion of the easement area granted to the Tenant(s) by the Landlord shown as HG_____/LMV_____ on the Plan **EPP**_____ for utility and access purposes.
- 1.7 “**Easements**” means any easements granted to Tenant(s) of the Development Lands.
- 1.8 “**Goods and Services Tax**” has the meaning ascribed to it in Section 5.3.
- 1.9 “**Guidelines**” means Construction Provisions attached as Schedule “B” hereto.
- 1.10 “**Improvements**” means a foundation and a residential dwelling to be constructed on the Leased Premises pursuant to Section 11.1.
- 1.11 “**Landlord**” means 0765228 B.C. Ltd. / Sunshine Valley Developments Ltd.
- 1.12 “**Landlord Mortgagee**” has the meaning ascribed to it in Section 22.1.
- 1.13 “**Lease Year**” means a 12 month period commencing with the first day of January in one calendar year and ending on the last day of December in that calendar year provided that the first Lease Year shall commence on the Commencement Date of the Term and end on the last day of December of the calendar year of the Commencement date of the Term.
- 1.14 “**Leased Premises**” has the meaning ascribed to it in Section 2.1(a).
- 1.15 “**Leasehold Plan**” has the meaning ascribed to it in Section 2.1(a).
- 1.16 “**Lot**” or “**Building Lot**” has the meaning the Leased Premises and Easement Area
- 1.17 “**Mortgage**” means any mortgage or charge (including a deed of trust and mortgage securing bonds and all indentures supplemental thereto) granted by the Landlord over all or any portion of the Development Lands.
- 1.18 “**Operating Costs**” means the total of all expenses, costs, fees, rentals, disbursements and outlays of every nature and kind incurred, accrued, paid, payable or attributable, whether by or on behalf of the Landlord (without duplication) for operating, maintaining, servicing, repairing, restoring, renewing, improving, insuring, supervising, managing and administering the Development Lands or any portion thereof in each Lease Year.
- 1.19 “**Priority Agreement**” means the Agreement to postpone a claim (Mortgage), putting one party’s claim (Registered Lease) ahead of another.
- 1.20 “**Proportionate Share**” means that fraction which has as a numerator the Lot area and has as a denominator the total rental area of the Development Lands
- 1.21 “**Rent**” has the meaning ascribed to it in Section 3.1.
- 1.22 “**Rules and Regulations**” means those Rules and Regulations attached as Schedule “C” hereto.
- 1.23 “**Schedules**” and “**Appendices**” means the following schedules and appendices which form a part of this Lease:

1.24 The following Schedules are incorporated into and form part of this Lease:

- Schedule “A” – Legal Description of Development Lands
- Schedule “B” – Construction Provisions – Design Guidelines
- Schedule “C” – Rules and Regulation
- Schedule “D” – Priority Agreement
- Schedule “E” – Current Fee Schedule

1.25 “**Tenant(s) Mortgagee**” has the meaning ascribed to it in Section 23.1.

1.26 “**Tenant(s)**” means the leaseholder named above.

1.27 “**Tenant(s) Mortgagee**” has the meaning ascribed to it in Section 23.1.

1.28 “**Term**” has the meaning ascribed to it in Section 2.7 hereof.

1.29 “**Utilities**” has the meaning ascribed to it in Section 10.1.

1.30 “**Sunshine Valley Grove Tenant Benefits and Guidelines**” refers collectively to Schedules “B”, “C”, and “D” of this lease.

Article 2 GRANT

Leased Premises and Easement

2.1 Witness that in consideration of the rents, covenants and agreements hereinafter reserved and contained on the part of the Tenant(s) to be observed and performed:

- (a) the Landlord leases to the Tenant(s), and the Tenant(s) leases from the Landlord, the improvements (being foundations) located on the Development Lands and shown outlined in bold and identified as **Slab on Grade HG_____ /LMV_____** as shown in the Book of Reference on Reference Plan **EPP_____** (the “**Leasehold Plan**”) (hereinafter referred to as the “**Leased Premises**”). There is also an Easement deposited under plan **EPP_____**;
- (b) The use of the “Building Lot” is free of charge. This Improvement Lease charge covers concrete foundation(s) on which a Tenant(s) may build in accordance with Sunshine Valley Grove Tenant Benefits & Guidelines, site improvements and services on the Lot, plus certain other conveniences and recreation facilities only.
- (c) the Tenant(s) shall be entitled, for the benefit of the Leased Premises, to use, in common with others entitled thereto, the Common Areas.
- (d) Along with this 999-year lease, the Landlord agrees to provide ingress and egress to the facilities indicated in this Lease, along partly graveled roads, but the Landlord accepts no responsibility for damage to any types of vehicles being moved along these roads, whether caused by trees, rocks or any other thing. In winter months if snow-fall is too heavy to maintain the subdivision interior roadways in a vehicle-usage condition, then the Landlord

agrees to supply automobile parking facilities for Tenant(s), along the paved road adjacent to the Village. The Tenant(s) herein releases the Landlord of any and all responsibility for damages of any kind to the buildings, improvements or appurtenances thereon, resulting from snow-fall, tree-fall, rock-fail or any other falling objects, or any "Acts of God". Snow removal will be performed insofar as it is possible, timely, reasonable and weather permitting and is paid for by the purchaser in the Monthly Maintenance Fee.

