

Disclosure Statement dated July 17, 2006

DISCLOSURE STATEMENT
OF
PAINTED BOAT DEVELOPMENTS LTD.
(Developer)

FOR
"PAINTED BOAT RESORT SPA AND MARINA"

Mailing Address of Developer:
303 Mountain Highway, North Vancouver,
British Columbia V7J 2K7

Address for Service:
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Barristers & Solicitors
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Real Estate Agent Retained by the Developer:
Multiple Realty Ltd.
2298 Kingsway, Vancouver, BC, V5N 5M9

This Disclosure Statement has been filed with the Superintendent of Real Estate, but neither the Superintendent, nor any other authority of the government of the Province of British Columbia, has determined the merits of any statement contained in the Disclosure Statement, or whether the Disclosure Statement contains a misrepresentation or otherwise fails to comply with the requirements of the *Real Estate Development Marketing Act*. It is the responsibility of the developer to disclose plainly all material facts, without misrepresentation.

NOTICE RE RIGHTS OF RESCISSION AND COMMENCEMENT OF MARKETING

Under section 21 of the *Real Estate Development Marketing Act*, the purchaser or lessee of a development unit may rescind (cancel) the contract of purchase and sale or contract to lease by serving written notice on the developer or the developer's brokerage, within seven (7) days after the later of the date the contract was entered into or the date the purchaser or lessee received a copy of this Disclosure Statement.

A purchaser may serve a notice of rescission by delivering or sending by registered mail a signed copy of the notice to:

- (a) the developer at the address shown in the disclosure statement received by the purchaser;
- (b) the developer at the address shown in the purchaser's purchase agreement;
- (c) the developer's brokerage, if any, at the address shown in the disclosure statement received by the purchaser; or
- (d) the developer's brokerage, if any, at the address shown in the purchaser's purchase agreement.

The developer must promptly place the purchasers' deposits with a brokerage, lawyer or notary public who must place the deposits in a trust account in a savings institution in British Columbia. If a purchaser rescinds their purchase agreement in accordance with the Act and regulations, the developer or the developer's trustee must promptly return the deposit to the purchaser.

Pursuant to Policy Statement 5 issued by the Superintendent of Real Estate under the *Real Estate Development Marketing Act*, a Developer may begin marketing on complying with the following terms and conditions:

- a. The estimated date, as disclosed in the Disclosure Statement, for the issuance of a building permit is nine (9) months or less from the date the Developer filed the Disclosure Statement with the Superintendent;
- b. The Developer markets the proposed development units under the Disclosure statement for a period of no more that nine (9) months from the date the Disclosure Statement was filed with the Superintendent, unless an amendment to the Disclosure Statement that sets out particulars of the issued building permit is filed with the Superintendent during that period;
- c. Any purchase agreement used by the Developer with respect to any development unit offered for sale or lease before the purchaser's receipt of an amendment to the Disclosure Statement that sets out particulars of the issued building permit, contains the following provisions;

- i. **The purchaser may cancel the purchase agreement for a period of seven days after receipt of an amendment to the disclosure statement that sets out particulars of the issued development approval if the layout or size of the applicable development unit, the construction of a major common facility, including a recreation centre or clubhouse, or the general layout of the development, is materially changed by the issuance of development approval;**
- ii. **If an amendment to the disclosure statement that sets out particulars of an issued development approval is not received by the purchaser within 12 months after the initial disclosure statement was filed, the purchaser may at his or her option cancel the purchase agreement at any time after the end of that 12 month period until the required amendment is received by the purchaser, at which time the purchaser may cancel the purchase agreement for a period of seven days after receipt of that amendment only if the layout or size of the applicable development unit, the construction of a major common facility, including a recreation centre or clubhouse, or the general layout of the development, is materially changed by the issuance of the development approval;**
- iii. **The amount of the deposit to be paid by a purchaser who has not yet received an amendment to the disclosure statement that sets out particulars of an issued development approval is no more than 10% of the purchase price; and**
- iv. **All deposits paid by a purchaser, including interest earned if applicable, will be returned promptly to the purchaser upon notice of cancellation from the purchaser.**

Pursuant to Policy Statement 6 issued by the Superintendent of Real Estate under the *Real Estate Development Marketing Act*, a Developer may begin marketing on complying with the following terms and conditions:

- a. **The estimated date for obtaining a satisfactory financing commitment, as disclosed in the Disclosure Statement, is nine (9) months or less from the date the Developer filed the Disclosure Statement with the Superintendent;**
- b. **The Developer markets the proposed development units under the Disclosure Statement for a period of no more than nine (9) months from the date the Disclosure Statement was filed with the Superintendent, unless an amendment to the Disclosure Statement that sets out particulars of a satisfactory financing commitment is filed with the Superintendent during that period;**
- d. **Any purchase agreement used by the Developer, with respect to any development unit offered for sale or lease before the purchaser's receipt of an amendment to the Disclosure Statement that sets out particulars of a satisfactory financing commitment, contains the following terms:**

- i. if an amendment to the Disclosure Statement that sets out particulars of a satisfactory financing commitment is not received by the purchaser within (12) months after the initial Disclosure Statement was filed, the purchaser may at his or her option cancel the purchase agreement at any time after the end of that twelve (12) month period until the required amendment is received by the purchaser;**
- ii. the amount of the deposit to be paid by a purchaser who has not yet received an amendment to the Disclosure Statement that sets out particulars of a satisfactory financing commitment is not more than ten percents (10%) of the purchase price;**
- iii. all deposits paid by a purchaser, including interest earned if applicable, will be returned promptly to the purchaser upon notice of cancellation from the purchaser.**

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EXHIBIT "O"	Form of Owners Corporation Management Agreement between Painted Boat Management Ltd. and Painted Boat Owners Corporation
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DEFINITIONS

"Corporation Assessments" means the monthly assessments for each Strata Lot and Quarter Interest in respect of the Owners Corporation operating expenses more particularly described in subsection 3.8(c);

"Developer" means Painted Boat Developments Ltd.;

"Development" means the development known as "Painted Boat Resort Spa and Marina" at Madeira Park, Pender Harbour, British Columbia;

"Management Services" means those services provided by the Quarter Interest Manager and more fully defined in the Owners Corporation Management Agreement;

"Marina Lands" means those lands on which Painted Boat Marina and Restaurant will operate, legally described as Lease no. 232125 dated December 29, 1983 covering lot 6348, Group 1, New Westminster District, containing 0.5520 hectares and expiring on December 29, 2013, which presently includes a 60 slip marina, and a proposed 2200 square foot restaurant, 1200 square foot meeting room (sizes are approximate) plus associated outdoor patios contained within the foreshore lease area;

"Operating Costs" has the meaning set out in subsection 3.8(c);

"Owner" means a person who has or will purchase an interest in a Resort Strata Lot as a Quarter Interest Owner and a person who has or will purchase an interest in the Commercial Strata Lot;

"Owners Corporation" means Painted Boat Owners Corporation, the company owned by the Quarter Interest Owners responsible for managing the services and expenses, as more particularly described in section 4.9

"Owners Corporation Management Agreement" means the agreement between the Quarter Interest Manager and the Owners' Corporation relating to the Owners' Corporation obligations under the Sublease, substantially in the form attached as EXHIBIT "O" hereto and as more particularly described in Section 4.8;

"Period of Use" means that specific period of time as illustrated in the five year rotation schedule attached hereto as Exhibit "M", which will be a minimum of 12 weeks, in each calendar year, which weeks vary from year to year, that the Owner shall enjoy the right of occupancy to the Resort Strata Lot;

"Quarter Interest" means an interest in a Strata Lot offered for sale under this Disclosure Statement which consists of an undivided one-quarter fee simple interest in a Strata Lot and a leasehold interest in such Strata Lot under a Sublease and which comprises a time share interest for the purposes of the *Real Estate Development Marketing Act*, and **"Quarter Interests"** has a corresponding meaning;

"Quarter Interest Manager" means the manager servicing the needs of the Owners Corporation who initially will be Painted Boat Management Ltd., a company that will be set up prior to completion of the development;

"Quarter Interest Owner" means a person who is the registered owner of a Quarter Interest;

"Quarter Interest Program" means the structure whereby Strata Lots may be divided into Quarter Interests;

"Real Estate Development Marketing Act" means the *Real Estate Development Marketing Act* (British Columbia), as amended from time to time;

"Rental Covenant" means the Section 219 Covenant contemplated in subsection 6.4(d) and described in subsection 2.2(c) and includes any modification, amendment or replacement thereof;

"Rental Management Arrangement" means the arrangement by which the Resort Strata Lots may be made available by the owners for rental to the public in accordance with the Rental Management Agreement;

"Rental Manager" means the manager appointed by the Developer whose responsibility it is to manage the rental of the Resort Strata Lots by an owner pursuant to the Rental Management Agreement who initially will be Painted Boat Management Ltd.;

"Resort Strata Lots" means Strata Lots 1 to 31, which are the subject of this offering;

"Strata Assessments" means the monthly assessments for each Strata Lot and Quarter Interest in respect of Strata Corporation operating expenses, as more particularly described in subsection 3.8(a);

"Strata Corporation" means the strata corporation for the Development created by operation of law upon the deposit of the Strata Plan in the Land Title Office;

"Strata Lots" means the 31 Resort Strata Lots and the 1 Commercial Strata Lot, which are the subject of this offering and Strata Lot means any one of such Strata Lots;

"Strata Manager" means the company servicing the needs of the Strata Corporation who initially will be Painted Boat Management Ltd.;

"Strata Plan" means the final surveyed strata plan for the Development deposited and registered in the Land Title Office;

"Strata Property Act" means the *Strata Property Act* (British Columbia) as amended from time to time;

"Sublease" means a sublease of a Resort Strata Lot granted by the Owners Corporation to a Quarter Interest Owner substantially in the form attached as Exhibit "L" to this Disclosure Statement. There will be four subleases for each Resort Strata Lot, each entitling the tenant thereunder to the use of the Resort Strata Lot for a minimum of 12 specified weeks each year each for a minimum of a one week period, which collectively comprise a time share ownership plan for the purposes of the *Real Estate Development Marketing Act*;

" Superintendent" means the Superintendent of Real Estate for British Columbia; and

"Unit Entitlement" has the meaning set out in section 3.1.

1. THE DEVELOPER

1.1 Incorporation

The Developer is Painted Boat Developments Ltd. (the "Developer"), which was incorporated under the *Business Corporations Act* of British Columbia on June 21, 2006 under Incorporation No. BC0761401.

1.2 Assets

The Developer was formed and incorporated specifically for the purpose of developing the property described herein and neither the Developer nor its General Partner have any other assets apart from the development property.

1.3 The Registered and Records Office of the Developer is:

400 - 999 West Hastings Street
Vancouver, British Columbia V6C 2W2

1.4 The following is a list of the Directors of Painted Boat Developments Ltd.:

Michael B. Donald

Ken W. Delf

Alison Delf

2. THE DEVELOPMENT

2.1 General Description of the Development

(a) General Description

Painted Boat Resort Spa and Marina is situated on 5.81 acres (2.35 hectares) of oceanfront property at 12849 Lagoon Road in the community of Madeira Park, in Pender Harbour on the Sunshine Coast of southwestern British Columbia (the "Development"). Madeira Park is the business and population centre of Pender Harbour with a post office, liquor store, veterinary clinic, shopping centre, elementary school, the Pender Harbour Health Centre, Pender Harbour Legion, the largest of three government wharves, wharfinger's office and Dept. of Fisheries & Oceans office. All are within walking distance of Painted Boat Resort.

The Development is located 60 km (an approximately 50 minute drive) from the Langdale ferry terminal, which serves as the access point for travelers from the Lower Mainland. The Horseshoe Bay to Langdale ferry is a 40-minute crossing and has service throughout the day at two-hour intervals.

Pender Harbour has numerous marinas, marine parks, three government wharves and several waterfront pubs and restaurants. Visitors can and do travel to Pender Harbour by water year-round.

Pender Harbour is also a Transport Canada registered float plane base. Float planes land easily in many parts of Pender Harbour, including downtown Madeira Park at the government wharf, Garden Bay, Irvine's Landing and Ruby Lake.

The Development is to be an ocean-front condominium resort and when completed will consist of the buildings and facilities as shown on the Preliminary Strata Plan for the Development attached hereto as EXHIBIT A and described below:

- four residential buildings averaging 2 ½ stories in height containing a total of thirty one (31) two bedroom and two bedroom plus den suites, each with its own large outdoor patio or deck,
- outdoor leisure pool and hot pool with a single story building containing the pool mechanical room, washroom facilities, and fitness centre,
- carports for 31 vehicles (parking arrangements are described in more detail in section 3.6 below),
- a refurbished cottage (currently existing) to include housekeeping facilities with staff room, laundry, and storage,
- a single story spa / wellness centre with treatment rooms, showers and steam rooms, which will be a separate commercial strata lot, and will include limited common property for outdoor garden and hot pool,
- a reception area for the resort which will be attached to the spa building,
- a two story building on the Marina Lands containing a 40 seat waterfront restaurant on the upper level with meeting / conference room on the lower level
- a marina with 5 slips set aside for public use and approximately 55 slips (number will vary depending on the size of the berth required) for use by owners or the public.

The suites will be strata titled, creating thirty-one (31) resort strata lots. The spa will also be strata titled, creating one (1) commercial strata lot for a total of thirty-two (32) strata lots. The Developer will retain ownership of the restaurant, meeting/conference room and marina. The fitness centre, pools, carports, housekeeping facilities, and reception area will be designated as common property.

Each resort strata lot will contain furnishings, fixtures and equipment appropriate to a furnished resort style accommodation unit. Particulars of such items will be provided to purchasers at the time of purchase. Further information is set out in under noted Section 4.15. In addition, the fitness centre, pool area, housekeeping facilities, and reception area will be furnished as required.

While the buildings and facilities will be constructed substantially as shown on the Preliminary Strata Plan, minor changes to plans or specifications, including room and other dimensions, finish and fixtures, may be made by the Developer provided that any substitutions shall be on the basis of equal or better quality.

The Developer, at its expense, will construct two community sewer treatment systems and utility buildings for the sewer treatment systems on the common lands. One of the sewer treatment systems will be for the exclusive use of the strata lots and common facilities. The other sewer treatment system will be for the exclusive use of the restaurant, meeting

conference room and marina. The Owners will retain ownership of the sewer treatment systems, however the Sunshine Coast Regional District will take over operations and maintenance of these facilities one year after the occupancy permit has been issued for the strata lots. Each facility will have separate maintenance charges.

It is anticipated that the owners of some Strata Lots may take possession and occupy Strata Lots while construction continues on the remaining Strata Lots. Residents of the Strata Lots should expect noise, dust, disruption of services and other such inconveniences normally associated with construction during construction working hours until the completion of the Development.

The Development consists of four undivided one-quarter fee simple interests (a "Quarter Interest") in each of the 31 Resort Strata Lots being offered for sale pursuant to this Disclosure Statement (for a total of 124 Quarter Interests being offered). The interests offered under this Disclosure Statement constitute time-share interests and together comprise a time-share ownership plan for the purpose of the *Real Estate Development Marketing Act*.

(b) Quarter Interest Program

An individual must participate in the Quarter Interest Program (described in section 2.2 herein) by purchasing under this Disclosure Statement one or more Quarter Interests in any of the Resort Strata Lots whereby the purchaser is the registered owner of a 1/4 of the fee simple interest in the title to the Resort Strata Lot, which title is subject to a Headlease and one Sublease.

Once the sales with respect to a given Resort Strata Lot are completed, there may be as many as 4 separate owners of a Quarter Interest in the Resort Strata Lot (individually referred to as a "Quarter Interest Owner" or an "Owner"), each having an undivided one-Quarter Interest, as tenants in common. Each Quarter Interest Owner will own an interest in a Resort Strata Lot and, as a tenant in common with the other Owners in the Strata Corporation, a proportionate share of the Common Property (defined in section 3.3 herein) including common facilities and other assets of the Strata Corporation.

2.2 Time Share Plan Agreements

(a) Headlease and Sublease Agreements

As there may be as many as four owners of a Quarter Interest in a Resort Strata Lot, it is necessary to make arrangements for the orderly use of a Resort Strata Lot by all of the owners of a Quarter Interest (the "Quarter Interest Program").

The use plan and orderly use of a Resort Strata Lot by all of the owners will be implemented through a lease aspect, which operates as follows:

- (i) A Headlease in favour of the Owners Corporation will be registered against the

Resort Strata Lot and grants to the Owners Corporation the right to the use and possession of the Resort Strata Lot for 99 years. The Headlease will be automatically renewed for a further term of 99 years unless, in accordance with the terms of the Headlease, at least 75% of the Owners present and entitled to vote elect not to renew, at a meeting of the Strata Corporation duly called for that purpose during the last year of the term.

- (ii) The Owners Corporation then grants to each purchaser a Sublease which establishes the Purchaser's right to the use and possession of the Resort Strata Lot for a minimum of twelve (12) weeks in each calendar year, (three out of four years the use will be for thirteen (13) weeks, however once every four years such Quarter Interest Owner's Strata Lot will remain vacant for its annual one week period of maintenance). When an owner sells his or her interest in a Resort Strata Lot, the purchaser will be required to assume the Sublease in order to enjoy the benefits of the use plan.

EXHIBIT "M" is a SAMPLE CALENDAR which sets out the weeks applicable to each Quarter Interest in the Development for the period 2008 to 2012. The Developer will designate Friday as the change over day for the expiry and beginning of each Period of Use. At the expiration of the term covered by the 5 year calendar, the Quarter Interest Manager, or failing the Quarter Interest Manager, the Owners Corporation, will publish a new calendar for the ensuing 5-year period and subsequent 5-year periods thereafter.

By virtue of the week selected for the maintenance program by the Quarter Interest Manager and the Owners Corporation, each Period of Use will vary from year to year. Copies of the form of HEADLEASE and SUBLEASE are attached hereto as EXHIBITS "K" and "L", respectively.

(b) Rental Management Agreement

Although a Quarter Interest Owner has the option to determine if he or she wishes to rent his or her Strata Lot to the public, all purchasers are required to enter into a Rental Management Agreement (as defined in the Sublease) with a rental manager who shall be appointed by the Developer who initially will be Painted Boat Management Ltd. (who shall be referred to in the context of the Rental Management Agreement as the "Rental Manager") at the time of their purchase. This requirement is set out in the Contract of Purchase and Sale to be entered into between each Owner and the Developer. The Rental Management Agreement provides that should a Quarter Interest Owner wish to rent their Quarter Interest to the public with a Rental Agency (as defined in the Rental Management Agreement), they must use the services of the Rental Manager in accordance with the Rental Management Agreement. The proposed form of Rental Management Agreement is attached as Exhibit "S". Important aspects of the Rental Management Agreement are as follows:

- (i) a Quarter Interest Owner is entitled to privately rent his or her Resort Strata Lot during the Owner's Period of Use without the payment of a fee to a Rental Agency;

- (ii) in the event the Quarter Interest Owner wishes to rent his or her Resort Strata Lot during the Owner's Period of Use through a Rental Agency, the Quarter Interest Owner shall use the Rental Manager pursuant to the terms of the Rental Management Agreement;
 - (iii) each Quarter Interest Owner is entitled to payment each calendar quarter of the Adjusted Gross Revenue (as defined in the Rental Management Agreement) earned from the rental of his or her Resort Strata Lot during the Quarter Interest Owner's allotted weeks that calendar quarter less the Management Fee of 45% percent of Gross Revenue (as defined in the Rental Management Agreement);
 - (iv) a Quarter Interest Owner and/or his nominees or designates or those persons that the Quarter Interest Owner has arranged to privately rent the Resort Strata Lot to may use the Resort Strata Lot at any time without paying a nightly room charge (but subject to the Turnover Fee);
 - (v) the term of the Rental Management Agreement will be until December 31, 2012 and will renew automatically thereafter for successive three year terms unless terminated pursuant to the terms of the Rental Management Agreement;
 - (vi) a Quarter Interest Owner shall notify the Rental Manager of a proposed sale of a Quarter Interest prior to selling it, and subsequent prospective purchasers of their right to obtain financial information from the Rental Manager;
 - (vii) within 60 days of the end of each period the Rental Manager will provide to each Quarter Interest Owner, quarterly statements of Gross Revenue, Adjusted Gross Revenue, the Management Fee and Owner's Net Rental Revenue (all as defined in the Rental Management Agreement) for the Quarter Interest and the Rental Manager will distribute Owner's Net Rental Revenue on a quarterly basis; and
 - (viii) the appointment of the Rental Manager may be terminated by the Quarter Interest Owner upon default by the Rental Manager as provided in the Rental Management Agreement.
- (c) Rental Covenant
- Each of the Resort Strata Lots will be charged by a restrictive covenant which will provide that a Resort Strata Lot may not be rented by the Quarter Interest Owner unless privately rented by the Quarter Interest Owner or through the Rental Management Agreement.
- The Rental Covenant will be in substantially the form attached as Exhibit "R" to this Disclosure Statement.
- 2.3 Permitted Use
- (a) Zoning

The Development is zoned Comprehensive Development Two (CD2) Zone, which permits the following:

- (i) resort hotel
- (ii) restaurant
- (iii) spa facilities
- (iv) marina
- (v) indoor recreation facilities
- (vi) outdoor recreation facilities
- (vii) laundry facilities auxiliary to the principal use
- (viii) one auxiliary dwelling to be occupied by a caretaker
- (ix) office auxiliary to the principal use
- (x) surface parking auxiliary to the principal use
- (xi) common sewage disposal facilities auxiliary to the principal use

The following definitions apply:

“resort hotel” means a building or group of buildings in which accommodation units are occupied for temporary periods, and where no one person occupies an accommodation unit for more than a total of 26 weeks in a calendar year.

“spa facilities” means the use of land or building where therapists or other health professionals customarily provide individual relaxation and therapeutic treatments, and other personal services, such as massage and esthetics.

2.4 Phasing

The Strata Lots will not be constructed in phases.

2.5 Additions and Deletions to the Plan

It is not intended that any further land be added to or deleted from the Quarter Interest Program.

2.6 Compliance with Other Jurisdictions

The Lands which are the subject of the time share plan agreements described in section 22 herein, are located in British Columbia. This Disclosure Statement meets the filing requirements in British Columbia.

2.7 Modification or Termination of the Time Share Plan

(a) Owner in Default

An Owner in default of any of the Owner's covenants or responsibilities is subject to 10.1 of the Sublease, which reads as follows:

- “(a) If the Owner is in default of any of the Owner's covenants in this Sublease, and if the Owner fails to rectify such default for a period of thirty (30) days after being given notice of default by the Lessor, then, at the option of the Lessor, the Lessor may suspend any or all rights of the Owner, including the right to vote in the Owners Corporation and the right of use and possession of the Resort Strata Lot, until such default has been rectified (but such suspension of rights shall not suspend the Owner's obligations hereunder). The Owner acknowledges and agrees that if such default remains unremedied at the end of said thirty (30) days the Lessor shall be entitled to rent out the Resort Strata Lot to the general public and apply any rental revenue received, less any expenses incurred by the Lessor including any commission or fee paid to any other person for renting out the Resort Strata Lot, towards the amounts owing by the Owner. In the event such rental revenue is less than the amount owing by the Owner, the Owner shall pay the shortfall. In the event the rental revenue exceeds the amount owing by the Owner, the excess shall be paid to the Owner.
- (b) In addition to the remedy of the Lessor set out in subsection 10.1(a), if the Owner is in default of the Owner's obligation to pay Additional Rent hereunder, and if the Owner fails to rectify such default for a period of thirty (30) days after being given notice of default by the Lessor, then, at the option of the Lessor, the Lessor may terminate this Sublease.
- (c) The bankruptcy, insolvency, receivership or winding up of the Owner, any arrangement for the benefit of the creditor of the Owner, any execution, attachment or distress or similar process taking effect against any of the assets of the Owner or the occurrence of similar events will constitute an event of default under this Sublease which will give the Lessor the right, at its option, to exercise the remedies referred to in subsections 10.1(a) and 10.1 (b).”

(b) Destruction

Pursuant to the *Strata Property Act*, the Strata Corporation is obligated to obtain and maintain insurance for the buildings, common facilities and any insurable improvements owned by the Strata Corporation to their replacement value against fire and against other perils as are usually the subject of insurance in respect of similar properties. If a unit is destroyed or damaged by fire or the elements for which the insurance is carried, then the proceeds of insurance shall be used to either rebuild the unit or will be distributed to the owners of the Strata Lots in accordance with the *Strata Property Act* of British Columbia.

(c) Lapse of Time

The transfer of title to the owner of a Quarter Interest in a Resort Strata Lot provides a fee simple interest in the Resort Strata Lot for the owner. The Headlease however is for a period of 99 years, and renewable for a further period of 99 years. No particular significance

should be attached to the term of the Headlease and the individual terms of the Subleases other than that it was desirable to establish the program for a substantial period of time so that no re-arrangement would be necessary within the foreseeable useful life of the Development. Once the Headlease period has expired, and with it the Headlease, the right to the use and possession of the Resort Strata Lot will revert to the owners of the Resort Strata Lot. At that time it will be for the then owners of the Resort Strata Lot to re-impose a similar scheme in order to continue the equitable use of the Resort Strata Lot. In the event the then owners of the Resort Strata Lot do not agree on a scheme in order to continue the equitable use of the Resort Strata Lot, then all owners of that Resort Strata Lot may be entitled to use and occupy such Resort Strata Lot at any time.

3. STRATA INFORMATION

3.1 Unit Entitlement

The unit entitlement of each Strata Lot is a figure which determines the share of the Strata Lot in the Common Property and assets of the Development and its contribution to the expenses of the Common Property. In accordance with the *Strata Property Act*, the unit entitlement of each Strata Lot will be the habitable area in square meters, rounded to the nearest whole number. Habitable area is that area of a residential Strata Lot which can be lived in, but does not include patios, balconies, garages, parking stalls, or storage areas other than closet space. The Form V, Schedule Of Unit Entitlement, which is a schedule to the Strata Plan, is attached hereto as EXHIBIT "B"

3.2 Voting Rights

Each Strata Lot shall have one (1) vote in the Strata Corporation. With respect to those Strata Lots owned by more than one Quarter Interest Owner, the Sublease provides that the Quarter Interest Owner who loses one week of use (which will occur once every four years) because of the annual one week period of maintenance shall be entitled to exercise the vote allocated to the Strata Lot at any meeting of the Strata Corporation held during that calendar year.

3.3 Common Property and Facilities

The common property of the Development will include, landscaping, parking, carports, driveways, retaining walls, landings, street lighting, pool and hot pool, exercise and change room, resort reception area, utility buildings, waste treatment facilities, and housekeeping facility (the "Common Property"). The Preliminary Strata Plan attached as EXHIBIT "A" sets out the approximate size and location of these facilities.

3.4 Limited Common Property

Limited common property is an area within the Common Property that may be used exclusively by one or more Strata Lot owners (the "Limited Common Property").

The patio and deck areas for each Resort Strata Lot will be designated as Limited Common Property for such Strata Lot. An area of common property will also be designated as limited common property for the Commercial Strata Lot (the spa) for use as a garden and outdoor leisure pool area. These Limited Common Property designations will be designated on the Strata Plan of the Development and, in accordance with the provisions of the *Strata Property Act*, may only be removed by resolution of the members of the Strata Corporation.

The *Strata Property Act* provides that the Strata Corporation is responsible for maintaining all common property, including limited common property. However, the Act provides that the Strata Corporation may, by bylaw, make owners responsible for the repair and maintenance of limited common property that they use. The bylaws make the owner of the commercial strata lot responsible for maintaining and repairing limited common property that they use.

3.5 Bylaws

The bylaws of the Strata Corporation will be the bylaws contained within the *Strata Property Act* together with those amendments set out in the attached EXHIBIT "E" to this Disclosure Statement.

3.6 Parking

The Development includes 87 parking stalls. 31 of the parking stalls will include covered carports and will be for the exclusive use of the owners of the Resort Strata Lots. An additional 16 open air parking stalls will be for the exclusive use of the Resort Strata Lots. The zoning bylaw requires that 14 parking stalls be set aside for the exclusive use of the Spa facility (the Commercial Strata Lot), 13 parking stalls be set aside for the exclusive use of the Restaurant (on the Marina Lands), and 2 mini-bus parking stalls be designated for general use. The remaining 11 parking stalls will be considered surplus and will be available on a first come first served basis for use by the owners of the Strata Lots or Marina Lands. The owner of the Marina Lands will pay an annual fee to the Strata Corporation for use and maintenance of the parking.

3.7 Furnishings and Equipment

Particulars of furnishings and equipment are described in Section 4.15 of this Disclosure Statement.

3.8 Budget

(a) Monthly Strata Assessments

The initial Strata Budget for the operation of the Development and the Strata Assessments are based on unit entitlement of each Strata Lot as set out in EXHIBIT "G"

(b) Initial Owners Corporation Budget

A Quarter Interest Owner will be required to pay one quarter of the operating costs (the "Operating Costs") attributable to the Resort Strata Lot which include:

- (i) Strata Assessments;
- (ii) Corporation Assessments;
- (iii) property taxes;
- (iv) high speed internet; and
- (v) other reasonable outlays.

The Operating Costs will vary as actual costs of operation and other components of Operating Costs vary. Attached as EXHIBIT "H" to this Disclosure Statement is the Developer's estimate of initial Operating Costs for each Strata Lot and Quarter Interest based on current costs. Some components of Operating Costs are determined by third parties over which the Developer has no control.

(c) Budgets

The expenses payable by each Quarter Interest Owner will be determined by an annual budgeting process as follows:

(i) Strata Corporation

The Strata Budget, which is attached as EXHIBIT "G" to this Disclosure Statement sets out the estimated operating expenses for the first twelve months of the Strata Corporation. EXHIBIT "H" also sets out the estimated Strata Assessments for each Strata Lot and Quarter Interest based on the Unit Entitlement of each Strata Lot as set out in EXHIBIT "B". The actual Strata Assessments will be calculated upon finalization of the Unit Entitlement. The Strata Budgets provide for an annual contingency reserve fund contribution of 10% of the estimated annual operating expenses as set out therein.

The *Strata Property Act* provides that at each annual general meeting, the Strata Corporation will approve a new budget for the following 12-month period. The Strata Assessments for each such period will be calculated based on the approved budget and the Unit Entitlement of each Strata Lot.

(ii) Owners Corporation

The initial Owners Corporation budget, which is attached as EXHIBIT "G" to this Disclosure Statement, sets out the estimated operating expenses of the Owners Corporation for the first full operating year of the Owners Corporation, based on current cost estimates, EXHIBIT "H" also sets out the estimated initial Corporation Assessment for each Strata Lot and Quarter Interest, based on the proposed Unit Entitlement of each Strata Lot set out in EXHIBIT "B". The actual initial Corporation Assessments will be calculated upon finalization of Unit Entitlement.

The Owners Corporation Articles provide that at the first annual general meeting of the

Owners Corporation and each annual general meeting thereafter, the Owners Corporation will approve a new budget for the following 12-month period. The Corporation Assessments for each such period will be calculated based on the approved budget and the Unit Entitlement for each Strata Lot.

(iii) Variations from Budget

In the event the budgeted amount of Operating Costs exceeds the actual Operating Costs, then an appropriate credit will be included in the budget for the Owners Corporation in the ensuing year. In the event that the budgeted amount is less than the actual Operating Costs, then each Quarter Interest Owner will be charged with his or her proportionate share of the deficit or the shortfall which will be drawn from the Owners Corporation operating reserves, as determined by the Owners Corporation at the general meeting. However, in accordance with the *Strata Property Act*, in the event the actual operating expenses of the Strata Corporation exceed the Strata Budget for the period up to the approval of the annual budget of the Strata Corporation following the deposit of the Strata Plan, the Developer must pay the difference to the Strata Corporation within 8 weeks after the annual general meeting at which such annual budget is approved.

(d) Owners Corporation Reserve

Each Quarter Interest Owner shall place on deposit with the Quarter Interest Manager an amount equal to one month's 2008/2009 Owners Corporation assessment for their respective number of Quarter Interests. Such deposit shall be held by the Quarter Interest Manager to be used, if required, to pay the Owners Operating Costs (as defined in the Sublease) pertaining to the owner's Quarter Interest. Should any of the reserve be drawn upon, the effected owner will reinstate the reserve to its initial level with the payment of their next months' Corporation Assessment.

(e) Collection

Each Quarter Interest Owner's share of the Strata Assessments and Corporation Assessments for his or her Resort Strata Lot will be included in Operating Costs, and will be payable monthly by each Quarter Owner to the Owners Corporation. Each Quarter Interest Owner will be required to pay via preauthorized debit account to the Owners Corporation such Operating Costs. The Owners Corporation will pay the same on behalf of each Quarter Interest Owner if the Quarter Interest Owner is not in default of his or her obligation to pay Operating Costs.

3.9 Utilities and Services

(a) Water

The Development will be serviced by a water system managed and supplied by the South Pender Harbour Waterworks District (SPHWD). Elected directors of the South Pender Harbour Water Board manage water service throughout most of Madeira Park. The water is

supplied from Haslam Lake. The development will have a single water meter where it connects to the main system. SPHWD billing will be based on the metered use of water for the entire development. The Commercial Strata Lot and Marina Lands will be separately metered and the meters will be monitored by the Strata Manager. The cost for the Commercial Strata Lot and Marina Lands will be based on their actual metered use as it relates to the total water use of the development. The balance of the costs for water will be allocated to each Strata Lot based on Unit Entitlement.

(b) Electricity

The Development will be serviced with electricity by British Columbia Hydro and Power Authority. Electricity will be separately metered for the Resort Strata Lots, the common property and facilities, the Commercial Strata Lot and the Marina Lands. The electricity for the Resort Strata Lots will be allocated to each Resort Strata Lot based on Unit Entitlement. The electricity for the common property and facilities will be allocated to each Strata Lot based on Unit Entitlement. The electricity for the Commercial Strata Lot and Marina Lands will not be included in the operating expenses and will be billed separately as appropriate.

(c) Sewerage

The Developer will be responsible for the construction of a sewage treatment facility in accordance with the requirements of the Sunshine Coast Regional District (SCRD) Servicing Bylaw No. 320 and the Municipal Sewage Regulation for all sewage generated on the parcel, which is to be fully operational prior to occupancy and use of any new buildings, with a treatment facility to meet the following design standards:

- (i) 10 ppm B.O.D., 10 ppm T.S.S., UV disinfection and with effluent qualities to be tested on a regular basis;
- (ii) Development of a bio-solids management program acceptable to the Regional District.

To ensure performance and ongoing operation of the sewage treatment facility, the SCRD will establish a wastewater treatment facility function specific to the property and adjoining foreshore, with the Painted Boat development being the sole participating member. The new service unit will operate pursuant to the requirements of the *Local Government Act* and the provisions contained in this agreement.

The SCRD will assume operation of the waste treatment facility including the registered operating plan, after construction of the facility and following a warranty and testing period of one year, which is to be completed to the Regional District's satisfaction.

Upon transfer of the operation of the facility to the SCRD, the SCRD will be responsible for performance of the facility, as required by the registration and *Municipal Sewage Regulations*.

The waste treatment facility site will be secured by granting the SCRD a statutory right of way for ongoing access, operation and maintenance of the facility.

The Strata Lot owners will pay all future costs related to operation, maintenance,

administration, and capital improvements, through a parcel tax and user fee, as established by a service unit bylaw.

All revenues generated from the service area will stay with the system and rates are adjusted regularly to match expenditures, with any surpluses and deficits carried over from year to year.

Day-to-day work may be contracted by the SCRD to a local caretaker providing he/she is a "Certified Operator" pursuant to the EOCP and providing that the contracted work can be performed to the SCRD's satisfaction.

A similar, completely separate sewage treatment system will be set up for the exclusive use and at the sole cost of the owners of the Marina Lands.

(d) Propane

The Marina Lands will be serviced by propane and propane lines will be installed to the Marina Lands and will be separately metered and paid for exclusively by the owners of the Marina Lands.

(e) Sidewalks

The Development will not have sidewalks, however each Strata Lot will have a walkway connecting the parking lots and the entrance of each Strata Lot. In addition, the Development will have landscaped walkways.

(f) Lighting

The Development will be serviced with low level pathway lighting appropriate to a rural environment.

(g) Garbage Collection

Garbage removal will be handled by an independent waste disposal contractor pursuant to a contract to be entered into by the Strata Corporation.

(h) Fire Protection

Fire protection for the Development is provided by the Pender Harbour Fire Department which is presently volunteer. The fire hall is located approximately 300 meters from the Development. The Development will also have a conventional hydrant based fire protection system.

(i) Police

The Development will be serviced with police protection from the RCMP. The closest RCMP office is located in Sechelt, phone number (604) 885-2266.

(j) Public School

The Development is located in Madeira Park and school facilities are available. Purchasers are advised to contact School District 46 at 494 South Fletcher Road, Gibsons, telephone 604-886-4652 if they have any questions regarding school facilities.

(k) Telephone

Telephone service will be provided by Telus to each Strata Lot in the Development.

(1) Cablevision

The Development will be serviced with cablevision and cablevision will be installed to each Strata Lot.

3.10 Strata Management Contracts

To ensure smooth, consistent and professional management, the Developer will have the option to manage the complex for a period of five (5) years, subject to early termination with respect to the Strata Corporation duties as provided by the *Strata Property Act*. The Developer may subcontract out many of its duties to a professional manager for management functions. Copies of the proposed initial management contract for the Strata Corporation is attached hereto as EXHIBIT "I".

The Strata Manager is responsible for maintaining and operating the Common Property as directed by the Strata Corporation and also providing management and administrative services to the Strata Corporation. The Strata Manager will likely cause the Strata Corporation to enter into contracts with third parties for the provision of services such as landscaping, snow removal, garbage removal and similar services required in connection with the maintenance of the Common Property.

3.11 Insurance

(a) Developer Coverage

The Developer will place course of construction insurance and wrap up liability insurance in respect of the Development, as determined by the Developer and required by its construction lender.

(b) Strata Corporation Coverage

Strata Corporation coverage described in Section 4.14.

3.12 Rental Disclosure Statement

Except for mandatory use of the rental agent designated by the Owners Corporation and except for use and occupancy rules, the Developer has no present intention of restricting the rental of Resort Strata Lots. Until sale to a Quarter Owner, the Developer intends to rent all

of the Resort Lots and in this regard a Rental Disclosure Statement (to be filed with the superintendent of Real Estate) is attached as EXHIBIT "F".

4. SHARING ARRANGEMENTS

4.1 Ownership Interest

(a) Number of Interests per Resort Strata Lot

The Resort Strata Lots participating in the Quarter Interest Program pursuant to this Disclosure Statement are divided into 4 separate Quarter Interests.

Once the sales with respect to a given Resort Strata Lot are completed, there may be *as* many as 4 separate owners in the Resort Strata Lot, each having an undivided one-Quarter Interest, as tenants in common.

Because there may be as many as four owners of a Quarter Interest in a Resort Strata Lot, it is necessary to make arrangements for the orderly use of a Resort Strata Lot by all of the owners of a Quarter Interest. This is accomplished by the lease aspect, which operates as follows:

- (i) A Headlease in favour of the Owners Corporation will be registered against the Resort Strata Lot and grants to the Owners Corporation (the "Quarter Interest Manager") the right to the use and possession of the Resort Strata Lot for 99 years. The Headlease will be automatically renewed for a further term of 99 years unless, in accordance with the terms of the Headlease, at least 75% of the Owners present and entitled to vote elect not to renew, at a meeting of the Strata Corporation duly called for that purpose during the last year of the term.
- (ii) The Owners Corporation then grants to each purchaser a Sublease which establishes the Purchaser's right to the use and possession of the Resort Strata Lot for a minimum of twelve (12) weeks in each calendar year. When an owner sells his or her interest in a Resort Strata Lot, the purchaser will be required to assume the Sublease in order to enjoy the benefits of the use plan.

(b) Period of Permitted Use of Unit by Owner

Owners are entitled to use their Resort Strata Lot for the Period of Use assigned to them pursuant to the Sublease. The Quarter Interest Owner is entitled to privately rent his or her Quarter Interest in the Resort Strata Lot, however, if the Quarter Interest Owner elects to rent his or her Quarter Interest and use the services of a Rental Agency (as defined in the Rental Management Agreement), the Quarter Interest Owner must use the services of the Rental Manager pursuant to the terms of the Rental Management Agreement. Under the Sublease, there will be no daily room charge for the Quarter Interest Owner or non-paying nominees or designates or for those persons that have privately rented from the Quarter

Interest Owner, but they will be required to pay a turnover fee to the Quarter Interest Manager to cover the cost of providing a weekly cleaning service. For each week, or portion thereof, that a Quarter Interest Owner uses his or her Strata Lot, such Quarter Interest Owner shall pay an initial Turnover Fee of \$100 per week for all two bedroom units and \$130 per week for all two bedroom with den units to the Quarter Interest Manager which fee shall be paid in advance of use of the Resort Strata Lot.

(c) Term

There is no term on ownership, however, Subleases with respect to the Quarter Interests in the Resort Strata Lots will expire on December 31, 2107.

4.2 Reservation System

Quarter Interest Owners shall be entitled to use their Resort Strata Lot during the Period of Use (as defined in the Sublease) assigned to them in accordance with the Sublease.