2.2 This Lease will be the only document issued (together with, and subject to the accompanying Tenant(s) Benefits and Guidelines, which form a part of this Lease, a copy of which is attached hereto.) This Lease will be registered at the Land Title Office at the cost of the Tenant(s).

2.3 The Tenant(s) accepts the Leased Premises in an "as is" condition.

2.4 The Tenant(s) shall examine the Leased Premises before taking possession hereunder and such taking of possession shall be conclusive evidence as against the Tenant(s) that at that time, the Leased Premises were in good order and satisfactory condition and any promises, representations and undertakings by or binding upon the Landlord the Leased Premises were fully satisfied by the Landlord.

2.5 Property (subject of this Lease) shall be free and clear of encumbrances save existing charges and restrictive covenants, reservations and exemptions in the original grant from the Crown, easements in favour of utilities and public authorities, referred to in the regulations, and the Landlord's mortgages in favour of Barbieri Developments Ltd., Clarion Property Corp., 495587 BC Ltd.

2.6 The Tenant(s) has the right, but not the obligation to purchase membership in Sunshine Community Co-operative Club ("SCCC"), a community club which owns the Community Centre with adjacent recreational facilities. (see attached Fee Schedule "E");

Term

2.7 The Tenant(s) will have and hold the Leased Premises for the term of 999 years (the "**Term**") ending on December 31, of the year 3020, unless sooner terminated as herein provided.

Article 3 RENT

Basic Rent

3.1 The Tenant(s) will pay to the Landlord prepaid rent for the Leased Premises of \$ _____ ("**Rent**") plus applicable Goods and Services Tax.

Additional Rent

3.2 The Tenant(s) shall pay as Additional Rent including, but not limited to maintenance, Utilities, Property Tax any other money required to be paid by the Tenant(s) under this Lease, whether or not the same be designated as rent or whether the same be paid to the Landlord or otherwise and if such amounts or charges are not paid at the time provided in this Lease, they shall nevertheless, if not paid when due, be collectible as rent, but nothing herein contained shall be deemed to suspend or delay the payment of any

amount of money or charge at the time the same becomes due and payable hereunder, or limit any other remedy of the Landlord.

Article 4 **NET LEASE**

Intent

4.1 The Tenant(s) acknowledges and agrees that it is intended that this Lease shall be a completely carefree net Lease for the Landlord except as shall be otherwise provided in the specific provisions contained in this Lease, and that the Landlord shall not be responsible during the Term of the Lease for any costs, charges, expenses and outlays of any nature whatsoever arising from or relating to the Development Lands or Leased Premises, excepting only the Landlord's income tax in respect of income received from leasing the Leased Premises and other premises on the Development Lands.

Article 5 **TAXES**

Development Lands Taxes

5.1 The Tenant(s) shall pay to the Landlord, as Additional Rent, in the manner hereinafter specified, for each fiscal period adopted by the Landlord, from time to time, the Tenant(s) Proportionate Share of all Development Lands Taxes (Property Taxes) and:

- (a) the Landlord may estimate in advance for each Lease Year the Tenant(s) Proportionate Share of Development Lands Taxes and the Tenant(s) agrees to pay the Landlord such estimated amount in monthly instalments in advance during the Term;
- (b) the Landlord shall provide the Tenant(s) with a statement showing the actual amount of Development Lands Taxes paid for each Lease Year;
- (c) if the Tenant(s) shall have paid in excess of the Tenant(s) Proportionate Share of Development Lands Taxes for any Lease Year, the excess shall be repaid to the Tenant(s) with delivery of the statement pursuant to Section 5.1(b); and
- (d) if the amount paid by the Tenant(s) is less than the Tenant(s) Proportionate Share of Development Lands Taxes, the Tenant(s) agrees to pay such deficiency to the Landlord upon request.

Separate Tax Assessments

5.2 In the event that there is a separate assessment for the property taxes made against the Development Lands, the Leased Premises or Improvements, the Tenant(s) agrees to pay when due, all such taxes attributable to the Leased Premises or Improvements as a result of such separate assessment in the manner set out in this Section or directly to the taxing authority when due if required by the Landlord and will deliver proof thereof to the Landlord upon request.

Goods and Services Tax

5.3 The Tenant(s) will pay to the Landlord any applicable Goods and Services Tax, business transfer tax, value-added tax, multi-stage sales tax, sales tax or any like tax is imposed by any governmental authority (“**Goods and Services Tax**”) on any Additional Rent payable by the Tenant(s) under this Lease.

Article 6 USE OF COMMON AREAS

Control of Common Areas by the Landlord

6.1 All Common Areas from time to time provided by the Landlord, shall at all times be subject to the exclusive control and management of the Landlord.