EXHIBIT "M" is a SAMPLE CALENDAR which sets out the weeks applicable to each Quarter Interest in the Development for the period 2008 to 2012. The Developer will designate Friday as the change over day for the expiry and beginning of each Period of Use. At the expiration of the term covered by the 5-year calendar, the Quarter interest Manager, or failing the Quarter Interest Manager, the Owners Corporation, will publish a new calendar for the ensuing 5-year period and subsequent 5-year periods thereafter.

By virtue of the week selected for the maintenance program by the Quarter Interest Manager and the Owners Corporation, each Period of Use will vary from year to year. Copies of the form of HEAD LEASE and SUBLEASE are attached hereto as EXHIBITS "K" and "L", respectively.

4.3 Purchase Procedure

(a) Purchase Agreement

Attached as EXHIBIT "C" is the form of purchase agreement, which the Developer intends to use in connection with the sale of the Resort Strata Lots unless otherwise agreed between the Developer and the Purchaser.

All deposits must be payable to Shandro Dixon Edgson, in trust, by certified personal, cheque, cash, bank draft or money order and shall be held in the manner required by the *Real Estate Development Marketing Act*.

(b) Purchase Costs

The cost of acquiring a Quarter Interest is represented by the purchase price payable to the Developer (subject to normal closing adjustments for property taxes), Strata Assessments based on the Initial Strata Budget and similar items, as well as an adjustment to compensate the Developer for the cost of placing the initial insurance for the Strata Corporation and the

Owners Corporation. The purchase price is fixed by the purchase and sale agreement between the purchaser and the Developer.

Purchasers will be responsible for their own legal costs, property transfer tax payable to the Government of British Columbia and federal goods and services tax.

(c) Registration Provisions

The Quarter Interests will be conveyed to a purchaser in accordance with standard conveyancing practice with the fee-simple interest being registered in the Land Title Office.

4.4 Financing Assistance Program

The Developer has made no arrangements on behalf of any purchaser or prospective purchaser to finance the purchase of any Strata Lot.

4.5 Resale, Subleasing, Assignments, Mortgages

(a) Transferability

A Quarter Interest Owner may transfer his Quarter Interests) at any time provided he is not in default of the Sublease, and relinquishes his rights under the Sublease pertaining to such Quarter Interest of the Resort Strata Lot at the same time. Further, the purchaser will be required to assume the Sublease in order to enjoy the benefits of the use plan. Also, in accordance with the terms of the Rental Management Agreement, a Quarter Interest Owner must cause any purchaser to either assume or enter into a new Rental Management Agreement with the Rental Manager.

(b) Mortgage of Quarter Interest

The Sublease provides as follows:

- (i) a Quarter Interest Owner cannot mortgage the Quarter Interest unless the Sublease is in good standing;
- (ii) a Quarter Interest Owner must give the Owners Corporation prior written notice of the mortgage of the Quarter Interest and the Sublease;
- (iii) the mortgage must be granted concurrently over both the fee simple and the subleasehold interest; and
- (iv) the lender must execute an agreement agreeing to concurrently enforce the mortgages of both interests.

If an Owner mortgages the Sublease in accordance with the requirements set out in the Sublease, the Owners Corporation will execute certain agreements required by the Owner's lender. Section 7.1(i) of the Sublease sets out the documents that the Owners Corporation will execute.

4.6 Default

An Owner shall be in default under the Quarter Interest Program, if such an Owner is in default of any of its covenants as set out in the Sublease.

If an Owner is in default, the Owner shall not be entitled to use any of that Owner's Period of Use until the default is rectified, as provided for in section 10.1 of the Sublease.

4.7 Restrictions on Use

(a) Period of Permitted Use of Unit by Owner

Owners are entitled to use their Strata Lot for the Period of Use assigned to them pursuant to the Sublease.

(b) Rental and Rental Covenant

Current property assessment regulations classify a residential strata lot as "commercial", and therefore subject to significantly higher property taxes, if offered for rent, or rented, for periods of less than 7 days to persons, or a person, as an overnight accommodation for at least 50% of the 12 month period ending on October 31 of the year previous to the taxation year for which the assessment roll is completed. In order to ensure that the Resort Strata Lots are classified as residential (under the current regulations) the bylaws include restrictions on the number of days that any Resort Strata Lot may be rented for periods of less than 7 days.

Each of the Resort Strata Lots will be charged by a restrictive covenant which will provide that a Resort Strata Lot may not be rented by the Quarter Interest Owner unless privately rented by the Quarter Interest Owner or through the Rental Management Agreement. The Rental Covenant will be in substantially the form attached as Exhibit "R" to this Disclosure Statement.

(c) Term

There is no term on ownership, however, Subleases with respect to the Quarter Interests in the Resort Strata Lots will expire on December 31, 2107.

(d) Annual Period of Maintenance

Pursuant to EXHIBIT "M", each Resort Strata Lot owned by a Quarter Interest Owner will remain vacant for a one week period in each calendar year for the purpose of performing any maintenance or repairs required to be made.

(e) Smoking

Smoking is not permitted in any Resort Strata Lot, within any enclosed Common Property or on Limited Common Property.

(f) Pets

Unless otherwise determined by the Owners, pets will not be allowed. Further, a Quarter Interest Owner bringing a pet to the Development may be charged a deep clean charge, at the discretion of the Quarter Interest Manager.

4.8 Time Share Manager

(a) Identity

Painted Boat Management Ltd, will be the Quarter Interest Manager for the Owners Corporation under the terms of the Owners Corporation Management Agreement to be entered into by the Owners Corporation attached hereto as EXHIBIT "O". Pursuant to the Owners Corporation Management Agreement, the Quarter Interest Manager will provide Management Services. This service does not include a rental management service to assist Owners in renting their Resort Strata Lot to the public. If Owners wish to rent their Resort Strata Lot during their Period of Use they may do so through the Rental Management Agreement or may do so privately if they do not use the service of a Rental Agency (as defined in the Rental Management Agreement). The Quarter Interest Manager is related to the Developer.

(b) Appointment, Removal, Term, etc,

The Developer will appoint the Quarter Interest Manager. As provided in paragraph 16 of the Owners Corporation Management Agreement, the Owners Corporation shall be entitled, upon passing a special resolution, to terminate the services of the Quarter Interest Manager on 90 days prior written notice of cancellation. The Quarter Interest Manager shall be entitled to terminate the Agreement on 90 days prior written notice of cancellation. The Owners Corporation Management Agreement presently provides that a yearly fee of One Hundred and Ten Thousand (\$110,000.00) Dollars is to be paid to the Quarter Interest Manager where the personnel involved with the manager include a general manager and administration personnel.

These management fees are included in the proposed Initial Owners Corporation Budget attached as EXHIBIT "G" hereto.

Duties, fees and other pertinent information is set out in the Owners Corporation Management Agreement attached hereto as EXHIBIT "O".

4.9 Time Share Association

(a) Owners Corporation

(i) Operation

It is necessary to organize the Quarter Interest Owners into a corporation to deal with matters relating solely to the management and administration of the Quarter Interest Program. To accomplish this, a company will be created under the *Business Corporations*

Act, of British Columbia. The company will be called the Painted Boat Owners Corporation. The Articles of the Owners Corporation are set out in EXHIBIT "N".

In addition to the fee simple title, as required by the Articles of the Owners Corporation purchasers will be issued one share in the Owners Corporation for each Quarter Interest purchased. Each share will give the owner one vote. Owners will be entitled to vote on matters concerning the Owners Corporation, including the election of a Board of Directors of the Owners Corporation to take place at each Annual General Meeting of the Owners Corporation. Owners are obliged to transfer his or her share to a purchaser of his or her Quarter Interest in the Resort Strata Lot.

(ii) Shares Held in Escrow

Upon the sale of a Quarter Interest to a purchaser, the Developer will arrange for a share to be issued to a trustee who will hold the shares in trust for the purchaser. The terms by which the trustee will hold the share is set out in the share Trust Agreement attached hereto as EXHIBIT "Q". The purpose of this arrangement is to facilitate the transfer of shares between owners and their buyers and to reduce the cost and time for the Owners Corporation to cancel and reissue share certificates each time a Quarter Interest is sold. Each time a Quarter Interest is sold the trustee will, at the direction of the Owners Corporation, update its trust register to reflect the owner of the share that corresponds to the Quarter Interest.

(iii) Articles

The proposed Articles of the Owners Corporation are as set out in EXHIBIT "N"

(iv) Membership

The owner of a Quarter Interest in a Strata Lot is automatically a member of the Strata Corporation and a shareholder of the Owners Corporation.

4.10 Operating and Reserve Costs

See the description of operating and reserve costs and their allocation amongst Quarter Interest Owners, as set out in section 18 herein.

4.11 Developer's Contribution to Maintenance and Operations

(a) Bonding, Guarantee Provisions

There are no bonds or further guarantees in relation to performance of this offering made by the Developer. As per clause 10.1 of the Sublease, in the event an Owner does not pay the fees payable to the Owners Corporation within thirty (30) days after being given notice by the Owners Corporation, the Owners Corporation shall be entitled, but not obligated, to rent the Resort Strata Lot during the Owner's Period of Use and apply rental revenue received (net of all expenses) towards the overdue fees owed by the Owner. In the event such rental

revenue received is less than the amount owing by the Owner, the Owner shall continue to be in default. In the event rental revenue exceeds the amount owing by the Owner, the Owners Corporation shall be entitled to retain such excess.

The Superintendent has advised that if a significant number of Quarter Interest remain unsold when the Development is ready to be occupied, the Superintendent will require the Developer to deposit with its solicitors, Shandro Dixon Edgson, in trust, an amount equal to the share of the first year's budgeted Operating Costs attributable to the unsold Quarter Interests. The Developer has agreed to deposit the amount required with its solicitors, Shandro Dixon Edgson, in cash. The funds will be held pursuant to a trust agreement substantially in the form attached hereto as EXHIBIT "P". In the event the Developer is unable to pay the Developer's portion of Operating Costs, the trust funds would be available to the Owners Corporation upon application to Shandro Dixon Edgson.

4.12 Maintenance

The Rental Manager shall keep and maintain the Resort Strata Lot and shall ensure that all furnishings, fixtures and equipment are repaired and replaced when required pursuant to the terms of the Rental Management Agreement. Pursuant to the terms of the Rental Management Agreement, the Rental Manager will provide Management Services, which include but are not limited to, the repair of any damage to the Resort Strata Lot or any in-suite furniture, furnishings, fixtures or equipment caused, and replacement of supplies consumed, by any Permitted User Rental of the Resort Strata Lot, as defined therein.

4.13 Taxes and Utilities

(a) Strata Lot Property Taxes

Each Quarter Interest Owner will receive a property tax notice from the Provincial Government of British Columbia and a municipal utility notice from the Sunshine Coast Regional District in May or June of each year. However, the amount of such property taxes and utilities will be included in the Operating Costs and, as such, will be paid by the Owners Corporation on behalf of the applicable Quarter Interest Owners if they are not in default of their obligations to pay Operating Costs. If a Quarter Interest Owner fails to pay Operating Costs, the Owners Corporation can exercise the remedies described in section 4.11(a). The Developer's estimate of the property taxes for each Strata Lot is included in EXHIBIT "G" of this Disclosure Statement. The estimated property taxes will be affected by the assessed values of the Strata Lots, the property classification, and the mil rate established by the Sunshine Coast Regional District and applicable taxation authorities.

(b) Other Expenses

Insurance, garbage removal, landscaping, maintenance, water, sewerage, and electricity for the Common Property is paid for by the Strata Corporation and each Strata Lot's share is included in the Strata Assessments paid to the Strata Corporation.

4.14 Insurance

Once construction is completed, the Developer or Owners Corporation on behalf of itself and the Strata Corporation will arrange for an appropriate policy of policies covering the entire complex. Insurance will be secured for full replacement coverage against loss from major perils meaning fire, lightning, smoke, windstorm, hail, explosion, water escapes, earthquake, strikes, riots, or civil commotion, impact by aircraft and vehicles, vandalism and malicious acts for:

- (a) Common property;
- (b) Common assets;
- (c) Resort Strata Lots
- (d) Fixtures and equipment built or installed on the Resort Strata Lots by the Developer as part of the original construction (meaning items attached to the building, including floor and wall coverings and electrical and plumbing fixtures) and also refrigerators, stoves, dishwashers, microwaves, washers, dryers and other furnishings and equipment supplied for the Resort Strata Lots.

The Developer will also ensure that the Owners Corporation and Strata Corporation secure insurance against liability for property damage and bodily injury in an amount not less than \$2,000,000.

4.15 Furniture and Equipment

(a) Description

Each Resort Strata Lot will contain furnishings, fixtures and equipment appropriate to a furnished, resort style accommodation unit, substantially in accordance with the furnishing list, attached hereto as EXHIBIT "D". Some of the items included may vary depending on the size and configuration of the particular Resort Strata Lots. All furnishings, fixtures and equipment will be owned by the Owners Corporation although paid for by the Quarter Owner purchasers and included in the purchase price. The Owners Corporation will secure appropriate insurance and will accumulate a reserve for the repair and replacement of items of furnishings, fixtures and equipment as part of the Owners Corporation annual budget, which will be included in Corporation Assessments.

(b) Replacement/ Damage Provisions

The Owners Corporation shall keep and maintain the Resort Strata Lot and shall ensure that all furnishings, fixtures and equipment are repaired and replaced when required as a result of normal wear and tear. In the event that a Resort Strata Lot is damaged during occupancy of an owner of a Quarter Interest in a Strata Lot, such owner is responsible for the costs of repairing such damage. The Quarter Interest Manager shall notify the said owner of such costs of repairing and that amount is due and payable following the receipt of such notice.

The Articles of the Owners Corporation provide that Owners cannot alter or make a change to the furnishings, fixtures and equipment in the Resort Strata Lot without the prior consent of the Owners Corporation.

4.16 Guest Services

The level of guest services to be provided will be determined from time to time by the Owners Corporation and the Manager. At the outset however, planned guest services include room cleaning, sheet and towel exchanges and some other amenities commonly found in resort condominiums.

4.17 On Site Sales Program

The Developer will continue to carry out, for such period as the Developer determines to be necessary or desirable in connection with the marketing of the Strata Lots and Quarter Interests, marketing and sales activities within the Common Property of the Strata Corporation and any Strata Lots or Quarter Interests owned or leased by the Developer, including maintaining display suites, other display areas, parking areas and signage. The Developer will act reasonably in exercising such rights and use reasonable efforts to minimize any interference with the use or enjoyment of the Common Property of the Strata Corporation and the Strata Lots.

5. EXCHANGE PROGRAM

5.1 General Description

Painted Boat is not included at this time in any exchange programs whereby an Owner may be entitled to the use of a different resort property.

6. TITLE AND LEGAL MATTERS

6.1 Legal Description

The Development is located on lands, which are located in Madeira Park, Pender Harbour, British Columbia and legally described as:

PID: 026-735-351

Parcel H

District Lot 1023

Group 1, NWD Plan BCP24781

6.2 Ownership

Lowes Resort Marine Community Ltd. is the registered owner of the Lands and holds title pursuant to an unregistered trust agreement for the beneficial owner Painted Boat Developments Ltd.

6.3 Existing Encumbrances and Legal Notations

The following legal notations and encumbrances are registered against title to the Lands, and unless otherwise indicated will remain registered against title to each Strata Lot and the Common Property:

- (a) Mortgage in favour of Vancouver City Savings Credit Union registered under number BX178322 (the "VanCity Mortgage"). This mortgage will be discharged and replaced with the mortgage referred to in 6.4 (b) prior to commencement of construction.
- (b) Mortgage in favour of Ken Delf registered under number BA391710 being a transfer of BX273361, as modified by BA 399560. The Developer will make arrangements for the discharge of the Mortgage from titles to each Strata Lot and Quarter Interest, as the case may be, upon receipt of the net sale proceeds payable by the purchaser to the Developer upon the completion of the sales of the specified Strata Lot or Quarter Interest.
- (c) Restrictive Covenant BA260989 in favour of the Sunshine Coast Regional District, which includes the following:

TRANSFEROR COVENANTS

- 1. The Transferor, on behalf of itself and its heirs, successors and assigns, hereby covenants and agrees as hereinafter set out with the Regional District, as a covenant in favour of the Regional District pursuant to Section 219 of the *Land Title Act*, it being the intention and agreement of the Transferor that the provisions hereof be annexed to and run with and be a charge upon the Lands as hereinafter set out, that the Lands shall not be developed or used except for a resort hotel, spa facility, restaurant and auxiliary uses, subject to the terms and in accordance with the conditions and restrictions set out herein.
- 2. The Transferor further covenants and agrees that if it obtains a rezoning to permit a resort hotel, spa facility, restaurant and auxiliary uses, it shall not use or build on the Lands otherwise in accordance with the following:
 - (i) To develop buildings on the Lands in accordance with the listed architectural design elements, attached hereto as Schedule "A" to this Agreement;
 - (ii) To adhere to the recommendations and mitigating measures contained in the report, entitled "Redevelopment of Existing Tackle Shop to a Restaurant at the Proposed Lowes Community Resort" prepared by Streamline Environmental Consultants Ltd., dated August, 2005, attached hereto as Schedule "B" to this Agreement;
 - (iii) To adhere to the recommendations and mitigating measures contained

in the report entitled “Archaeological Impact Assessment of Lowes Resort Near Pender Harbour on the Sunshine Coast (Site DjSa44) (Located within Lots 66, 67, 68, 69 and 70, Plan 7238, District Lot 1023, NWD)”, prepared by Peter Merchant, Consulting Archaeologist, dated August, 2002, attached hereto as Schedule “C” to this Agreement;

- (iv) To adhere to the findings and recommendations of the report entitled “Re: Geotechnical Assessment, Proposed Waterfront Restaurant Lowes Resort 12841 Lagoon Road, Pender Harbour, BC, Project Number LO-2”, prepared by GeoTacTics Engineering Ltd., dated July 6, 2005, attached hereto as Schedule “D” to this Agreement;
- (v) To not site any building, structure or a waste treatment facility, except for one freestanding sign, within 5 (five) meters of Lagoon Road;
- (vi) To notify prospective purchasers of the resort hotel accommodation units that they are not to occupy the units for more than a total of 26 (twenty-six) weeks in a calendar year;
- (vii) To provide for the provision of 5 (five) temporary mooring berths for use of the public within the adjoining marina on Lot 6348;
- (viii) Prior to receipt of the first building permit, to contribute \$70,000 to the Regional District toward a pedestrian/bicycle path as per the “Amenities Agreement” dated August 19, 2005, attached as Schedule “E” to this Agreement; and
- (ix) To adhere to and fulfill responsibilities delineated in the Waste Treatment Facility Agreement, attached as Schedule “F” to this Agreement.

REGIONAL DISTRICT COVENANTS

3. The Regional District Covenants:

- (i) To adhere to the “Amenities Agreement” dated August 19, 2005, attached as Schedule “E” to this Agreement;
- (ii) To adhere to and fulfill responsibilities delineated in the Waste Treatment Facility Agreement, attached as Schedule “F” to this Agreement.

6.4 Proposed Encumbrances

- (a) A Headlease in the form attached as EXHIBIT "K" will be registered against title to the Strata Lots and will grant the right to use and possession of the Strata Lots to the Owners Corporation, which will in turn grant the Sublease in the form attached

as EXHIBIT "L" to each Purchaser establishing his right to use and possession of such Strata Lot for the Period of Use specified in the Sublease. Please see subsection 2.2(a) for further information.

- (b) A commercial mortgage will be registered against title and any such security documents as may be necessary or advisable in connection with the Developer's construction financing. The Developer will make arrangements for the discharge of the Mortgage from titles to each Strata Lot and Quarter Interest, as the case may be, upon receipt of the net sale proceeds payable by the purchaser to the Developer upon the completion of the sales of the specified Strata Lot or Quarter Interest.
- (c) Access Easements, Right of Ways, Covenants and other charges to provide the Marina Lands access to the water system, fire protection system, power distribution system, propane system, sewer system, parking and other required access for the Marina Lands.
- (d) Rental Management Restrictive Covenant in the form attached as EXHIBIT "R" over the Resort Strata Lots requiring any rental of the Strata Lots to the public to be made only in accordance with the Rental Management Agreement (more fully described in subsection 2.2(c) herein);
- (f) all such rights of way, easements, restrictive covenants, dedications and other rights or restrictions required by Sunshine Coast Regional District, Pender Harbour Waterworks District, British Columbia Hydro and Power Authority, Telus or any other applicable governmental authority or public utility or deemed necessary or advisable by the Developer in connection with the Development.

6.5 Outstanding and Contingent Litigation or Liabilities

There is no outstanding or anticipated litigation in respect of the Development or the Strata Lots or against the Developer, which may affect the Development or the Strata Lots of which the Developer is aware.

6.6 Environmental Matters

(a) Flooding and other Dangers

The Developer is not aware of any dangers relating to flooding or condition of the soil or subsoil.

(b) Changes from Natural State

There have been no changes from the natural state of the Development other than normal excavating, permitted construction, landscaping and site grading, pre-loading and build up of the site with approved fill material.

7. AVAILABILITY AND WARRANTIES

7.1 Availability

It is estimated that the Strata Lots in the Development will be available for use by March 2008. However, these dates are estimates only and it is possible that, in accordance with the Agreement of Purchase and Sale, the Strata Lots may be available later or earlier.

7.2 Warranties

(a) Description

The Developer is required by the *Homeowner Protection Act (British Columbia)* to provide home warranty insurance coverage for the Strata Lots and the Common Property. The Developer has arranged for the following warranty coverage to be in place:

- (i) defects in workmanship and materials for a period of two years after the date on which the warranty begins;
- (ii) water penetration coverage of five years after the date on which the warranty begins; and
- (iii) structural defects for a period of ten years after the date on which the warranty begins.

Any applicable manufacturer's warranty placed on appliances and furnishings included in the purchase price of a particular Strata Lot will be passed on to the Owners if permitted by such warranty.

8. APPROVALS AND FINANCES

8.1 Development Approval

The project has been approved by the Sunshine Coast Regional District and resolutions respecting Bylaw Nos. 432.20 and 337.81 were approved by the Regional District board at its regular meeting held on March 9th 2006. As at the date of this Disclosure Statement, the Development is not designated as a Development Permit Area and, therefore, Development Permit Approval is not required.

A building permit has been issued for the building that includes the display suite. A building permit will be issued prior to commencement of construction of the other buildings and the Developer will file an amendment to this Disclosure Statement when the building permits have been obtained. Estimated dates are:

Issue of Building Permit:	September 15, 2006
Commencement of construction:	September 15, 2006
Completion of construction:	March 31, 2008

8.2 Construction Financing

Prior to issue of the building permit the Developer will secure appropriate financing from a commercial lender which will enable full completion of all facets of the development. The Construction Mortgage will be discharged from titles to each Strata Lot and Quarter Interest, as the case may be, upon receipt of the net sale proceeds payable by the purchaser to the Developer upon the completion of the sales of the specified Strata Lot or Quarter Interest.

9. MISCELLANEOUS

9.1 Deposits

All deposits must be payable to Shandro Dixon Edgson, in trust, by certified personal, cheque, cash, bank draft or money order and shall be held in the manner required by the *Real Estate Development Marketing Act*.

9.2 Purchase Agreement

Attached as EXHIBIT "C" is the form of purchase agreement which the Developer intends to use in connection with the sale of the Strata Lots unless otherwise agreed between the Developer and the Purchaser.

9.3 Developer's Commitments

(a) First Annual General Meeting

The Developer will hold the first annual general meeting of the Strata Corporation within 6 weeks of the earlier of the date on which 50% plus one of the Strata Lots have been conveyed to purchasers and the date that is 9 months after the first conveyance of a Strata Lot to a purchaser.

Pursuant to the *Strata Property Act*, the Developer will provide to the Strata Corporation at the first annual general meeting the following documents:

- (i) all plans required to obtain a building permit and any amendments to the building permit plans;
- (ii) any document in the Developer's possession that indicates the location of pipes, wires, cables, chutes, ducts, or other service facilities that are not shown on a plan;
- (iii) all contracts entered into by the strata corporation;
- (iv) any Disclosure Statement filed under the *Real Estate Act* and any Rental Disclosure Statement;
- (v) the registered Strata Plan from the Land Title Office;

- (vi) the names and addresses of contractors, subcontractors and persons primarily responsible for supplying labour or materials to the project;
- (vii) the names and addresses of any technical consultants, including building envelope specialists, if any;
- (viii) the name and address of any project manager; and
- (ix) all warranties, manuals, schematic drawings, operating instructions, service guides, manufacturers' documentation and other similar information relating to common property or common assets.

(b) Contingency Reserve Fund

The Developer confirms that pursuant to Section 12 of the *Strata Property Act*, it shall contribute 5% of the Strata Corporation's interim budget to the contingency reserve fund at the time of the first conveyance of a Strata Lot to a purchaser.

9.4 Other Material Facts

(a) Quarter Interest Program - Storage Areas

Each Resort Strata Lot will include eight in unit small storage lockers. The Sublease provides that each Quarter Interest Owner will be entitled to keep personal possessions in the unit storage lockers selected by the Owners Corporation on a year round basis but access will be permitted only when the Quarter Interest Owner is actually occupying the Resort Strata Lot.

(b) Tax Considerations

Attached as EXHIBIT "J" is a summary of some of the tax implications of purchasing a Quarter Interest. The summary is provided for the general information of purchasers only and is not to be relied upon as tax advice. Purchasers must contact their own tax advisors to receive proper tax advice.

(c) The Offering

This Offering is being made on a "pre-completion" basis and unless the Developer in its absolute discretion has satisfied itself as to the level of pre-sales by September 15, 2006 or nine (9) months after the filing date of this Disclosure Statement, whichever is the later, the Developer reserves the right to cancel or modify the project and to cancel all proposed sales. In such event, all deposit monies will be returned with any interest accrued.

(d) Non-Material Changes

The Developer reserves the right to make non-material changes to all contract and documents referred to in the Disclosure Statement to clarify or better enable a more efficient accomplishment of the stated objectives and intent outlined in the Disclosure Statement.

DEEMED RELIANCE

Section 22 of the *Real Estate Development Marketing Act* provides that every purchaser who is entitled to receive this Disclosure Statement is deemed to have relied on any false or misleading statement of material fact contained in this Disclosure Statement, if any, and any omission to state a material *fact*. The Developer, and its directors, and any person who has signed or authorized the filing of this Disclosure Statement, are liable to compensate the purchaser for any misrepresentation, subject to any defences available under section 22 of the Act.

DECLARATION

The foregoing statements disclose, without misrepresentation, all material facts relating to the Development referred to above, and proposed to be sold, as required by the *Real Estate Development Marketing Act* of British Columbia as of July 10, 2006.

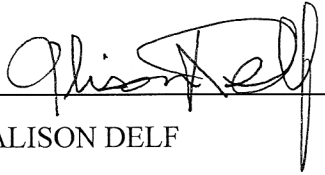
PAINTED BOAT DEVELOPMENTS LTD by its authorized signatory(ies):



MICHAEL B. DONALD

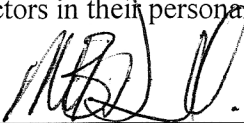


KEN W. DELF



ALISON DELF

Directors in their personal Capacity:



MICHAEL B. DONALD



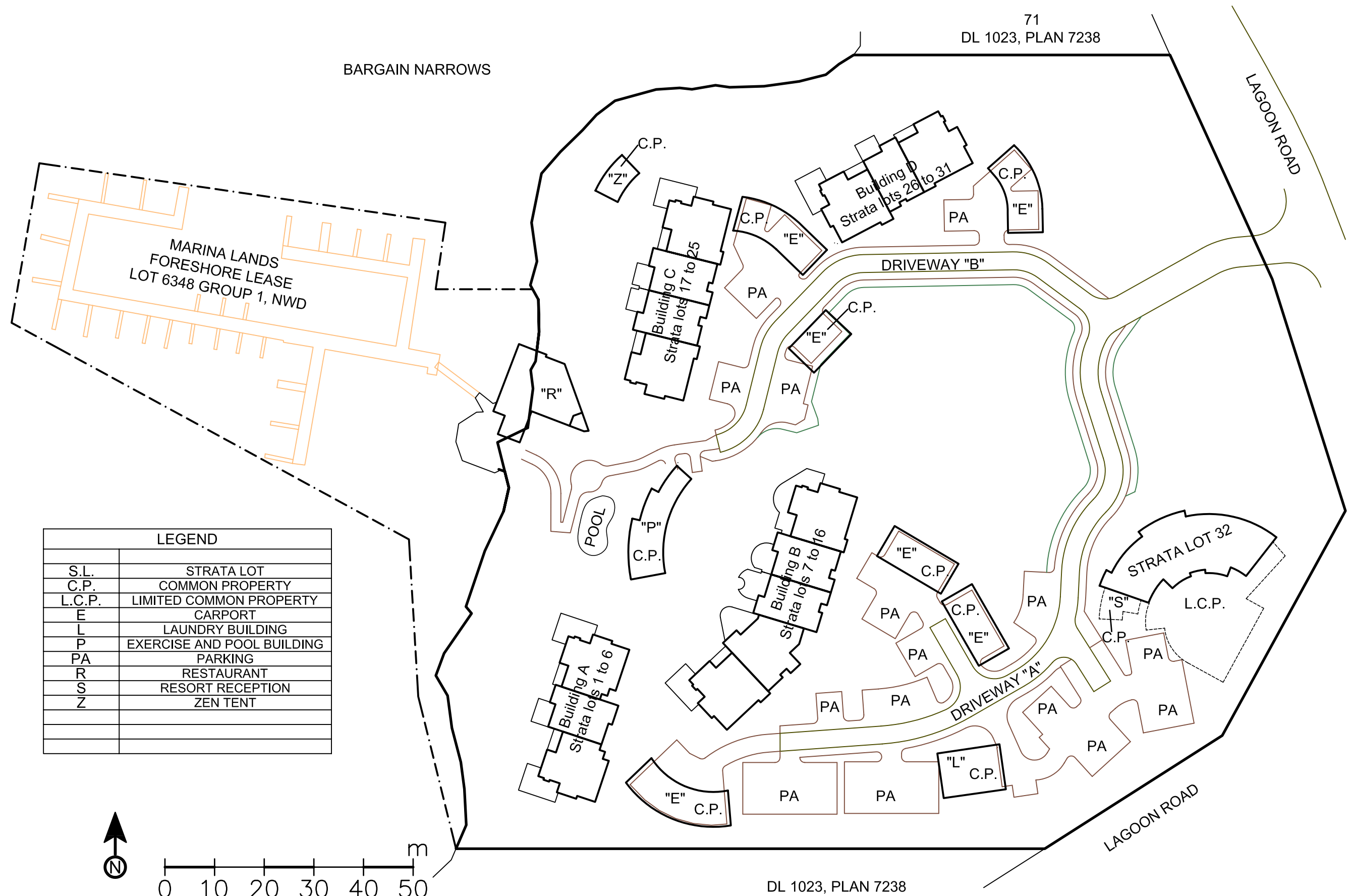
KEN W. DELF



ALISON DELF

EXHIBIT A

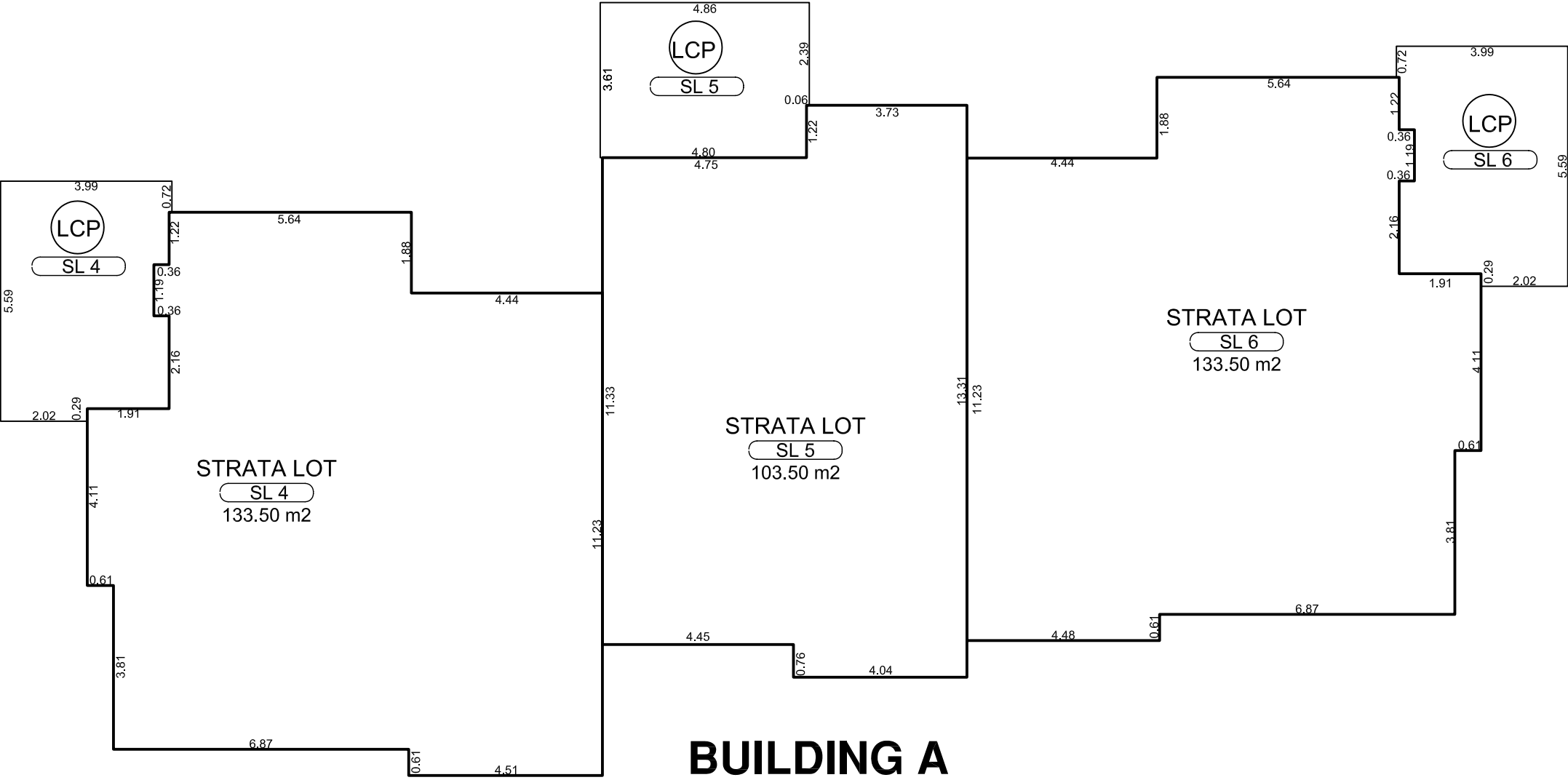
Preliminary Strata Plan



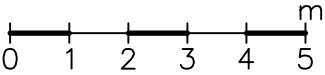
LEGEND	
S.L.	STRATA LOT
C.P.	COMMON PROPERTY
L.C.P.	LIMITED COMMON PROPERTY
E	CARPORT
L	LAUNDRY BUILDING
P	EXERCISE AND POOL BUILDING
PA	PARKING
R	RESTAURANT
S	RESORT RECEPTION
Z	ZEN TENT

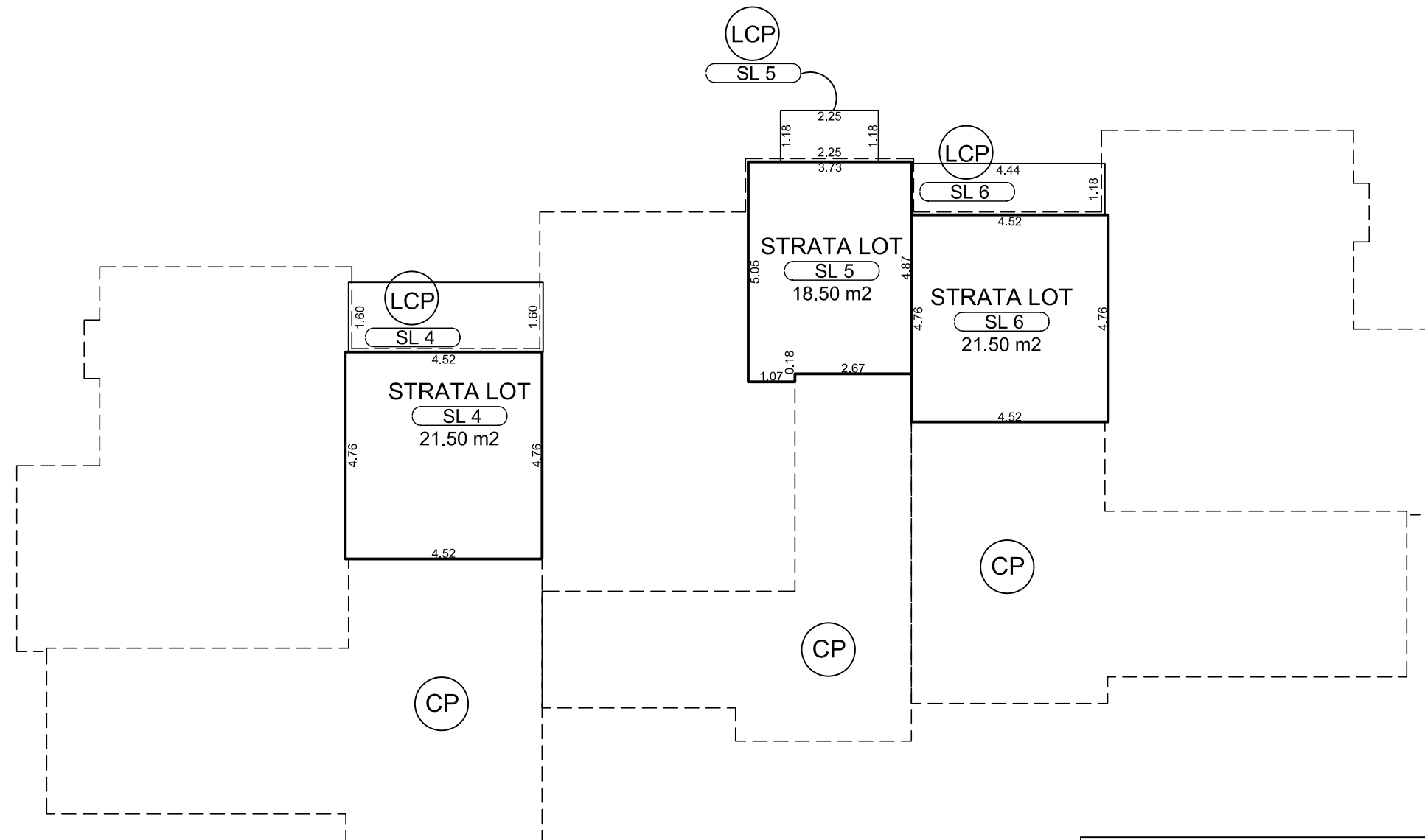


A horizontal number line with tick marks at 0, 1, 2, 3, 4, and 5. The unit length is 1 m.



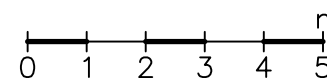
AREA m2		
STRATA LOT	AREA m2	LCP
SL 4	133.50	21.00
SL 5	103.50	17.50
SL 6	133.50	21.00

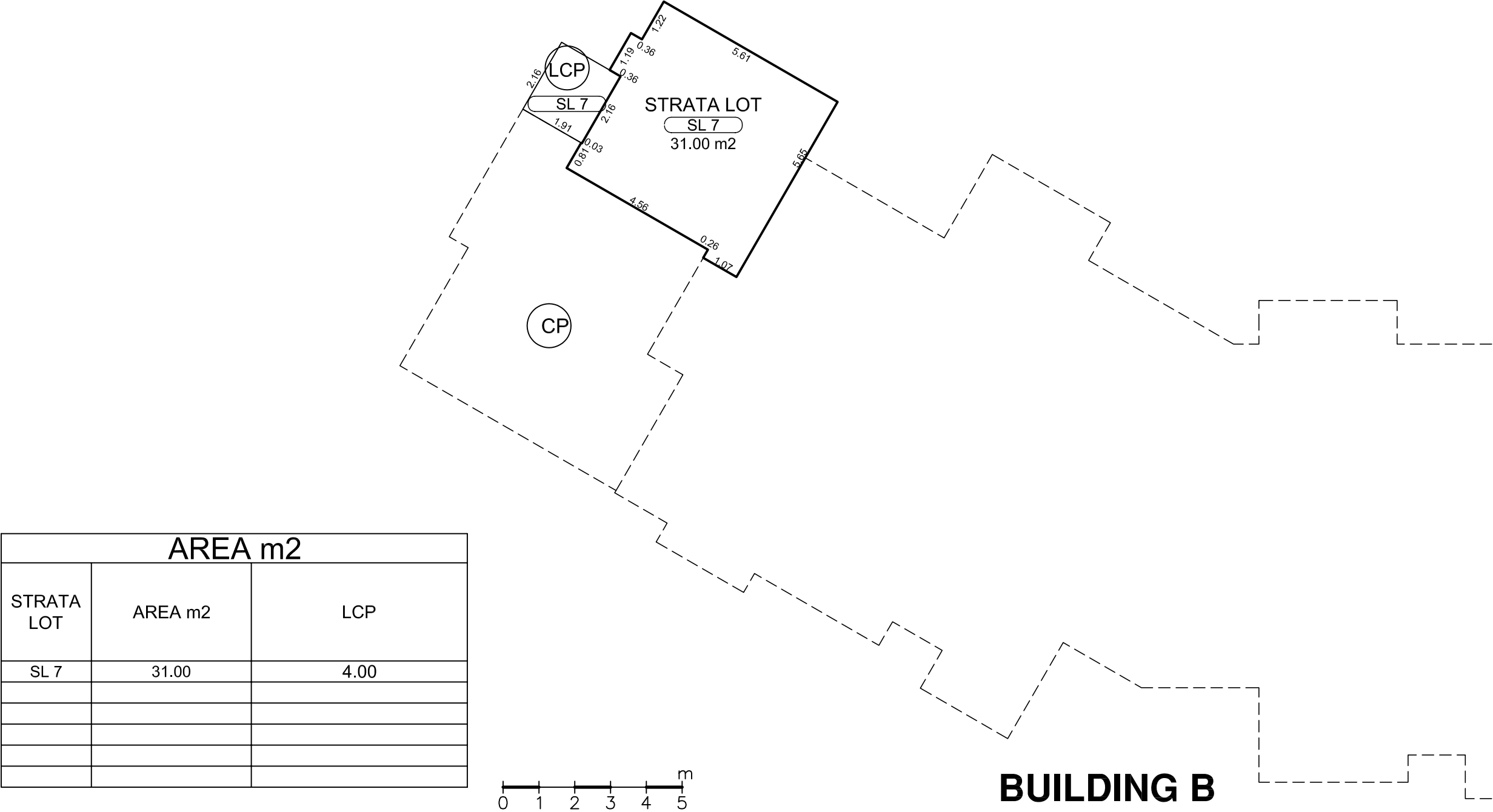


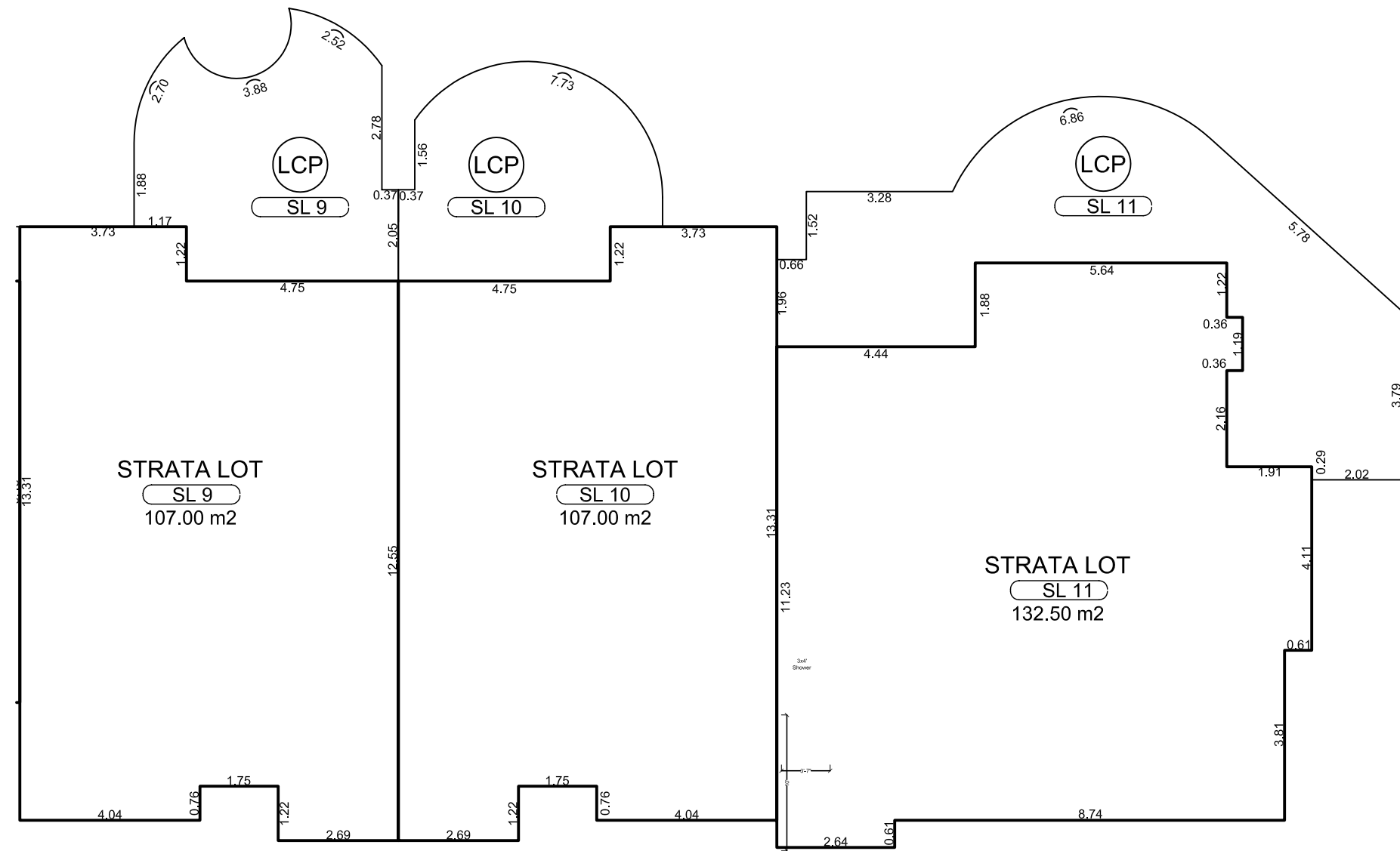


BUILDING A

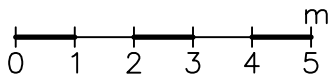
AREA m2		
STRATA LOT	AREA m2	LCP
SL 4.	21.50	7.00
SL 5	18.50	2.50
SL 6	21.50	5.50



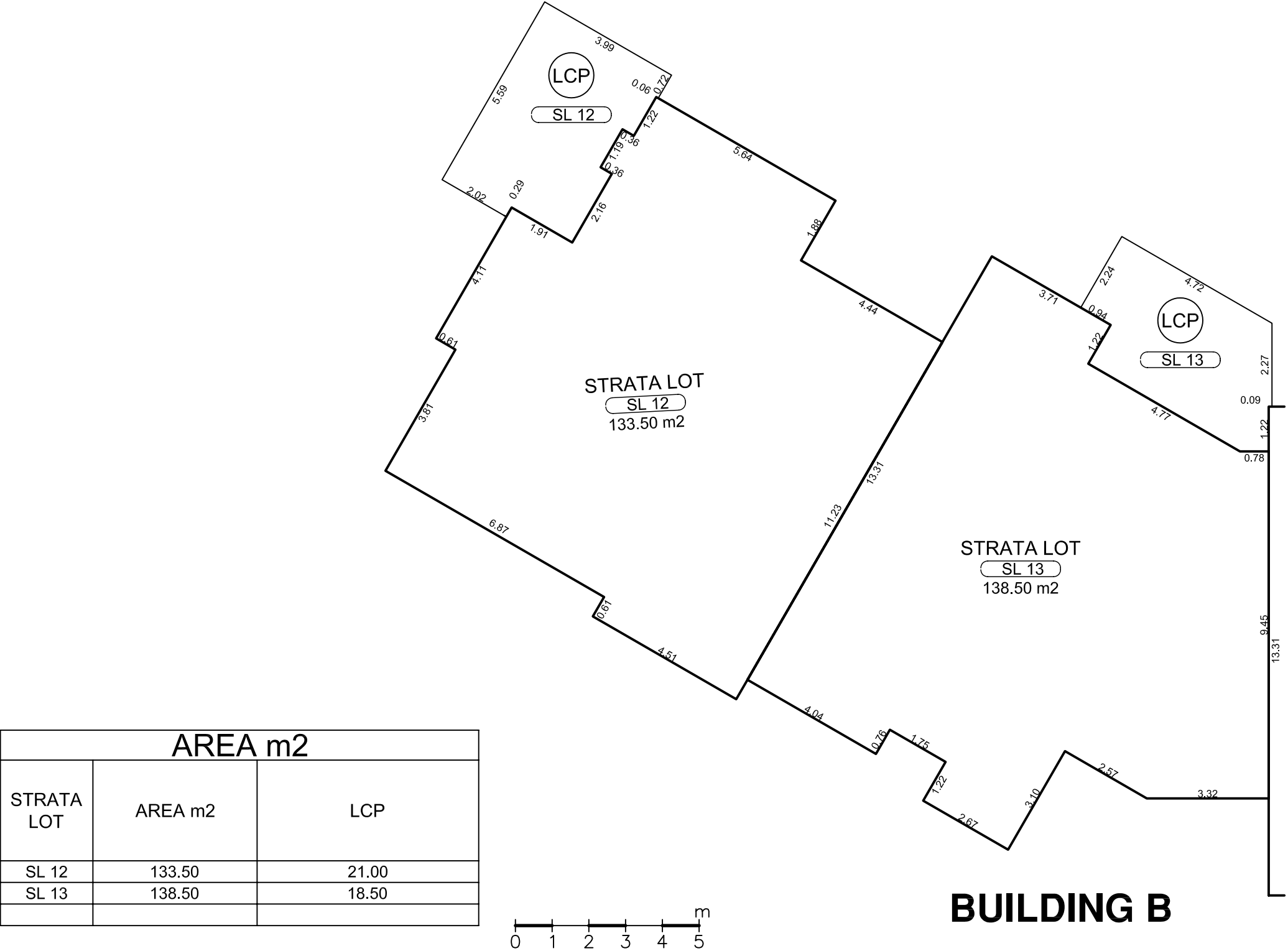


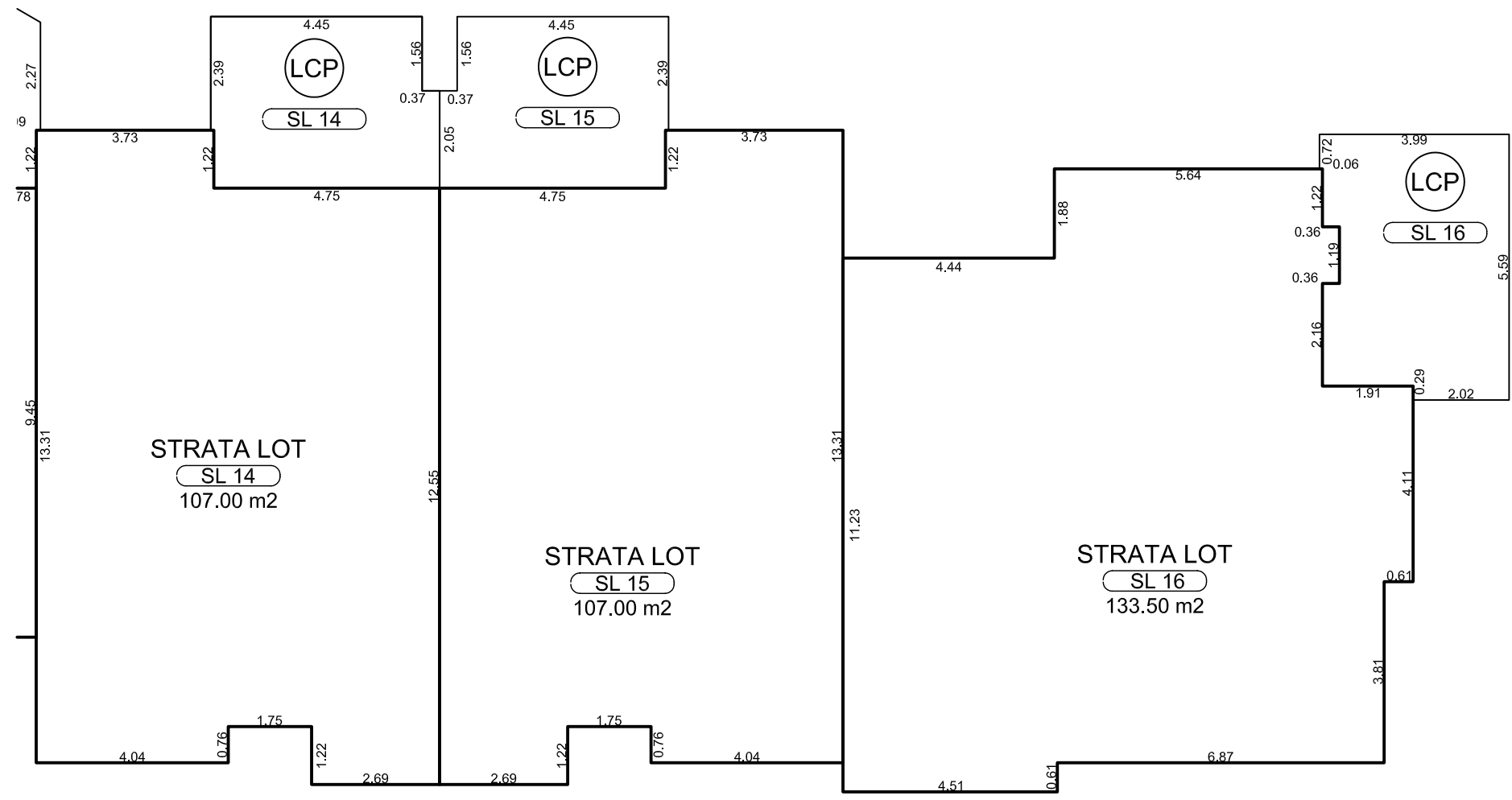


BUILDING B



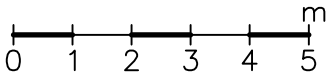
AREA m2		
STRATA LOT NO	AREA m2	limited common property (LCP/ Patio)
SL 9	107.00	27.50
SL 10	107.00	17.50
SL 11	132.50	43.00

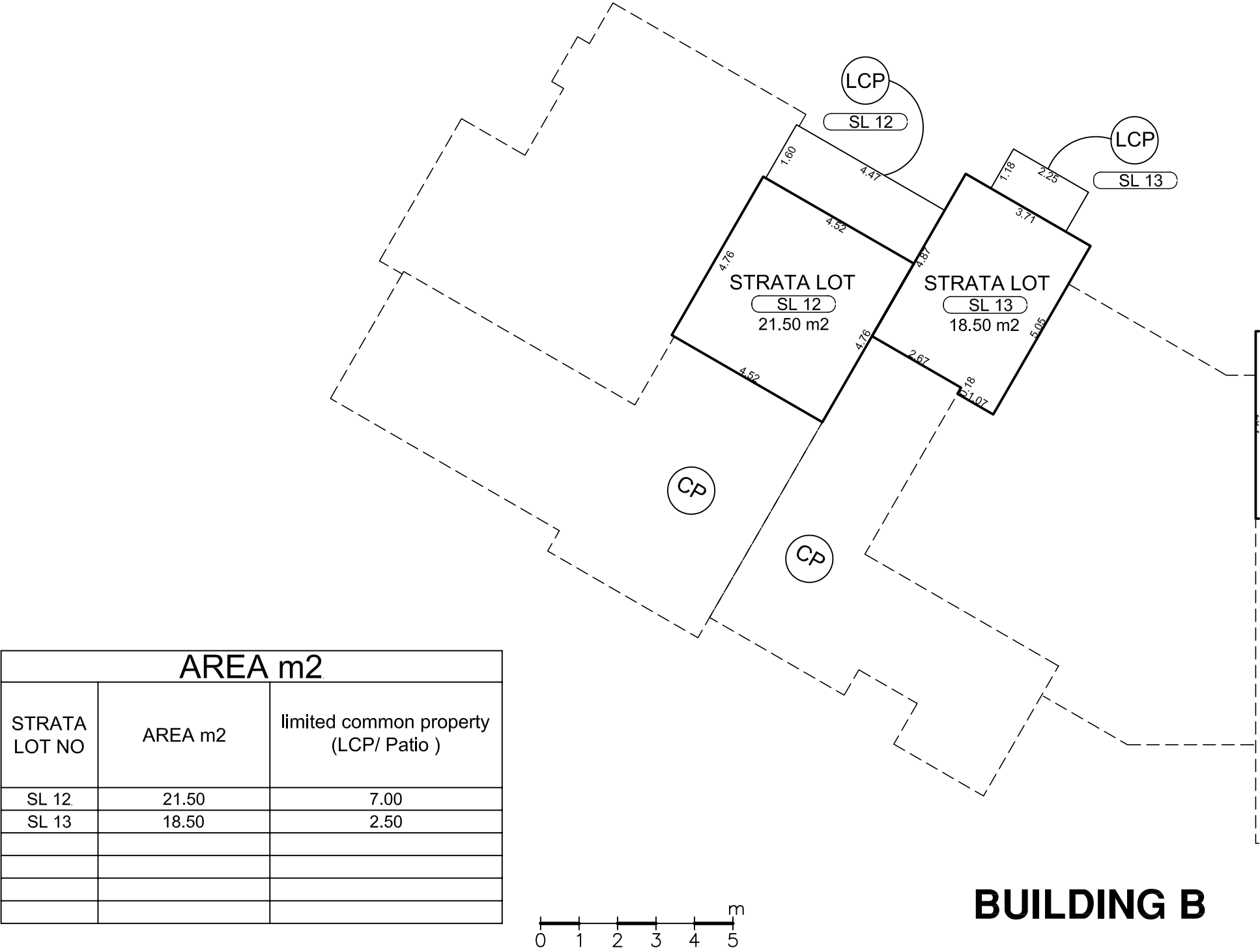


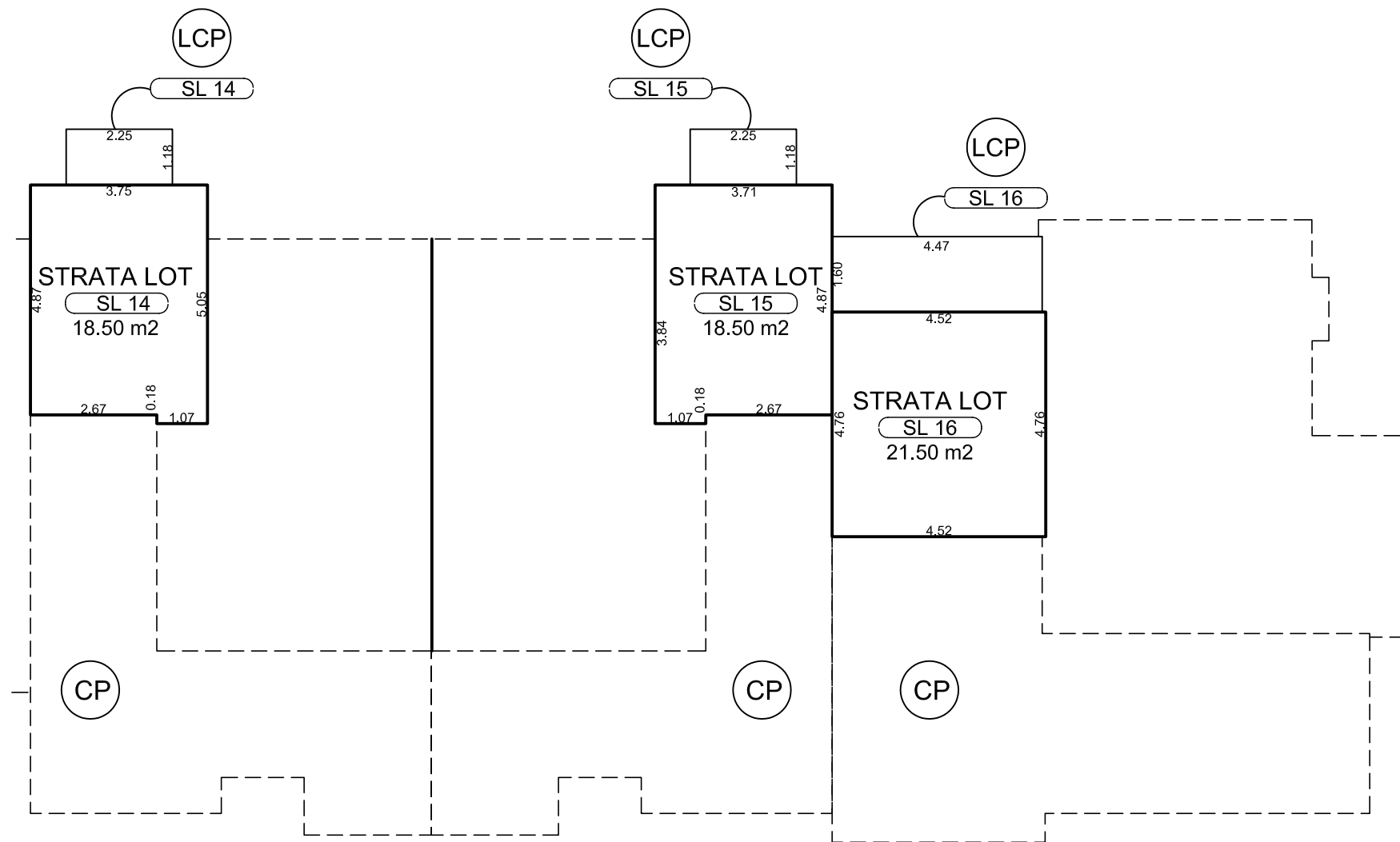


BUILDING B

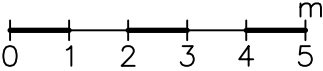
AREA m2		
STRATA LOT	AREA m2	LCP
SL 14	107.00	16.50
SL 15	107.00	16.50
SL 16	133.50	21.00



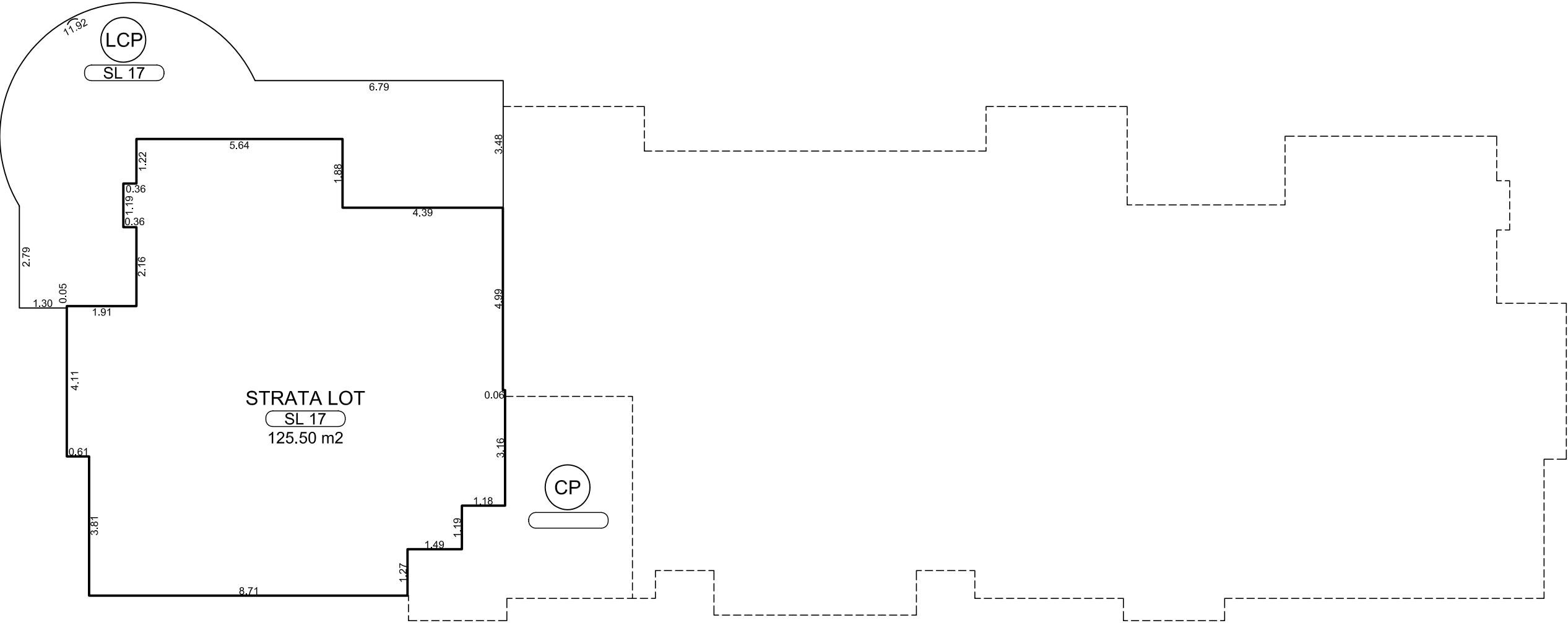




BUILDING B

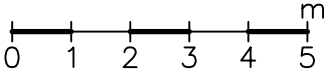


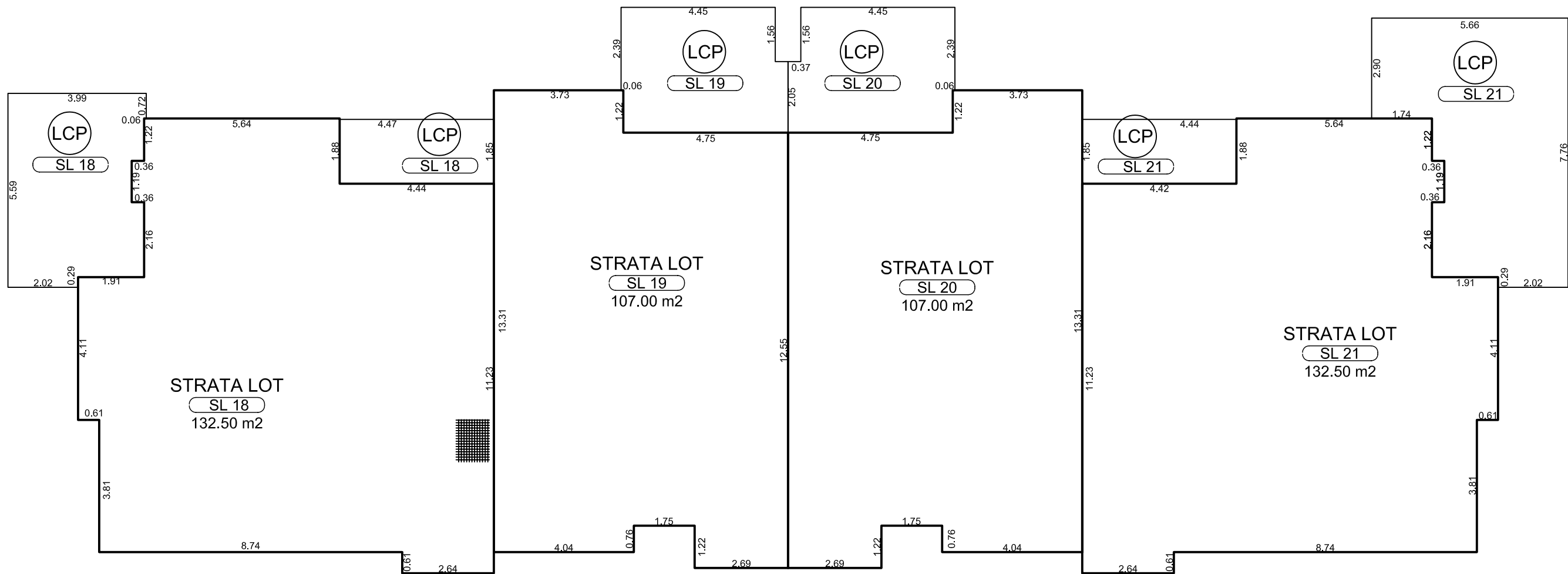
AREA m2		
STRATA LOT	AREA m2	LCP
SL 14	18.50	2.50
SL 15	18.50	2.50
SL 16	21.50	7.00



BUILDING C

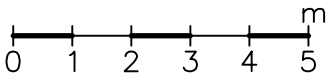
AREA m2		
STRATA LOT	AREA m2	LCP
SL 17	125.50	55.00

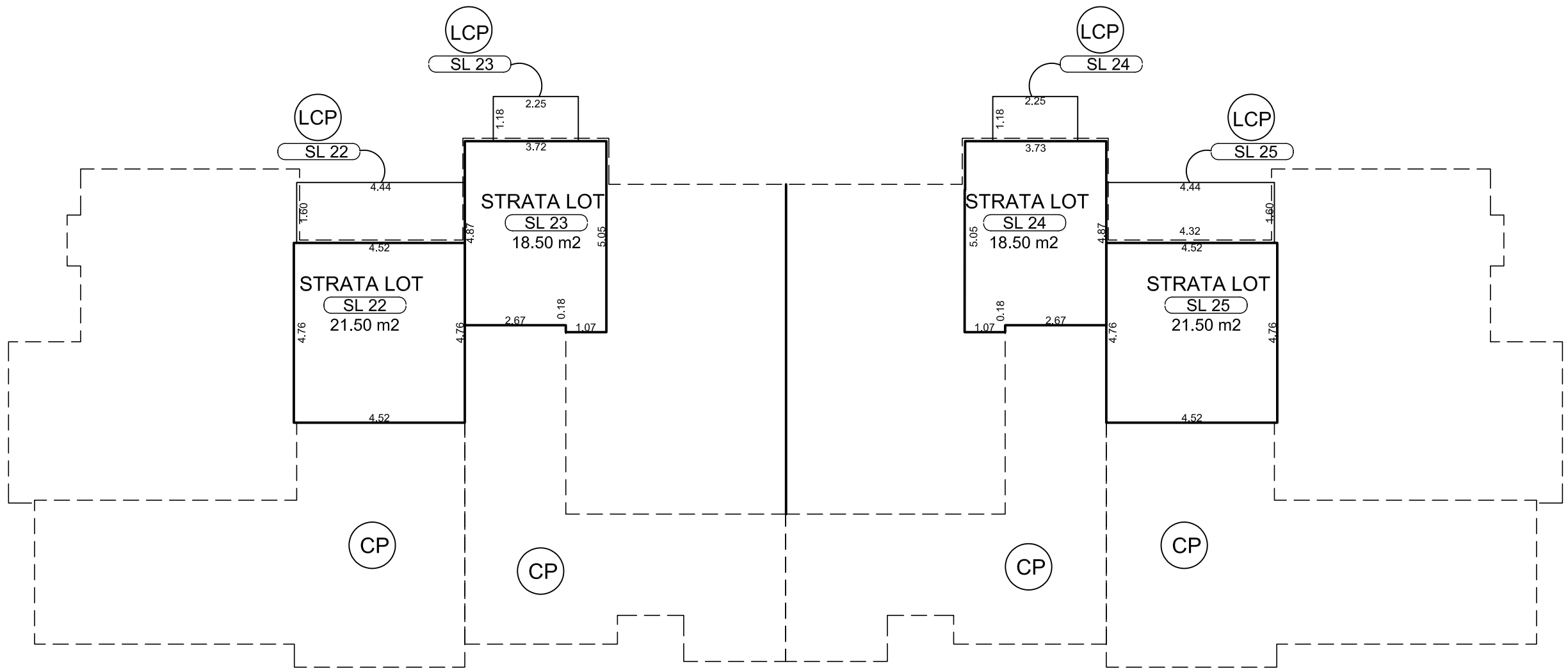




BUILDING C

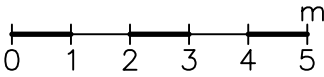
AREA m2		
STRATA LOT	AREA m2	LCP
SL 18	132.50	29.50
SL 19	107.00	16.50
SL 20	107.00	16.50
SL 21	132.50	42.50

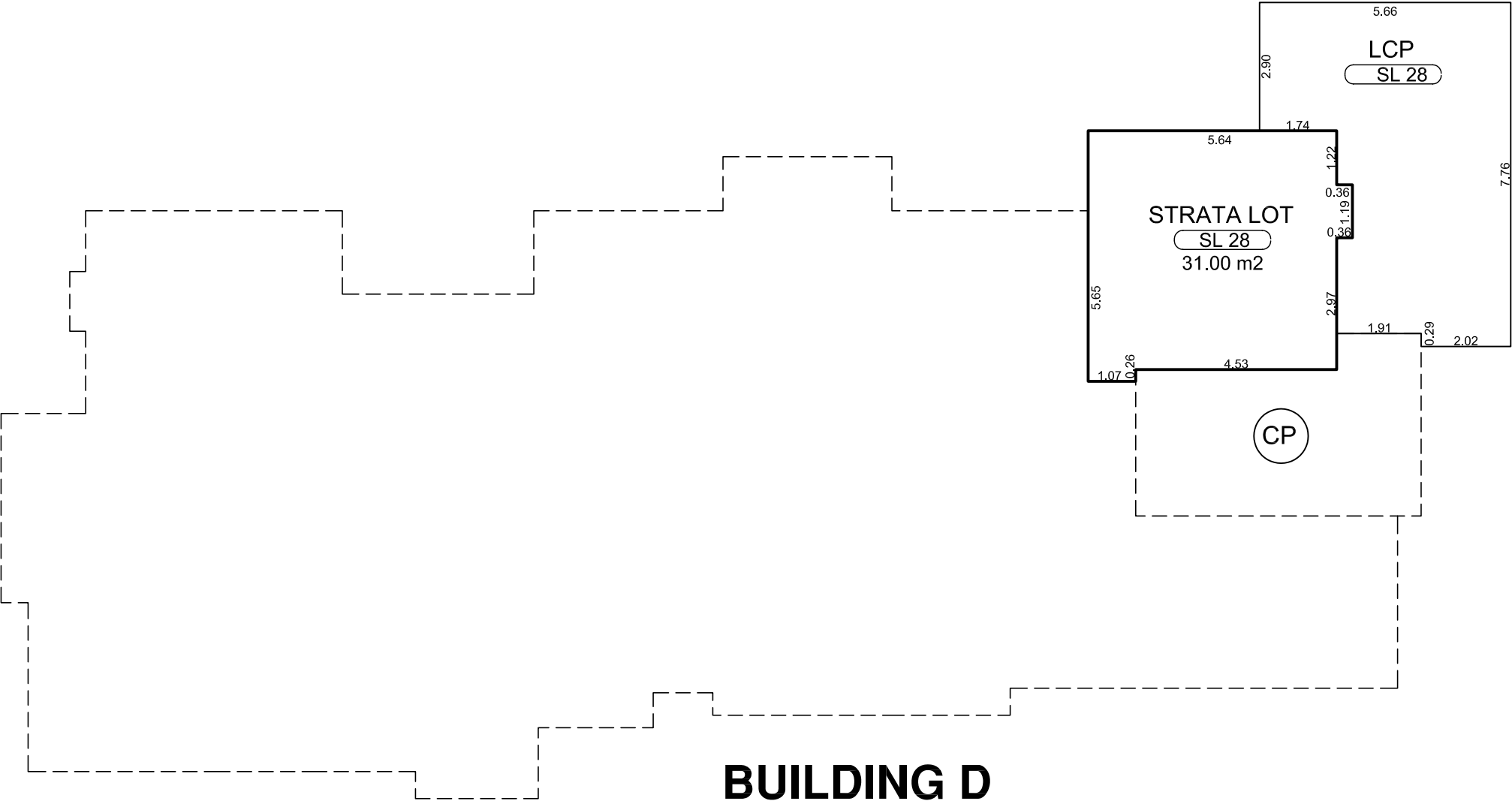




BUILDING C

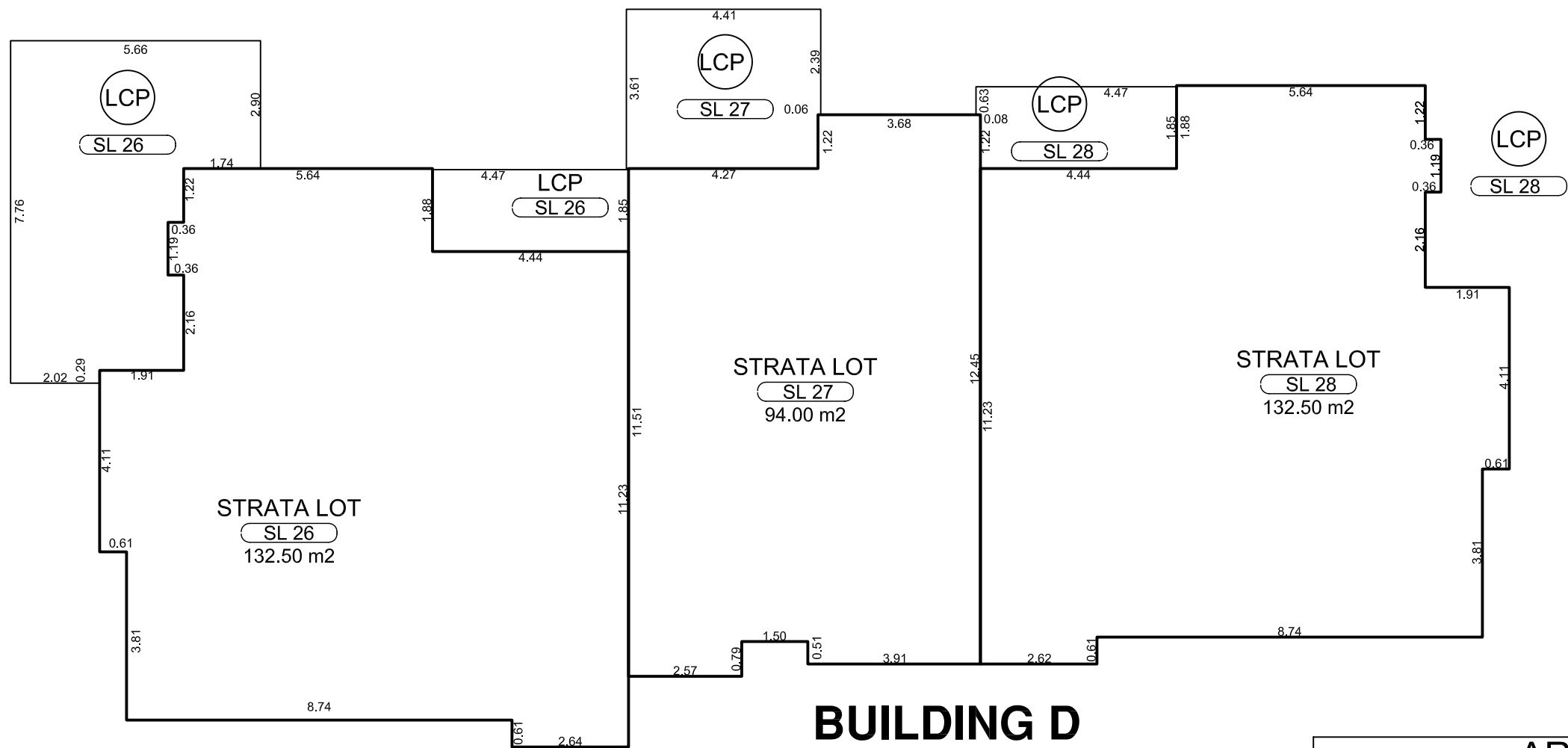
AREA m2		
UNIT NO	AREA m2	limited common property (LCP/ Patio)
SL 22	21.50	7.00
SL 23	18.50	2.50
SL 24	18.50	2.50
SL 25	21.50	7.00