Article 7 OPERATING COSTS

Tenant(s) to Bear Pro Rata Share of Expense

7.1 In each Lease Year the Tenant(s) will pay to the Landlord as Additional Rent the Tenant(s) Proportionate Share of Maintenance Costs (the monthly Maintenance Fee – see attached Fee Schedule “E”).

Payment of Tenant(s)’s Proportionate Share

7.2 Operating Costs shall be estimated by the Landlord for such period as the Landlord may determine and the Tenant(s) agrees to pay to the Landlord its Proportionate Share of such amounts in monthly instalments in advance during such period and:

- (a) within 90 days after the expiry of each Lease Year, the Landlord shall provide the Tenant(s) with a statement showing the actual Operating Costs incurred for the Development Lands for such Lease Year;
- (b) if the Tenant(s) shall have paid in excess of the Tenant(s) Proportionate Share of Operating Costs for such Lease Year, the excess shall be refunded by the Landlord to the Tenant(s) with the statement given pursuant to Section 7.2(a);
- (c) if the amount paid by the Tenant(s) is less than the actual amount due, the Tenant(s) agrees to pay such deficiency upon request; and
- (d) the Landlord may revise its statement showing the actual Operating Costs incurred for any Lease Year and the Tenant(s) shall pay such revised amount forthwith on demand notwithstanding any termination of the Lease or expiry of the Term.

**Article 8
TENANT(S)'S COVENANTS**

Rent

8.1 The Tenant(s) covenants to pay Additional Rent as herein provided without set-off or deduction, when due and payable and any unpaid amounts of Additional Rent shall bear interest from the due date thereof to the date of payment at a rate per annum of 18% calculated annually, not in advance.

**Article 9
USE OF PREMISES**

Use of Premises

- 9.1 (a) The Tenant(s) shall use the Leased Premises for the purpose of foundations for construction of Improvements to be used as a residential/recreational dwelling pursuant to Section 11.1 and will not use, permit or suffer the Leased Premises or any part thereof to be used for any other purpose without the written consent of the Landlord.
- (b) The Tenant(s) will not perform any acts or carry on any practices which may injure the Development Lands or be a nuisance or a menace to the Landlord or to other Tenant(s) in the Development Lands.
- (c) The Tenant(s) will, in all respects, comply with the Guidelines and the Rules and Regulations.

**Article 10
UTILITIES**

Utility Charges and Meters

10.1 The Tenant(s) shall be solely responsible for and shall promptly pay all charges for all infrastructure maintenance, gas, electricity, telephone and other utilities (“**Utilities**”) used or consumed on the Leased Premises, Improvements and the Lot ; and:

- (a) if there are no separate meters for measuring the consumption of such utilities (such meters may be installed in the future), the Tenant(s) shall pay to the Landlord, in advance, by monthly instalments as Additional Rent, such amount as may be reasonably estimated by the Landlord from time to time as the cost of such Utilities (see attached Fee Schedule “E”);
- (b) in the event of any dispute between the Landlord and the Tenant(s) as to the amount of such utility costs, the decision of the Landlord shall be final and binding on the Landlord and Tenant(s); and
- (c) in no event shall the Landlord be liable for, nor have any obligation with respect to, an interruption or failure in the supply of Utilities to the Leased Premises, Improvements and Easement Area, whether supplied by the Landlord or others.

Article 11**CONSTRUCTION AND MAINTENANCE OF LEASED PREMISES AND IMPROVEMENTS****Construction and Maintenance by Tenant(s)**

11.1 The Tenant(s) shall within 24 months from commencement of construction (unless approved otherwise in writing from the Landlord):

- (a) FINISH constructing or place-and repair, rebuild and reconstruct, a residential dwelling (or acceptable “**Tiny Home**”) on the Leased Premises pursuant to the design Guidelines; and
- (b) at all times during the Term at its own cost and expense repair, maintain, keep in good order and repair, reasonable wear and tear accepted, the Leased Premises and any Improvements as a careful and prudent owner would do, and the Tenant(s) covenants to perform such maintenance, to affect such repairs and replacements and to decorate at its own cost and expense as and when necessary or reasonably required so to do by the Landlord.

Repair Where Tenant(s) Is At Default

11.2 If the Tenant(s) refuses or neglects to repair properly as required hereunder and to the reasonable satisfaction of the Landlord, the Landlord may make such repairs without liability to the Tenant(s), the Tenant(s) shall pay the Landlord’s actual reasonable costs in the circumstances plus 15% of such costs for making such repairs, forthwith upon presentation of an invoice therefor.

Article 12**INSURANCE AND INDEMNITY****Landlord’s Insurance**

12.1 The Landlord covenants and agrees to place and maintain with respect to the Development Lands:

- (a) general liability insurance with limits of not less than \$5,000,000 for any one occurrence; and
- (b) any and all other insurance considered necessary by the Landlord acting reasonably as a prudent owner.

Notwithstanding the foregoing, the Landlord shall not be required to take out or maintain any insurance with respect to any loss, injury or damage against which the Tenant(s) is required to insure pursuant to this Lease and notwithstanding any contribution by the Tenant(s) to the Landlord’s insurance premiums as provided in this Lease, no insurable interest is conferred upon the Tenant(s) under policies carried by the Landlord.

Tenant(s)'s Insurance

- 12.2 (a) During the whole of the Term and during such other time as the Tenant(s) occupies the Leased Premises and Improvements, the Tenant(s) shall take out and maintain in the name of the Tenant(s), the Landlord, its designated representatives and the Mortgagee as their respective interests may appear the following insurance coverage, at the Tenant(s) sole expense:
- (b) all risk insurance in an amount equal to the full replacement value of the Leased Premises and Improvements as required by the Mortgagee; and
- (c) general liability insurance as required by the Mortgagee against claims for third party bodily injury, including death, and property damage or loss arising out of the use or occupation of the Leased Premises or Improvements, such insurance to be in the joint names of the Tenant(s) and the Landlord so as to indemnify and protect both the Tenant(s) and the Landlord and to contain a "cross liability" or "severability of interest" clause so that the Landlord and the Tenant(s) may be insured in the same manner and to the same extent as if individual policies had been issued to each, and shall be for the amount of not less than \$2,000,000 prior to commencement and during construction and \$3,000,000 after completion of the construction, combined single limit or such other amount as may be reasonably required by the Landlord or the Mortgagee from time to time.
- (d) The Tenant(s)'s policies of insurance hereinbefore referred to may contain the following as required by the Mortgagee:
- (a) provisions that the Landlord is protected notwithstanding any act, neglect or misrepresentation of the Tenant(s) which might otherwise result in the avoidance of a claim under such policies and such policies shall not be affected or invalidated by any act, omission or negligence of the Tenant(s) or any third party which is not within the control of the Landlord;
- (b) provisions that such policies and the coverage evidenced thereby shall be primary and non-contributing with respect to any policies carried by the Landlord;
- (c) all insurance referred to above shall provide for waiver of the insurer's rights of subrogation as against the Landlord;
- (d) provisions that such policies of insurance shall not be restricted, materially changed or cancelled without the insurer providing the Landlord with 30 days written notice stating when such restriction, change or cancellation shall be effective.
- (e) The Tenant(s) may during the whole of the Term maintain such other insurance in such amounts and in such sums as the Landlord or Mortgagee may reasonably determine from time to time.
- (f) Evidence satisfactory to the Landlord of all policies of insurance may be required to be maintained by the Tenant(s) pursuant to the provisions of this Lease shall be provided to the Landlord prior to the Tenant(s) taking possession of the Leased Premises and upon request.

Bodily Injury, Death, Loss or Damage

12.3 The Tenant(s) agrees that the Landlord shall not be liable for any bodily injury to or death of, or loss or damage to any property belonging to the Tenant(s) or its employees, invitees or licensees or any other person in or about the Leased Premises or Improvements or the Development Lands and in no event shall the Landlord be liable for any consequential injury, economic or financial loss or damage relating thereto and the Tenant(s) covenants to indemnify and does hereby indemnify the Landlord against and from all loss, costs, claims and demands in respect of any such injury, death or loss to it or its employees, invitees or licensees or any other person in or on the Leased Premises, Improvements and Development Lands in respect of any such damage to property belonging to or entrusted to the care of any of the aforementioned.

Cancellation of Insurance

12.4 If any required insurance policy upon the Leased Premises or Improvements, or any part thereof, shall be cancelled or shall be threatened by the insurer to be cancelled, or the coverage thereunder reduced in any way by the insurer by reason of the use and occupation of the Leased Premises or Improvements, or any part thereof by the Tenant(s) or by any assignee or sub-Tenant(s) of the Tenant(s), or by anyone permitted by the Tenant(s) to be upon the Leased Premises or Improvements, and if the Tenant(s) fails to remedy the condition giving rise to cancellation or reduction of coverage within 48 hours after notice thereof by the Landlord, the Landlord may remedy the condition giving rise to such cancellation, threatened cancellation or reduction, and the Tenant(s) shall forthwith pay the cost thereof to the Landlord which cost may be collected by the Landlord as Additional Rent.

Indemnification of Landlord

12.5 Except for any damage caused by the Landlord or its agents or contractors, the Tenant(s) agrees to and does hereby indemnify, defend and save harmless the Landlord in respect of any claims for bodily injury or death, property damage or any other loss or damage, arising howsoever, out of the use or occupation of the Leased Premises or Improvements, or from conduct of any work by or any act or omission of the Tenant(s) or any assignee, sub -Tenant(s), agent, employee contractor, invitee, or licensee of the Tenant(s) or anyone else for whom the Tenant(s) may be responsible in law, and in respect of all costs, expenses and liabilities incurred by the Landlord in connection with or arising out of all such claims, including the expense of any action or proceeding pertaining thereto and in respect of any loss, cost, expense or damage suffered or incurred by the Landlord arising from any breach or non-performance by the Tenant(s) of any of its covenants or obligations under this Lease and:

- (a) the Tenant(s)'s obligations to observe or perform the foregoing covenants shall survive the expiration or other termination of this Lease; and
- (b) the Tenant(s) expressly releases the Landlord from any claims, damages, judgements, losses or awards caused by or arising from perils insured against or required to be insured against by the Tenant(s) under this Lease.