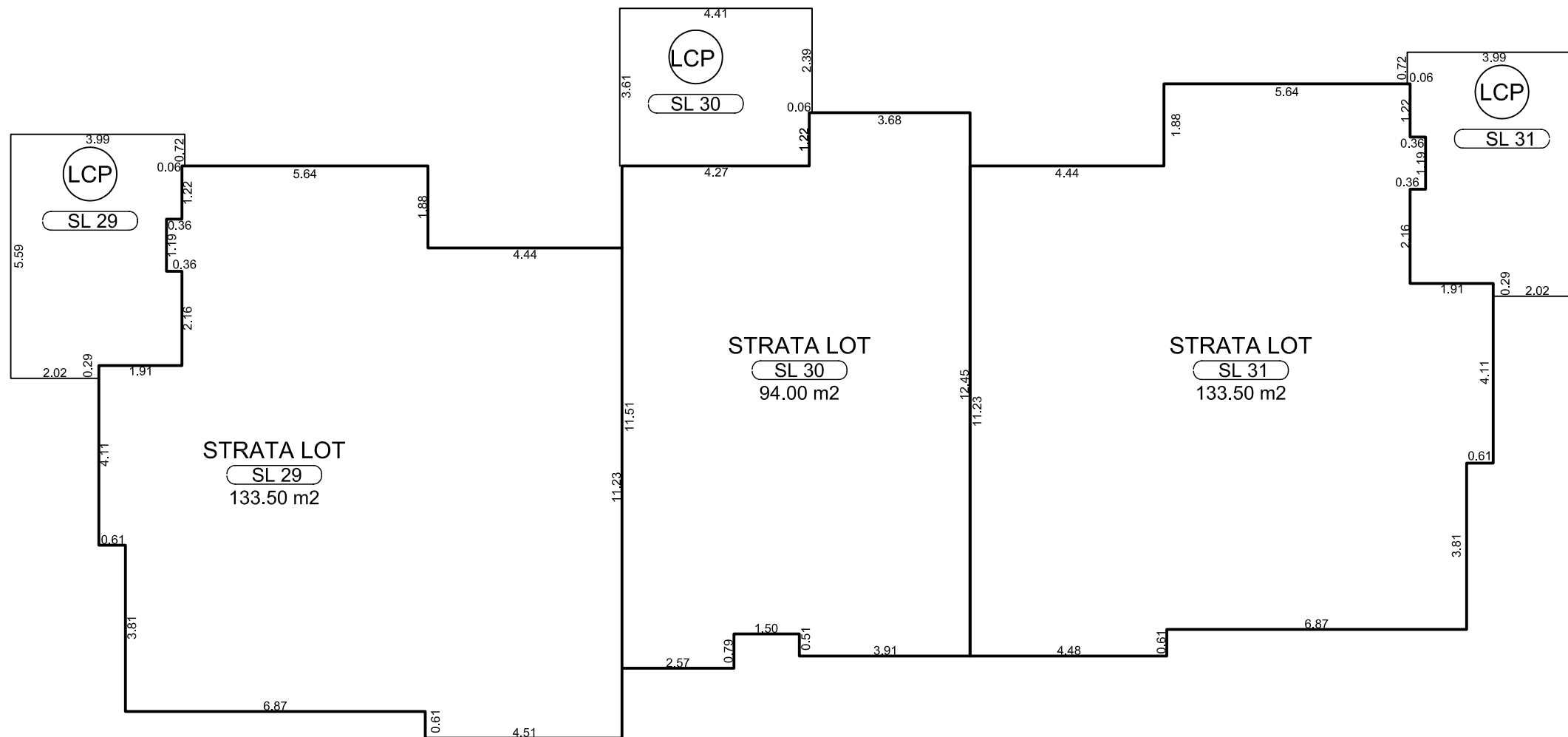


BUILDING D

AREA m2		
STRATA LOT	AREA m2	LCP
SL 28	31.00	34.50

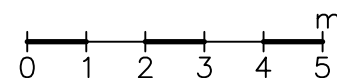


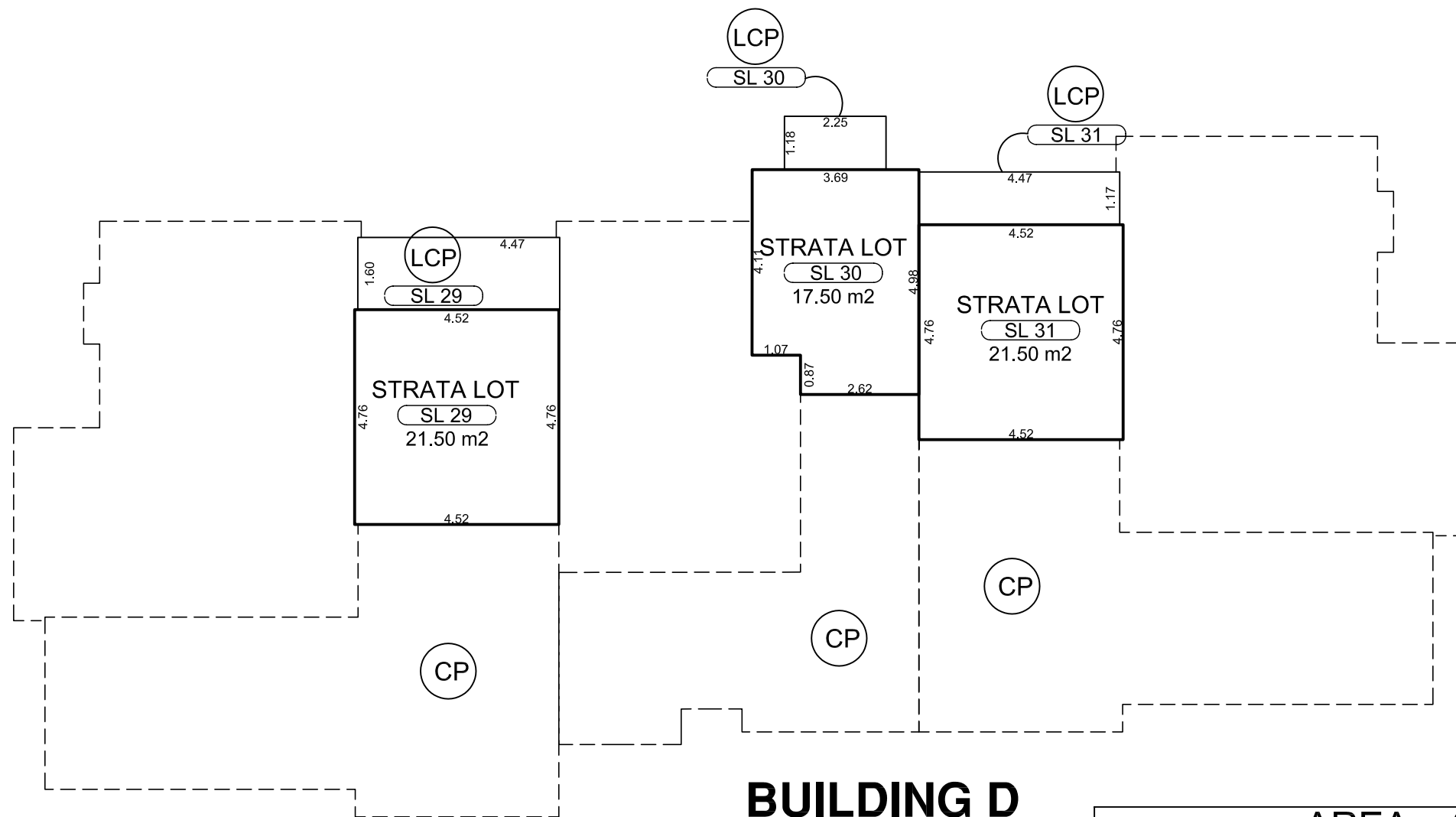
AREA m2		
STRATA LOT	AREA m2	LCP
SL 26	132.50	42.50
SL 27	94.00	16.00
SL 28	132.50	29.50



BUILDING D

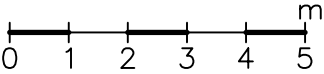
AREA m2		
STRATA LOT	AREA	LCP
SL 29	133.50	21.00
SL 30	94.00	16.00
SL 31	133.50	21.00

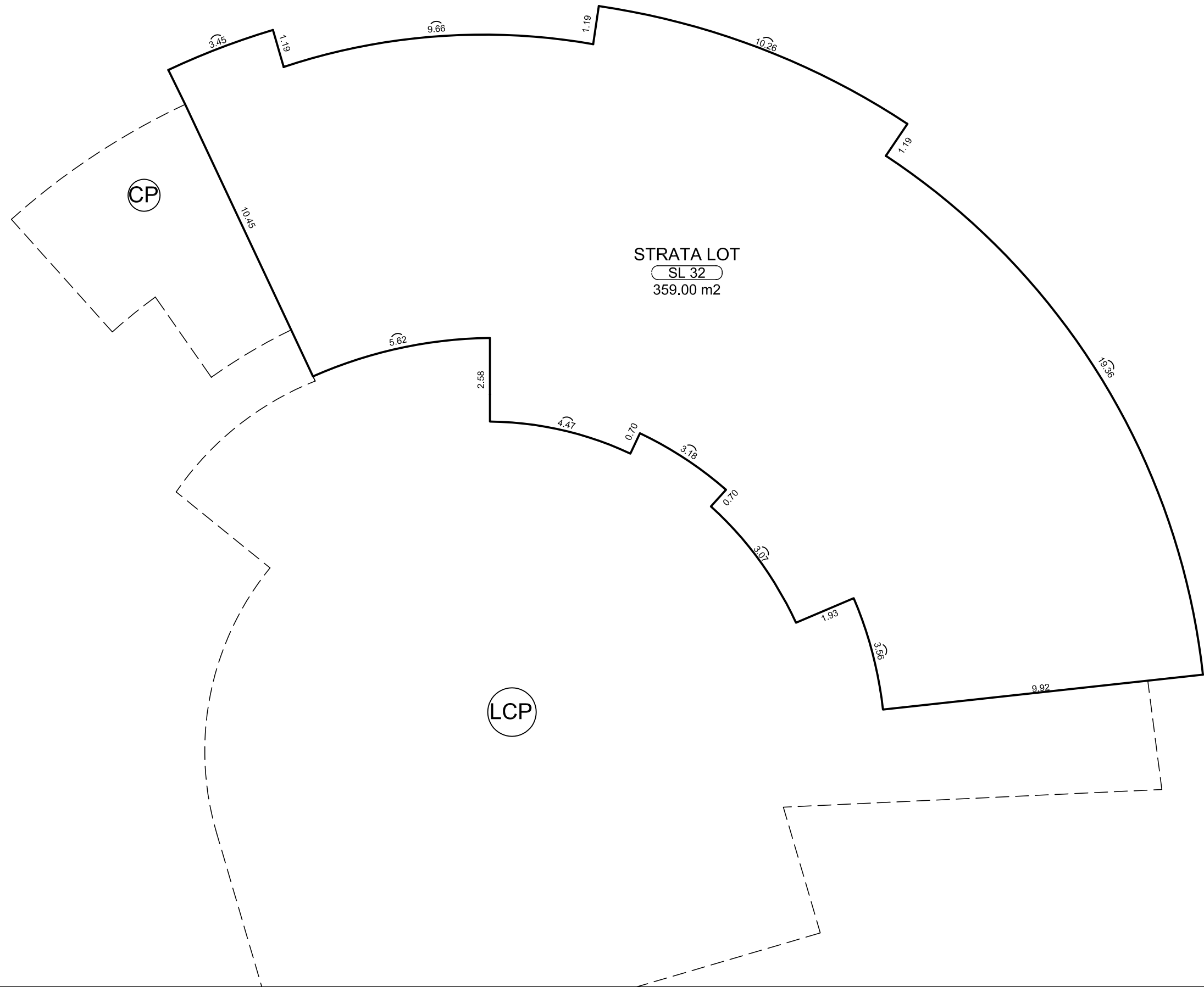




BUILDING D

AREA m2		
STRATA LOT	AREA m2	LCP
SL 29	21.50	7.00
SL 30	17.50	2.50
SL 31	21.50	5.00





**Painted Boat Resort
Spa and Marina**

**PROPOSED STRATA PLAN
SPA BUILDING**

EXHIBIT B

Proposed Unit Entitlement

EXHIBIT B

Strata Property Act
FORM V
SCHEDULE OF UNIT ENTITLEMENTS
(Sections 245 (a), 246, 264)

Re: Preliminary Strata Plan being a strata lot of Parcel H, District Lot 1023, Group 1, NWD Plan BCP24781

STRATA PLAN CONSISTING OF BOTH RESIDENTIAL AND NONRESIDENTIAL STRATA LOTS

The unit entitlement of each residential strata lot is one of the following, as set out in the following table:

- ☒ (a) the habitable area of the strata lot, in square metres, rounded to the nearest whole number as determined by a British Columbia land surveyor as set out in section 246 (3) (a) (i) of the *Strata Property Act*.
- OR
- ☐ (b) a whole number that is the same for all of the residential strata lots as set out in section 246 (3) (a) (ii) of the *Strata Property Act*.
- OR
- ☐ (c) a number that is approved by the Superintendent of Real Estate in accordance with section 246 (3) (a) (iii) of the *Strata Property Act*.

Signature of Superintendent of Real Estate

Strata Lot Number	Sheet Number	Habitable Area in square meters	Unit Entitlement	% of Total Unit Entitlement of Residential Strata Lots	% of Total Unit Entitlement of All Strata Lots
1	A A-12	126.0	126	3.050	2.806
2	A A-12	103.5	104	2.505	2.305
3	A A-12	126.0	126	3.050	2.806
4	A A-13 & A A-14	155.0	155	3.752	3.452
5	A A-13 & A A-14	122.0	122	2.953	2.717
6	A A-13 & A A-14	155.0	155	3.752	3.452
7	B A-11 & B A-12a	163.5	164	3.958	3.641
8	B A-12a	138.5	139	3.353	3.085
9	B A-12b	107.0	107	2.590	2.383
10	B A-12b	107.0	107	2.590	2.383
11	B A-12b	132.5	133	3.207	2.951
12	B A-13a & B A-14a	155.0	155	3.752	3.452
13	B A-13a & B A-14a	157.0	157	3.801	3.497
14	B A-13b & B A-14b	125.5	126	3.038	2.795
15	B A-13b & B A-14b	125.5	126	3.038	2.795
16	B A-13b & B A-14b	155.0	155	3.752	3.452
17	C A-11	125.5	126	3.038	2.795
18	C A-12	132.5	133	3.207	2.951
19	C A-12	107.0	107	2.590	2.383
20	C A-12	107.0	107	2.590	2.383
21	C A-12	132.5	133	3.207	2.951
22	C A-13 & C A-14	155.0	155	3.752	3.452
23	C A-13 & C A-14	125.5	126	3.038	2.795
24	C A-13 & C A-14	125.5	126	3.038	2.795
25	C A-13 & C A-14	155.0	155	3.752	3.452
26	D A-11 & D A-12	132.5	133	3.207	2.951
27	D A-12	94.0	94	2.275	2.094
28	D A-12	163.5	164	3.958	3.641
29	D A-13 & D A-14	155.0	155	3.752	3.452
30	D A-13 & D A-14	111.5	112	2.699	2.483
31	D A-13 & D A-14	155.0	155	3.752	3.452
total number of residential strata lots is 31			total unit entitlement of residential strata lots is 4131		

The unit entitlement of each nonresidential strata lot is one of the following, as set out in the following table:

- ☒ (a) the habitable area of the strata lot, in square metres, rounded to the nearest whole number as determined by a British Columbia land surveyor as set out in section 246 (3) (a) (i) of the *Strata Property Act*.

OR

- ☐ (b) a whole number that is the same for all of the residential strata lots as set out in section 246 (3) (a) (ii) of the *Strata Property Act*.

OR

- ☐ (c) a number that is approved by the Superintendent of Real Estate in accordance with section 246 (3) (a) (iii) of the *Strata Property Act*.

Signature of Superintendent of Real Estate

Strata Lot Number	Sheet Number	Total Area in square meters	Unit Entitlement	% of Total Unit Entitlement of Residential Strata Lots	% of Total Unit Entitlement of All Strata Lots
32	Spa Building	359.0	359	8.690	7.996
total number of nonresidential strata lots is 1		total unit entitlement of nonresidential strata lots is 359			

Schedule of Unit Entitlement approved by the Superintendent of Real Estate in accordance with section 246 (5) of the Strata Property Act.

Signature of Superintendent of Real Estate

Date:

Signature of Owner Developer

EXHIBIT C

Form of Agreement of Purchase and Sale

EXHIBIT "C"

"PAINTED BOAT RESORT SPA AND MARINA"

CONTRACT OF PURCHASE AND SALE

"Vendor" **PAINTED BOAT DEVELOPMENTS
LTD.
303 Mountain Highway
North Vancouver, BC
V7J 2K7**

STRATA LOT # _____
QUARTER INTEREST: A, B, C or D (Circle One)

"Purchaser" _____

Telephone: (Home) _____

Telephone: (Home) _____

Work _____

Work _____

Fax: _____

Fax: _____

S.I.N. _____

S.I.N. _____

Email _____

Email _____

This Purchaser [is / is not] resident in Canada for the
purposes of the *Income Tax Act*

This Purchaser [is / is not] resident in Canada for the
the purposes of the *Income Tax Act*

"Property" The Property is the proposed strata lot identified above, to be constructed in the condominium development (the "Development") known as Painted Boat Resort Spa and Marina, being developed by the Vendor on lands located at Madeira Park on Pender Harbour, British Columbia which is legally described as:

Parcel Identifier: 026-735-351
Parcel H
District Lot 1023
Group 1, NWD Plan BCP24781

"Purchased Interest" An undivided one-quarter fee simple interest in the Property together with a 99 year sublease (the "Sublease") entitling the Purchaser to the use of the Property for a minimum of 12 non-consecutive weeks per year during the period corresponding to the Quarter Interest identified above.

"Purchase Price" \$ _____ (exclusive of applicable GST)

"First Deposit" \$ _____ (this amount is inclusive of the Reservation Deposit of \$ _____
which together equal 10% of the Purchase Price)

"Second Deposit" \$ _____ (to be an additional 10% of Purchase Price)

Provided that in the event the Vendor complies with Section 19 of the *Real Estate Development Marketing Act*, as it relates to securing the First Deposit and Second Deposit (collectively the "Deposits"), the Purchaser hereby authorizes the holder of the Deposits to release the

Deposits to the Developer for use in completion of the Development.

THE **PURCHASER HEREBY OFFERS** to purchase the Property for the Purchase Price on the terms and conditions contained in this Contract, including the terms and conditions set out in Schedule A, which forth part of this Contract and are hereby incorporated into this Contract.

The Purchaser's offer herein is open for acceptance until 6:00 p.m. on _____ , and upon acceptance will form a binding Contract. This Contract maybe executed and delivered in counterparts and by telecopy.

The Purchaser acknowledges that the Purchaser has received a copy of and has been given an opportunity to read the Disclosure Statement for the Development and any amendments to date (collectively called the "Disclosure Statement") and that this Contract constitutes a receipt in respect thereof.

Initials: _____

The Purchaser covenants and agrees to enter into the Sublease, in the form attached as Exhibit "L" to the Disclosure Statement, with the Painted Boat Owners Corporation (the "Owners Corporation"). Failure to do so in accordance with the terms and conditions set out in Schedule A will constitute default under this Contract which will entitle the Vendor to terminate this Contract and, at its election, retain the First Deposit and the Second Deposit and interest thereon as liquidated damages.

Initials: _____

DATED: _____

WITNESS: _____
Name

PURCHASER: _____

Address

PURCHASER: _____

(witness as to all signatures)

PAINTED BOAT DEVELOPMENTS LTD. hereby accepts the Purchaser's offer herein and agrees to sell the Property to the Purchaser in accordance with this Contract.

DATED: _____

PAINTED BOAT DEVELOPMENTS LTD

Per: _____
Authorized Signatory

SCHEDULE A

ADDITIONAL TERMS AND CONDITIONS

I. Deposits. The Purchaser will pay the First Deposit to the Vendor's solicitors, SHANDRO DIXON EDGSON, in trust, within twenty-four (24) hours of the Vendor's acceptance of the Purchaser's offer herein, or within 24 hours of subject removal if this Contract is subject to any subject conditions in favour of the Purchaser. The Purchaser will pay the Second Deposit to the Vendor's solicitors in trust on or before THE DATE WHICH IS THE LATER OF 60 DAYS AFTER THE EXECUTION OF THIS Contract by the Purchaser and the date the Vendor provides to the Purchaser a copy of the Amendment to Disclosure Statement described in Section 10 below. Interest earned on all Deposits will be for the benefit of the Purchaser unless the Purchaser defaults in any of the Purchaser's obligations hereunder, in which case the Vendor may, at its election, retain all Deposits and interest thereon as liquidated damages, the parties hereby agreeing that such amount constitutes a genuine pre-estimate of damages. The Vendor will not accept any deposit or other payment by credit card. Any payments made on account of the First Deposit and for the Second Deposit in U.S. dollars (or other foreign currency) will be held in the currency received until they clear, without interest. Once cleared, the payments will be converted to Canadian dollars and invested as appropriate.

2. Completion Data The Purchaser will pay the balance of the Purchase Price by certified cheque on the Completion Date, which will be the date that the Vendor or the Vendor's solicitors notify the Purchaser or the Purchaser's solicitors in writing that the Property is ready to be occupied and titles to the Property have been issued by the Land Title Office, provided that the Vendor or its solicitors will give not less than fourteen (14) days' written notice thereof. Whether the Property is ready to be occupied refers to the Property only and not to any other strata lot or the common property within the Development and the Property will be deemed to be ready to be occupied on the Completion Date if the applicable government authority has given oral or written permission to occupy the Property, whether such permission is conditional or unconditional. The notice of the Completion Date given to the Purchaser or the Purchaser's solicitors may be based on the Vendor's estimate as to when the Property will be ready to be occupied, and if the Property is not ready to be occupied on the Completion Date so established, then the Vendor may delay the Completion Date from time to time as required by the Vendor until the Property is ready to be occupied, by written notice of such delay to the Purchaser or the Purchaser's solicitors, provided that the Vendor, or the Vendor's solicitors, will give the Purchaser or the Purchaser's solicitors not less than 24 hours notice of such extended Completion Date. If the Completion Date has not occurred by September 31, 2008 (the "Outside Completion Date") this Contract will be terminated unless the parties agree in writing to extend, provided that if the Vendor is delayed from completing construction of the Property as a result of any event or circumstance whatsoever beyond the reasonable control of the Vendor, then the Outside Completion Date will be extended for a period equivalent to such period of delay.

3. Possession and Adjustments. The Purchaser will have vacant possession of the Property in accordance with the Sublease on the day following the Completion Date after payment of the Purchase Price, free from all encumbrances except those contemplated in the Disclosure Statement for the Development (the "Disclosure Statement"), as amended from time to time, encumbrances pursuant to the original Crown Grant or any applicable statutory provision and financial encumbrances to be discharged, as set out in section 6 below. The Purchaser will assume all taxes, rates, assessments and other charges from and including the Completion Date and all adjustments will be made as of the Completion Date. If the amount of such taxes, rates or assessments have been levied in respect of a parcel greater than the Property, the portion thereof which shall be allocated to the Purchased Interest will be determined by prorating the total amount among all strata lots in the Development on the basis of the applicable unit entitlement in each case and dividing the amount applicable to the Property by four.

4. Construction. The Purchaser acknowledges that the Purchaser is buying an undivided one-quarter fee simple interest in a strata lot to be constructed substantially in accordance with the Disclosure Statement and the plans and specifications prepared by the Vendor's architect (the "Architect") and submitted to the Sunshine Coast Regional District, subject to such modifications as may be determined by the Vendor or the Architect from time to time, changes required by the Sunshine Coast Regional District or other approving authority or otherwise permitted herein or in the Disclosure Statement or accepted by the Architect upon certification of substantial completion of the Development, provided the Vendor may make minor modifications in features, design, layout, window area and window location as in the opinion of Vendor or the Architect are necessary, desirable or reasonable and may use materials other than as prescribed in the plans and specifications if they are reasonably similar to that which is prescribed. The Property will contain any equipment and appliances described in the Disclosure Statement, provided that the Vendor reserves the right to substitute equipment and appliances of a reasonably similar standard. The Vendor represents and warrants that the Property will be no more than 5% smaller than indicated in the Disclosure Statement when measured in accordance with the Strata Property Act. If the Property is more than 5% smaller, then the Purchase Price will be reduced by a percentage equal to the number of percent by which the Property is more than 5% smaller. If requested by the Purchaser, the Purchaser will be entitled to inspect the Property with a representative of the Vendor at a reasonable time prior to the Completion Date as determined by the Vendor. At such time the parties will prepare and sign a conclusive list of any defects and deficiencies and the date following the Completion Date by which corrections are to occur. The Vendor will promptly repair or remedy any

such defects and deficiencies by the stated date for completion thereof in such list and the Purchaser will not be entitled to hold back any portion of the Purchase Price in respect of such defects or deficiencies. In the event of any dispute, a decision by the Architect will be final and binding on the parties. In all other respects the Purchaser will be deemed to have accepted the physical condition of the Property.

5. Lien Holdback. That portion, if any, of the Purchase Price required by law to be held back by the Purchaser in respect of potential builders' lien claims (the "Lien Holdback") will be paid to the Vendor's solicitors on the Completion Date. The Lien Holdback will be held by the Vendor's solicitors in trust pursuant to the *Strata Property Act* and the *Builders Lien Act*, with interest for the benefit of the Vendor, solely in respect of builders' lien claims registered in the Land Title Office in connection with work done on behalf of the Vendor. The Vendor's solicitors are authorized to pay to the Vendor on the 56th day after the Completion Date the Lien Holdback plus interest earned, less the amount representing builders' lien claims filed against the Property of which the Purchaser or the Purchaser's solicitor notify the Vendor's solicitors in writing by 1:00 p.m. that day. The Purchaser hereby authorizes the Vendor and the Vendor's solicitors to do all things necessary to discharge any builders' liens, including using the Lien Holdback funds to payout and discharge any liens and bringing court proceedings in the name of the Purchaser, provided that any such proceedings will be solely at the expense of the Vendor.

6. Completion/Risk/Time. The Purchaser's solicitors will prepare and deliver the required Transfer and Statement of Adjustments together with the Sublease duly executed by the Purchaser, to the Vendor's solicitor at least five (5) days prior to the Completion Date. The Vendor will not be required to execute or deliver any other agreements, transfer documents, certificates, statutory declarations or assurances whatsoever. Following the delivery of such documents to the Vendor, the Vendor will execute and deliver to the Purchaser's solicitors the Transfer, the Sublease and Statement of Adjustments on the condition that the Purchaser's solicitors pay to the Vendor's solicitors the balance of the adjusted Purchase Price on the Completion Date by way of a certified cheque forthwith upon receipt of a satisfactory post-registration index search in accordance with this Contract or to return such documents unregistered. The Purchaser acknowledges and agrees that the transfer of the undivided one-quarter fee simple interest in the Property may be subject to the Vendor's financing for the Development provided that the Vendor's solicitors undertake to clear title to the Purchaser's undivided fee simple interest therein of encumbrances relating to such financing within a reasonable time after receiving the balance of the adjusted Purchase Price payable to the Vendor on closing. The Purchased Interest will be at the Vendor's risk until 12:01 a.m. on the Completion Date and thereafter at the Purchaser's risk. Time will be of the essence of this Contract and will remain of the essence notwithstanding the extension of any of the dates herein.

7. Costs/GST. The Purchaser will pay all taxes, costs and expenses in connection with the completion of the sale and purchase of the Purchased Interest (including any goods and services tax payable), other than the costs of the Vendor incurred in clearing from the title to the Purchased Interest of all financial encumbrances, as well as paying provincial sales tax on the equipment and appliances which are included in the Purchase Price.

8. Assignment. The Purchaser may not directly or indirectly assign the Purchaser's interest in this Contract or direct the Vendor to transfer title to the Purchased Interest to any third party without the prior written consent of the Vendor, acting reasonably, and unless the Purchaser gives the Vendor and the Vendor's solicitor no less than 10 days' written notice of such assignment. Such assignment will not release or discharge the Purchaser from any of the Purchaser's duties or obligations under this Contract even if this Contract is subsequently amended. In the event of any assignment of this Contract prior to closing, the Purchaser will pay to the Vendor an assignment fee of \$500.00 prior to closing unless such assignment is to a spouse, child, grandchild, parent, grandparent or sibling of the Purchaser or a company owned or controlled by the Purchaser on closing.

9. Miscellaneous Agreements. This Contract is the entire agreement between the parties and there are no other oral or written representations, warranties, conditions or collateral agreements, express or implied, whether made by the Vendor, any agent, employee or representative of the Vendor or any other person (including, without limitation, any arising out of any sales brochures, models, representative view sites, show suites, displays, photographs, illustrations, renderings or other marketing materials whatsoever). The Vendor hereby represents and warrants that the Property does not contain urea formaldehyde foam insulation. The representations and warranties contained herein will survive completion and the conveyance of the Purchased Interest to the Purchaser for a period of one year thereafter. This Contract will be governed by and construed in accordance with the laws of British Columbia and the courts of British Columbia will have exclusive jurisdiction in connection herewith. If the Purchaser is comprised of more than one person, the covenants and obligations of all parties comprising the Purchaser are joint and several.

10. Receipt for Disclosure Statement. The Purchaser acknowledges that the Purchaser has received a copy of and has been given an opportunity to read the Disclosure Statement and any amendments to date and that this Contract constitutes a receipt in respect thereof. The Purchaser also has had the opportunity to ask questions of, and receive answers from the Developer concerning the Development, and to obtain such additional information necessary to verify the accuracy of the information contained in the Disclosure Statement in order for the Purchaser to evaluate the merits and risks of the purchase of the Purchased Interest.

11. Notices. Any notice to be given to the Purchaser will be well and sufficiently given if mailed to the Purchaser (by airmail if the Purchaser's address is outside of North America) or the Purchaser's solicitor or notary public or faxed or delivered by hand to the Purchaser or the Purchaser's solicitor or notary. Any notice so given will be deemed to be received by the Purchaser on the seventh (7th) day after mailing, if sent by mail, or on the day of faxing or delivery if faxed or delivered by hand.

12. Acknowledgement. The Purchaser acknowledges that it has received separate consideration from the Vendor in return for which the Purchaser agrees not to revoke its offer herein while this Contract remains subject to the conditions in favour of the Vendor set out in section 13 of this Schedule A.

13. Rental Management Agreement. The Purchaser, while not required to participate in the rental program described in the Disclosure Statement agrees that on or before the Completion Date it will enter into a rental management agreement with a rental manager chosen by the Vendor substantially in the form attached as Exhibit S to the Disclosure Statement, to ensure that in the event the Purchaser intends to use the services of a rental agency to rent the Strata Lot, the rental manager will provide such rental management services in accordance with such rental management agreement.

14. Personal Information. The Vendor and the Purchaser hereby consent to the collection, use and disclosure by the Vendor and any agent, salesperson employee or representative of the Vendor, the real estate boards of which those agents or salespersons are members and, if the Purchased Interest is listed on the Multiple Listing Service, the real estate board that operates that Multiple Listing Service, of personal information about the Vendor and the Purchaser:

- a) for all purposes consistent with the transaction contemplated herein;
- b) if the Purchased Interest is listed on a Multiple Listing Service, for the purpose of compilation, retention and publication by the real estate board that operates the Multiple Listing Service and other real estate boards of any statistics including historical Multiple Listing Service data for use by persons authorized to use the Multiple Listing Service of that real estate board and other real estate boards;
- c) for enforcing codes of professional conduct and ethics for members of real estate boards; and
- d) for the purposes (and to the recipients) described in the brochure published by the British Columbia Real Estate Association entitled Working With a Real Estate Agent.

15. Rights of Rescission.

Under section 21 of the *Real Estate Development Marketing Act*, the purchaser or lessee of a development unit may rescind (cancel) the contract of purchase and sale or contract to lease by serving written notice on the developer or the developer's brokerage, within seven (7) days after the later of the date the contract was entered into or the date the purchaser or lessee received a copy of this Disclosure Statement.

A purchaser may serve a notice of rescission by delivering or sending by registered mail a signed copy of the notice to:

- a) the developer at the address shown in the disclosure statement received by the purchaser;
- b) the developer at the address shown in the purchaser's purchase agreement;
- c) the developer's brokerage, if any, at the address shown in the disclosure statement received by the purchaser; or
- d) the developer's brokerage, if any, at the address shown in the purchaser's purchase agreement.

Pursuant to Policy Statement 5 issued by the Superintendent of Real Estate under the *Real Estate Development Marketing Act*:

- a) the purchaser may cancel the purchase agreement for a period of seven days after receipt of an amendment to the disclosure statement that sets out particulars of the issued development approval if the layout or size of the applicable development unit, the construction of a major common facility, including a recreation centre or clubhouse, or the general layout of the development, is materially changed by the issuance of development approval;
- b) if an amendment to the disclosure statement that sets out particulars of an issued development approval is not received by the purchaser within 12 months after the initial disclosure statement was filed, the purchaser may at his or her option cancel the purchase agreement at any time after the end of that 12 month period until the required amendment is received by the purchaser, at which time the purchaser may cancel the purchase agreement for a period of seven days after receipt of that amendment only if the layout or size of the applicable development unit, the construction of a major common facility, including a recreation centre or clubhouse, or the general layout of the development, is materially changed by the issuance of the development approval;

- c) the amount of the deposit to be paid by a purchaser who has not yet received an amendment to the disclosure statement that sets out particulars of an issued development approval is no more than 10% of the purchase price; and
- d) all deposits paid by a purchaser, including interest earned if applicable, will be returned promptly to the purchaser upon notice of cancellation from the purchaser.

Pursuant to Policy Statement 6 issued by the Superintendent of Real Estate under the *Real Estate Development Marketing Act*:

- a) if an amendment to the Disclosure Statement that sets out particulars of a satisfactory financing commitment is not received by the purchaser within (12) months after the initial Disclosure Statement was filed, the purchaser may at his or her option cancel the purchase agreement at any time after the end of that twelve (12) month period until the required amendment is received by the purchaser;
- b) the amount of the deposit to be paid by a purchaser who has not yet received an amendment to the Disclosure Statement that sets out particulars of a satisfactory financing commitment is not more than ten percents (10%) of the purchase price; and
- c) all deposits paid by a purchaser, including interest earned if applicable, will be returned promptly to the purchaser upon notice of cancellation from the purchaser.

ADDENDUM

"Vendor"

PAINTED BOAT DEVELOPMENTS LTD.

"Purchaser"

"Property"

Unit # _____

Strata Lot # _____

Further to the Contract of Purchase and Sale entered into between the Vendor and the Purchaser covering the above-described property, the Vendor and Purchaser agree as follows:

DATED _____

Witness

Purchaser

Witness

Purchaser

DATED _____

ACKNOWLEDGED AND AGREED TO BY:

Per:

PAINTED BOAT DEVELOPMENTS LTD.

EXHIBIT D

Schedule of Furniture, Fixtures and Equipment for each Strata Lot

Exhibit "D"
Schedule of Furniture, Fixtures, and Equipment for each Strata Lot

Quantities of the following items will vary depending on the size and configuration of the strata lot.

Housewares

Dinnerware, kitchenware, linens, cleaning and bathroom accessories

Lighting

table and accent lamps

Electronics

TV's (living room, master bedroom and loft), DVD and CD player

Artwork

Framed prints

Bedroom Linens

Blankets, Sheets, Duvet Covers, Pillows, Pillow cases and Shams
- two sets each as required for regular beds and sofa beds

Bathroom Linens

Bath and hand towels, face clothes

Appliances

Stainless Steel - Refrigerator, Electric Range, Hood Fan, Dishwasher, and Microwave
Washer and Dryer

Interior Furnishings

Living Room - Queen Sofa Bed, 2 Arm Chairs, 2 End Tables, Coffee Table, Desk
Dining Room - Dining Table, Chairs, Buffet Table
Kitchen - Bar Stools
Master Bedroom - King Bed, Headboard, Mattress, 2 Nightstands, Dresser
Guest Bedroom - Queen Bed, Headboard, Mattress, 2 Nightstands
Loft - Queen Sofa Bed, TV stand, Desk

Patio Furnishings

Dining table, 6 chairs, 2 chaise lounge chairs, Barbecue

Window Coverings

Roller Shades

EXHIBIT E

Bylaws of the Strata Corporation

EXHIBIT E

Strata Corporation Bylaws

Division 1 -- Duties of Owners, Tenants, Occupants and Visitors

The following Bylaws of the Strata Corporation are in addition or in substitution to the Schedule of Standard Bylaws contained in the *Strata Property Act*.

Repair and maintenance of property by owner

Notwithstanding Bylaw 2, the owner's obligation pursuant to this bylaw may be delegated by the owner to the Quarter Interest Manager (as defined in the Sublease entered into between the owner and the Painted Boat Owner's Corporation), in which case the owner's obligations pursuant to this bylaw will be limited to utilizing all commercially reasonable efforts to cause the Quarter Interest Manager to comply with the owner's obligations hereunder.

Use of property

Bylaw 3(4) is deleted and substituted with the following:

An owner, tenant, occupant or visitor must not keep any pets on a strata lot.

Obtain approval before altering a strata lot

Section 5 and 6 are deleted and substituted with the following:

- (1) An owner must obtain the written approval of the strata corporation before making an alteration to a strata lot or common property, including limited common property, that involves any of the following:
 - (a) the structure of a building;
 - (b) the exterior of a building;
 - (c) chimneys, stairs, balconies or other things attached to the exterior of a building;
 - (d) doors or windows on the exterior of a building, or that front on the common property;
 - (e) fences, railings or similar structures that enclose a patio, balcony or yard;
 - (f) common property located within the boundaries of a strata lot;
 - (g) those parts of the strata lot which the strata corporation must insure under section 149 of the Act
- (2) The strata corporation may withhold its approval under subsection (1) if the Quarter Interest Manager is of the opinion that such change is not in the best interest of the Development and may

require as a condition of its approval that the owner agree, in writing, to take responsibility for any expenses relating to the alteration.

- (3) The ability of an owner to make any of the alterations described in subsection (1) above is also subject to any restrictions contained in any agreement or arrangement entered into between such owner and the Quarter Interest Manager.

Permit entry to strata lot

Bylaw 7 is deleted and substituted with the following:

- (1) An owner, tenant, occupant or visitor must allow a person authorized by the strata corporation to enter the strata lot
- (a) in an emergency, without notice, to ensure safety or prevent significant loss or damage, and
 - (b) at a reasonable time, to inspect, repair or maintain common property, common assets and any portions of a strata lot that are the responsibility of the strata corporation to repair and maintain under these bylaws or insure under section 149 of the Act, or to ensure compliance with the Act and the bylaws.

Division 2 – Powers and Duties of Strata Corporation

Repair and maintenance of property by strata corporation

Bylaw 8 is deleted and substituted with the following:

The strata corporation must repair and maintain all of the following:

- (a) common assets of the strata corporation;
- (b) common property that has not been designated as limited common property;
- (c) limited common property, except the limited common property associated with the commercial strata lot, which will be the sole responsibility of the commercial strata lot owner to repair and maintain, but the duty to repair and maintain it is restricted to
 - (i) repair and maintenance that in the ordinary course of events occurs less often than once a year, and
 - (ii) the following, no matter how often the repair or maintenance ordinarily occurs:
 - (A) the structure of a building;
 - (B) the exterior of a building;
 - (C) chimneys, stairs, balconies and other things attached to the exterior of a building;
 - (D) doors and windows on the exterior of a building or that front on the common property;

- (E) fences, railings and similar structures that enclose patios, balconies and yards;
- (d) a strata lot in a strata plan that is not a bare land strata plan, except the commercial strata lot, which will be the sole responsibility of the commercial strata lot owner to repair and maintain, but the duty to repair and maintain it is restricted to
 - (i) the structure of a building,
 - (ii) the exterior of a building,
 - (iii) chimneys, stairs, balconies and other things attached to the exterior of a building,
 - (iv) doors and windows on the exterior of a building or that front on the common property, and
 - (v) fences, railings and similar structures that enclose patios, balconies and yards.

The strata corporation may delegate its obligation to maintain the above assets and common property to the Quarter Interest Manager.

Division 4 -- Enforcement of Bylaws and Rules

Maximum fine

Bylaw 23 is deleted and substituted with the following:

The strata corporation may fine an owner or tenant a maximum of

- (a) \$200 for each contravention of a bylaw, and
- (b) \$50 for each contravention of a rule.

The following Bylaws are added:

Types of Strata Lots

- (1) For the purpose of allocating expenses which relate to and benefit different types of strata lots the Resort Strata Lots (being Strata Lots 1 to 31 inclusive) are comprised of four multiple unit buildings to be used by the owners in conjunction with a quarter interest program and the Commercial Strata Lot (being Strata Lot 32) is a detached building used as a Spa facility that is open to the general public.
- (2) If a contribution to the operating fund relates to and benefits only one of these types of strata lots, such contribution is to be shared only by the owners of the strata lots of that type and each strata lot's share of that contribution is to be calculated in accordance with a formula which has as its numerator the unit entitlement of the strata lot within that type and as its denominator the total unit entitlement of all strata lots within that type.

Restrictions on Rental of Resort Strata Lots

A Resort Strata lot may not be rented for periods of less than 7 days to persons, or a person, as an overnight accommodation for more than 50% of the time during any 12-month period ending on October 31.

A Resort Strata Lot may not be rented by the Quarter Interest Owner unless privately rented by the Quarter Interest Owner or through the Rental Management Agreement.

Restrictions on Use of Common Property by Commercial Strata Lot

An owner, tenant, occupant or visitor of the commercial strata lot (Spa facility) will not be allowed use of the common property and assets of the strata corporation except as follows:

- (a) to access the commercial strata lot for any and all purposes applicable to the use of the commercial strata lot,
- (b) to access the limited common property associated with the commercial strata lot for any and all purposes applicable to the use of the commercial strata lot,
- (c) to access fourteen (14) open air parking stalls, which shall be set aside for the exclusive use of the commercial strata lot, and
- (d) to access the common property designated for garbage and recycling for the use of the commercial strata lot.

EXHIBIT F

Rental Disclosure Statement

Strata Property Act
FORM J
RENTAL DISCLOSURE STATEMENT
(Section 139)

Re: Parcel Identifier: 026-735-351
Parcel H
District Lot 1023
Group 1, NWD Plan BCP24781

1. The development described above includes 31 residential strata lots and 1 commercial strata lot.
2. The residential strata lots described below are rented out by the owner developer as of the date of this statement and the owner developer intends to rent out each strata lot until the date set out opposite its description.

[Describe all strata lots rented out by owner developer as of the date of this statement.]

Description of Strata Lot <i>[strata lot number as shown on strata plan]</i>	Date Rental Period Expires <i>[month, day, year]</i>
NIL	N/A

3. In addition to the number of residential strata lots rented out by the owner developer as of the date of this statement, the owner developer reserves the right to rent out the 31 residential strata lots, as described below, until the date set out opposite each strata lot's description.

[Describe all strata lots intended to be rented out by the owner developer.]

Description of Strata Lot <i>[strata lot number as shown on strata plan]</i>	Date Rental Period Expires <i>[month, day, year]</i>
1 through 31 inclusive	Indefinitely

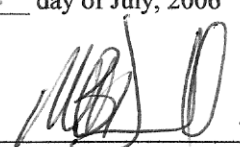
4. There are bylaws of the strata corporation that restrict the rental of strata lots as follows:

Restrictions on Rental of Resort Strata Lots

A Resort Strata lot may not be rented for periods of less than 7 days to persons, or a person, as an overnight accommodation for more than 50% of the time during any 12-month period ending on October 31.