Article 13
ASSIGNMENT AND SUBLETTING

Consent Not Required

- 13.1 (a) Provided the Tenant(s) is not in default of this Lease, the Tenant(s) shall be entitled to assign this Lease or sublet the Leased Premises without the prior written consent of the Landlord:
- i) After building a cabin/home on the Leased Premises; or
 - ii) After 12 months of the commencement date of this Improvement Lease but only at the current price the Developer has the lots publicly listed for sale at; or
 - iii) After 36 months of the commencement date of this Improvement Lease without condition.
- (b) Upon any assignment, the Tenants(s) shall be released from performing any of the terms, covenants and conditions of this Lease during the Term provided the provisions of Section 13.1(c) are complied with; and
- (c) No assignment shall be made unless the assignee or subtenant undertakes to perform and observe the obligations of the Tenant(s) hereunder by entering into the Landlord's form of agreement prepared in that regard directly with the Landlord, which shall not materially differ from this Lease in terms of additional obligations or fees on the part of such assignee without the Tenant(s) written consent.
- (d) If a Tenant wishes to rent their cabin/home out on a nightly basis they must observe the Rules and Regulations as set out herein.

Article 14
WASTE, GOVERNMENTAL REGULATION

Waste or Nuisance

14.1 The Tenant(s) shall not commit or suffer to be committed any waste upon the Leased Premises, Improvements or Easement Area (which for clarity does not include repairing, rebuilding or replacing, from time to time, the Improvements), or any nuisance or other thing which may disturb the quiet enjoyment of any other tenant in the Development Lands.

Governmental Regulations

14.2 The Tenant(s) shall, at the Tenant(s) sole cost and expense, comply with all of the requirements of all municipal, provincial, federal and other applicable governmental authorities, now in force, or which may hereafter be in force, pertaining to the Leased Premises, Improvements or Easement Area and shall faithfully observe in the use of the Leased Premises, Improvements and Easement Area, all governmental by-laws and provincial and federal statutes and regulations now in force or which may hereafter be in force.

Article 15
LANDLORD’S COVENANTS

Landlord’s Covenants

15.1 Upon payment by the Tenant(s) of the Rent herein provided, and upon observance and performance of all covenants, terms and conditions on the Tenant(s) part to be observed and performed, the Landlord hereby covenants with the Tenant(s):

- (a) for quiet enjoyment for the Term hereby demised without hindrance or interruption by the Landlord, or any other person or persons lawfully claiming by, through or under the Landlord; and
- (b) subject to the other provisions of this Lease, to maintain, and to insure the Common Areas and the Development Lands as a landlord, acting reasonably, would do in similar circumstances.

Article 16
FIXTURES AND ALTERATIONS

Improvements by Tenant(s)

16.1 All Improvements constructed by the Tenant(s) are and shall remain the property of the Tenant(s).

Tenant(s) shall Discharge all Liens

16.2 Subject to Section 16.3, the Tenant(s) shall promptly pay all its contractors and material men and shall do any and all things necessary so as to minimize the possibility of a lien attaching to the Leased Premises or to any or all of the Development Lands and should any such lien be made or filed, the Tenant(s) shall immediately discharge the same at the Tenant(s) expense and shall indemnify and save harmless the Landlord therefrom provided that if the Tenant(s) does not immediately discharge such lien, the Landlord may pay such lien and the Tenant(s) will pay to the Landlord the amount so paid and all the Landlord’s costs in connection therewith which amounts shall be collectible by the Landlord as Additional Rent hereunder.

Builders' Liens

16.3 In the event of a bona fide dispute by the Tenant(s) of the validity or correctness of any claim for any lien contemplated in Section 16.2, the Tenant(s) shall be entitled to defend against the same in any proceedings brought in respect thereof after first paying into Court the amount claimed or sufficient security therefor, and such costs as the Court may direct, and registering all such documents as may be necessary to cancel such lien, or providing such other security in respect of such claim as the Landlord may in writing approve, such approval not to be unreasonably withheld.

Article 17
DAMAGE AND DESTRUCTION

Total or Partial Destruction

17.1 Where the Tenant(s) has not entered into a mortgage as contemplated in Section 23.1, if the Leased Premises or Improvements are wholly or partially damaged or destroyed by an Insurable Hazard:

- (a) the Tenant(s) shall, subject to Section 17.1(b), repair or replace the Leased Premises and Improvements with reasonable diligence and in any event not later than 2 years following such damage or destruction; or
- (b) the Tenant(s) may terminate this Lease and the tenancy hereby created by giving to the Landlord 60 days written notice thereof and in the event of such termination:
 - (ii) the Lease shall terminate;
 - (iii) the Tenant(s) shall deliver up vacant possession of the Leased Premises on the date specified in the notice with the Easement Area cleared and restored as nearly as possible to its condition prior to the commencement of construction of the Leased Premises and Improvements; and
 - (iv) in no event shall the Rent be adjusted and rebated to the Tenant(s).

Article 18
EXPROPRIATION

Expropriation of the Development Lands

18.1 If during the Term the Development Lands, or any part thereof, shall be acquired or condemned by expropriation for any public or quasi-public use or purpose, then the Landlord, Tenant(s) and Tenant(s) Mortgagee may separately claim, receive and retain awards of compensation for the loss of their respective interests, but neither the Landlord, Tenant(s) nor the Mortgagee shall have any claim against the other in respect of the said loss of the unexpired Term.

Article 19
DEFAULT OF TENANT(S)

Remedies

19.1 If and whenever:

- (a) any Additional Rent or other amount payable by the Tenant(s) under this Lease, including any instalment thereof, shall be in arrears and shall not then be paid within 15 days after written notice of default is given by the Landlord; or
- (b) the Tenant(s) shall have breached or failed to comply with any of its other covenants and agreements contained in this Lease, and shall have failed to remedy such breach or non-compliance within 30 days after written notice thereof given by the Landlord to the Tenant(s) (or such longer period if any as the Landlord may in writing allow for the remedying of such breach or non-compliance), provided however that no time for the remedying of such breach or non-compliance shall or need be given or allowed where the breach or non-compliance is one not reasonably capable of being remedied within a reasonable time,

then the Landlord shall be entitled to exercise its remedies pursuant to Section 19.2.

Damages

19.2 Subject to Sections 19.3 and 19.4, if the Tenant(s) is in default of Section 19.1(a) or (b) and such breach has not been remedied within the time set forth therein, then in either such case, the Landlord, in addition to any other remedy now or hereafter provided by law, may subject to Section 23.1, at its option terminate this Lease immediately and re-enter and take possession immediately without any previous notice of intention to re-enter, and may remove all persons and property, and may use such force and assistance in making such removal as the Landlord may deem advisable to recover at once full and exclusive possession of the Premises and such re-entry will not operate as a waiver or satisfaction in whole or in part of any right or claim of the Landlord arising as a consequence of any breach by the Tenant(s) of any provision contained in this Lease.

19.3 Once the Improvements are constructed as contemplated herein, or if Leased Premises are damaged or destroyed as contemplated in Section 23.1(f), the only remedies available to the Landlord under Section 19.1 shall be injunctive relief or the right to recover damages incurred as a result of such breach, subject to Section 19.4.

19.4 If the Improvements are damaged or destroyed as contemplated in Section 17.1 and the Tenant(s) elects to repair or replace the Improvements as contemplated in Section 17.1(a), then the Landlord shall have the right to exercise any or all rights pursuant to Section 19.1 until such repair or replacement is commenced, after which the Landlord shall only be entitled to injunctive relief or the right to recover damages incurred as a result of such breach.

Landlord's Right to Perform

19.5 If the Tenant(s) shall fail to observe, perform or keep any of the provisions of this Lease to be observed, performed and kept by the Tenant(s), the Landlord may, but shall not be obliged to, at its discretion and without prejudice, rectify the default of the Tenant(s), whether or not performance by the Landlord on behalf of the Tenant(s) is otherwise expressly referred to in the applicable Section of this Lease:

- (a) for such purpose the Landlord may make any payment and may do or cause to be done such things as may be required including, without limiting the generality of the foregoing, entry upon the Leased Premises; and
- (b) any such performance by or at the request of the Landlord shall be at the expense of the Tenant(s) and the Tenant(s) shall pay to Landlord the cost thereof as Additional Rent.

Landlord’s Expenses Enforcing Lease

19.6 If it shall be necessary for the Landlord to retain the services of a solicitor or any other proper person for the purpose of assisting the Landlord in enforcing any of its rights hereunder in the event of default on the part of the Tenant(s), the Landlord shall be entitled to collect from the Tenant(s) the cost of all such services including all necessary court proceedings at trial or on appeal on a solicitor-client basis as if the same were deemed to be Rent reserved and in arrears hereunder.

Article 20
ASSIGNMENT BY LANDLORD

Assignment

20.1 In the event of the sale or lease by the Landlord of the Development Lands or the assignment by the Landlord of this Lease or any interest of the Landlord hereunder, and to the extent that any purchaser or assignee by agreement with the Landlord has assumed the covenants and obligations of the Landlord hereunder, the Landlord shall without further written agreement be freed and relieved of liability upon such covenants and obligations.

Article 21
GUIDELINES AND RULES AND REGULATIONS

Rules and Regulations

21.1 The Guidelines and Rules and Regulations, as amended from time to time by the Landlord in its sole discretion, acting reasonably, are hereby made a part of this Lease and the Tenant(s) agrees to comply with and observe the same and:

- (a) the Tenant(s)’s failure to keep and observe the Guidelines and Rules and Regulations shall constitute a breach of this Lease in the manner as if the same were contained herein as covenants; and
- (b) written notice any amendment to the Guidelines and Rules and Regulations shall be given to the Tenant(s) by the Landlord.

Article 22
MORTGAGE BY LANDLORD, ESTOPPEL CERTIFICATE AND ATTORNMENT

Mortgage by Landlord

22.1 The Landlord may mortgage its interest in the Development Lands from time to time to a mortgagee (a “**Landlord Mortgagee**”). The Landlord shall postpone its’ Landlord Mortgage in favour of the Registered Leases.