A Resort Strata Lot may not be rented by the Quarter Interest Owner unless privately rented by the Quarter Interest Owner or through the Rental Management Agreement.

Date: 17 day of July, 2006



Signature of Owner/Developer

EXHIBIT G

Initial Strata and Owners Corporation Budgets

Exhibit "G"
Initial Strata and Owners Corporation Budgets

STRATA OPERATING EXPENSES

	<u>Resort Strata</u> <u>Lots</u>	<u>Commercial</u> <u>Strata Lot</u>	<u>Total</u>
Administration			
Legal and Accounting	4,600	400	5,000
Office and Miscellaneous Expenses	4,600	400	5,000
Insurance on resort strata lots and carports	30,000	0	30,000
liability Insurance	15,181	1,319	16,500
Insurance on common buildings	2,500	0	2,500
Insurance on infrastructure, roads, landscaping, lighting	4,600	400	5,000
WCB	2,116	184	2,300
Strata Management Fee	11,904	384	12,288
Repairs and Maintenance			
Garbage Removal / Recycling	3,864	336	4,200
Eaves Cleanout (resort strata lots only)	2,000	0	2,000
Landscaping and grounds maintenance	32,201	2,799	35,000
Window washing (resort strata lots only)	8,000	0	8,000
Building Exterior (resort strata lots only)	20,000	0	20,000
Building Exterior (common buildings)	2,000	0	2,000
Common Area Cleaning	10,000	0	10,000
Pool and Fitness Centre Supplies	10,000	0	10,000
Common Area Utilities			
Hydro - Electricity - site lighting	1,472	128	1,600
Hydro - Electricity - pool & common buildings	12,000	0	12,000
Water - pool and common buildings	500	0	500
subtotal	<u>177,539</u>	<u>6,349</u>	<u>183,888</u>
Contingency Reserve (10% of total budget)	17,754	635	18,389
total	<u>195,293</u>	<u>6,984</u>	<u>202,277</u>

OWNERS CORPORATION OPERATING EXPENSES

Administration	
Legal and Accounting	5,000
Office and Miscellaneous Expenses	5,000
Insurance on contents	4,800
Quarter Interest Managers Fee	110,000
Website	1,000
Repairs and Maintenance	
Annual Deep clean	20,000
In-suite repairs and maintenance	20,000
Unit Utilities and Services	
Telephone	4,800
High Speed Internet	4,000
Cable TV	3,500
Hydro - Electricity	24,800
Sewer	13,330
Water	5,400
Replacement Reserve	31,000
Estimated Property Taxes*	<u>140,000</u>
total	<u>392,630</u>

** the estimate for property taxes assumes that the resort strata lots will be assessed as a Class 1 property as this is currently defined by the BC Assessment Authority*

EXHIBIT H

Monthly Strata and Corporation Assessments and Operating Costs

Exhibit "H"
Monthly Strata and Owners Corporation Budgets

Strata Lot Number	Habitable Area in square meters	Unit Entitlement	% of Total Unit Entitlement of Residential Strata Lots	Strata Fee per Quarter Interest per Month	Owners Corporation Fee per Quarter Interest per Month	Total Fees for each Quarter Interest per Month
1	126.0	126	0.031	\$124.10	\$249.49	\$373.59
2	103.5	104	0.025	\$101.94	\$204.94	\$306.88
3	126.0	126	0.031	\$124.10	\$249.49	\$373.59
4	155.0	155	0.038	\$152.66	\$306.92	\$459.57
5	122.0	122	0.030	\$120.16	\$241.57	\$361.73
6	155.0	155	0.038	\$152.66	\$306.92	\$459.57
7	163.5	164	0.040	\$161.03	\$323.75	\$484.78
8	138.5	139	0.034	\$136.41	\$274.24	\$410.65
9	107.0	107	0.026	\$105.38	\$211.87	\$317.25
10	107.0	107	0.026	\$105.38	\$211.87	\$317.25
11	132.5	133	0.032	\$130.50	\$262.36	\$392.86
12	155.0	155	0.038	\$152.66	\$306.92	\$459.57
13	157.0	157	0.038	\$154.63	\$310.88	\$465.50
14	125.5	126	0.030	\$123.60	\$248.50	\$372.11
15	125.5	126	0.030	\$123.60	\$248.50	\$372.11
16	155.0	155	0.038	\$152.66	\$306.92	\$459.57
17	125.5	126	0.030	\$123.60	\$248.50	\$372.11
18	132.5	133	0.032	\$130.50	\$262.36	\$392.86
19	107.0	107	0.026	\$105.38	\$211.87	\$317.25
20	107.0	107	0.026	\$105.38	\$211.87	\$317.25
21	132.5	133	0.032	\$130.50	\$262.36	\$392.86
22	155.0	155	0.038	\$152.66	\$306.92	\$459.57
23	125.5	126	0.030	\$123.60	\$248.50	\$372.11
24	125.5	126	0.030	\$123.60	\$248.50	\$372.11
25	155.0	155	0.038	\$152.66	\$306.92	\$459.57
26	132.5	133	0.032	\$130.50	\$262.36	\$392.86
27	94.0	94	0.023	\$92.58	\$186.13	\$278.71
28	163.5	164	0.040	\$161.03	\$323.75	\$484.78
29	155.0	155	0.038	\$152.66	\$306.92	\$459.57
30	111.5	112	0.027	\$109.82	\$220.78	\$330.60
31	155.0	155	0.038	\$152.66	\$306.92	\$459.57

Total Fees	4131	\$4,068.60	\$8,179.79	\$12,248.40
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Strata Fees	x 4 x 12	\$195,293.00
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Owner Fees	x 4 x 12	\$392,630.00
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\$587,923.00

EXHIBIT I

Strata Management Agreement

EXHIBIT "I"

PAINTED BOAT

STRATA PROPERTY MANAGEMENT AGREEMENT

THIS AGREEMENT dated as of _____, 2006

BETWEEN:

THE OWNERS, STRATA PLAN ____

(the "Strata Corporation")

AND:

PAINTED BOAT MANAGEMENT LTD.

PO Box 153, Madeira Park, B.C. V0N 2H0

(the "Strata Manager")

WHEREAS:

- A. The Strata Manager carries on the business of, *inter alia*, real property management; and
- B. The Strata Corporation desires to engage the services of the Strata Manager to manage on behalf of the Strata Corporation, the common property and common facilities, (collectively called the "Common Property") of the Strata Corporation and Strata Plan _____ (the "Strata Plan") located at Madeira Park on Pender Harbour, British Columbia, and to act as its agent in the performance of the powers and duties of the Strata Corporation in accordance with this Agreement.

HEREFORE, in consideration of the mutual covenants and agreements contained in this Agreement and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by the parties, the parties hereby agree as follows:

1. Appointment.

The Strata Corporation hereby appoints the Strata Manager to be its manager to provide professional management, maintenance and administration services in respect of the Common Property and to act as its agent in the performance of the powers and duties of the Strata Corporation upon the terms and conditions contained in this Agreement.

2. Term.

Unless terminated in accordance with this Agreement, the appointment (the "Appointment") of the Strata Manager under this Agreement will be for a term of one year commencing on ♦ , 200 ♦ (the "Initial Term") and will continue thereafter from year to year (each of which is called a "Renewal Term"). During each Renewal Term, the Appointment will be on the terms and conditions set out in this Agreement, with the exception of the amount of the remuneration payable by the Strata

Corporation to the Strata Manager pursuant to section 3, which will be adjusted to be the remuneration agreed to by the parties as being the fair market remuneration for such services paid by similar strata corporations for such services or, failing such agreement by the parties by the commencement of such Renewal Term, then the amount of remuneration for such Renewal Term will be established by arbitration pursuant to the *Commercial Arbitration Act* (British Columbia).

3. Management Fee.

In consideration of the performance by the Strata Manager of its duties and obligations under this Agreement, for the Initial Term the Strata Corporation will pay to the Strata Manager a fee of eight dollars (\$8) per one-quarter residential strata title interest per month and thirty two dollars (\$32) per month for the commercial strata lot, payable monthly, on the first day of each month.

4. Strata Manager's Duties.

The Strata Manager hereby accepts the Appointment and covenants and agrees to carry out the following on behalf of and at the cost of the Strata Corporation (except for the cost of employees as set out in paragraph 4(w) herein):

- (a) use its best efforts to diligently manage, maintain and administer the Common Property, and the Strata Corporation hereby authorizes the Strata Manager to utilize the funds of the Strata Corporation contained in the contingency reserve fund (the "Contingency Reserve Fund") established by or on behalf of the Strata Corporation in accordance with the provisions of the *Strata Property Act* (British Columbia) (the "Act"), as amended from time to time, in the name of and on behalf of the Strata Corporation, if so required by the Strata Manager for such purpose;
- (b) upon the request of the Strata Corporation or the strata council of the Strata Corporation (the "Strata Council"), prepare and update from time to time for the review and approval of the Strata Corporation annual budgets for common expenses in accordance with any requirements of the Act and the bylaws and rules of the Strata Corporation (collectively called the "Bylaws");
- (c) review periodically the insurance of the Strata Corporation and report to the Strata Corporation in respect thereof and with respect to the level of insurance required by the Act;
- (d) use its best efforts to collect all assessments for common expenses and special levies (the "Assessments") levied on each owner from time to time (each an "Owner") of an interest in a strata lot within the Strata Plan and all fines and any other amounts owing from any Owner or Owners or any other person to the Strata Corporation in any manner howsoever and, upon the approval of the Strata Corporation, make and assent to all just and reasonable abatements and allowances in respect thereof;
- (e) on non-payment of the Assessments, fines or any other amount from time to time owing by an Owner or any other person, assist the Strata Corporation in taking such action, including legal action, for and in the name of the Strata Corporation as the Strata Council may direct, including pursuing those remedies provided for in the Act and the Bylaws, and executing, delivering and registering proper and effectual certificates, receipts, discharges and acknowledgements therefore;
- (f) assist the Strata Corporation in settling, adjusting or referring to arbitration or other decision any account, reckoning or dispute whatsoever between the Strata Corporation and any person other than the Strata Manager in respect of the Common Property and to pay or receive any

money awarded or payable in respect thereof;

- (g) deposit all money collected by the Strata Manager on behalf of the Strata Corporation in a trust account or accounts opened in the name of the Strata Corporation and separate from the Strata Manager's personal accounts in a financial institution qualified to engage in the banking or trust business in British Columbia, for which the Strata Manager or a director, officer or employee of the Strata Manager will be a signing authority;
- (h) procure contracts and agreements in respect of the Common Property for electricity, propane, water, sewerage, telephone, window cleaning, garbage disposal, vermin extermination, landscaping, snow removal, grounds, maintenance, pool maintenance, and other services (if any) or such of them as the Strata Manager may deem necessary or advisable, all such contracts and agreements to be executed and delivered by the Strata Corporation, and the Strata Manager will not be permitted to execute any contract or agreement on behalf of the Strata Corporation unless so authorized in writing by the Strata Corporation;
- (i) sign cheques and pay out of the funds of the Strata Corporation all bills, charges, accounts, expenses and other outgoings payable by or chargeable to the Strata Corporation in respect of matters for which the Strata Manager is authorized to act on behalf of the Strata Corporation under this Agreement, including, without limitation, the remuneration and expenses payable to the Strata Manager pursuant to this Agreement, provided that such remuneration or expenses are within an approved budget of the Strata Corporation (including the initial budget prepared by the Developer) or otherwise approved in writing by the Strata Corporation;
- (j) perform or see to the performance of any other duties and obligations required to be performed by the Strata Corporation pursuant to any contract or agreement entered into between the Strata Corporation and any other person, firm or corporation with respect to the Common Property or the management, maintenance or administration thereof;
- (k) immediately advise the Strata Corporation if any proposed or existing contract or agreement of the Strata Corporation involves any person, firm or corporation not at arm's length to the Strata Manager or, if the Strata Manager is a corporation, any of the directors, officers or shareholders of the Strata Manager;
- (l) render in writing an accounting to the Strata Corporation of receipts and expenses of and charges to the Strata Corporation, on or before the last day of the month following the end of each financial year of the Strata Corporation, or more often if so required by the Strata Corporation;
- (m) supervise any and all independent contractors required for the operation and maintenance of the Common Property, it being understood that all such contractors will be contractors retained and paid by the Strata Corporation and not the Strata Manager and that the Strata Manager will not be responsible for their acts, defaults or negligence if the Strata Manager has exercised reasonable care and diligence in their appointment and retention;
- (n) prepare and distribute, at the request of the Strata Council, agendas and send out notices for all meetings of the Strata Council and the Strata Corporation held in accordance with the Act or the Bylaws or as otherwise determined by the Strata Council, circulars, minutes of meetings and notices from the Strata Corporation to each Owner, the parties hereby agreeing that any reasonable expenses incurred by the Strata Manager in connection therewith will be for the account of the Strata Corporation, provided that such expenses are within an approved budget of the Strata Corporation (including the initial budget prepared by the developer) or otherwise approved in writing by the Strata Corporation);

- (o) arrange for a representative of the Strata Manager to attend all scheduled meetings of the Strata Corporation and the Strata Council when requested by the Strata Corporation or the Strata Council to do so and arrange for the recording of minutes at any such meeting;
- (p) assist the Strata Corporation in warning off and prohibiting any person who with the knowledge of the Strata Manager trespasses or threatens to trespass upon the Common Property or any part thereof and in taking action, including legal action, against any such person;
- (q) give notice to Owners, licensees and occupiers of the strata lots within the Strata Plan of any defaults in any obligations of such Owners, licensees or occupiers, including any breach of the Act or any Bylaw;
- (r) acquire and maintain, at the expense of the Strata Corporation, such bonding and insurance over and above general business insurance, as the Strata Manager may be directed by the Strata Corporation from time to time;
- (s) make or cause to be made and supervise any maintenance, repairs and alterations to the Common Property, decorate and redecorate the Common Property or parts thereof and purchase all necessary equipment, tools, materials and supplies and pay all bills therefore, provided that the Strata Manager agrees to secure the approval of the Strata Corporation for any expenditure in excess of \$2,500 (or such greater amount as the Strata Corporation may from time to time approve, subject always to the provisions of the Act) for any one item, other than recurring operating charges or emergency repairs in excess of such maximum if, in the reasonable opinion of the Strata Manager, such expenditures are necessary to protect the Common Property from damage or to maintain services in accordance with the standards of the development and the obligations of the Strata Corporation and the Strata Corporation hereby authorizes the Strata Manager to utilize the funds of the Contingency Reserve Fund, if so required by the Strata Manager for such purpose;
- (t) comply with any approved budget of the Strata Corporation (including the initial budget prepared by the Developer) and, except as otherwise permitted herein, obtain the prior written approval of the Strata Corporation for any expenditure in excess of that provided for in an approved budget for the Strata Corporation, other than emergency situations where it is not possible for the Strata Manager to first seek the approval of the Strata Corporation and in the reasonable opinion of the Strata Manager such expenditures are necessary;
- (u) promptly provide upon request and upon payment of such reasonable fee as may be lawfully required (which fee will be received for the sole benefit of the Strata Manager), any certificate (including Form B Information Certificates and Form F Certificates of Payment) which the Strata Corporation is by the Act or other law required to provide to the person requesting such certificate and such other certificates in respect of other matters regarding the Strata Corporation as the Strata Council may from time to time authorize or direct;
- (v) properly repair and maintain, at the expense of the Strata Corporation, those areas of the Common Property available for parking;
- (w) employ and provide the services of all personnel required, in the Strata Manager's opinion, to carry out the services hereunder and the Strata Manager shall be responsible for the promotion, training, supervision and discharging of such personnel. All such employees shall be employees of the Strata Manager and the Strata Corporation shall have no responsibility therefore. The Strata Manager shall maintain adequate Worker's Compensation Insurance for all such employees of the Strata Manager. The Strata Manager will and does hereby indemnify and save

harmless the Strata Corporation for any and all costs, claims and liabilities to its employees; and

- (x) do all such other acts and things in connection with the Strata Corporation and the Common Property as are reasonably required by the Strata Corporation or the Strata Council from time to time and are of a nature of services normally provided by first class property managers.

Unless otherwise provided herein, amounts expended by the Strata Manager in fulfilling its duties hereunder, other than the Strata Manager's office overhead and salaries, wages and other expenses relating to the Strata Manager's employees, will be for the account of the Strata Corporation.

5. Standard of Performance.

The Strata Manager covenants and agrees that the Strata Manager will perform its services under this Agreement in a proper, faithful, honest, diligent and timely manner, as would a first class, responsible and prudent property manager experienced in performing like services and functions.

6. Authorization.

To enable the Strata Manager to perform efficiently its duties and obligations under this Agreement, subject to the limitations set out herein, the Strata Corporation hereby authorizes the Strata Manager to execute, deliver, do and perform any and all acts and things reasonably required in connection with this Agreement, in the name of and on behalf of the Strata Corporation, if so required by the Strata Manager.

7. Strata Council Authority.

The Strata Corporation hereby authorizes the Strata Council to act on it behalf in respect of any act done or proposed to be done by the Strata Manager in the performance of the duties and obligation of the Strata Manager under this Agreement. The Strata Corporation acknowledges and agrees that the Strata Manager will at all times be entitled to:

- (a) rely on and act upon instructions, directions and approvals given by the Strata Council and, without limiting the generality of the foregoing or any other provisions of this Agreement, the receipt by the Strata Manager of instructions or directions in writing, signed on behalf of the Strata Council by two or more of its members, will constitute full and sufficient authority from the Strata Corporation for the Strata Manager to act in accordance therewith; and
- (b) report to the Strata council on any matter in respect of which the Strata Manager is required by the terms of this Agreement to report to the Strata Corporation, and in so doing the Strata Manager will be deemed to have fulfilled its responsibilities to so report.

8. Strata Corporation Covenants:

The Strata Corporation covenants and agrees:

- (a) to arrange for reasonable access by the Strata Manager to the Common Property at all times during the term of this Agreement for the purpose of the Strata Manager carrying out its duties and obligations hereunder;
- (b) to do all acts and things required by the Strata Manager to provide the Strata Manager with full and free access to the Contingency Reserve Fund for the purpose of subsections 4(a) and (s);

- (c) that the Strata Manager will not be liable for any error of judgment or for any mistake of fact or law or for anything which it may do or refrain from doing hereunder, except to the extent of the Strata Manager's willful misconduct, gross negligence or breach of or default under this Agreement, and the Strata Corporation agrees to indemnify and save the Strata Manager harmless from and against all claims, damages and costs incurred in connection with its duties hereunder, except to the extent of the Strata Manager's willful misconduct, gross negligence or breach of or default under this Agreement and that the Strata Corporation will carry, at the expense of the Strata Corporation, adequate insurance to protect the Strata Manager against all such claims, damages and costs in the same manner and to the same extent as the Strata Corporation;
- (d) to execute and deliver all such documents and perform all such acts and things, or cause the Strata Council to do so, as may be reasonably required or desirable in the opinion of the Strata Manager to enable the Strata Manager to properly perform its duties and obligations hereunder;
- (e) to give reasonable direction to the Strata Manager in connection with the performance of its duties and obligations hereunder and to respond promptly to all requests and inquiries made by the Strata Manager;
- (f) to furnish to the Strata Manager all documents and records available to the Strata Corporation which may be reasonably required by the Strata Manager in connection with the performance of its duties and obligations hereunder;
- (g) to provide the Strata Manager with copies of or access to:
 - (i) the bylaws of the Strata Corporation and any and all amendments thereto as such amendments are made;
 - (ii) any and all rules made by the Strata Corporation from time to time;
 - (iii) notices and minutes of all meetings of the Strata Corporation and the Strata Council;
 - (iv) any and all resolutions of the Strata Corporation designating or terminating exclusive use areas, limited common property or special privileges with respect to the Common Property and any and all resolutions in any way affecting the duties or obligations of the Strata Manager pursuant to this Agreement; and
 - (v) a current list of Owners and any and all tenancy or rental agreements received from any Owner with respect to the occupancy of such Owner's strata lot;
- (h) that nothing contained in this Agreement will require the Strata Manager to expend any of its own funds (including its remuneration and expenses payable hereunder) in connection with any matter herein or otherwise in respect of the Common Property which is the responsibility of the Strata Corporation to pay;
- (i) if the amount of the bills, accounts and expenses paid by the Strata Manager hereunder (including the amount of remuneration payable to the Strata Manager) exceeds the amount of money from which the Strata Manager is authorized to make payments, the Strata Corporation agrees to pay to the Strata Manager the amount of such excess forthwith upon demand;
- (j) to provide to the Strata Manager, in advance if requested, the amounts required to be expended

by the Strata Manager hereunder, other than the Strata Manager's office overhead and salaries, wages and other expenses relating to the Strata Manager's employees; and

- (k) to provide a minimum of \$2,000,000.00 of general liability insurance and other insurance as a prudent Strata Corporation would typically provide or as required by the Strata Property Act *where the Strata Manager* will be an additionally named insured.

9. Records.

The Strata Manager will keep full and detailed records covering the management of the Common Property and the Strata Manager will permit the Strata Corporation to have full access to such records as well as to all other books and records of the Strata Manager in connection with this Agreement and the management, maintenance and administration of the Common Property.

10. Compliance with Act and Bylaws.

The parties hereto hereby agree to abide by the Act and the Bylaws.

11. No Set Off.

The Strata Corporation will not be entitled to set off against any remuneration or other money payable to the Strata Manager under this Agreement any uncollected arrears of the Assessments or any other amount.

12. Termination

Subject to the provisions *of the Act*, either party may terminate the Appointment or any renewal thereof by giving the other party at least 60 days' notice in writing. The Strata Corporation will not terminate the Appointment unless a duly passed resolution of the Strata Council has authorized the termination.

13. Post Termination.

Following the termination of the Appointment, the Strata Manager will promptly deliver to the Strata Corporation a final accounting showing all receipts, expenses and charges since the last accounting given pursuant to subsection 4 and such other documents as may be reasonably required by the Strata Corporation.

14. Signage.

The Strata Manager may erect on the Common Property such signage identifying the Strata Manager as the property manager of the Common Property as may be reasonably required by the Strata Manager, with the approval of the Strata Corporation, acting reasonably.

15. Entire Agreement.

This Agreement contains the entire agreement between the parties in respect of the subject matter hereof and there are no other representations, warranties, covenants, agreements or collateral agreements. This Agreement may only be amended by an agreement in writing signed by all the parties hereto.

16. Time

Time is of the essence of this Agreement.

17. Cooperation

Subject to the terms and conditions set out in this Agreement, the parties will at all times during the Term act in good faith, cooperate and act reasonably in respect of all matters within the scope of this Agreement.

18. Canadian Funds

All amounts payable by either party to the other hereunder will be paid in Canadian Funds.

19. No Waiver Breach

No failure by the Strata Manager or the Strata Corporation to insist upon the strict performance of any covenant, agreement, term or condition of this Agreement, or to exercise any right or remedy consequent upon a breach, will constitute a waiver of any such breach or any subsequent breach of such covenant, agreement, term or condition. No waiver of any breach will affect or alter this Agreement, but each and every covenant, agreement, term and condition of this Agreement will continue in full force and effect with respect to any other then existing or subsequent breach.

20. Severability Of Provisions

If any provision of this Agreement or the application thereof to any person or circumstance will, to any extent, be invalid or unenforceable, the remainder of this Agreement and the application of such provision to persons or circumstances other than those as to which it is held invalid or unenforceable, as the one may be, will not be affected thereby, and each provision of this Agreement will be valid and enforceable to the fullest extent permitted by law.

21. Notice

All notices, requests, approval, demands and other communications required or permitted to be given under this Agreement will be in writing and addressed to the parties as follows:

a) if to the Strata Manager:

PAINTED BOAT MANAGEMENT LTD.

PO Box 153, Madeira Park, B.C. V0N 2H0

b) if to the Strata Corporation:

ADDRESS

British Columbia V_____

or, in any case, at such other address as the party to whom the notice is sent will have designated in accordance with the provisions of this section. All notices will be delivered personally, transmitted by fax or mailed by postage prepaid mail (provided that in the event of a disruption in mail services, notices will be delivered personally or transmitted by fax. Notices will be deemed to be received:

- (i) on the date of delivery or transmittal thereof if delivered personally or sent by fax; or
- (ii) on the fifth Business Day after the mailing thereof, if sent by mail.

22. Successors And Assigns

The Strata Manager may assign its rights and responsibilities under this Agreement to a third party

experienced in real property management with the approval of the Strata Corporation pursuant to section 25 herein. This Agreement shall enure to the benefit of and shall, be binding upon the heirs, executors, successors, legal representatives and permitted assigns of the parties.

23. Counterparts

This Agreement may be executed in several counterparts, each of which will be an original, but all of which will constitute but one and the same instrument.

24. Waiver

No provision of this Agreement will constitute or be deemed to create a partnership or joint venture between the Owners and the Rental Manager.

25. Approvals

Except as expressly set out herein, whenever any party hereto is requested to give its approval to any matter, such approval shall not be withheld or delayed unreasonably. If a party desires the approval of the other party hereto to any matter, such party shall give notice to such other party that it requests such approval, specifying in such notice the matter {in reasonable detail} as to which such approval is requested.

26. Force Majeur

If a party is prevented or delayed from performing any of the obligations on its part to be performed hereunder by reason of Act of God, strike, labour dispute, lockout, threat of imminent strike, fire, flood, interruption or delay in transportation, war, insurrection or mob violence, requirement or regulation of government, or statute, unavoidable casualties, shortage of labour, equipment or materials, economic or market conditions, plant breakdown, or failure of operation equipment or any disabling cause (other than lack of funds), without regard to the foregoing enumeration, beyond the control of either party or which cannot be overcome by the means normally employed in performance, then and in every such event, any such prevention or delays resulting from any such thing required or permitted by either party to be done is to be done hereunder, it being understood and agreed that the time within which anything is to be done, or made pursuant hereto shall be extended by the total period of such delay.

27. Initial Agreement By Owner Manager

The parties acknowledge and agree that this Agreement is initially entered into with the Owner-Developer, as the owner of all of the Strata Lots. The Owner-Developer will enter into this Agreement on behalf of all of the Strata Corporation and each of the Owners of the Strata Lots will be bound by the terms and conditions of this Agreement insofar as this Agreement relates to such Owner's Strata Lot as though such Owner was a signatory hereto.

28. Arbitration

All matters in relation to this Agreement which cannot be agreed upon by the parties shall be referred to the arbitration of a single arbitrator, if the parties agree upon one, otherwise three arbitrators, one to be appointed by each side of the disagreement, and a third to be chosen by the first two named before they enter upon the business of arbitration. The award and determination of such arbitrator or arbitrators, or any two of such arbitrators, shall be binding upon the parties and their respective heirs, executors, administrators and assigns. The *Commercial Arbitration Act* of British Columbia shall apply.

IN WITNESS WHEREOF the parties hereto have executed this Agreement as of the date first above written.

THE CORPORATE SEAL OF PAINTED BOAT)	
MANAGEMENT LTD. was hereunto affixed in the)	
presence of:)	C/S
)	
)	
)	
_____)	
Authorized Signatory		

BY THE OWNER-DEVELOPER ON BEHALF OF ALL
OF THE OWNERS:

EXHIBIT J

Tax Considerations

EXHIBIT "J"

INCOME TAX MATTERS

The following discussion is of a general nature only. It is not intended to be exhaustive or to constitute legal or tax advice and should not be considered a substitute for careful tax planning. Accordingly, purchasers of Quarter Interests are urged to consult their own tax advisors with respect to the income tax and goods and services tax considerations applicable to them in their own particular circumstances.

The comments below are based upon the current provisions of the *Income Tax Act* ("Tax Act") and the *Excise Tax Act* and regulations thereunder as well as the proposals that have been announced publicly to amend the *Income Tax Act* and *Excise Tax Act*. Readers are cautioned that amendments to the Tax Act or the *Excise Tax Act* may significantly affect its contents.

General

There will be income tax and goods and services tax ("GST") consequences to purchasers of Quarter Interests. The tax consequences to any particular purchaser of acquiring, holding and disposing of a Quarter Interest will vary depending on a number of factors such as the purchaser's country of residence and whether the purchaser is an individual, corporation or trust. The following commentary assumes that the purchaser is an individual and a resident of Canada for income tax purposes unless otherwise noted.

Rental Income and Expenses

The revenue and expenses generated from the rental of a Strata Lot will be allocated to the Quarter Interest Owner in accordance with the Property Management Agreement. These allocations will be a starting point for each Quarter Interest Owner to determine the income or loss to be reported by them for income tax purposes in connection with the ownership of a Quarter Interest.

Interest Expense

Reasonable interest costs incurred by purchasers on money borrowed in connection with the acquisition of a Quarter Interest should be deductible against rental income and to offset income from other sources to the extent of any excess. No deduction is allowed for the repayment of the principal portion of debt servicing costs. Interest incurred during the construction period of the Development may be restricted depending on the status of the purchaser.

Capital Cost Allowance

Quarter Interest Owners whose Quarter Interest are treated as capital property for income tax purposes may be able to claim capital cost allowance to reduce taxable income from the rental of the Strata Lot. The purchase price is to be allocated reasonably between the cost of non-depreciable capital property, such as land, and depreciable capital properties, including buildings, furniture, fixtures and equipment. Deductions of capital cost allowance may be claimed at the discretion of the owner of each Quarter Interest to the extent permitted under the Tax Act. Maximum annual deductions are calculated on a declining balance basis on the undepreciated capital cost at the rate of 4% per annum for buildings. For most capital cost classes, the amount claimable in the year of acquisition is one-half that normally allowed. No capital cost allowance is available on land or on property that is not capital property.

Financing Costs

Reasonable costs incurred by purchasers in the course of arranging financing such as legal and appraisal fees are deductible over a minimum of five years on a straight-line basis (pro-rated for short fiscal periods).

Tax Reporting

Owners of Quarter Interests will be required to report their rental income and, subject to any specific arrangements with the Manager, GST to Canada Revenue Agency on a timely basis, depending on the filing requirements in their particular circumstances. Failure to do so may cause penalties and interest to be assessed.

Owners' Personal Usage

The extent to which a Strata Lot is "not available for rental" during a Quarter Interest Owner's allocated weeks of use, as allowed for under the Property Management Agreement, may have an impact on the income tax and GST treatment of the applicable Quarter Interest.

Non-Resident Owners

Owners of Quarter Interests who are not residents of Canada for income tax purposes will have income tax reporting requirements and may be subject to withholding taxes. Non-resident owners should contact their accountant for information on reporting requirements.

Disposition of Quarter Units

Owners whose Quarter Interests are treated as capital property must allocate the net proceeds on disposition between land, buildings and equipment on a reasonable basis.

A capital gain will result to the extent that the net proceeds exceed the original cost for each class of property. The taxable portion of the capital gain (currently 50%) would be included in computing income for the owner for the year disposition occurs.

Recapture of capital cost allowance previously claimed may result if the net proceeds allocated to the capital cost class exceed the undepreciated capital cost. Any such recapture would be fully included in *computing the* income or loss. If net proceeds are less than the undepreciated capital cost for that class and all property of that class has been disposed of, subject to the comment below, the difference would be a terminal loss which would be fully deductible in computing the income or loss.

If the disposition of a Quarter Interest results in a capital gain on the land and a terminal loss on the buildings, a portion of the net proceeds allocated to land may be deemed by the Tax Act to be reallocated to the building thereby reducing the terminal loss to zero and the capital gain by an equivalent amount.

For Quarter Interest Owners whose Quarter Interests are not capital property, the difference between the net proceeds and the carrying costs of the Quarter Interests should be an income gain or loss in the year of disposition.

Goods and Services Tax (GST)

The developer will charge GST to purchasers of Quarter Interests based on the sales price. However, provided that purchasers are properly registered for GST, GST will not need to be collected at the time of completing the transaction. Such purchasers will be required to report GST in the GST return for the particular reporting period. It is important that purchasers who are not already registered for GST do so before completing the purchase in order to be eligible to recover all or a portion of the GST charged. GST will also be required to be charged if the owner has recovered the GST and subsequently sells the Strata Lot or if personal use of the Strata Lot increases.

GST will need to be charged on the revenue from the rental of a Strata Lot and GST will be incurred in some expenses incurred in connection with the rental of a Strata Lot.

EXHIBIT K

Headlease

EXHIBIT "K"

HEADLEASE

THIS INDENTURE made as of the ____ day of _____, 2006.

BETWEEN:

PAINTED BOAT DEVELOPMENTS LTD.

(hereinafter called the "Lessor")

OF THE FIRST PART

AND:

PAINTED BOAT OWNERS CORPORATION

(hereinafter called the "Lessee")

OF THE SECOND PART

IN CONSIDERATION of the prepaid rent of Ten (\$10.00) dollars and other good and valuable consideration, the said Lessor doth demise unto the said Lessee, its successors and assigns ALL AND SINGULAR that certain parcel or tract of land and premises situate, lying and being located at Madeira Park, on Pender Harbour, in the Province of British Columbia, and more particularly known and described as:

PID: 026-735-351

Parcel H

District Lot 1023

Group 1, NWD Plan BCP24781

(the "Lands")

TOGETHER with all buildings thereon erected, or hereafter during the term hereby granted, to be erected, and also with all ways, paths, passages, waters, water courses, privileges, advantages and appurtenances whatever to the said premises belonging or otherwise appertaining, and together with all appliances, furniture, furnishings and household goods located thereon.

It is the intention of the Lessor to subdivide the Lands by way of a strata plan and to establish a quarter interest ownership program with respect to the strata lots created by the deposit of the strata plan of the Lands. The Lessee agrees with the Lessor that the Lessee will forthwith upon the written request of the Lessor execute and deliver to the Lessor, or to other parties as directed by the Lessor, subdivision plans and strata plans which are required by the Lessor as part of the Lessor's

strata plan development, subleases in the form established by the Lessor in connection with the quarter interest ownership program, consents, non-disturbance agreements or priority agreements in favour of lenders to whom the Lessor is granting a mortgage and assignments of rents over the Lands and any other documents required by the Lessor to be executed to permit the Lessor to proceed with its strata plan development of the Lands. Further the Lessee agrees that in the event that the Lessor elects not to proceed with the implementation of the quarter interest ownership program with respect to any of the strata lots created by the deposit of the strata plan, that the Lessee will execute and deliver to the Lessor, at the request of the Lessor, a surrender of this Lease as it relates to those strata lots.

Notwithstanding the date of this Indenture, the term of the lease shall be for a term of 99 years commencing on January 1, 2008 and expiring on the December 31, 2107 and upon the expiry of the initial 99 year term of this Lease, this Lease will be automatically renewed for a further term of 99 years unless, during the final year but before the end of the initial term, the holders of at least 75% of the votes in the Strata Corporation _____ present and entitled to vote at a duly called general meeting in accordance with bylaws of the Strata Corporation _____ (a "Special Resolution") vote not to renew this Lease.

The Lease shall yield therefore during the said term the rent of Ten (\$10.00) Dollars of lawful money of Canada, payable on the following days and times, that is to say:

The full rent for the said term is due and payable on the execution and registration of this Indenture.

The Lessee covenants with the said Lessor to pay rent; and to pay taxes; and to pay rates for water, electric light, gas and telephone and to pay taxes and common expenses, and any other costs levied against the said Lands pursuant to the *Strata Property Act*, the *Local Government Act* or by levied by any other governmental body relating to the Lands.

AND to grant a sublease in the form attached hereto as Schedule A for a quarter use period (as set out in the sublease) to each purchaser from the Lessor of an undivided one-quarter fee simple interest in the Strata Lot, which sublease shall not require the Lessor's consent and, if any such sublease is terminated pursuant to its terms, a sublease in the same form to any subsequent owner of the subtenant's undivided one-quarter fee simple interest in the Strata Lot (including, without limitation, a purchaser in foreclosure.)

AND to repair.

AND the Lessor may enter and view state of repair, and the Lessee will repair according to notice.

AND the Lessee will not carry on any business that shall be deemed a nuisance on the premises.

PROVISO for re-entry by the Lessor on non-payment of rent, or non-performance of covenants but without prejudice to the rights of any subleases. The Lessee has the obligation and covenants to sublease quarter interests in the strata lots to be created upon registration of a strata plan of the Lands to purchasers of quarter interests AND the Lessee agrees that until the said strata lots are sublet to said purchasers, the Lessor is entitled to rent or use the strata lots.

PROVISO for re-entry on seizure or forfeiture of the said term but without prejudice to the rights of any subleases.

THE Lessor covenants with the said Lessee for quiet enjoyment.

AND if the term hereby granted shall be at any time seized or taken in execution or in attachment by any creditor of the Lessee, or if the Lessee shall make any assignment for the benefit of creditors, or becoming bankrupt or insolvent, shall take the benefit of any act that may be in force for bankrupt or insolvent debtors, the term hereof shall immediately become forfeited and void.

PROVIDED and it is hereby agreed by and between the parties hereto that if the Lessee shall hold over after the expiration of the term hereby granted and the Lessor shall accept rent, the new tenancy thereby created shall be a tenancy from month to month and not a tenancy from year to year, and shall be subject to the covenants and conditions herein contained so far as the same are applicable to a tenancy from month to month.

WHEREAS the singular and the masculine are used throughout this Indenture, the same shall be construed as meaning the plural or feminine, or body corporate or politic; also the successors and assigns of the respective parties hereto and each of them (where the context or the parties so require).

This Lease shall enure to the benefit of and be binding upon the Lessor and its successors and assigns and upon the Lessee and the heirs, executors, administrators, successors and permitted assigns of the Lessee.

IN WITNESS WHEREOF the parties hereto have executed this agreement as of the day and year first above written.

THE CORPORATE SEAL OF **PAINTED BOAT
DEVELOPMENTS LTD.** was hereunto
affixed in the presence of:

Authorized Signatory

)
)
) C/S
)
)

THE CORPORATE SEAL OF **PAINTED BOAT
OWNERS CORPORATION** was hereunto
affixed in the presence of:

Authorized Signatory

)
)
) C/S
)
)

Schedule A

Sublease

EXHIBIT L

Quarter Use Sublease

EXHIBIT "L"

TERMS OF INSTRUMENT - Part 2

PAINTED BOAT SUBLEASE

THIS INDENTURE made the ____ day of, _____, 2006

BETWEEN:

PAINTED BOAT OWNER'S CORPORATION

(hereinafter called the "LESSOR")

OF THE FIRST PART

AND:

The person(s) or corporation identified in the attached Item 6 of the
Form C - General Instrument -Part 1

(hereinafter called the "OWNER")

OF THE SECOND PART

WHEREAS:

- A. The Owner has acquired an undivided one quarter fee simple interest in the Resort Strata Lot;
- B. As a mechanism for allocating rights and obligations relating to the Resort Strata Lot among the owners from time to time of the four undivided one quarter interests in the Resort Strata Lot, and for facilitating the use and enjoyment of the Resort Strata Lot, the Resort Strata Lot is subject to the Head Lease and the Lessor is obligated under the Head Lease to grant a sublease of the Period of Use in the form of this Sublease;
- C. Pursuant to the contract of purchase and sale the Owner entered into respecting the purchase of the Quarter Interest, the Owner agreed to enter into this Sublease to facilitate the use and occupation of the Resort Strata Lot by the Owners from time to time of the four undivided one quarter interests in the Resort Strata Lot.

WITNESSETH AS FOLLOWS:

1. BASIC TERMS AND DEFINITIONS

1.1 Defined Terms

In this Agreement, including the preamble paragraphs of this Agreement, the following words, phrases and expressions shall have the following meanings:

"ADDITIONAL RENT"

means any amount assessed as a result of Damage and any other assessment against the Owner related to the Resort Strata Lot, including Operating Costs, which the Lessor or Strata Corporation is authorized to make from time to time.

"CAPITAL RESERVE CONTRIBUTION"

means a monthly contribution by each Quarter Interest Owner toward a reserve for the replacement due to normal wear and tear of in suite furniture, fixtures and equipment in the Resort Strata Lots, in accordance with section 8.2.

"CAPITAL RESERVE FUND"

means, at any time, the aggregate of all Capital Reserve Contributions paid by the Quarter Owners and not previously spent.

"DAMAGE"

means any damage or loss caused during the Owner's Period of Use to the Resort Strata Lot and any furniture, furnishings, fixtures, equipment and supplies within or about the Resort Strata Lot, as determined by the Lessor and not covered by policies of insurance maintained by the Lessor, reasonable wear and tear not amounting to misuse or abuse and damage caused by negligence and omission of the Lessor excepted. It shall also include cleaning costs if in the opinion of the Lessor the Resort Strata Lot, furniture, furnishing and fixtures are left by the Owner in an unreasonably dirty condition.

"DEVELOPMENT"

means the strata development known as "Painted Boat", at Madeira Park on Pender Harbour, British Columbia, of which the Resort Strata Lots form a part.

"HEADLEASE"

means that head lease of the Resort Strata Lot entered into between Lowes Resort Marine Community Ltd. and the Lessor.

"LEASE YEAR"

means each consecutive year (or, in the case of the first and last Lease Years, part year) during

the term of the Headlease commencing on the first day in January of each calendar year and ending one year later. Each Lease Year is divided into weeks and into Periods of Use as set out in section 1.2.

"OPERATING COSTS"

means those operating, maintenance and replacement costs, reserves fees, expenses and charges relating to the Resort Strata Lot in a Lease Year designated as such by the Lessor or Quarter Interest Manager including those outlined in Schedule A and other reasonable outlays including legal and accounting fees.

"OWNER"

means the individuals or corporations named as the Party of the Second Part to this indenture and their respective heirs, executors, administrators, successors and permitted assigns.

"OWNER'S CORPORATION"

means Painted Boat Owner's Corporation of which the Owner becomes a shareholder, incorporated under the *Company Act*, British Columbia under number _ _____

"PERIOD OF USE"

means that specific period of time as illustrated in the Five Year Rotation Schedule attached hereto as Schedule B, which will be a minimum of 12 weeks, in each calendar year, which weeks will vary from year to year, that the Owner shall enjoy the right of occupancy to the Resort Strata Lot.

"PERMITTED USER"

means a Permitted User Owner and Permitted User Rental.

"PERMITTED USER OWNER"

means the Owner and any nominee or designate of the Owner using the Resort Strata Lot including a Private Rental arranged through the Owner.

"PERMITTED USER RENTAL"

means a renter of the Resort Strata Lot arranged through the Rental Manager.

"PRIVATE RENTAL"

means when the Owner rents the use of his or her Resort Strata Lot during the Owner's Period of Use without the payment of a fee to a Rental Agency.

"QUARTER INTEREST"

means the Quarter interest of the Owner in the Resort Strata Lot, the appliances, furniture, furnishings and household goods located in the Resort Strata Lot, if any, and the subleasehold

rights granted under this Agreement.

"QUARTER INTEREST MANAGEMENT AGREEMENT"

means the agreement between the Lessor and the Quarter Interest Manager for managing, maintaining and administering the use of the Resort Strata Lots by the Quarter Owners.

"QUARTER INTEREST MANAGER"

means the manager appointed pursuant to the Quarter Interest Management Agreement.

"QUARTER OWNERS"

means all of the owners of undivided one-quarter interests in the Resort Strata Lot.

"RENTAL AGENCY"

means a third party rental or management entity which charges a fee for renting a Resort Strata Lot.

"RENTAL MANAGEMENT AGREEMENT"

means the rental management arrangement undertaken by the Rental Manager in respect of the Development with the owners of undivided one-quarter interests in the Resort Strata Lots.

"RENTAL MANAGER"

means the manager appointed by the developer, Lowes Resort Marine Community Ltd. whose responsibility it is to manage the rental of the Resort Strata Lots by an owner pursuant to the Rental Management Agreement who initially will be PAINTED BOAT MANAGEMENT LTD.

"STRATA CORPORATION"

means Strata Corporation_____ created pursuant to the *Strata Property Act*, S.B.C. 1998, c.43 and amendments thereto.

"RESORT STRATA LOT"

North Shore – Squamish Valley Assessment Area
 South Pender Harbour Waterworks District
 Pender Harbour Fire Protection District
 Parcel Identifier: _____
 Resort Strata Lot
 Strata Plan_____

Together with an interest in the common property in proportion to the unit entitlement of the Resort Strata Lot as shown on Form 1, together with all buildings, fixtures, rights and easements belonging thereto, during the term granted by this agreement, the limited common property appurtenant thereto, if any.

"TERM"

99 years less one day, plus one renewal term of 99 years less one day (see section 3.2).

"TURNOVER FEE"

means the fee payable by each Owner to the Quarter Interest Manager at the commencement of each week or part thereof when a Permitted User uses a Resort Strata Lot which fee initially shall be \$100 for each week or part thereof for all two bedroom units and \$130 per week or part thereof for all two bedroom with den units and may be varied at the discretion of the Quarter Interest Manager. Such fee is to cover the expense of weekly full cleaning and garbage removal plus reasonable profit for the Quarter Interest Manager. The Turnover Fee can only be increased if the charge does not cover costs plus a reasonable profit typical of service providers in similar facilities. The services provided for the Turnover Fee are to be complete and professional in every manner to allow the next Permitted User of the Resort Strata Lots a comfortable takeover of the Resort Strata Lot for the next Period of Use.

1.2 Division of Sublease Year into Weeks and Periods of Use

- (a) Each Lease Year (other than the first and last Lease Years) is divided into fifty- two weeks, numbered consecutively. The first week commences on the first Friday in January in each calendar year and is numbered "1" and each week thereafter is numbered consecutively up to "52". The weeks are allocated to four Periods of Use designated A, B, C and D, as per Schedule "B". The Lessor or Quarter Interest Manager shall have the right to reserve and occupy the Resort Strata Lot for one week during each year for maintenance.
- (b) The weeks included in the Owner's Period of Use will vary from year to year and will be determined pursuant to subsection 1.2(a). Not less than six months prior to the commencement of each five-year period during the term of the Headlease, the Lessor or the Quarter Interest Manager will publish a calendar for the next ensuing five-year period setting out the weeks allocated to the Owner's Period of Use. By virtue of the week selected for maintenance by the Lessor or the Quarter Interest Manager, the weeks allocated to the Owner's Period of Use will vary from year to year.
- (c) Notwithstanding subsection 1.2(a), the Owner's Corporation may from time to time after the first Lease Year, by Special Resolution, change the day of the week on which each week begins and ends for the purpose of determining the Period of Use.
- (d) The determination of the maintenance week in each calendar year will be established by agreement between the Quarter Interest Manager and the Lessor.

2. GRANT

In consideration of the pre-paid rent paid in the amount of \$10.00 and other good and valuable consideration given by the Owner to the Lessor, the Lessor, as Lessee under the Headlease, does hereby demise and sublet to the Owner, subject to the terms herein contained, the Resort Strata Lot.

3. TERM

- 3.1 The Lessor subleases to the Owner an undivided one-quarter fee simple interest in the Resort Strata Lot for the Term commencing the date first written above to and including December 31, 2107, for the rent set out in section 5 herein and subject to the covenants, provisos and conditions contained herein, which the Owner hereby agrees to observe, keep and perform. For greater certainty, the sublease granted herein includes all rights appurtenant to the Resort Strata Lot to use and enjoy, during the applicable Period of Use, any limited common property designated for the use of the Resort Strata Lot and the common property of the Strata Corporation, without any additional charge or fee other than the Turnover Fee, subject to the Quarter interest Management Agreement and any bylaws, rules and regulations of the Strata Corporation regulating the use thereof, provided such bylaws, rules and regulations are of general application to all Quarter Owners,
- 3.2 Upon the expiry of the initial term of this Sublease, this Sublease will automatically be renewed for a further term of 99 years less one day, commencing on the first day of the renewal term of the Headlease, unless, during the final year but before the end of the initial term, the Owners, by special resolution, elect not to renew the Headlease in accordance with its terms.

4. RIGHT OF OCCUPATION

4.1 Occupation

Provided the Owner is not in default hereunder, the Owner shall be entitled to the exclusive use, occupation and possession of the Resort Strata Lot for a minimum of 12 weeks, in each calendar year, (other than each fourth year when each Quarter Interest in each Resort Strata Lot will remain vacant for one week for the Resort Strata Lot's annual period of maintenance) which weeks will vary from year to year, during the term of this Sublease, which shall be from the date first written above to and including December 31, 2107. The Five-Year Rotation Schedule attached hereto as Schedule "B" sets out the Periods of Use of the Owner for the years 2008 to 2012. At the expiration of the term covered by the five-year calendar, the Lessor, will publish a new calendar for the ensuing five year period and subsequent five-year periods thereafter. By virtue of the week selected for the maintenance program by the Lessor, each Owner's Period of Use will vary from year to year.

4.2 Duration of Week

The Owner's right of occupation in each week commences at 4 p.m. on the first day of the week of use and terminated at 11 a.m. on the last (seventh) day of the week of use.

4.3 Furnishings

The Resort Strata Lot shall be provided at the commencement of the term with furnishing and fixtures as indicated in the Disclosure Statement. The Owner acknowledges that such furnishing and fixtures are the property of the Owners Corporation.

4.4 Use of Storage

The Owner and the Lessor acknowledge and agree that the Resort Strata Lot is provided with eight small storage lockers, two each for the personal use of the Owner and the other three owners of undivided one quarter fee simple interests in the Resort Strata Lot. The Owner will not tamper with any other owner's personal locker and the Owner will only have access to his or her locker during a week in which the Owner is actually occupying the Resort Strata Lot.

5. PREPAYMENT OF RENT

The total prepaid rent for the term of this Sublease is the sum of Ten (\$10.00) DOLLARS, which is included in the purchase price of the quarter interest.

6. OWNER'S COVENANTS

6.1 Owner's Covenants

The Owner covenants with the Strata Corporation and the Lessor:

- (a) to observe, satisfy and perform its covenants, liabilities and obligations under or by virtue of this Agreement and the Quarter Interest Management Agreement;
- (b) not to assign this Sublease without the prior written consent of the Lessor, such consent not to be unreasonably withheld. Provided, however, that the granting of consent to an assignment of this Sublease and the execution by the Lessor of any assignment documents shall be conditional upon the Owner:
 - (i) giving the Lessor not less than 14 days prior written notice (or such other period of notice that the Lessor may advise the Owner from time to time) of the assignment of the Sublease and the sale of the fee simple interest in the Resort Strata Lot;
 - (ii) assigning the whole of his interest in this Sublease, and partial assignments are absolutely prohibited;
 - (iii) concurrently with such assignment, the Owner also conveys to the assignee his or her undivided one quarter fee simple interest in the Resort Strata Lot;
 - (iv) paying all of the costs incurred by the Lessor as a result of such assignment, including legal costs;
 - (v) assignment of the Quarter Interest Management Agreement;
 - (vi) the assignee enters into an assignment and assumption agreement with the Lessor, in the form attached as Schedule C hereto wherein the assignee agrees to assume all of the obligations of the Owner under this Sublease; and
 - (vii) the Owner is not in default of its obligations under this Sublease or remedies all such defaults prior to the assignment;
- (c) to pay to pay the Lessor all rent (including Additional Rent) hereunder, when due, including Operating Costs applicable to the Owner's undivided one-quarter fee simple interest in the Resort Strata Lot and the Owner's leasehold interest pursuant to this Sublease when due;

- (d) to pay, where requested by the Lessor, the rent (including Additional Rent) hereunder, when due including Operating Costs via preauthorized debit account to the Lessor;
- (e) to pay interest at the Prime Rate plus six percent per annum calculated monthly (or such other rate as may be approved from time to time by the Owner's Corporation in accordance with its articles) on all sums payable to the Lessor which are not paid within thirty (30) days after the date the Lessor bills the Owner for same;
- (f) to pay to the Lessor on the date which the Owner becomes the registered owner of the Quarter Interest an amount to be held by the Lessor as a reserve for payment of costs incurred by the Owner in accordance with this Sublease and to maintain throughout the term of this Sublease such amount, equivalent to one month's payment of the Operating Costs applicable to the Quarter Interest;
- (g) if requested to do so by the Lessor, to pay an amount to be held by the Lessor as a reserve for payment of the property taxes;
- (h) in the course of the use of the Resort Strata Lot, not to create a nuisance or do any act which would interfere with the use and enjoyment of other owners;
- (i) at the end of each period of use, to vacate promptly when required by section 4.2 hereof, and to pay the costs of relocating another owner or guest if caused by the late departure of the Owner, and if the Owner overstays any of the Owner's allocated weeks or part thereof, to pay a charge as Additional Rent determined by the Lessor in its discretion, the proceeds of which (where recovered) shall be paid or credited, as to 55% thereof, to the other owner of an undivided one quarter fee simple interest in the Resort Strata Lot so affected and as to 45% thereof, to the Quarter Interest-Manager;
- (j) at the end of each period of use, to leave the Resort Strata Lot in a good and reasonable state of repair;
- (k) to pay to the Lessor forthwith upon demand any and all costs incurred by the Lessor as a result of necessary repair or replacement resulting from the abuse or misuse of or Damage to the Resort Strata Lot or its furniture, furnishings, fixtures and equipment by any Permitted User;
- (l) to permit the authorized officers, agents or employees of the Quarter Interest Manager, the Lessor and the Strata Corporation to enter the Resort Strata Lot at all reasonable times for the purpose of cleaning, maintaining, repairing or examining the condition of the Resort Strata Lot;
- (m) not to engage in any activities that would render the insurance on the Resort Strata Lot void or that would increase the rate of such insurance;
- (n) not to commit waste or do or permit to be made any alteration, addition, change or improvement in the Resort Strata Lot without the written consent of the Lessor and the Strata Corporation, which consent may be arbitrarily withheld. The Lessor shall not be

liable to any contractor, subcontractor, material man, or to any person, for any claim of any nature in connection with any alteration, addition or improvement carried out by the Owner or his servants or agents;

- (o) to comply with all provisions of law including without limiting the generality of the foregoing all proper enactments of the federal, provincial and municipal governments and to be familiar with and comply with the bylaws of the Strata Corporation and the articles of the Owners Corporation;
- (p) not to smoke or allow any Permitted User to smoke cigarettes, cigars or pipes of any kind in the Resort Strata Lot or any common property of the Strata Corporation except those areas designated as smoking areas;
- (q) upon the reasonable request of the Lessor, the Owner shall, within ten days after the request, execute and deliver in favour of any person identified by the Lessor an estoppel certificate as to the status of the Sublease, the state of the accounts hereunder, any alleged defaults on the part of the Lessor hereunder and such other information as may be reasonably requested by the Lessor;
- (r) if the Owner is not the only registered owner of a fee simple interest in the Resort Strata Lot, not to apply for partition anchor sale of the whole Resort Strata Lot;
- (s) not to apply to consolidate the title to the Owner's Quarter Interest with any other Quarter Interest owned by the Owner or any other Owner without the prior consent of the Lessor which consent may be arbitrarily withheld;
- (t) to mortgage the Owner's subleasehold interest in the Resort Strata Lot only in accordance with the following terms:
 - (i) the Owner shall provide prior written notice thereof to the Lessor;
 - (ii) concurrently with such mortgage, the Owner also grants to the same mortgagee a mortgage of the Owner's undivided one-quarter fee simple interest in the Resort Strata Lot;
 - (iii) the mortgagee executes an agreement in the form attached as Schedule D hereto agreeing not to enforce the mortgage of this Sublease unless it enforces the mortgage of the fee simple interest (and vice versa) and agreeing that it will require any purchaser in foreclosure of the Owner's undivided one-quarter fee simple interest in the Resort Strata Lot to acquire both a fee simple interest in the Resort Strata Lot and this Sublease; and
 - (iv) at the time of the grant of such mortgage, the Owner is not in default of its obligations under this Sublease or remedies such defaults prior to the mortgage.

6.2 Turnover Fee

The Owner will pay to the Quarter Interest Manager the Turnover Fee prior to the use of the Resort Strata Lot by a Permitted User.

6.3 Operating Costs

Operating Costs will be allocated to the Resort Strata Lots pro rata based on the unit entitlement of each Resort Strata Lot relative to the aggregate unit entitlement of all Resort Strata Lots, as set out in the strata plan for the Development deposited in the applicable land title office. The Owner's share of Operating Costs will be one quarter of *the* portion of the Operating Costs so allocated to the Resort Strata Lot.

7. LESSOR'S COVENANTS

7.1 Lessor's Covenants

The Lessor covenants with the Owner:

- (a) to observe, satisfy and perform its covenants, liabilities and obligations under or by virtue of this Agreement and the Quarter Interest Management Agreement;
- (b) for quiet enjoyment;
- (c) to keep the Headlease in good standing;
- (d) not to assign its interest in this Sublease without the approval by Special Resolution and unless the Lessor concurrently assigns to the same party's its interest in the Headlease, all other leases of the Resort Strata Lots in favour of the Owners Corporation and all other subleases relating to such Resort Strata Lots;
- (e) to deposit all funds received from the Owner for the operation and management of the Resort Strata Lot with a savings institution;
- (f) not to permit any other Owner or person to smoke cigarettes, cigars or pipes of any kind in the Resort Strata Lot or any enclosed common property of the Strata Corporation;
- (g) to make all books and records pertaining to the operation and management of the Resort Strata Lot available for inspection by the Owner at all reasonable times upon reasonable notice;
- (h) to manage the Resort Strata Lot in a good and businesslike manner, and without limiting the generality of the foregoing, on behalf and, unless otherwise provided, at the cost of the Owner (and the other owners of undivided one quarter fee simple interests in the Resort Strata Lot), to :
 - (i) maintain or cause to be maintained fire and extended perils insurance on the furniture, appliances, equipment and furnishing contained within the Resort Strata Lot, at the cost of the Lessor;
 - (ii) subject to the Owner paying its share of Operating Costs and other Additional Rent, attend to payment of property taxes, utilities and any assessments relating to the Owner's undivided one quarter fee simple interest in the Resort Strata Lot levied by the authority having jurisdiction;

- (iii) annually deep clean the Resort Strata Lot;
 - (iv) maintain liability insurance associated with the Owner's use of the Resort Strata Lot; and
 - (v) assist in the formation of the annual budget of Operating Costs and the Strata Corporation's annual budget.
- (i) to, if requested to do so by the Owner and the Owner is not then in default of the Sublease and is in compliance with section 6(d), consent to and forthwith execute any documents required by the Owner in respect of a mortgage by the Owner of the Owner's interest in the Sublease. Such documents may include, but not be limited to, the following terms:
- (i) that if there is any default by the Owner under the Sublease the Lessor will not exercise any rights or remedies to which it may be entitled under the Sublease without first giving to an Owner's lender (the "Lender") a reasonable period of written notice, such as thirty (30) days, to remedy the default and if such default is remedied by the Lender within such notice period or if the Lender should initiate within the notice period and thereafter diligently prosecute proceedings, including, without limitation, the commencement of foreclosure proceedings or the appointment of a receiver or receiver-manager, to realize on the security of the mortgage and if and or so long as the Lender causes the obligations and covenants of the Owner under the Sublease to be observed and performed, except those obligations and covenants which are incapable of observance or performance by the Lender, then:
 - (A) the Lessor will, at the option of the Lender, accept the Lender or its nominee as subtenant of the Resort Strata Lot in the place and stead of the Owner under the same terms and conditions that are contained in the Sublease and will not unreasonably withhold its consent to any assignment, sale or other disposition of the Sublease by or on behalf or at the direction of the Lender in realizing on its security; and
 - (B) the Lessor will not terminate the Sublease by reason only that a trustee in bankruptcy, receiver or receiver-manager is appointed over the assets of the Owner.

8. MUTUAL COVENANTS

8.1 Mutual Covenants

The Owner and the Lessor covenant and agree that:

- (a) any notice required to be given under this agreement may be delivered or mailed by prepaid regular mail addressed to the Lessor at its office address on page 1 of this Sublease or addressed to the Owner at the address of the Owner as recorded in the Lessor books, and any notice so mailed shall be deemed to have been received by the Lessor or the Owner on the fifteenth day after being so mailed. The Owner and the Lessor agree to immediately

notify the other of any changes in mailing address;

- (b) if any section, subsection, sentence, clause or phrase in this Sublease is for any reason held to be invalid by the decision of a court of competent jurisdiction, the invalid portion shall be severed and the decision that it is invalid shall not affect the validity of the remainder of this Sublease;
- (c) this indenture shall be binding upon and enure to the benefit of the Lessor, its successors and assigns, and the Owner, his heirs, executors, administrators, successors and permitted assigns;
- (d) wherever words denoting the singular or masculine are used in this indenture, the same shall be read in the plural, feminine or neuter should the context of this indenture so require; and
- (e) if the Owner consists of more than one party, the covenants of the Owner herein shall be joint and several.

8.2 Capital Reserve Fund

The amount of the Capital Reserve Contribution will be determined annually by the Lessor in connection with the preparation of the annual budget of the Lessor. The Owner will pay the Capital Reserve Contribution to the Lessor each month as part of the Operating Costs and the Lessor will deposit the Capital Reserve Contribution in a separate bank account in the name of the Lessor together with similar funds collected from the other Quarter Owners, as a reserve for the replacement due to normal wear and tear of in suite furniture, fixtures and equipment. One representative of the Quarter Interest Manager and one member of the Lessor will at all times be joint signatories with respect to such bank account. The Lessor and the Quarter Interest Manager (but not the Owner) will make all final decisions regarding expenditures from the Capital Reserve Fund. Any interest earned on the Capital Reserve Fund shall remain in the bank account and form part of the Capital Reserve Fund. The Owner will not be entitled to receive any part of the Capital Reserve Fund at any time including, without limitation, upon sale of his or her interest in the Resort Strata Lot.

9. VOTING

- 9.1 The Owner acknowledges and agrees that, subject to section 9.2 hereof, the right to exercise the Resort Strata Lot's one vote in the Strata Corporation will be determined as follows, unless otherwise determined by a simple majority of the Quarter Owners of the Resort Strata Lot:
 - (a) the Quarter Owner who loses one week of use (which will occur once every four years) because of the annual one week period of maintenance shall be entitled to exercise the vote allocated to the Strata Lot at any meeting of the Strata Corporation held during that calendar year;
 - (b) if a Quarter Owner is not present, in person or by proxy, at any meeting of the Strata Corporation or fails to vote in a mail-in vote, then the Quarter Owner who loses one week of use in the next calendar year will be entitled to exercise the Resort Strata Lot's vote at

such meeting and so on; and

- (c) any Quarter Owner of the Resort Strata Lot may, subject to the bylaws of the Strata Corporation, provide to the Strata Corporation a provisional proxy or mail-in vote in respect of any general meeting of the Strata Corporation, but such proxy or mail-in vote will only be accepted by the Strata Corporation if the Quarter Owner who provided the same is entitled to exercise the Resort Strata Lot's vote at that meeting in accordance with the foregoing.
- 9.2 Notwithstanding that the Resort Strata Lot is allocated one vote in the Strata Corporation, the Owner agrees and acknowledges that if the bylaws of the Strata Corporation are amended to allow each Quarter Owner of the Resort Strata Lot to exercise one quarter of that vote independently of each other then the Owner will only be entitled to exercise one quarter of that vote and each of the other three Quarter Owners holding an interest in the Resort Strata Lot will be entitled to exercise one of the three remaining one quarter votes. Any such Quarter Owner, including the Owner, will be entitled to exercise his or her one-quarter votes independently regardless of how the other three Quarter Owners exercise their one- quarter votes.

10. DEFAULT

10.1 Lessor's Rights

- (a) If the Owner is in default of any of the Owner's covenants in this Sublease, and if the Owner fails to rectify such default for a period of thirty (30) days after being given notice of default by the Lessor, then, at the option of the Lessor, the Lessor may suspend any or all rights of the Owner, including the right to vote in the Owner's Corporation and the right of use and possession of the Resort Strata Lot, until such default has been rectified (but such suspension of rights shall not suspend the Owner's obligations hereunder). The Owner acknowledges and agrees that if such default remains unremedied at the end of said thirty (30) days the Lessor shall be entitled to rent out the Resort Strata Lot where such rental shall be arranged by the Rental Manager. The Lessor will apply any rental revenue received, less any expenses incurred by the Lessor including the Rental Manager's fee for renting out the Resort Strata Lot, towards the amounts owing by the Owner. In the event such rental revenue is less than the amount owing by the Owner, the Owner shall pay the shortfall. In the event the rental revenue exceeds the amount owing by the Owner, the excess shall be paid to the Owner.
- (b) In addition to the remedy of the Lessor set out in subsection 10.1(a), if the Owner is in default of the Owner's obligation to pay Additional Rent hereunder, and if the Owner fails to rectify such default for a period of thirty (30) days after being given notice of default by the Lessor, then, at the option of the Lessor, the Lessor may terminate this Sublease.
- (c) The bankruptcy, insolvency, receivership or winding up of the Owner, any arrangement for the benefit of the creditor of the Owner, any execution, attachment or distress or similar process taking effect against any of the assets of the Owner or the occurrence of

similar events will constitute an event of default under this Sublease which will give the Lessor the right, at its option, to exercise the remedies referred to in subsections 10.1(a) and 10.1(b).

10.2 Lien

The Owner hereby grants to the Lessor a lien over the Owner's undivided one quarter fee simple interest in the Resort Strata Lot for any unpaid Additional Rent owing to the Lessor pursuant to this Sublease. In addition to, and not in substitution for, any right or remedy the Owner's Corporation may have at law or equity in respect of such lien; the Lessor shall have the right to appoint a receiver of the Owner's undivided one quarter fee simple interest in the Resort Strata Lot and a power of sale to enforce the lien if it remains unpaid for a period of thirty (30) days after written demand. In addition, if the Owner has rented the Resort Strata Lot using the Rental Manager the Lessor may demand payment from the Rental Manager of any monies owed to the Owner as payment towards the Additional Rent.

10.3 Lessor May Borrow

The Lessor may, at its option, borrow money to pay any unpaid Additional Rent owing to the Lessor pursuant to this Sublease, and all costs of borrowing, including repayment of principal and interest, shall constitute further Additional Rent and shall be due and payable by the Owner immediately upon demand.

10.4 Other Remedies

The exercise of any remedy by the Lessor shall be without prejudice to any additional rights or remedies the Lessor may have against the Owner.

10.5 Owner Remains Liable

If this Sublease expires or is terminated for any reason all Additional Rent and other amounts due by the Owner hereunder shall nevertheless remain due and owing and be recoverable by the Lessor.

11. COUNTERPARTS

The Agreement may be executed by the parties in counterparts and if so executed this Agreement will be for all purposes as effective as if the parties had executed and delivered the same original Agreement.

12. NO PARTNERSHIP

Nothing in this Sublease will create a partnership or joint venture relationship between the Lessor and the Owner, or between the Owner and any other Quarter Owner.

13. WAIVER

Any waiver by the Lessor of any breach of a covenant or obligation of the Owner hereunder shall not

constitute a wavier of any other breach of any other covenant or obligation of the Owner or of any subsequent breach of the same covenant or obligation.

14. GOVERNING LAW

This Agreement will be exclusively construed in accordance with and be exclusively governed by and interpreted in accordance with the laws of British Columbia, which will be deemed to be the proper law hereof, and the courts of British Columbia will have the exclusive jurisdiction to entertain and determine all claims and disputes arising out of or in any way connected with the Agreement and validity, existence and enforceability hereof.

IN WITNESS **WHEREOF** the Lessor and the Owner have executed this Agreement by signing where shown on the Form C General Instrument - Part I attached hereto.

THE CORPORATE SEAL of PAINTED BOAT OWNER'S CORPORATION was hereunto affixed in the presence of:

_____	C/S	
Authorized Signatory		
SIGNED, SEALED AND DELIVERED BY)	
TBD in the presence of:)	
)	
Witness: _____)	
)	
Address: _____)	_____
)	
_____)	
Occupation: _____)	

SCHEDULE "A"
OPERATING COSTS

Strata Corporation assessments and levies applicable to the Resort Strata Lot

Owner's Corporation assessments and levies applicable to the Resort Strata Lot including, without limitation,:

- Cablevision service for the Resort Strata Lot
- High speed internet service for the Resort Strata Lot
- Basic telephone service for the Resort Strata Lot
- Electricity for the Resort Strata Lots
- Sewer and Water services for the Resort Strata Lots
- Capital Reserve Fund contributions
- The Quarter Interest Manager fee payable under the Management Agreement which fee will include the check in and administrative staff costs and other costs payable under the Management Agreement
- Administration and office expenses
- Insurance on contents
- Annual deep clean and repairs and maintenance
- Property Taxes for the Resort Strata Lot

SCHEDULE "B"
FIVE YEAR ROTATION SCHEDULE

SCHEDULE C
ASSIGNMENT AND ASSUMPTION AGREEMENT
PAINTED BOAT

“Lessor” Painted Boat Owners Corporation

“Vendor” _____

“Purchaser” _____
Name

_____ Name

_____ Address

_____ Address

Tel: (h) _____

Tel: (h) _____

Tel: (w) _____

Tel: (w) _____

Fax: _____

Fax: _____

This Purchaser’s GST Registration
Number is:

This Purchaser’s GST Registration
Number is:

This Purchaser’s Social Insurance
Number is:

This Purchaser’s Social Insurance
Number is:

This Purchaser [is/is not] resident in
Canada for the purposes of the
Income Tax Act.

This Purchaser [is/is not] resident in
Canada for the purposes of the
Income Tax Act.

“Strata Lot” Strata Lot _____

Block _____

District Lot _____

Strata Plan _____

“Sale Date” _____

WHEREAS:

- A. The Vendor is the owner of an undivided one quarter fee simple interest in this Strata Lot;

- B. The Vendor and the Purchaser have entered into a contract for sale of the Vendor's undivided one quarter fee simple interest in the Strata Lot from the Vendor to the Purchase on the Sale Date;
- C. The Strata Lot I subject to a head lease (the "Headlease") in favor of the Lessor registered under instrument number _____;
- D. The Vendor (directly or by assignment) and the Lessor are parties to a sublease (the "Quarter Use Sublease") registered under instrument number _____ in respect to the use of the Strata Lot and the operation of Painted Boat (the "Development")
- E. The parties are required to enter into this Agreement in accordance with the Sublease.

THEREFORE in consideration of the transfer of the Strata Lot from the Vendor to the Purchase on the Sale Date and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by all the parties, the parties agree as follows:

1. Assignment to Purchaser. Effective as of the Sale Date, the Vendor hereby absolutely assigns, transfers and conveys, effective from and including the Sale Date, all of the Vendor's right, title and interest in and to the Headlease and Sublease insofar as they arise from ownership of and relate to the Strata Lot, and all rights and benefits to be derived thereunder (including any amount payable to the Vendor hereunder) insofar as such rights and benefits arise from ownership of and relate to the Strata Lot.
2. Direction to Pay. The Vendor and the Purchaser hereby direct the Lessor to pay any amounts payable under the Headlease and the Sublease in respect of the Strata Lot and relate to the period before the Sale Date to the Vendor at its address above and any such amounts that relate to the period from and including the Sale Date to the Purchase at the address set out above.
3. Assumption and Indemnity by Purchaser. The Purchaser hereby assumes, from and including the Sale Date, all of the duties and obligation of the Vendor under the Headlease and the Sublease, insofar as such duties and obligation arise from ownership of and relate to the Strata Lot, and covenants and agrees with the Vendor and the Lessor to perform and observe all of such duties and obligation from and including the Sale Date.
4. Other Strata Lots Excluded. The Agreement relates only to the Strata Lot and not to any other strata lots in the Development.
5. Miscellaneous. If either the Vendor or the Purchaser is comprised of more than one person, the covenants and agreement of the Vendor or the Purchaser, as the case may be, are joint and several covenants and agreements. This Agreement will be binding upon and enure to the benefit of the heirs, executors, successors, legal and personal representatives and assigns of the parties, as applicable.
6. Purchaser's Acknowledgment. The Purchaser acknowledges that the Purchase has received a copy of and has been given an opportunity to read the Headlease and Sublease.

DATED _____

BY THE VENDOR:

THE COMMON SEAL OF)

_____)
 was hereunto affixed in the presence of:)

_____)
 Title: _____)

C/S

BY THE PURCHASER:

(if a corporation)

THE COMMON SEAL OF

_____)
_____)
_____)
was hereunto affixed in the presence of:)
_____)
_____)
Title: _____)
_____)
_____)
Title: _____)

C/S

(if an individual)

SIGNED SEALED AND DELIVERED BY

_____)
_____)
in the presence of:)
_____)
_____)
Name _____)
_____)
Address _____)
_____)
_____)
Occupation _____)

_____)
Name

PAINTED BOAT OWNERS CORPORATION hereby agrees that the Vendor is hereby released from all the Vendor's duties and obligations under the Headlease and Sublease arising from the including the Sale Date, insofar as such duties and obligation arise from ownership of or relate to the Vendor's undivided one quarter fee simple interest in the Strata Lot.

DATED _____

BY THE LESSOR:

PAINTED BOAT OWNERS CORPORATION

Per: _____
Authorized Signatory

SCHEDULE "D"

SECURITY HOLDER'S NON-DISTURBANCE AGREEMENT

PAINTED BOAT

THIS AGREEMENT made _____

BETWEEN:

[Name, address and fax number of the

Lender] (the "Lender")

AND:

(the "Owner's Corporation")

WHEREAS:

A. _____ [Insert name Owner(s)] (the "Owner") is the owner of a one quarter fee simple interest in the lands and premises situated in Painted Boat at Madeira Park, Pender Harbour, British Columbia and legally described as follows:

Parcel Identifier: _____
Resort Strata Lot _____
Block _____
District Lot _____
Strata Plan _____

(the "Resort Strata Lot");

B. The Resort Strata Lot is subject to a head lease (the "Headlease") in favour of the Owner's Corporation registered under instrument number _____;

C. The Owner (directly or by assignment) and the Owners Corporation one parties to a sublease (the "Sublease") and title to the Resort Strata Lot is or will be subject to three additional subleases in favour of the registered owners of undivided one quarter fee simple interests in the Resort Strata Lot respectively (the Sublease and such other subleases are collectively referred to as the "Subleases"), in respect of the use of the Resort Strata Lot and the operation of the Currents at Otter Bay development (the "Development");

D. The Owner has granted to the Lender a[describe security] (the "Security") in favour of the Lender, which Security is registered in the land Title Office against title to the Resort Strata Lot under instrument number(s) _____;

E. The Headlease provides that the Owner will not grant a mortgage or otherwise encumber the Owner's fee simple interest in the Resort Strata Lot, and the Sublease provides that the Owner will not grant a mortgage or otherwise encumber the Owner's interest in the Sublease, unless the Lender enters into this Agreement with the Owner and the Owners Corporation.

NOW THEREFORE, in consideration of the mutual promises and agreements contained in this Agreement, the Lender and the Owner's Corporation hereby promise and agree as follows:

1. The Lender covenants with the Owner's Corporation that if either:
 - (a) any proceedings are brought by the Lender for foreclosure or sale or other suit, sale or proceeding under the Security in respect of the Resort Strata Lot; or
 - (b) the Lender becomes the owner of the Resort Strata Lot pursuant to the proceedings referred to in subsection 1(1) above or of any transfer or quit claim in respect of the Resort Strata Lot is made by the Owner to the Lender;then:
 - (1) the Lender will not interfere with any of the rights and privileges of the Owner's Corporation under the Headlease and the Sublease, nor disaffirm the Headlease and the Sublease, subject to paragraph 1(2)(c);
 - (2) the Lender shall not, except as may be necessary or required in accordance with any applicable law, make the Owner's Corporation a party to any foreclosure or other suit, sale or proceeding under the Security and the same shall not affect the rights or estate of the Owner's Corporation under the Headlease and the Sublease; and
 - (3) the Lender shall, upon the issue of a writ of possession, transfer or quit claim of the Resort Strata Lot in favour of the Lender, or upon the Lender becoming the owner of the Resort Strata Lot, assume and observe and perform all of the obligations of the Owner under the Headlease and the Sublease accruing on and after such date and shall be entitled to all of the rights and benefits of the Owner on and after such date, including any rights of termination;
2. If the Lender succeeds to the interest of the Owner in the Resort Strata Lot:
 - (a) the Owner's Corporation will be bound to the Lender under all of the Owner's Corporation's promises and agreements contained in the Headlease and Sublease, insofar as such promises and agreements relate to the Resort Strata Lot, for the balance of the term of the Headlease and the Sublease, as if the Lender were the owner of the Resort Strata Lot; and
 - (b) the Lender will be bound to the Owner's Corporation under all of the Owner's promises and agreements contained in the Headlease and Sublease, insofar as such promises and agreements relate to the Resort Strata Lot, for the balance of the term of the Headlease and the Sublease, as if the Lender were the owner of the Resort Strata Lot .
3. The Owner's Corporation will, from and after the Lender's succession to the interest of the Owner in the Resort Strata Lot, have the same remedies against the Lender for any breach of the Headlease and the Sublease as the Owner's Corporation would have had under the Headlease and Sublease, as the case may be, against the Owner if the Lender had not succeeded to the interest of the Owner, provided that the Lender will not be:

- (a) liable for any act or omission of any prior owner of the Resort Strata Lot, including the Owner; and
 - (b) subject to any set-off or defence that the Owner's Corporation may have against any prior owner of the Resort Strata Lot, including the Owner.
- 4. If the Lender realizes upon the Security, the Lender will not transfer or cause to be transferred title to the Resort Strata Lot to any person unless prior thereto the Lender has caused the transferee to execute and deliver to the Owner's Corporation the assignment and assumption agreement in the form and content of Schedule "C" to the Sublease.
 - 5. The Lender will not assign or transfer the Security unless the Lender requires the assignee or transferee to execute and deliver to the Owner's Corporation an agreement with the Owner's Corporation on the same terms and conditions as this Agreement,
 - 6. This Agreement may only be modified by an agreement in writing signed by the parties hereto.
 - 7. This Agreement will be governed and construed in accordance with the laws of British Columbia.
 - 8. This Agreement will enure to the benefit of and be binding upon the successors and assigns of the parties.
 - 9. **The Lender acknowledges that the Lender has received a copy of and has been given an opportunity to read the Headlease and the Sublease.**

IN WITNESS WHEREOF the parties hereto have executed this Agreement as of the date first above written.