Estoppel Certificate

22.2 Within 10 days after request therefor by either party to the other, the party to whom the request is made agrees to deliver in a form supplied by the requesting party an estoppel certificate addressed to the requesting party, and such other parties as are designated by the requesting party, certifying that this Lease is in full force and effect and such other matters that the requesting party requires to be certified.

Article 23
MORTGAGING OF LEASEHOLD ESTATE

Mortgaging of Leasehold Estate

23.1 The Tenant(s) may at any time mortgage, encumber, pledge or assign as security, its interest in this Lease and the Leased Premises to a mortgagee (a “**Tenant(s) Mortgagee**”) and if the Tenant(s) Mortgagee notifies the Landlord in writing in the manner herein provided for the giving of notice of the execution of such mortgage, and the name and place for service of notice upon such Tenant(s) Mortgagee, then in such event, the Landlord hereby agrees, notwithstanding any other provision herein, as follows:

- (a) the Landlord shall not exercise effectively as against the Tenant(s) Mortgagee any right of re-entry or distress or right to terminate this Lease until:
 - (i) the Landlord gives to the Tenant(s) Mortgagee at least 45 days in writing of the intention to re-enter or to distrain or to terminate specifying the full particulars of the grounds therefor;
 - (ii) the Tenant(s) Mortgagee does not during that 45 day period either remedy all specified proper grounds for re-entry or distraint or termination or give to the Landlord notice in writing that the Tenant(s) Mortgagee intends to take, or has taken, formal proceedings for the enforcement of its mortgage and the protection of its position;
 - (ii) the Tenant(s) Mortgagee, having given the notice specified in Section 23.1(a)(ii), has had reasonable time to pursue to its conclusion all reasonable proceedings for the enforcement of its mortgage and the protection of its position;
- (b) if upon the conclusion of proceedings by the Tenant(s) Mortgagee for the enforcement of its mortgage and the protection of its position, the rights of the Tenant(s) have been released to the Tenant(s) Mortgagee or foreclosed or sold, thereupon all then existing grounds for re-entry or distress or termination and all then existing rights (if any) of re-entry or distress or

termination shall terminate, and the Tenant(s) Mortgagee or purchaser shall become the Tenant free of all liability for such grounds;

- (c) where the Landlord, at the request of the Tenant(s), intends to terminate the Lease either by surrender of lease or otherwise, notice of such intention shall be given in writing to the Tenant(s) Mortgagee, allowing the Tenant(s) Mortgagee at least 60 days to obtain repayment in full of the outstanding mortgage, inclusive of interest and penalties, or take mortgage default enforcement action with its rights pursuant to the provisions herein intact and if the Tenant(s) Mortgagee provides to the Landlord notice of its intention to commence or the commencement of mortgage default enforcement action to realize on its security, including but not limited to foreclosure proceedings, the Landlord shall not accept the surrender of Lease;
- (d) throughout any period of time during which, as a result of proceedings for default under the mortgage including transfer of title under the Act, the Tenant(s) Mortgagee or CMHC as successor is in leasehold possession of the Leased Premises holds leasehold title to the Leased Premises:
 - (i) the Landlord waives, as against the Tenant(s) Mortgagee and CMHC and their successors and assigns, all rent and additional rent and interest accruing and otherwise required to be paid under this Lease, but for the purposes of this waiver, Rent and Additional Rent do not include municipal real estate taxes, school taxes, local improvement charges, water rates and utility charges required to be paid by the Landlord or the Tenant(s) and the actual costs of construction, maintenance and repair of damage that are the responsibility of the Tenant(s);
 - (ii) the review and approval of the Landlord shall not be required with respect to plans, specifications, contractors, workers, tradesmen, materials, proposals, details and drawings for repairs, replacements, maintenance, improvements, alterations, and decorations; and
 - (iii) the consent of the Landlord shall not be required with respect to any vacancy of or removal of goods from the Leased Premises;
- (e) no restriction on assignment or subletting of this Lease by the Tenant(s) applies to any assignment or subletting or release of this Lease to the Tenant(s) Mortgagee or CMHC as successor, and the Tenant(s) Mortgagee and CMHC shall not remain liable on this Agreement after assignment or release by them;
- (f) if at any time the Leased Premises or Improvements are damaged or destroyed to the extent of 25% or more of their full insurable value, then the Tenant(s) Mortgagee or CMHC as successor may, within 60 days of its receipt of notice of the event and extent of damage or destruction and appropriate amount of available insurance proceeds, elect to require that the insurance proceeds not be applied toward the repair or rebuilding or restoration of the Leased Premises and Improvements, and in the event of such an election the insurance proceeds shall be applied, in priority:

- (i) first, but only if and to the extent required by the Landlord or the Tenant(s), toward clearing and restoring the lands as nearly as possible to their condition prior to the commencement of construction of the Leased Premises and Improvements;
 - (ii) second, towards payment of all moneys owing on the Tenant(s) Mortgage;
 - (iii) third, towards payment of all moneys payable to the Landlord under this Lease;
 - (iv) fourth, in payment to the Landlord and the Tenant(s) in accordance with their interests therein, and the Tenant(s) shall not be obligated to repair or rebuild or restore the Leased Premises and Improvements;
- (g) there shall be no obligation on CMHC to arrange or maintain any insurance, and for the purposes of Section 23.1(f) if because CMHC has not arranged or maintained insurance there are no, or insufficient insurance proceeds, and CMHC makes the election specified, then CMHC shall not be required to do more than clear and restore the Easement Area as nearly as possible to their condition prior to the commencement of construction of the Leased Premises and Improvements and shall be entitled to apply to that end whatever insurance proceeds may be available;
- (h) there shall be no obligation on CMHC to indemnify the Landlord except where CMHC would be so obligated apart from the terms of this Lease;
- (i) the party requiring arbitration pursuant to Section 24.5 shall give timely notice of all arbitration proceedings to the Tenant(s) Mortgagee and the Tenant(s) Mortgagee may participate fully in the proceedings if in its reasonable opinion the outcome may affect its security; and
- (j) without restricting the generality of the foregoing, the words "Tenant(s) Mortgagee" includes CMHC.

Article 24

MISCELLANEOUS

Successors

24.1 All rights and liabilities herein given to, or imposed upon the respective parties hereto shall extend to and bind the several respective heirs, executors, administrators, successors and assigns of the said parties.

Constitution of Tenant(s)

24.2 If at any time during the Term there is more than one Tenant(s) or more than one person constituting the Tenant(s) hereunder, then they shall each be liable jointly and severally for all Tenant(s)'s obligations hereunder and a default by one shall be deemed a default by all.

Entire Agreement

24.3 The Landlord and Tenant(s) agree that:

- (a) except as herein otherwise provided, no subsequent alteration, amendment, change or addition to this Lease shall be binding upon the Landlord or the Tenant(s) unless reduced to writing and signed by them; and
- (b) this Lease supersedes, replaces and merges all previous agreements, arrangements and discussions, whether oral, written, customary or otherwise, regarding the Tenant(s) interest in the Development Lands.

Force Majeure

24.4 Save as otherwise herein provided, in the event that either party hereto shall be delayed or hindered in or by reason of strikes, lock-outs, labour troubles, inability to procure materials, failure of power, restrictive governmental laws or regulations, riots, insurrection, war, vandalism, acts of terrorism or other reason of like nature not the fault of the party delayed in performing work or doing acts required under the terms of this Lease, and not a delay caused by lack of funds or other financial reason, then performance of such act shall be excused for the period of the delay and the period for the performance of any such act shall be extended for a period equivalent to the period of such delay.

Arbitration

24.5 If the Landlord and the Tenant(s) are in disagreement with any matter requiring agreement herein, such matter shall be referred to arbitration pursuant to the Commercial Arbitration Act (B.C.) or successor legislation.

Notices

24.6 Any notice, demand, request or other instrument which may be or is required to be given under this Lease, shall be delivered in person or sent by registered mail postage prepaid and shall be addressed:

- (a) If to the Landlord:

SUNSHINE VALLEY DEVELOPMENTS LTD.
 330-522 Seventh Street
 New Westminster, BC V3M 5T5

Attention: Dorie-Anne Leggett - Lawyer – Cassidy and Company

- (b) If to the Tenant(s):

or at such other address as the Landlord or the Tenant(s) may designate by written notice. Any such notice, demand, request or consent shall be conclusively deemed to have been given or made on the day upon which such notice, demand, request or consent is delivered, or if mailed, then on the third business day following

the date of the mailing as the case may be, and either party may at any time give notice in writing to the other of any change of address of the party giving such notice and from and after the giving of such notice, the address therein specified shall be deemed to be the address of such party for the giving of notices hereunder, provided that in the case of interruption in the ordinary postal service, any notice, demand, request or consent given hereunder shall be delivered and not mailed.

Section and Article Numbers

24.7 The captions, section numbers and article numbers do not define, limit, construe or describe the scope or intent of the sections or articles.

Governing Law

24.8 This Lease shall be construed and governed by the laws of the Province of British Columbia and the laws of Canada applicable therein.

Time

24.9 Time shall be of the essence herein.

No Waiver

24.10 No condoning, excusing or overlooking by the Landlord or the Tenant(s) of any default, breach or non-observance by the Tenant(s) or the Landlord at any time or times in respect of any covenant, proviso or condition herein contained shall operate as a condoning, excusing or overlooking of any continuing or subsequent default, breach or non-observance, or so as to defeat or affect in any way the rights of the Landlord or Tenant(s) herein in respect of any such continuing or subsequent default or breach and:

- (a) no waiver shall be inferred from or implied by anything done or omitted by the Landlord or the Tenant(s) save only expressed waivers in writing; and
- (b) all rights and remedies of the Landlord in this Lease contained shall be cumulative and not alternative.

As evidence of their agreement to be bound by the terms of this Lease, the Landlord and Tenant(s) have executed the *Land Title Act* Form C which is attached hereto and forms part of this Lease.