BY THE LENDER

[Name of Lender]

Per: _____

BY THE OWNERS CORPORATION: PAINTED BOAT OWNER'S CORPORATION

Per: _____

BY THE OWNER:

EXHIBIT M

Five Year Rotation Schedule

Exhibit "M"
Five Year Rotation Schedule

A	28-Dec-07	4-Jan-08	D	26-Dec-08	2-Jan-09	C	25-Dec-09	1-Jan-10	B	24-Dec-10	31-Dec-10	A	23-Dec-11	30-Dec-11
B	4-Jan-08	11-Jan-08	A	2-Jan-09	9-Jan-09	D	1-Jan-10	8-Jan-10	C	31-Dec-10	7-Jan-11	B	30-Dec-11	6-Jan-12
C	11-Jan-08	18-Jan-08	B	9-Jan-09	16-Jan-09	A	8-Jan-10	15-Jan-10	D	7-Jan-11	14-Jan-11	C	6-Jan-12	13-Jan-12
D	18-Jan-08	25-Jan-08	C	16-Jan-09	23-Jan-09	B	15-Jan-10	22-Jan-10	A	14-Jan-11	21-Jan-11	D	13-Jan-12	20-Jan-12
A	25-Jan-08	1-Feb-08	D	23-Jan-09	30-Jan-09	C	22-Jan-10	29-Jan-10	B	21-Jan-11	28-Jan-11	A	20-Jan-12	27-Jan-12
B	1-Feb-08	8-Feb-08	A	30-Jan-09	6-Feb-09	D	29-Jan-10	5-Feb-10	C	28-Jan-11	4-Feb-11	B	27-Jan-12	3-Feb-12
C	8-Feb-08	15-Feb-08	B	6-Feb-09	13-Feb-09	A	5-Feb-10	12-Feb-10	D	4-Feb-11	11-Feb-11	C	3-Feb-12	10-Feb-12
D	15-Feb-08	22-Feb-08	C	13-Feb-09	20-Feb-09	B	12-Feb-10	19-Feb-10	A	11-Feb-11	18-Feb-11	D	10-Feb-12	17-Feb-12
A	22-Feb-08	29-Feb-08	D	20-Feb-09	27-Feb-09	C	19-Feb-10	26-Feb-10	B	18-Feb-11	25-Feb-11	A	17-Feb-12	24-Feb-12
B	29-Feb-08	7-Mar-08	A	27-Feb-09	6-Mar-09	D	26-Feb-10	5-Mar-10	C	25-Feb-11	4-Mar-11	B	24-Feb-12	2-Mar-12
C	7-Mar-08	14-Mar-08	B	6-Mar-09	13-Mar-09	A	5-Mar-10	12-Mar-10	D	4-Mar-11	11-Mar-11	C	2-Mar-12	9-Mar-12
D	14-Mar-08	21-Mar-08	C	13-Mar-09	20-Mar-09	B	12-Mar-10	19-Mar-10	A	11-Mar-11	18-Mar-11	D	9-Mar-12	16-Mar-12
A	21-Mar-08	28-Mar-08	D	20-Mar-09	27-Mar-09	C	19-Mar-10	26-Mar-10	B	18-Mar-11	25-Mar-11	A	16-Mar-12	23-Mar-12
B	28-Mar-08	4-Apr-08	A	27-Mar-09	3-Apr-09	D	26-Mar-10	2-Apr-10	C	25-Mar-11	1-Apr-11	B	23-Mar-12	30-Mar-12
C	4-Apr-08	11-Apr-08	B	3-Apr-09	10-Apr-09	A	2-Apr-10	9-Apr-10	D	1-Apr-11	8-Apr-11	C	30-Mar-12	6-Apr-12
D	11-Apr-08	18-Apr-08	C	10-Apr-09	17-Apr-09	B	9-Apr-10	16-Apr-10	A	8-Apr-11	15-Apr-11	D	6-Apr-12	13-Apr-12
A	18-Apr-08	25-Apr-08	D	17-Apr-09	24-Apr-09	C	16-Apr-10	23-Apr-10	B	15-Apr-11	22-Apr-11	A	13-Apr-12	20-Apr-12
B	25-Apr-08	2-May-08	A	24-Apr-09	1-May-09	D	23-Apr-10	30-Apr-10	C	22-Apr-11	29-Apr-11	B	20-Apr-12	27-Apr-12
C	2-May-08	9-May-08	B	1-May-09	8-May-09	A	30-Apr-10	7-May-10	D	29-Apr-11	6-May-11	C	27-Apr-12	4-May-12
D	9-May-08	16-May-08	C	8-May-09	15-May-09	B	7-May-10	14-May-10	A	6-May-11	13-May-11	D	4-May-12	11-May-12
A	16-May-08	23-May-08	D	15-May-09	22-May-09	C	14-May-10	21-May-10	B	13-May-11	20-May-11	A	11-May-12	18-May-12
B	23-May-08	30-May-08	A	22-May-09	29-May-09	D	21-May-10	28-May-10	C	20-May-11	27-May-11	B	18-May-12	25-May-12
C	30-May-08	6-Jun-08	B	29-May-09	5-Jun-09	A	28-May-10	4-Jun-10	D	27-May-11	3-Jun-11	C	25-May-12	1-Jun-12
D	6-Jun-08	13-Jun-08	C	5-Jun-09	12-Jun-09	B	4-Jun-10	11-Jun-10	A	3-Jun-11	10-Jun-11	D	1-Jun-12	8-Jun-12
A	13-Jun-08	20-Jun-08	D	12-Jun-09	19-Jun-09	C	11-Jun-10	18-Jun-10	B	10-Jun-11	17-Jun-11	A	8-Jun-12	15-Jun-12
B	20-Jun-08	27-Jun-08	A	19-Jun-09	26-Jun-09	D	18-Jun-10	25-Jun-10	C	17-Jun-11	24-Jun-11	B	15-Jun-12	22-Jun-12
D	27-Jun-08	4-Jul-08	C	26-Jun-09	3-Jul-09	B	25-Jun-10	2-Jul-10	A	24-Jun-11	1-Jul-11	D	22-Jun-12	29-Jun-12
A	4-Jul-08	11-Jul-08	C	3-Jul-09	10-Jul-09	B	2-Jul-10	9-Jul-10	A	1-Jul-11	8-Jul-11	D	29-Jun-12	6-Jul-12
D	11-Jul-08	18-Jul-08	C	10-Jul-09	17-Jul-09	B	9-Jul-10	16-Jul-10	A	8-Jul-11	15-Jul-11	D	6-Jul-12	13-Jul-12
A	18-Jul-08	25-Jul-08	D	17-Jul-09	24-Jul-09	C	16-Jul-10	23-Jul-10	B	15-Jul-11	22-Jul-11	A	13-Jul-12	20-Jul-12
A	25-Jul-08	1-Aug-08	D	24-Jul-09	31-Jul-09	C	23-Jul-10	30-Jul-10	B	22-Jul-11	29-Jul-11	A	20-Jul-12	27-Jul-12
B	1-Aug-08	8-Aug-08	A	31-Jul-09	7-Aug-09	D	30-Jul-10	6-Aug-10	C	29-Jul-11	5-Aug-11	B	27-Jul-12	3-Aug-12
B	8-Aug-08	15-Aug-08	A	7-Aug-09	14-Aug-09	D	6-Aug-10	13-Aug-10	C	5-Aug-11	12-Aug-11	B	3-Aug-12	10-Aug-12
C	15-Aug-08	22-Aug-08	B	14-Aug-09	21-Aug-09	A	13-Aug-10	20-Aug-10	D	12-Aug-11	19-Aug-11	C	10-Aug-12	17-Aug-12
C	22-Aug-08	29-Aug-08	B	21-Aug-09	28-Aug-09	A	20-Aug-10	27-Aug-10	D	19-Aug-11	26-Aug-11	C	17-Aug-12	24-Aug-12
C	29-Aug-08	5-Sep-08	B	28-Aug-09	4-Sep-09	A	27-Aug-10	3-Sep-10	D	26-Aug-11	2-Sep-11	C	24-Aug-12	31-Aug-12
A	5-Sep-08	12-Sep-08	D	4-Sep-09	11-Sep-09	C	3-Sep-10	10-Sep-10	B	2-Sep-11	9-Sep-11	A	31-Aug-12	7-Sep-12
B	12-Sep-08	19-Sep-08	A	11-Sep-09	18-Sep-09	D	10-Sep-10	17-Sep-10	C	9-Sep-11	16-Sep-11	B	7-Sep-12	14-Sep-12
C	19-Sep-08	26-Sep-08	B	18-Sep-09	25-Sep-09	A	17-Sep-10	24-Sep-10	D	16-Sep-11	23-Sep-11	C	14-Sep-12	21-Sep-12
D	26-Sep-08	3-Oct-08	C	25-Sep-09	2-Oct-09	B	24-Sep-10	1-Oct-10	A	23-Sep-11	30-Sep-11	D	21-Sep-12	28-Sep-12
A	3-Oct-08	10-Oct-08	D	2-Oct-09	9-Oct-09	C	1-Oct-10	8-Oct-10	B	30-Sep-11	7-Oct-11	A	28-Sep-12	5-Oct-12
B	10-Oct-08	17-Oct-08	A	9-Oct-09	16-Oct-09	D	8-Oct-10	15-Oct-10	C	7-Oct-11	14-Oct-11	B	5-Oct-12	12-Oct-12
C	17-Oct-08	24-Oct-08	B	16-Oct-09	23-Oct-09	A	15-Oct-10	22-Oct-10	D	14-Oct-11	21-Oct-11	C	12-Oct-12	19-Oct-12
D	24-Oct-08	31-Oct-08	C	23-Oct-09	30-Oct-09	B	22-Oct-10	29-Oct-10	A	21-Oct-11	28-Oct-11	D	19-Oct-12	26-Oct-12
A	31-Oct-08	7-Nov-08	D	30-Oct-09	6-Nov-09	C	29-Oct-10	5-Nov-10	B	28-Oct-11	4-Nov-11	A	26-Oct-12	2-Nov-12
B	7-Nov-08	14-Nov-08	A	6-Nov-09	13-Nov-09	D	5-Nov-10	12-Nov-10	C	4-Nov-11	11-Nov-11	B	2-Nov-12	9-Nov-12
C	14-Nov-08	21-Nov-08	B	13-Nov-09	20-Nov-09	A	12-Nov-10	19-Nov-10	D	11-Nov-11	18-Nov-11	C	9-Nov-12	16-Nov-12
maintenance	21-Nov-08	28-Nov-08	maintenance	20-Nov-09	27-Nov-09	maintenance	19-Nov-10	26-Nov-10	maintenance	18-Nov-11	25-Nov-11	maintenance	16-Nov-12	23-Nov-12
D	28-Nov-08	5-Dec-08	C	27-Nov-09	4-Dec-09	B	26-Nov-10	3-Dec-10	A	25-Nov-11	2-Dec-11	D	23-Nov-12	30-Nov-12
A	5-Dec-08	12-Dec-08	D	4-Dec-09	11-Dec-09	C	3-Dec-10	10-Dec-10	B	2-Dec-11	9-Dec-11	A	30-Nov-12	7-Dec-12
B	12-Dec-08	19-Dec-08	A	11-Dec-09	18-Dec-09	D	10-Dec-10	17-Dec-10	C	9-Dec-11	16-Dec-11	B	7-Dec-12	14-Dec-12
C	19-Dec-08	26-Dec-08	B	18-Dec-09	25-Dec-09	A	17-Dec-10	24-Dec-10	D	16-Dec-11	23-Dec-11	C	14-Dec-12	21-Dec-12

EXHIBIT N

Articles of Painted Boat Owners Corporation

EXHIBIT "N"

INCORPORATION AGREEMENT

This Incorporation Agreement dated for reference the _____.

1. The undersigned wish to form a company under the Business Corporations Act;
2. The name of the Company will be "PAINTED BOAT OWNERS CORPORATION (the "Company").
3. The undersigned adopts the Incorporation Application and Notice of Articles set out in Schedule "A" to this Incorporation Agreement.
4. The undersigned adopts as the Articles of the Company the Articles set out in Schedule "B" to this Incorporation Agreement.
5. The authorized share structure of the Company consists of 128 Common shares without par value.
6. The undersigned agrees to take the number and class of shares in the Company set out opposite my name.

Date: _____

1 Common Share without par value

PROVINCE OF BRITISH COLUMBIA

BUSINESS CORPORATIONS ACT

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PROVINCE OF BRITISH COLUMBIA

BUSINESS CORPORATIONS ACT

**ARTICLES OF
PAINTED BOAT OWNERS CORPORATION**

PART 1 - INTERPRETATION

1.1 In these Articles, unless the context otherwise requires,

- (a) **"Capital Reserve Contribution"** shall have the meaning attributed thereto in Part 17;
- (b) **"Company Act"** means the Business Corporations Act of the Province of British Columbia from time to time in force and all amendments to it;
- (c) **"Developer"** means Painted Boat Developments Ltd., and its successors and assigns;
- (d) **"Directors"** means the directors of the Company for the time being;
- (e) **"Disclosure Statement"** means the Disclosure Statement with respect to the sale of the Strata Lots dated July ____, 2006 accepted by the Superintendent of Real Estate and any subsequent amendments;
- (f) **"Headlease"** refers to the lease agreement between the Developer as Lessor and the Company as Lessor with respect to the Strata Lots and common property into which the Lands will be subdivided;
- (g) **"Lands"** refers to those lands and premises in Madeira Park, Pender Harbour, British Columbia and legally described as follows and the Strata Lots and common property into which the Lands will be subdivided:

Parcel Identifier: 026-735-351
 Parcel H
 District Lot 1023
 Group 1, NWD Plan BCP24781

- (h) **"Management Agreement"** means any agreement entered into by or on behalf of the Company with the Quarter Interest Manager for the purpose of managing, controlling and administering the use of the Strata Lots by the Owners;
- (i) **"Offer to Purchase"** refers to the agreement between the Developer and a purchaser to purchase a Quarter Interest;
- (j) **"Operating Costs"** means those costs, fees, expenses and charges in respect to management, maintenance and operation of the Strata Lots designated as such by the Sublease;

- (k) **"Owner"** means, collectively, all persons who are a registered. owner of an undivided one-quarter fee simple interest in a Strata Lot and a lessee under a Sublease of that Strata lot;
- l) **"Owners Corporation Expenses"** shall have the meaning attributed thereto in Part 17;
- m) **"Quarter Interest"** refers to the purchase of a fee simple 1/4 interest in a Strata Lot to be created upon registration of a strata plan of the Lands;
- n) **"Quarter Interest Manager"** means Painted Boat (OR CORRECT NAME) Management Ltd. and its successors and assigns;
- o) **"Period of Use"** means that specific period of time that an Owner enjoys the right of occupancy to a Strata Lot in accordance with the terms of the Sublease between the Owner and the Company;
- p) **"Register"** means the register of Owners to be kept pursuant to the B.C. Business Corporations Act;
- q) **"Registered Address"** of a Director means his address as recorded in the Company's register of Directors to be kept pursuant to the Business Corporations Act;
- r) **"Registered Address"** of an Owner means his address as recorded in the Register;
- s) **"Strata Corporation"** means the Owners, Strata Plan _____;
- t) **"Strata Lots"** means the Strata Lots offered for sale in the Disclosure Statement and any further Strata Lots offered for sale by amendments to the Disclosure Statement;
- u) **"Sublease"** means a sublease granted by the Company to each Quarter Owner giving each Quarter Owner the right to occupy the applicable Strata Lot for a minimum of twelve specific weeks each year;

PART 2 - SHARES

- 2.1 At the time that the Headlease is registered in the Vancouver Land Title Office the Directors will issue 124 shares in the name of the Developer, being 4 shares for each Strata Lot which may be included in the Quarter Interest program.

PART 3 - TRANSFER OF SHARES

- 3.1 Shares will be transferred from the Developer to purchasers of Quarter Interests, signed by an officer of the Developer, and transferred concurrently with the registration of a fee simple interest and the Sublease in a Strata Lot to be executed by the Company. The number of shares to be transferred shall be one share for each Quarter Interest purchased. All transfers of shares from existing Owners (excluding the Developer) to purchasers shall have prior approval of the Directors and shares shall be transferred concurrently only with a Quarter Interest. In this case, the instrument of transfer shall be in writing in the common form or any other form that the Directors may approve.
- 3.2 Every instrument of transfer shall be executed by the transferor and left at the registered office of

the company or of its transfer agent or registrar for registration, together with the share certificate for the share to be transferred and such other evidence, if any, as the Directors or the transfer agent or registrar may require to prove the title of the transferor or his right to transfer the share. All instruments of transfer which are registered shall be retained by the company or its transfer agent or registrar. The transferor shall remain the holder of the share until the name of the transferee is entered on the Register in respect of that share.

- 3.3 The signature of the registered owner of any share or of his duly authorized attorney on the form of transfer constitutes an authority to the Company to register the share specified in the form of transfer in the name of the person named in that form as transferee or, if no person is so named, then in any name designated in writing by the person depositing the share certificate and the form of transfer with the Company or its agents.
- 3.4 Neither the Company nor any Director, officer, or agent thereof is bound to inquire into the title of the transferee of that share to be transferred or is liable to the registered or any intermediate owner of that share, for registering the transfer.

PART 4 --- TRANSMISSION OF SHARES

- 4.1 In the case of the death of an Owner the legal personal representative of the deceased shall be the only person recognized by the Company as having any title to or interest in the share registered in the name of the deceased. Before recognizing any legal personal representative, the Directors may require him to produce the original or a court certified or authenticated copy of the grant of representation, will, order, or other instrument or other evidence of the death under which title of the share is claimed to vest.
- 4.2 Any person who becomes entitled to a share as a result of the death or bankruptcy of any Owner on producing the evidence required by the Company Act, or who becomes entitled to a share as a result of an order of a court of competent jurisdiction or a statute, on producing such evidence as the Directors think sufficient that he is so entitled, may be registered as holder of the share or may transfer the share.

PART 5 - BORROWING POWERS

- 5.1 The Directors may from time to time upon receipt of a resolution of Owners at a duly called annual general meeting or extraordinary general meeting authorize the Company to borrow any sum of money for the purposes of the Company and may raise or secure the repayment of that sum in such manner and on such terms and conditions, in all respects, as they think fit.

PART 6 - GENERAL MEETINGS

- 6.1 The first annual general meeting shall be called by the Directors and the meeting shall be held on the earlier of:
 - a) the date on which 60% of the Quarter Interests in the Strata Lots have been conveyed by the Developer; or
 - b) a date 9 months after the date of registration of the Disclosure Statement; and
 - c) 15 months after the date of incorporation *of the* Company.

- 6.2 Subsequent annual general meetings shall be held once in each year, and not more than thirteen months shall elapse between the date of one annual general meeting and that of the next.
- 6.3 All general meetings other than the annual general meetings shall be called extraordinary general meetings.
- 6.4 The Directors may, whenever they think fit, and shall upon a requisition in writing made by Owners or mortgagees of twenty-five per cent of the shares within two weeks after the requisition is made, convene an extraordinary general meeting.
- 6.5 Twenty-one day's notice of every general meeting specifying the place, the date, and the hour of the meeting, and in case of special business the general nature of such business, shall be given to all Owners and first mortgagees who have notified their interests to the Company, but accidental omission to give notice to any Owner or to any first mortgagee or non-receipt of notice by any Owner or any first mortgagee does not invalidate any proceedings at any such meeting.

PART 7 - PROCEEDINGS AT GENERAL MEETINGS

- 7.1 All business shall be deemed special that is transacted at an annual general meeting, with the exception of the consideration of accounts and election of Directors, or at any extraordinary general meeting.
- 7.2 Save as in these Articles otherwise provided, no business shall be transacted at any general meeting unless a quorum of persons entitled to vote in person or by proxy is present at the time when the meeting proceeds to business.
- 7.3 A quorum shall be two persons present, or representing by proxy, and being Owners, holding not less than one third of the issued shares entitled to be voted at the meeting.
- 7.4 If within a half-hour from the time appointed for a general meeting a quorum is not present, the persons entitled to vote present in person or by proxy constitute a quorum.
- 7.5 The President of the Company shall be the chairman of all general meetings, or in his absence from the meeting or in case he shall vacate the chair, the Secretary of the Company shall act as chairman, provided always that, if the President and Secretary be absent or shall vacate the chair or refuse to act, the meeting shall appoint a chairman.
- 7.6 The order of business at general meetings, and as far as is appropriate at all extraordinary general meetings, shall be:
 - a) If the President or the Secretary of the Company is absent, electing the chairman of the meeting;
 - b) Calling the roll, certifying the proxies, and issuing a voting card for each share represented at the meeting;
 - c) Filing proof of notice of meeting or waiver of notice;
 - d) Reading and disposing of any unapproved minutes;

- e) Receiving reports of committees;
 - f) Approval of Budget for ensuing year;
 - g) Considering the accounts;
 - h) Election of Directors;
 - i) Unfinished business;
 - j) New Business;
 - k) Election of *a* representative to the Strata Corporation for each Strata Lot; and
 - l) Adjournment
- 7.7 At any general meeting a resolution by the vote of the meeting shall be decided on a show of hands, unless a poll is demanded by an Owner present in person or by proxy.
- 7.8 Unless a poll be so demanded, a declaration by the chairman that a resolution has, on the show of hands, been carried is conclusive evidence of the fact without proof of the number or proportion of votes recorded in favour of or against the resolution.
- 7.9 A demand for a poll may be withdrawn.
- 7.10 A poll, if demanded, shall be taken in whatever manner the chairman thinks fit, and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded.
- 7.11 In the case of equality in the votes, whether on a show of hands or on a poll, the chairman of the meeting is entitled to a casting vote in addition to his original vote.

PART 8 -VOTE OF OWNERS

- 8.1 On a show of hands, an Owner shall indicate his vote by showing his voting card.
- 8.2 On a show of hands or on a poll, votes may be given either personally or by proxy.
- 8.3 An instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney, and may be either general or for a particular meeting.
- 8.4 A proxy holder need not be an Owner.
- 8.5 No Owner is entitled to vote at any general meeting unless all contributions payable in respect of his Quarter Interest have been duly paid.
- 8.6 Where Owners are entitled to successive interests in a Quarter interest, only one Owner is entitled to vote, whether on a show of hands or a poll.
- 8.7 Where an Owner is a trustee, he shall exercise the voting rights in respect of the Quarter Interest to

the exclusion of persons beneficially interested in the trust, and those persons shall not vote.

- 8.8 Notwithstanding the provisions of these Articles with respect to appointment of a proxy, where the Owner's Quarter interest is subject to a registered mortgage and the mortgage provides that the power of vote conferred on an Owner may be exercised by the mortgagee and where the mortgagee has given written notice of his intention to exercise the said power to vote, the mortgagee shall indicate his presence at the calling of the roll and he, rather than the Owner, shall be issued a voting card.
- 8.9 The Owner acknowledges and agrees that, subject to the Headlease and section 8.10 hereof, the right to exercise the Strata Lots' one vote in the Strata Corporation will be determined as follows, unless otherwise determined by a simply majority of the Quarter Interest Owners of the Strata Lot:
- a) the Quarter Interest Owner who loses one week of use (which will occur once every four years) because of the annual one week period of maintenance is entitled to exercise the Strata Lot's vote at any meeting of the Strata Corporation held during the current calendar year;
 - b) if a Quarter Interest Owner entitled to exercise the Strata Lot's vote pursuant to subsection 8.9(a) hereof is not present, in person or by proxy, at any meeting of the Strata Corporation, then the Quarter Interest Owner who loses one week of use because of the annual one week period of maintenance will be entitled to exercise the Strata Lot's vote at such meeting, and so on; and
 - c) provided the One-Quarter Interest Owner is entitled to exercise the Strata Lot's vote at a Strata Corporation meeting in accordance with the foregoing, the Quarter Interest Owner of the Strata Lot may, subject to the Articles and the Strata Property Act, as amended, exercise their vote by proxy.
- 8.10 Notwithstanding that the Strata Lot is allocated one vote in the Strata Corporation, the Owner agrees and acknowledges that, subject to the Headlease, if the bylaws of the Strata Corporation are amended to allow each Quarter Interest Owner of the Strata Lot to exercise Quarter of that vote independently of each other, then the Owner will only be entitled to exercise Quarter of that vote and each of the other three Quarter Interest Owners holding an interest in the Strata Lot will be entitled to exercise one of the three remaining one-fourth votes. Any such Quarter Interest Owner, including the Owner, will be entitled to exercise *his or* her one-fourth votes independently regardless of how the other three Quarter Interest Owners exercise their one-fourth votes.

PART 9 -- DIRECTORS

- 9.1 The Directors may exercise all such powers and do all such acts and things as the Company may exercise and do, and which are not by these Articles or by statute or otherwise lawfully directed or required to be exercised or done by the Company in general meeting, but subject, nevertheless, to the provisions of all laws affecting the Company and of these Articles and to any rules, not being inconsistent with these Articles, which are made from time to time by the Company in general meeting; but no rule, made by the Company in general meeting, shall invalidate any prior act of the Directors that would have been valid if that rule had not been made.
- 9.2 The number of Directors shall consist of not less than 3 or more than 7 Owners, unless otherwise determined by ordinary resolution.

PART 10 - RETIREMENT AND ELECTION OF DIRECTORS

- 10.1 At the first annual general meeting, and at every succeeding annual general meeting, all the Directors shall retire from office, but are eligible for election again. At every annual general meeting the Owners shall fill up the vacated offices by electing a like number of Directors and, whenever the number of retiring Directors is less than the maximum number for the time being required by or determined pursuant to Article 9.2, they may also elect such further number of Directors, if any, as the Company then determines, but the total number of Directors elected shall not exceed that maximum.

PART 11 - PROCEEDINGS OF DIRECTORS

- 11.1 The Directors may meet together at such places as they think fit for the dispatch of business, adjourn and otherwise regulate their meetings and proceed, as they see fit. The Directors may from time to time fix the quorum necessary for the transaction of business and unless so fixed the quorum shall be a majority of the Directors then in office. The President of the Company shall be chairman of all meetings of the Directors; but if at any meeting the President is not present within 30 minutes after the time appointed for holding the meeting, the Directors present may choose from one of their number to be chairman at that meeting. A Director may at any time request a meeting, and the Secretary, on the request of a Director shall convene a meeting of the Directors.
- 11.2 For the first meeting of the Directors to be held immediately following the appointment or election of a Director or Directors at an annual or other general meeting of Owners, or for a meeting of the Directors at which a Director is appointed to fill a vacancy in the Directors, it is not necessary to give notice of the meeting to the newly elected or appointed Director or Directors for the meeting to be duly constituted, provided that a quorum of the Directors is present.
- 11.3 Any Director of the Company who may be absent temporarily from the Province of British Columbia may file, at the registered office of the Company, a waiver of notice which may be letter, telegram, telex or cable, of any meeting of the Directors and may, at any time, withdraw the waiver and until the waiver is withdrawn, no notice of meetings of Directors shall be sent to that Director; and any and all meetings of the Directors of the Company, notice of which has not been given to that Director, shall, provided a quorum of the Directors is present, be valid and elective.
- 11.4 Questions arising at any meeting of the Directors shall be decided by a majority of votes. In case of an equality of votes the President has a second or casting vote.
- 11.5 No resolution proposed at a meeting of Directors need be seconded, and the chairman of any meeting is entitled to move or propose a resolution.
- 11.6 The powers and duties of the Company shall, subject to any restriction imposed or direction given at a general meeting, be exercised and performed by the Directors of the Company.
- 11.7 The subscriber to the memorandum shall be the first Director, as required by the Company Act. Upon incorporation, the subscriber shall resign as a Director and be replaced by Directors to be appointed by the Developer, and they will function as the Directors of the Company until Directors are elected by the Owners.
- 11.8 At the first meeting of the Directors held after each annual general meeting of the Company, the

Directors shall elect from among the Owners a President and a Secretary, who shall hold office until the conclusion of the next annual general meeting of the Company or until their successors are elected or appointed.

- 11.9 Where the President is absent from any meeting of the Directors, or vacates the chair during the course of any meeting, the Secretary shall act as the chairman and shall have all the duties and powers of the chairman while so acting.
- 11.10 In the absence of both the President and the Secretary, the Directors present shall from among themselves appoint a chairman for that meeting, who shall have all the duties and powers of the chairman while so acting.
- 11.11 At meetings of the Directors all matters shall be determined by simple majority vote, unless required by the Company Act or these Articles to be by special resolution.
- 11.12 The Directors may:
 - i) meet together for the conduct of business, adjourn and otherwise regulate their meetings as they think fit, and they shall meet when any Director gives to the other Directors not less than seven days' notice of a meeting proposed by *him*, specifying the reason for calling the meeting, unless the other Directors agree to waive the notice;
 - ii) employ for and on behalf of the Company such agents and employees as they think fit in connection with the control, management, and administration of the property or other assets of the Company, and the exercise and performance of the powers and duties of the Company; and
 - iii) subject to any restriction imposed or direction given at a general meeting, delegate to one or more of the Directors, or to a committee of the Directors of the Company, or to the Quarter Interest Manager, such of their powers and duties as they think fit, and at any time revoke such delegation.
- 11.13 The Directors shall keep, in one location, or in the possession of one person, and shall make available upon request to an Owner or a person authorized by him,
 - i) a copy of the Articles and any changes in the Articles;
 - ii) a copy of any special resolutions passed by the Company;
 - iii) copies of all the legal agreements to which the Company is a party, including management contracts, insurance policies, insurance trustee agreements, deeds, agreements of sale, leases, licenses, easements, or right-of-way;
 - iv) a register of the Directors;
 - v) a register of the Strata Lot Owners, setting out the Period of Use, the name of the Owner, the name and address of any mortgagee who has notified the Company, the name of any tenant or lessee, and annotation of any assignment by the Owner to the lessee;
 - vi) minutes of all general meetings;

- vii) minutes of all Directors meetings; and
- viii) the annual budget for each year.

11.14 The Directors shall:

- i) keep minutes of their proceedings;
- ii) cause minutes to be kept of general meetings;
- iii) cause proper books of account to be kept in respect of all sums of money received and expended by the Company and the matters in respect of which receipt and expenditure take place;
- iv) prepare proper accounts relating to all moneys of the Company, and the income and expenditure thereof, for each annual general meeting; and
- v) on application of an Owner or mortgagee, or any person authorized in writing by hire, make the books of *account* available for inspection at all reasonable times.

11.15 All acts done in good faith by the directors are, notwithstanding it be afterwards discovered that there was some defect in the appointment or continuance in office of any Director, as valid as if the Director had been duly appointed or had duly continued in office.

11.16 No Director shall be personally liable for any act done in good faith in carrying out his duties as a Director of the Company.

PART 12 - EXECUTION OF INSTRUMENTS

12.1 The Company shall have a common seal, which shall at no time be used except by authority of the Directors previously given and in the presence of a Director or an officer of the Company, who shall sign every instrument to which the seal is affixed.

PART 13 - DIVIDENDS

13.1 The Directors may declare dividends and fix the date of record and the date for payment of them.

PART 14 - NOTICES

14.1 Unless otherwise specifically stated in these Articles service of any notice required to be given under these Articles shall be well and sufficiently given if mailed to the Owner at the address on record with the Company and if left with him or some adult person at that address.

14.2 Any notice given by post shall be deemed to have been served or given forty-eight hours after it is posted.

14.3 An Owner may at any time in waiting advise the Company of any change of address at which notice shall be served or given, and thereafter the address specified therein shall be deemed to be the address of such Owner for the giving of notices.

- 14.4 The word "notice" shall include any request, statement, or other writing required or permitted to be given by the Company to the Owners of the Quarter Interests.

PART 15 -- FEES

- 15.1 The Company shall only charge fees to Owners sufficient to defray the Company's out of pocket expenses for its requested service.

PART 16 - VIOLATION OF ARTICLES

- 16.1 Any infraction or violation of these Articles or any rules and regulations established pursuant to these Articles on the part of an Owner, his employees, agents, invitees, or tenants may be corrected, remedied, or cured by the Company, and any costs or expenses expended or incurred by the Company in correcting, remedying, or curing such infraction or violation, shall be charged to that Owner and shall be added to and become a part of the assessment of that Owner for the next week of the Owners Period of Use following the date on which the costs or expenses are expended, or incurred, but not necessarily paid, by the Company and shall become due and payable on demand or shall be added to the next weekly assessment of the Owner's Period of Use.
- 16.2 The Company may recover from an Owner by an action for debt in any court of competent jurisdiction any sum of money which the Company is required to expend as a result of any act or omission by the Owner, his employees, agents, invitees, or tenants, or any infraction or violation of these Articles or any rules or regulations established pursuant to these Articles.

PART 17 - OPERATING COSTS

- 17.1 The Company shall cause the Quarter Interest Manager to prepare and submit to the Directors for review and comment a budget of estimated operating expenses for the next operating year of the Company, including, without limitation the amount of the Reserves and any operating reserves deemed necessary or prudent. The budget, revised in accordance with the comments of the Directors, will be submitted to the annual general meeting of the Company for that year. If the annual general meeting does not approve the budget, a new budget shall be submitted for approval by the Company at an extraordinary general meeting called by the Directors within 10 days after the date of the annual general meeting. In the event that approval is not given upon submission of the second budget, the budget shall be submitted to arbitration for determination by a single arbitrator under the *Commercial Arbitration Act* (British Columbia). In the event of arbitration, the Quarter Interest Manager and the Owners shall continue to be governed by the budget for the previous lease year, and within 30 days of the arbitration decision shall make all necessary adjustments pursuant to the budget established by the arbitration proceedings.
- 17.2 Each Owner's share of the Operating Costs shall be calculated by the Quarter Interest Manager in accordance with the provisions of the Sublease and the Management Agreement. For greater certainty, each Owner's share of the Operating Costs will include one quarter of the portion of the annual operating expenses of the Owner's Corporation allocated to their Strata Lot (which will be allocated on the same basis as the operating expenses of the Strata Corporation are allocated to Strata Lots) as well as one quarter of the Strata Corporation assessments, property taxes, Capital Reserve Contributions for such Strata Lots and other reasonable costs and outlays (including legal and accounting).

- 17.3 The Company will cause the Quarter Interest Manager, during the first quarter of each year to send to each Owner a Notice of Assessment setting forth each Owner's share of the Operating Costs for that year, including the share of the Company's expenses established by paragraph 17.1, as well as a calculation of each Owner's monthly payment to the Company for that year. The Company may cause the Quarter Interest Manager to send each Owner a revised Notice of Assessment if any of the components of Operating Costs which were initially estimated for the purposes of the budget are actually billed by the applicable authority at a different amount than estimated.
- 17.4 At the same time as sending the Notice of Assessment or earlier, the Company will cause the Quarter Interest Manager to provide to the Owner a statement prepared in accordance with forms customarily used showing, among other things, the receipts and expenditures in the immediately preceding operating year, the Owner's share of Operating Costs for that operating year, and an accounting of all monies held. If the budgeted expenses, as established by paragraph 17.1, are greater or less than actual expenses for the year, the difference, if greater, shall be credited to the current year's budget or, if less, shall be paid by the Owners to the Quarter Interest Manager forthwith, as the Directors may direct.

PART 18 - ALLOCATION OF INSURANCE PROCEEDS

- 18.1 In the event any or all of the Strata Lots are damaged or destroyed and the Strata Corporation has decided not to rebuild the Strata Lots, the insurance proceeds for the Strata Lots and the contents in each Strata Lot will be forthcoming to the Owners as a result of the said destruction. Each Owner shall be entitled to a share of said insurance proceeds forthcoming in respect of a Strata Lot in proportion to the ratio of the number of shares of the Company held by that Owner and the number of shares of the Company issued to all Owners of that Strata Lot.

SIGNATURE OF SUBSCRIBER

DATED at Vancouver, British Columbia, this _____ day of _____, _____.

EXHIBIT O

Form of Owners Corporation Management Agreement between Painted Boat Management Ltd.
and Painted Boat Owners Corporation

EXHIBIT "O".

PAINTED BOAT OWNERS CORPORATION

QUARTER INTEREST MANAGEMENT AGREEMENT

THIS AGREEMENT dated for reference the _____ day of _____ , 2006.

BETWEEN:

PAINTED BOAT DEVELOPMENTS LTD.
(the "Owner-Developer")

-and-

PAINTED BOAT OWNERS CORPORATION,
(hereinafter called the "Owners Corporation")

AND:

PAINTED BOAT MANAGEMENT LTD.
(hereinafter called the "Quarter Interest Manager")

WHEREAS:

- A. Painted Boat (the "Development") is a multiple unit resort development located at Madeira Park, Pender Harbour, British Columbia.
- B. The Development will consist of 31 resort units, each of which will be sold as undivided one quarter fee simple interests subject to a registered lease (the "Headlease") in favour of the Owners Corporation as well as one commercial Resort Strata Lots which may be sold to a third party as a Spa (the "Commercial Resort Strata Lot").
- C. Pursuant to a Disclosure Statement dated July 17, 2006 and any consequential amendments (the "Disclosure Statement"), Painted Boat Developments Ltd. (the "Developer") has offered for sale to the public undivided one-quarter fee simple interests in the 31 resort units.
- D. Under the terms of the Headlease, the Owners Corporation is obligated to enter into a sublease (the "Sublease") with each of the purchasers (the "Quarter Interest Owners") of undivided one-quarter fee simple interests (the "Resort Strata Lots").
- E. Pursuant to their contracts of purchase and sale with the Developer, each Quarter Interest Owner is required to enter into a Sublease with the Owners Corporation.
- F. The Sublease will permit each Quarter Interest Owner, inter alia, to use his or her Resort

Strata Lot for a minimum of 12 weeks each year.

- G. The shareholders of the Owners Corporation consists of, or will consist of, all of the Owners.
- H. The Sublease provides that the Owners Corporation may contract with a third party to carry out some or all of the Owner's Corporation functions, duties and obligations thereunder.
- I. The Quarter Interest Manager carries on the business of, inter alia, real property management; and
- J. The Owners Corporation desires to appoint the Quarter Interest Manager to manage the Resort Strata Lots upon the terms and conditions hereinafter set forth.

NOW THEREFORE THIS AGREEMENT WITNESSETH that in consideration of the premises and of the mutual covenants and agreements hereinafter set forth and contained, the parties hereto do mutually covenant and agree as follows:

1. The Owners Corporation hereby appoints the Quarter Interest Manager as sole and exclusive manager of the Resort Strata Lots and affairs of the Owners Corporation upon the terms hereinafter set forth and to carry out substantially all of the functions, duties and obligations of the Owners Corporation pursuant to the Sublease and the duties of the Quarter Interest Manager contemplated by the Articles of the Owners Corporation. This Agreement and the terms hereof shall be effective as and from the date hereof until the termination thereof by mutual agreement, or as otherwise provided in this Agreement.
2. Unless terminated in accordance with this Agreement, the appointment (the "Appointment") of the Quarter Interest Manager under this Agreement will be for a term of one year commencing on ♦ , 200+ (the "Initial Term") and will continue thereafter from year to year (each of which is called a "Renewal Terra"). During each Renewal Term, the Appointment will be on the terms and conditions set out in this Agreement, with the exception of the amount of the remuneration payable by the Strata Corporation to the Quarter Interest Manager pursuant to section 13, which will be adjusted to be the remuneration agreed to by the parties as being the fair market remuneration for such services paid by similar owners corporations for such services or, failing such agreement by the parties by the commencement of such Renewal Term, then the amount of remuneration for such Renewal Term will be established by arbitration pursuant to the *Commercial Arbitration Act* (British Columbia).
3. The Quarter Interest Manager accepts the appointment and agrees to carry out the management services (the "Management Services") on behalf of and at the cost of the Owners Corporation (except for the cost of employees as set out in paragraph 3(j) herein which shall be borne by the Quarter Interest Manager), which Management Services will include the following:
 - a) conducting change-over cleanings and overseeing an annual clean of each Resort Strata Lot;

- b) managing the replacement of furniture, fixtures, equipment, repainting and redecorating when required as the result of normal wear and tear;
- c) overseeing the repair of any damage done by an owner beyond normal wear and tear, notifying the Owners Corporation of same and billing the owner for costs of said repair;
- d) collecting assessments and charges on behalf of the Owners Corporation and Strata Corporation, including the Operating Costs (as defined in the Sublease);
- e) collecting from the owners the Turnover Fees;
- f) collecting from the owners the applicable Owners Corporation reserves;
- g) advising the Owners Corporation as to the proper maintenance and repair of the interior of the Resort Strata Lots;
- h) advising the Owners Corporation regarding appropriate amounts of contents insurance, and appropriate amounts to be held in the Capital Reserve Fund;
- (i) employing and providing the services of all personnel required, in the Quarter Interest Manager's opinion, to carry out the Management Services hereunder including check in staff and shall be responsible for the promotion, training, supervision and discharging of such personnel. All such employees shall be employees of the Quarter Interest Manager and the Owners Corporation shall have no responsibility therefore. The Quarter Interest Manager shall maintain adequate Worker's Compensation Insurance for all such employees of the Quarter Interest Manager. The Quarter Interest Manager will and does hereby indemnify and save harmless the Owners Corporation for any and all costs, claims and liabilities to employees relating to the labour and employment matters in connection with the Resort Strata Lots;
- (j) depositing all receipts of the Owners Corporation in the Owners Corporation's Account(s);
- k) subject to the terms hereof, paying from the receipts of the Owners Corporation all authorized disbursements. If the disbursements are in excess of the assessments collected, the Owners Corporation hereby agrees to pay such excess promptly to the Quarter Interest Manager within fifteen days following demand thereof by the Quarter Interest Manager;
- l) generally carrying out the overall supervision and management of the interior of the Resort Strata Lots including maintenance thereof with full management authority and the right to exercise the powers of the Owners Corporation in connection with the interior of the Resort Strata Lots upon the terms herein provided and subject to the reasonable direction and policy decisions of the Owners Corporation;
- m) managing the corporate structure of the Owners Corporation including keeping

proper corporate and accounting records and causing all regulatory filings to be made;

- n) arranging for and managing the legal and auditing functions of the Owners Corporation;
 - o) providing a check-in service;
 - p) managing the key pick-up/drop-off service for owners;
 - q) managing, on behalf of the Owners Corporation, the enforcement of the Sublease, the Articles and the rules and regulations of the Owners Corporation as required or directed by the Owners Corporation; and
 - r) using its best efforts to ensure that all insurance premiums are paid on time and that there will be sufficient funds on hand to pay insurance premiums, which should be placed for the Resort Strata Lot for contents and liability.
4. The Quarter Interest Manager is hereby authorized to receive all assessed contributions levied by the Owners Corporation on the owners of the Quarter Interests in the Resort Strata Lots, as well as all income due or to become due from the Resort Strata Lots and to deposit the same in bank accounts of the Owners Corporation (the "Owners Corporation Accounts"). The Quarter Interest Manager shall advise the Owners Corporation of the number and location of all Bank accounts maintained by the Quarter Interest Manager for the benefit of the Owners Corporation and will segregate such funds if so directed by the Owners Corporation. The Quarter Interest Manager is specifically authorized to make such arrangements with any bank or trust company as the Quarter Interest Manager deems appropriate for the receipt of contributions levied by the Owners Corporation on the owners of the Quarter Interests in the Resort Strata Lots. The Owners Corporation may at any reasonable time request in writing, and upon such request, there shall be furnished by the Quarter Interest Manager to the Owners Corporation, a statement of the accounts of the Quarter Interest Manager with reference to the assessments received by the Quarter Interest Manager.
5. The Quarter Interest Manager agrees to assist the Owners Corporation in the enforcement of collection of contributions levied by the Owners Corporation on the owners of the Quarter Interests in the Resort Strata Lots, and shall, if so directed by the Owners Corporation take whatever action necessary and available under the Sublease and/or the Articles of the Owners Corporation or the *Strata Property Act*, to effect the collection of the same on behalf of the Owners Corporation. The Owners Corporation authorizes the Quarter Interest Manager to take such steps or proceedings in the name of the Owners Corporation, which may include the engaging of counsel, for such matters and any expenses incurred pursuant to this clause will be charged to the Owners Corporation.
6. In carrying out the Management Services, the Quarter Interest Manager is authorized to:
- a) make or cause to be made, such repairs and/or alterations to the Resort Strata Lots as maybe advisable or necessary in the opinion of the Quarter Interest Manager, and

to purchase such supplies as may be necessary for the purpose of carrying on the Quarter Interest Managers duties hereunder and the Owners Corporation shall pay all expenses incurred by the Quarter Interest Manager in connection therewith, provided however that the Quarter Interest Manager shall secure the prior approval of the Owners Corporation for all expenditures in excess of \$5000.00 for anyone item, except emergency repairs in excess of the said maximum, if in the opinion of the Quarter Interest Manager such repairs are necessary to protect the Resort Strata Lots from damage;

- b) prepare and distribute circulars, minutes of meetings and notices from the Owners Corporation to the owners of Quarter Interests in the Resort Strata Lots as may be required from time to time;
 - c) at the direction of the Owner's Corporation, make contracts in the name of and for the account of the Owners Corporation, or in the name of the Quarter Interest Manager for any services as the Owners Corporation or the Quarter Interest Manager shall deem advisable;
 - d) at the direction of the Owners Corporation, assist the Owners Corporation to place and maintain adequate liability, contents, and other insurance required from time to time as it pertains to the interior of the Resort Strata Lots. If in the Quarter Interest Manager's opinion such insurance is not adequate, the Quarter Interest Manager shall forthwith inform the Owners Corporation and the directors of the Owners Corporation of this in writing and shall recommend appropriate changes in the insurance coverage. Such insurance shall be maintained at the cost of the Owners Corporation;
 - e) pay all accounts payable by the Owners Corporation; and
 - f) make any expenditure necessary to comply with and abide by any rule, order, determination, ordinance or law of any federal, provincial or municipal authority affecting or concerning the Resort Strata Lots or any part thereof, provided, however, that no single expenditure in excess of \$5000.00 shall be undertaken without prior consultation with the Owners Corporation, and the Owners Corporation hereby agrees to reimburse the Quarter Interest Manager for such expenditures.
7. The Quarter Interest Manager shall make available for inspection on request of the Owners Corporation, all documents, accounts and records which it may have as Quarter Interest Manager and any such material shall be made available to any director of the Owners Corporation upon request and upon request of the owner of a Quarter Interest in any of the Resort Strata Lots, giving fifteen days notice of their intention to inspect said accounts. The Quarter Interest Manager shall supply evidence of insurance in force and receipts for payment of premiums.
8. The Quarter Interest Manager shall at the request of the Owners Corporation prepare an annual budget for expenses relating to Management Services and arrange on behalf of the

Owners Corporation the mailing or delivery of such budget to the individual owners. The Quarter interest Manager shall maintain the necessary financial books and records and submit reports to the directors of the Owners Corporation regarding the financial affairs of the Owners Corporation.

9. The Quarter interest Manager shall, at the request of the Owners Corporation, attend general meetings of the Owners Corporation for the purpose of reporting on the affairs of the Owners Corporation. The Quarter Interest Manager agrees to attend, at the request of the Owners Corporation, at least two directors meetings of the Owners Corporation provided all such meetings are held at times that are mutually convenient to the directors of the Owners Corporation and the Quarter interest Manager. The frequency of the Quarter Interest Manager's attendance at general or directors meetings of the Owners Corporation shall be at the discretion of the Quarter Interest Manager.
10. In all matters requiring the attention of the Quarter Interest Manager hereunder, the Quarter Interest Manager will act upon the written request and direction of the directors of the Owners Corporation.
11. The Owners Corporation agrees with the Quarter Interest Manager:
 - a) to carry, at the Owners Corporation's expense, a minimum of \$2,000,000 of general liability insurance where the Quarter Interest Manager is named as additional insured and Worker's Compensation insurance for any employees of the Owners Corporation;
 - b) that the Quarter Interest Manager will not be liable for any error of judgment or for any mistake of fact or law for anything which it may do or refrain from doing hereunder, except to the extent of the Quarter Interest Manager's willful misconduct, gross negligence or breach of or default under this Agreement, and the Owners Corporation agrees to indemnify and save the Quarter Interest Manager harmless from and against all claims, damages and costs incurred in connection with its duties hereunder, except to the extent of the Quarter Interest Manager's willful misconduct, gross negligence or breach of or default under this Agreement and that the Owners Corporation will carry, at the expense of the Owners Corporation, adequate insurance to protect the Quarter Interest Manager against all such claims, damages and costs in the same manner and to the same extent as the Owners Corporation;
 - c) to furnish to the Quarter Interest Manager all documents and records available to the Owners Corporation which may be required by the Quarter Interest Manager to properly perform its duties hereunder;
 - d) that the Quarter Interest Manager will not be liable for any error of judgment or for any mistake of fact or law or for anything which it may do or refrain from doing hereunder; .
 - e) except where specifically provided, nothing contained in this Agreement will require the Quarter Interest Manager to expend any of its own funds (including its

remuneration and expenses payable hereunder) in connection with any matter herein or otherwise in respect of the Resort Strata Lots which is the responsibility of the Owners Corporation to pay;

- f) to provide the Quarter Interest Manager with a copy of the Articles of the Owners Corporation and to notify the Quarter Interest Manager from time to time of any amendments or additions thereto; and
 - g) if the amount of the bills, accounts and expenses paid by the Quarter Interest Manager hereunder (including the amount of remuneration payable to the Quarter Interest Manager) exceeds the amount of money from which the Quarter Interest Manager is authorized to make payments, the Owners Corporation agrees to pay to the Quarter Interest Manager the amount of such excess forthwith upon demand; and
 - h) to provide to the Quarter interest Manager, in advance if requested, the amounts required to be expended by the Quarter Interest Manager hereunder, other than the Quarter Interest *Manager's office* overhead and salaries, wages and other expenses relating to the Quarter Interest Manager's employees.
12. The Owners Corporation shall pay in lawful money of Canada to the Quarter Interest Manager as fees for compensation to it for the Management Services to be rendered by the Quarter Interest Manager in accordance with this Agreement a yearly fee of One Hundred and Ten Thousand (\$110,000.00) Dollars, payable monthly.
 13. The Quarter Interest Manager is hereby authorized to deduct monthly such fees set out above or expenses incurred by the Quarter Interest Manager in respect of Management Services as such fees or charges become payable from any monies received in the Quarter Interest Manager's hands from time to time for the Owners Corporation relating to the Management Services.
 14. The Owners Corporation and the Quarter Interest Manager shall abide by the *Strata Property Act* for the Province of British Columbia and the Articles of the Owners Corporation as may be amended from time to time.
 15. In this Agreement:
 - a) ""Quarter interest" means an interest in a Resort Strata Lot which consists of an undivided one-quarter fee simple interest in a Resort Strata Lot and a subleasehold interest in such Resort Strata Lot. Owners may own one or more Quarter Interests in a Resort Strata Lot. For each Quarter Interest owned the owner will also own one share in the Owners Corporation; and
 - b) "Quarter Interest Owner" means the owner of one Quarter Interest.
 16. This Agreement shall terminate upon any of the following events:
 - a) the filing by the Quarter Interest Manager of a voluntary petition in bankruptcy or

insolvency or a petition for reorganization under any bankruptcy law;

- b) the Quarter Interest Manager's consent to an involuntary petition in bankruptcy or its failure to vacate within sixty (60) days from the date of entry thereof any order approving an involuntary petition by the Quarter Interest Manager;
- c) the entering of an order, judgment, or decree by any court of competent jurisdiction, on the application of a creditor, adjudicating the Quarter Interest Manager a bankrupt or insolvent or approving a petition seeking reorganization or appointing a receiver, trustee or liquidator of all or a substantial part of its assets, if such order, judgment or decree continues unstayed and in effect for a period of one hundred and twenty (120) consecutive days; and
- d) the failure of the Quarter Interest Manager to perform, keep or Will any of its material covenants, undertakings, obligation or conditions set forth in this Agreement.

The Owners Corporation may give to the Quarter Interest Manager notice of its intention to terminate the appointment of the Quarter Interest Manager under this Agreement upon the occurrence of any of the events of default. With respect to any event of default referred to in section 16 (d), if upon receipt of such notice the Quarter Interest Manager promptly and with all due diligence proceeds to cure the default referred to in section 16(d), or if such default cannot be reasonably cured within the 30 day period thereafter, the Quarter Interest Manager takes and continues to cure such default with all due diligence until same is cured, such additional period not to exceed 90 days from such notice, then once a cure has been effected the notice will be of no effect. If following the expiration of such period, such default has not been cured, the Owners Corporation may pursuant to a special resolution of the Owners Corporation terminate the appointment of the Quarter Interest Manager pursuant to this Agreement. The remedies granted herein will not be in substitution for, but will be in addition to, any rights and remedies otherwise available for breach of contract or otherwise.

The Quarter Interest Manager may terminate its appointment as manager under this Agreement at any time upon ninety (90) days written notice to the Owners Corporation.

Upon termination, all obligations of the Quarter Interest Manager shall cease and the Owners Corporation shall pay to the Quarter Interest Manager any monies due to it up to the date of such termination and the Quarter Interest Manager shall pay to the Owners Corporation all monies held by it in trust for the Owners Corporation.

- 17. Any amendment to this Agreement shall be effective only if it is in the form of a written addendum and duly signed by the parties.
- 18. The Owners Corporation will not be entitled to set off against any remuneration or other money payable to the Quarter Interest Manager under *this* Agreement any uncollected arrears of assessments, Operating Costs or any other amount.

19. Subject to the terms and conditions set out in this Agreement, the parties will at all times during the Initial Term and Renewal Terms act in good faith, cooperate and act reasonably in respect of all matters within the scope of this Agreement.
20. All amounts payable by either party to the other hereunder will be paid in Canadian Funds.
21. No failure by the Quarter Interest Manager or the Owners Corporation to insist upon the strict performance of any covenant, agreement, term or condition of this Agreement, or to exercise any right or remedy consequent upon a breach, will constitute a waiver of any such breach or any subsequent breach of such covenant, agreement, term or condition. No waiver of any breach will affect or alter this Agreement, but each and every covenant, agreement, term and condition of this Agreement will continue in full force and effect with respect to any other then existing or subsequent breach.
22. If any provision of this Agreement or the application thereof to any person or circumstance will, to any extent, be invalid or unenforceable, the remainder of this Agreement and the application of such provision to persons or circumstances other than those as to which it is held invalid or unenforceable, as the case may be, will not be affected thereby, and each provision of this Agreement will be valid and enforceable to the fullest extent permitted by law.
23. All notices, requests, approval, demands and other communications required or permitted to be given under this Agreement will be in writing and addressed to the parties as follows:
 - a) if to the Quarter Interest Manager:

Painted Boat Management Ltd.
PO Box 153
Madeira Park,
British Columbia
V0N 2H0
 - b) if to the Owners Corporation:

ADDRESS
British Columbia V_____

or, in any case, at such other address as the party to whom the notice is sent will have designated in accordance with the provisions of this section. All notices will be delivered personally, transmitted by fax or mailed by postage prepaid mail {provided that in the event of a disruption in mail services, notices will be delivered personally or transmitted by fax). Notices will be deemed to be received:

 - (i) on the date of delivery or transmittal thereof if delivered personally or sent by fax;
or
 - (ii) on the fifth Business Day after the mailing thereof, if sent by mail.

24. The Quarter Interest Manager may assign its rights and responsibilities under this Agreement to a third party experienced in real property management with the approval of the Owners Corporation pursuant to section 27 herein. This Agreement shall enure to the benefit of and shall be binding upon the heirs, executors, successors, legal representatives and permitted assigns of the parties.
25. This Agreement may be executed in several counterparts, each of which will be an original, but all of which will constitute but one and the same instrument.
26. No provision of this Agreement will constitute or be deemed to create a partnership or joint venture between the Owners Corporation and the Quarter Interest Manager.
27. Except as expressly set out herein, whenever any party hereto is requested to give its approval to any matter, such approval shall not be withheld or delayed unreasonably. If a party desires the approval of the other party hereto to any matter, such party shall give notice to such other party that it requests such approval, specifying in such notice the matter (in reasonable detail) as to which such approval is requested.
28. If a party is prevented or delayed from performing any of the obligations on its part to be perform hereunder by reason of Act of God, strike, labour dispute, lockout, threat of imminent strike, fire, flood, interruption or delay in transportation, war, insurrection or mob violence, requirement or regulation of government, or statute, unavoidable casualties, shortage of labour, equipment or materials, economic or market conditions, plant breakdown, or failure of operation equipment or any disabling cause (other than lack of funds), without regard to the foregoing enumeration, beyond the control of either party or which cannot be overcome by the means normally employed in performance, then and in every such event, any such prevention or delays resulting from any such thing required or permitted by either party to be done is to be done hereunder, it being understood and agreed that the time within which anything is to be done, or made pursuant hereto shall be extended by the total period of such delay.
29. The parties acknowledge and agree that this Agreement is initially entered into with the Owner-Developer, as the owner of all of the Resort Strata Lots. The Owner-Developer has entered into this Agreement on behalf of all of the Owners Corporation. Each of the Owners of the Resort Strata Lots will be bound by the terms and conditions of this Agreement insofar as this Agreement relates to such Owner's Resort Strata Lot as though such Owner was a signatory hereto.
30. All matters in relation to this Agreement which cannot be agreed upon by the parties shall be referred to the arbitration of a single arbitrator, if the parties agree upon one, otherwise three arbitrators, one to be appointed by each side of the disagreement, and a third to be chosen by the first two named before they enter upon the business of arbitration. The award and determination of such arbitrator or arbitrators, or any two of such arbitrators, shall be binding upon the parties and their respective heirs, executors, administrators and assigns. *The Commercial Arbitration Act* of British Columbia shall apply.
31. The Quarter Interest Manager may erect on the Common Property such signage identifying

the Quarter Interest Manager as the property manager for the Owners Corporation as may be reasonably required by the Quarter Interest Manager, with the approval of the Owners Corporation, acting reasonably.

32. This Agreement contains the entire agreement between the parties in respect of the subject matter hereof and there are no other representations, warranties, covenants, agreements or collateral agreements. This Agreement may only be amended by an agreement in writing signed by all the parties hereto.

33. Time is of the essence of this Agreement.

IN WITNESS **WHEREOF** the parties hereto have caused this Agreement to be executed as of the day and year first above written.

THE CORPORATE SEAL OF PAINTED)	
BOAT DEVELOPMENTS LTD.)	
was hereunto affixed in the presence of:)	C/S
)	
_____)	
Authorized Signatory		

THE CORPORATE SEAL OF PAINTED)	
BOAT MANAGEMENT LTD., was hereunto)	
affixed in the presence of:)	C/S
)	
_____)	
Authorized Signatory		

PAINTED BOAT OWNERS CORPORATION

Per. _____

EXHIBIT P

Form of Trust Agreement (for assessments under Initial Owners Corporation Budget)

EXHIBIT "P"

TRUST AGREEMENT

THIS AGREEMENT made as of the _____ day of _____, _____.

BETWEEN:

PAINTED BOAT DEVELOPMENTS LTD.

(hereinafter called "**the Developer**")

AND:

PAINTED BOAT OWNERS CORPORATION

(hereinafter called the "**Owners Corporation**")

AND:

SHANDRO DIXON EDGSON

Barristers & Solicitors, of
400 - 999 West Hastings Street,
Vancouver, British Columbia, V6C 2W2

(hereinafter called "**SDE**")

AND:

PAINTED BOAT MANAGEMENT LTD.

(hereinafter called the "**Quarter Interest Manager**")

WHEREAS:

- A. The Developer intends to market strata lots and undivided one-quarter fee simple interests (the "Quarter Interests") in Painted Boat Resort Spa and Marina (the "Development") at Madeira Park, Pender Harbour, British Columbia. The Development consists of 32 proposed strata lots (31 residential strata lots and one commercial strata lot hereinafter collectively called the "Strata Lots"). The Superintendent of Real Estate (B.C.) (the "Superintendent") requires that a system be established prior to registration of the strata plan to ensure that there will always be moneys available to pay the operating costs of the Owners Corporation and the Owner's share of certain costs relating to the Strata Lots which are to be collected by the Owners Corporation on behalf of the strata corporation of which the Strata Lots form a part (the "Strata Corporation"), including property taxes, strata corporation maintenance fees, telephone and cablevision costs (hereinafter the operating costs of the Owners Corporation and the costs related to the Strata Lots as described above are collectively referred to as the "Operating Costs") as described in the Disclosure Statement dated July ___, 2006 on the unsold Quarter Interests owned by the Developer in the Strata Lots (the "Unsold Quarter Interests").

- B. In order to ensure payment of the Operating Costs relating to any unsold interests in any Strata Lots, and in order to ensure payment thereof by the Developer, SDE has agreed to hold \$ _____ (the "Trust Funds") in trust on the terms and conditions set out in this Agreement.

NOW THEREFORE THE PARTIES AGREE AS FOLLOWS:

1. Prior to the date on which the Developer registers the strata plan of the Development creating the Strata Lots, the Developer will pay to SDE the Trust Funds and SDE shall hold the Trust Funds for the benefit of the owners of the Strata Lots on account of unpaid Operating Costs owing by the Developer, subject to the terms and conditions of this Agreement.
2. The Trust Funds will be held in trust until such time as the Superintendent authorizes establishment of a satisfactory alternative system binding upon the parties hereto or until the Trust Funds are reduced or released in accordance with the terms of this Trust Agreement and as authorized by the Superintendent.
3. In the event of the Owners Corporation, the Quarter Interest Manager or the owner or owners of 25% of the Quarter Interests in the Strata Lots (excluding any Quarter Interests held by the Developer) delivers written notice to SDE that the Developer has not paid some or all of the Operating Costs on the Unsold Quarter Interests in the Strata Lots, SDE will draw upon the Trust Funds and, to the extent of funds available under the Trust Funds, pay, as directed by the majority of the owners of the Quarter Interests, other than the Developer, the amount owed by the Developer.
4. SDE will be entitled to access the records of the Owners Corporation in fulfillment of its obligations under this Trust Agreement.
5. The parties agree to co-operate with the Superintendent with regard to the establishment of an alternative system to this Trust Agreement.
6. This agreement may only be modified in writing and upon the Superintendent's approval.
7. All notices required to be given pursuant to this Trust Agreement shall be in writing and delivered personally, telecopied or sent by postage prepaid mail and addressed to the parties as follows:

To the Developer:

Painted Boat Developments Ltd.

Telecopier: (604) _____

To Owners Corporation:

Painted Boat Owners Corporation

 Telecopier: (604) _____

To SDE:

Shandro Dixon Edgson
 Barristers & Solicitors
 400 - 999 West Hastings Street
 Vancouver, B.C.
 V6C 2W2
 Attention: Larry S. Blaschuk
 Telecopier (604) 685-2009

To Quarter Interest Manager

Painted Boat Management Ltd.

 Telecopier: (604) _____

or at such other address as any party may specify in writing to the others. The time of giving and receiving any such notice will be deemed to be on the day of delivery or transmittal if delivered or sent by telecopy, or on the third business day after the day of mailing thereof if sent by mail. In the event of any disruption of mail services, all notices will be delivered or sent by telecopy rather than mailed.

AGREED TO AND ACCEPTED as evidenced by the following signatures of the Parties authorized signatories:

PAINTED BOAT DEVELOPMENTS LTD.

**PAINTED BOAT OWNERS
CORPORATION**

Per: _____

Per: _____

SHANDRO DIXON EDGSON

PAINTED BOAT MANAGEMENT LTD.

Per: _____

Per: _____

EXHIBIT Q

Form of Trust Agreement (for Owners Corporation Shares)

EXHIBIT "Q"

TRUST AGREEMENT

THIS TRUST AGREEMENT, made effective as of the _____ day of _____, _____.

BETWEEN:

PAINTED BOAT DEVELOPMENTS LTD.

(hereinafter called the "Developer")

AND:

PAINTED BOAT OWNERS CORPORATION

(hereinafter called the "Company")

AND:

SHANDRO DIXON EDGSON

(hereinafter called the "Trustee")

WHEREAS:

- A The authorized capital of the Company consists of 128 common shares without par value (the "Common Shares"), 124 of which have been issued and are registered in the name of the Trustee;
- B. The Company has delivered to the Trustee, Share Certificate No. 1 representing 124 Common Shares registered in the name of the Trustee (the "Share Certificate");
- C. The Trustee holds all the outstanding Common Shares as bare trustee in trust for the Developer as the beneficial owner upon the terms and conditions contained herein;
- D. The Developer will sell a beneficial interest in one of the Common Shares to each purchaser of a one-quarter interest in each strata lot comprising Painted Boat Resort Spa and Marina (the "Purchaser") pursuant to each purchase agreement between the Developer and each Purchaser, dated for reference _____, 2006 (the "Purchase Agreement");
- E. Pursuant to each Purchase Agreement, the Purchaser therein defined (the "Owner") will become a party to and agree to be bound by this Trust Agreement and thereby agree to have the Trustee continue to be the registered owner of one Common Share as bare trustee to

hold that Common Share in its name in trust for the Owner as the sole beneficial owner of that Common Share in accordance with the terms and conditions contained herein;

NOW THEREFORE THIS AGREEMENT WITNESSETH that in consideration of the premises and of the respective covenants and agreements hereinafter contained and other good and valuable consideration (the receipt and sufficiency whereof is hereby acknowledged by the parties hereto), the parties hereto covenant and agree each with *the* other as follows:

1. OWNER'S SHARE DEPOSITED WITH TRUSTEE

The Developer and the Company hereby appoint the Trustee, and the Trustee hereby acknowledges receipt of the Share Certificate and agrees to act as a trustee in respect of all of the 124 Common Shares in accordance with the terms and conditions of this Agreement.

2. ACCEPTANCE OF TRUST

The Trustee hereby accepts the trust imposed upon it hereunder and acknowledges, declares and confirms that:

- a) it will hold the Share Certificate as bare trustee in trust for the Developer and as agent for the Developer for the sole use, benefit and advantage of the Developer and all profits and advantages arising from the Common Shares are and shall be held by the Trustee in trust for the benefit and advantage of the Developer, as beneficial owner thereof subject to the provisions of this Agreement;
- b) it does not and will not have any beneficial interest in the Common Shares; and
- c) beneficial ownership of the Common Shares and all other rights of ownership with respect thereto shall remain with the Developer subject to the provisions of this Agreement.

3. ALIENATION OF SHARES

The Share Certificate shall be held and retained by the Trustee during the term of this Agreement and the Common Shares shall not be transferred, assigned, hypothecated or otherwise alienated by the Developer or the Company, except in accordance with the terms and conditions of this Agreement.

4. BENEFICIAL OWNERSHIP

Each Common Share shall remain the property of the Developer unless and until the Trustee delivers its acknowledgement of the change of beneficial ownership of a Common Share to the Company pursuant to paragraph 5 or 6 hereof, in which event all the right, title and interest of the Developer in and to that Common Share shall pass to the transferee.

5. DISPOSITION OF COMMON SHARES

Upon the disposition of a Common Share by the Developer or any person who acquires the beneficial interest in a Common Share pursuant to this Agreement (a "Transferor"), the Transferor shall give notice thereof together with the name and address of the transferee to the Company and the Trustee. In determining whether there has been a disposition of a Common Shares, the Trustee shall be entitled to rely conclusively upon a certificate signed by the Transferor, a copy of which shall have been previously delivered to the Company.

6. DEFAULT BY TRANSFEROR

If default is made by the Transferor in providing the certificate provided for in paragraph 5, and the Company gives notice of such default together with the name and address of the transferee to the Trustee, the Trustee shall forthwith give notice to the Transferor of such default together with a copy of the Company's notice to the Trustee and, unless the Transferor has obtained an Order of the Supreme Court of British Columbia to enjoin the disposition of the Transferor's beneficial ownership of the Common Share and served the same upon the Trustee within thirty (30) days of such notice, the Trustee shall deliver to the Company its acknowledgement of the change of beneficial ownership of the Common Share.

7. PLEDGE AND HYPOTHECATION

Notwithstanding the prohibition contained in paragraph 3, in the event the beneficial owner of a Common Share (the "Owner") is required to pledge and hypothecate their Common Share (the "Owner's Share") to a lender as security for a loan (the "Loan"), to finance their acquisition of the Owner's Share pursuant to the Purchase Agreement (the "Lender"), the Developer may pledge and hypothecate the Owner's Share to the lender as security for the Loan by notice thereof to the Trustee and the Company and the Trustee is thereby authorized and directed to:

- a) acknowledge to the Lender and the Company such pledge and hypothecation and confirm the Lender's interest in the Owner's Share pursuant to the provisions of the share pledge and hypothecation; and
- b) provide to the Lender a copy of any notice sent by the Trustee to the Owner and/or the Company pursuant to this Agreement for so long as the Lender has an interest in the Owner's Share.

8. REGISTER OF BENEFICIAL OWNERS

The Trustee shall keep at its office in the City of Vancouver, Province of British Columbia, a register of the names and addresses of the beneficial owners of each of the Common Shares, and the name and address of any Lender to whom an acknowledgment has been delivered by the Trustee pursuant to paragraph 7 of this Agreement (the "Register"). The Trustee shall at all times treat and consider the registered beneficial owner of the Owner's Share on the Register as the beneficial

owner thereof for all purposes, subject only to, if applicable, any Lender noted thereon to whom an acknowledgment has been delivered pursuant to Paragraph 7.

9. ATTORNEY AND AGENT IN FACT

Any Transferor hereby irrevocably constitutes and appoints the Company its true and lawful attorney and agent-in-fact to do all acts and execute and deliver all such agreements, instruments and documents as the Company may deem necessary and desirable to implement any disposition of the Transferor's Common Share and agrees to ratify and confirm all such acts of the Company as its attorney.

10. MEETINGS OF MEMBERS OF THE COMPANY

When any meeting of the members of the Company is to be held, the notice of any such meeting and any additional documents included with such notice delivered to the Trustee as the registered holder of Common Shares, together with a proxy to vote the Common Shares held by the Trustee at such meeting, shall be delivered by the Trustee to the beneficial owner of each Common Share in the Register.

11. COMPENSATION

The fees and expenses of the Trustee for acting hereunder shall be borne by the Company.

12. PROTECTION OF TRUSTEE

The acceptance by the Trustee of its duties and obligations under this Agreement is subject to the following terms and conditions, which the parties to this Agreement hereby agree shall govern and control with respect to its rights, duties, liabilities and immunities:

- a) the Trustee shall not be responsible or liable in any manner whatsoever for the sufficiency, correctness, genuineness or validity of any securities deposited with it;
- b) the Trustee shall be protected in acting upon any written notice, request, waiver, consent, receipt, certificate or other paper or document furnished to it, and executed by a Transferor or the Company, not only as to its due execution and the validity and effectiveness of its provisions but also as to the truth and acceptability of any information therein contained, which it in good faith believes to be genuine and what it purports to be;
- c) except for its acts of negligence or misconduct, the Trustee shall not be liable for any act done or step taken or omitted by it in good faith, or for any mistake of fact or law;
- d) the Trustee may consult with and obtain advice from legal counsel in the event of any question as to any of the provisions hereof or its duties hereunder, and it shall incur no liability and shall be fully protected in acting in good faith in accordance with the opinion and instructions of such counsel. The cost of such services shall be added to and be a part of the Trustee's fee hereunder; and

- e) the Trustee shall have no duties except those which are expressly set forth herein, and it shall not be bound by any notice of a claim or demand with respect thereto, or any waiver, modification, amendment, termination or rescission of this Agreement, unless received by it in writing, and signed by a Transferor and the Company and, if its duties herein are affected, unless it shall have given its prior written consent thereto,

13. TRUSTEE'S RESIGNATION OR REMOVAL

The Trustee may resign and discharge itself from the obligations assumed by it hereunder by giving two (2) months' notice in writing thereof to the Company, each person who is registered at that time as the beneficial owner of a Common Share on the register maintained by the Trustee hereunder, and to any Lender to whom an acknowledgment has been provided under paragraph 7 and is registered at that time on the register maintained by the Trustee hereunder. The Company may remove the Trustee from its position as Trustee hereunder by giving to the Trustee notice in writing to that effect executed by each of the Company, each person who is registered at that time as the beneficial owner of a Common Share on the register maintained by the Trustee hereunder, and any Lender to whom an acknowledgment has been delivered pursuant to paragraph 7 on the register maintained by the Trustee hereunder, such removal to be effective upon the latest of:

- a) the date the notice is given;
- b) if so specified in the notice, the date of the appointment of a new Trustee hereunder; and
- c) any other dates specified in the notice.

The Trustee hereby agrees to execute all such transfers and other documents and do all such other acts and things as may reasonably be requested by the Company in order that a new Trustee may be substituted hereunder for the Trustee. Upon a new trustee acceptable to the Company executing and delivering a counterpart of this Agreement, or otherwise agreeing to be bound by the provisions hereof, such new trustee shall be deemed to be the Trustee for all purposes of this Agreement.

14. AMENDMENT

This Agreement may be amended or canceled by and upon written notice to the Trustee at any time given jointly by a Transferor and the Company but the duties or responsibilities of the Trustee may not be increased without its consent.

15. NOTICE

Any notice, direction or other instrument required or permitted to be given to the Company hereunder shall be in writing and may be given by delivering the same or by sending by telecopier, telex or other similar means of communication addressed to the Company at:

Any notice, direction or other instrument required or permitted to be given to a Transferor hereunder shall be in writing and may be given by delivering the same or by sending by telecopier, telex or other similar means of communication addressed to the Transferor at the Transferor's address in the Register.

Any notice, direction or other instrument required or permitted to be given to the Trustee shall be in writing and may be given by mailing the same postage prepaid or delivering the same or by sending by telecopier, telex or other similar means of communication addressed to the Trustee at:

Shandro Dixon Edgson
Barristers and Solicitors
400 - 999 West Hastings Street
Vancouver, B.C.
V6C 2W2
Attention: Larry S. Blaschuk
Telecopier: 604-685-2009

Any notice, direction or other instrument aforesaid if delivered or sent by telex, telecopier or similar means of communication shall be deemed to have been given or made on the date on which it was delivered or so sent. Any of the parties hereto may change its or their address for service from time to time by notice given in accordance with the foregoing.

16. NUMBER AND GENDER

In this Agreement, words importing the singular number shall include the plural and vice versa, words importing gender shall include all genders and words importing persons shall include individuals, corporations, partnerships, associations, trusts, unincorporated organizations, governmental bodies and other legal or business entities,

17. GOVERNING LAW

This Agreement shall be construed, interpreted and enforced in accordance with, and the respective rights and obligations of the parties shall be governed by, the laws of the Province of British Columbia, and the federal laws of Canada applicable therein, and each party irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of such province and all courts, to hear appeals therefrom.

18. COUNTERPARTS

This Agreement may be executed in several counterparts, each of which when executed by any of the parties hereto shall be deemed to be an original. Such counterparts shall together constitute one and the same instrument.

19. TIME

Time shall be of the essence of this Agreement.

20. HEADINGS

The headings contained in this Agreement are inserted for convenience of reference only and shall not affect the meaning or construction hereof.

21. SUCCESSORS

This Agreement shall enure to the benefit of and shall be binding upon the parties hereto and their respective heirs, executors, administrators, legal personal representatives, successors and permitted assigns.

IN WITNESS WHEREOF this Agreement has been executed as of the day and year first above written.

THE CORPORATE SEAL OF)
PAINTED BOAT DEVELOPMENTS LTD.)
 was hereunto affixed in the presence of)
) c/s
)
 _____)
 Authorized Signatory)
)
 _____)
 Authorized Signatory)

THE CORPORATE SEAL OF)
PAINTED BOAT OWNERS CORPORATION)
 was hereunto affixed in the presence of)
) c/s
)
 _____)
 Authorized Signatory)
)
 _____)
 Authorized Signatory)

THE CORPORATE SEAL OF)
SHANDRO DIXON EDGSON)
 was hereunto affixed in the presence of)
) c/s
)
 Per: _____)
 Authorized Signatory)
)
)
 Per: _____)
 Authorized Signatory)

EXHIBIT R

Rental Covenant

EXHIBIT " R "

LAND TITLE ACT

TERMS OF INSTRUMENT - PART 2

RESTRICTIVE COVENANT

THIS COVENANT is made as of _____, 2006

BETWEEN:

PAINTED BOAT DEVELOPMENTS LTD.

303 Mountain Highway,
North Vancouver,
British Columbia V7J 2K7

(the "Resort Strata Lots Owner")

WHEREAS:

- A. The Resort Strata Lots Owner is the registered owner in fee simple of those strata lots located at Madeira Park in Pender Harbour, in the Province of British Columbia, legally described as:

Strata Lots 1-31

(collectively, the "Resort Strata Lots");

- B. The development containing the Resort Strata Lots is intended to be operated, inter alia, for vacation rental;
- C. Each owner who purchases a Resort Strata Lot or an interest in a Resort Strata Lot from the Resort Strata Lots Owner will enter into a Rental Management Agreement (as herein defined) with a Rental Manager (as herein defined) whereby the owner will agree not to use the Resort Strata Lot for Rental Use (as defined herein) except in accordance with the Rental Management Agreement; and
- D. It is desirable, for the greater benefit and enjoyment of the Resort Strata Lots, that certain restrictions be placed on the use of the Resort Strata Lots so as to ensure that, the Resort Strata Lots when used for rental purposes will be rented in a consistent manner and, accordingly, the Resort Strata Lots Owner has agreed to grant this Covenant in favour of all of the Resort Strata Lots.

NOW THEREFORE THIS AGREEMENT WITNESSES THAT in consideration of the premises and the sum of Ten (\$10.00) Dollars, now paid by each party hereto to the other (the receipt and sufficiency whereof are hereby acknowledged), each party hereto covenants and agrees with the other as follows:

Definitions

1. In this Covenant, the following terms shall have the following meanings:
- 1.1 "Exchange" means the exchange by the Owner of the use of the Owner's Period of Use in a Strata Lot for the use of another unit outside the development as part of an Exchange Program;

- 1.2 "Exchange Program" means an international exchange program, such as Intrawest, or a local exchange program that provides to the Owner the right of Exchange;
- 1.3 "Owner-Developer" means Painted Boat Developments Ltd.;
- 1.4 "Personal Use" means the use of a Resort Strata Lot by its Registered Owner, or other persons permitted by the Registered Owner to use the Resort Strata Lot or the use of the Resort Strata Lot by a renter arranged by the Registered Owner without the use of a Rental Agency, other than for Rental Use pursuant to and strictly in accordance with the rights of personal use permitted under the Rental Management Agreement;
- 1.5 "Registered Owner" of a Strata Lot means the person or persons registered from time to time in the Vancouver Land Title Office as owner or owners in fee simple of a Strata Lot;
- 1.6 "Rental Agency" means a third party rental or management entity which charges a fee for renting a Strata Lot but not including any through which an Exchange Program is operated;
- 1.7 "Rental Management Agreement" means a rental management system to provide for orderly, consistent and uniform Rental Use and Personal Use of the Resort Strata Lots;
- 1.8 "Rental Manager" means the manager appointed by the Owner-Developer whose responsibility it is to manage the rental of the Resort Strata Lots by an owner pursuant to the Rental Management Agreement who initially will be Painted Boat Management Ltd.;
- 1.9 "Rental Use" means the use of the Resort Strata Lots for the purpose of carrying on the business of the commercial rental through a Rental Agency of the Resort Strata Lots to the public for tourists', visitors' and travellers' transient accommodation pursuant to and in accordance with the Rental Management Agreement;
- 1.10 "Registered Owner" means the person registered in the Land Title Office as the owner in fee simple of the Strata Lot, or, where there is a registered agreement for sale of the Strata Lot, the registered holder of the last registered agreement for sale and in the case of a tenancy, any Tenant whether under a residential tenancy agreement, lease or otherwise;
- 1.11 "Strata Lot" means any one of the Resort Strata Lots and the term "Strata Lots" shall mean all of them;
- 1.12 "Strata Plan" means Strata Plan _____.

Use of Resort Strata Lots

2. The Resort Strata Lot Owner covenants and agrees, with the intent that this Covenant shall run with and burden each of the Resort Strata Lots and with the intent that this Covenant shall be for the benefit of each of the Resort Strata Lots, that the Resort Strata Lot Owner will not use, occupy or permit or cause to be used or occupied, all or any portion of the Resort Strata Lots for the purpose of Rental Use except through the Rental Management Agreement administered by the Rental Manager.

Postponement

3. No mortgage, assignment of rents or other security, including any renewals, modifications, replacements or extensions thereof (collectively, the "Security"), registered against title to the Strata Lot shall rank or purport to rank in priority to this Covenant.

General Matters

4. The Resort Strata Lot Owner shall each do and shall cause to be done all things and shall execute and cause to be executed all plans, documents and other instruments which may be necessary to give proper effect to the intention of this Covenant.
5. No amendment to this Covenant is valid unless in writing and executed by the parties.
6. All provisions of this Covenant are to be construed as covenants and should any section, or part thereof of this Covenant, be held invalid or unenforceable by a court of competent jurisdiction, the invalid or unenforceable part shall be severed and the invalidity or unenforceability of such section or part shall not affect the validity of the remainder which shall remain binding on the Resort Strata Lot Owner and shall charge the Resort Strata Lots and be enforceable to the fullest extent of the law.
7. Time is of the essence of this Covenant.
8. The covenants of the grantor contained herein shall be personal and binding upon such party only during its ownership of any interest in the Resort Strata Lots or part thereof but the Resort Strata Lots shall nevertheless be and remain at all times charged herewith, to the intent that upon the transfer of all interest of the grantor in the Resort Strata Lots or part thereof, as the case may be, the grantor shall be freed and discharged from the observance and performance thereafter of the covenants on its part in respect of the Resort Strata Lots or part thereof on its part to be observed and performed.
9. This Covenant shall charge the Resort Strata Lots and the burden of all the covenants herein shall run with the Resort Strata Lots and charge the Resort Strata Lots and every part into which the Resort Strata Lots may be divided or subdivided.
10. This Covenant shall enure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, administrators, successors and permitted assigns. Without limiting the foregoing, this Covenant will bind any Registered Owner from time to time of any Strata Lot to the same extent as if that Registered Owner had executed and delivered this Covenant as the act and deed of such Registered Owner.

IN WITNESS WHEREOF the parties have executed this Covenant on the Form C attached hereto.

EXHIBIT S

Rental Management Agreement

EXHIBIT S

RENTAL MANAGEMENT AGREEMENT

THIS AGREEMENT dated for reference the _____ day of _____, 2006.

BETWEEN:

PAINTED BOAT DEVELOPMENTS LTD.

(the "Owner-Developer")

-and-

THE OWNERS OF THE RESORT STRATA LOTS (AS DEFINED HEREIN}

(collectively called the "Owner")

AND:

PAINTED BOAT MANAGEMENT LTD.

(hereinafter called the "Rental Manager")

ARTICLE 1

DEFINITIONS

1.1 Definitions

In this Agreement the following terms have the following meanings:

- (a) "Adjusted Gross Revenue" means the Gross Revenue less all applicable taxes, rates and charges with respect to the rental of the Resort Strata Lot due to public authorities and less Booking Commissions and Credit Card Commissions;
- (b) "Booking Commissions" means bona fide booking commissions actually paid or payable by the Rental Manager to travel agents and wholesalers, and reasonable booking commissions or reservation fees, in respect of the rental of the Resort Strata Lot during the Owner's Period of Use, whether or not included in a packaged room rate or imposed as a separate charge but without duplicating any such charge paid directly to the service provider by a guest;
- (c) "Commencement Date" means the date the Owner makes the first booking of the Resort Strata Lot;
- (d) "Credit Card Commissions" means credit card commissions incurred by the Rental Manager in respect of the rental of the Resort Strata Lot during the Owner's Period of Use;

- (e) "Development" means the development known as "Painted Boat Resort Spa and Marina" at Pender Harbour, British Columbia;
- (f) "Exchange" means the exchange by the Owner of the use of the Owner's Period of Use in a Resort Strata Lot for the use of another unit outside the Development as part of an Exchange Program;
- (g) "Exchange Program" means an international exchange program, such as Intrawest, or a local exchange program that provides to the Owner the right of Exchange;
- (h) "Gross Revenue" means all amounts collected by the Rental Manager in connection with the rental of the Resort Strata Lot during the Owner's Period of Use hereunder including room rental and parking charges to guests, but excluding monies paid for specific services, such as dry cleaning and laundry, housekeeping, equipment rentals, activity fees, and any other services which the Rental Manager may provide in addition to the rental of the room whether or not the charges for such services are included in a packaged room rate or imposed as a separate charge, which monies shall be retained by the Manager,
- (i) "Management Fee" means the remuneration payable to the Rental Manager pursuant to section 4.1 of this Agreement;
- (j) "Operating Account" means the account or accounts maintained by the Rental Manager in accordance with section 3.1 of this Agreement;
- (k) "Owners Corporation" means that company known as Painted Boat Owner's Corporation owned by the Quarter Interest Owners and responsible for managing the Quarter Interest Program;
- (l) "Owner's Net Rental Revenue" means the Adjusted Gross Revenue less the Management Fee, and any other amounts payable to the Rental Manager pursuant to this Agreement;
- (m) "Permitted User" means a Permitted User Owner and Permitted User Rental;
- (n) "Permitted User Owner" means the Owner and any nominee or designate of the Owner using the Resort Strata Lot including a Private Rental arranged through the Owner;
- (o) "Permitted User Rental" means a renter of the Resort Strata Lot arranged through the Rental Manager;
- (p) "Private Rental" means when the Owner rents the use of his or her Resort Strata Lot during the Owner's Period of Use without the payment of a fee to a Rental Agency;
- (q) "Rental Agency" means a third party rental or management entity which charges a fee for renting a Resort Strata Lot but not including any through which an Exchange Program is operated;
- (r) "Rental Management Arrangement" means the rental management arrangement as a whole undertaken by the Rental Manager in respect of the Development in accordance with this Agreement and agreements with other owners of undivided one-quarter interests in the Resort Strata Lots on the same terms and conditions as this Agreement;

- (s) "Resort Strata Lot" means, at any time, all of the Resort Strata Lots in the Development, being Strata Lots 1 to 31;
- (t) "Sublease" means the sublease between the Painted Boat Owner's Corporation and the Owner;
- (u) "Term" means the term of this Agreement, as determined in accordance with section 2.4 of this Agreement;
- (v) "Turnover Fee" means the fees charged by the Quarter Interest Manager when a Permitted User commences use of the Resort Strata Lot for each Period of Use pursuant to section 7.5 of this Agreement; and
- (w) "Zoning Bylaw" means Land Use Bylaw No. 337.81, and any amendments thereto, which restricts the use of the Resort Strata Lot to a commercial guest accommodation where the same person shall not occupy any Resort Strata Lot for more than 26 weeks in a calendar year.

1.2 Sublease

Capitalized terms used in this Agreement but not otherwise defined herein have the meaning ascribed thereto in the Sublease.

1.3 References

References in this Agreement to Articles, sections or subsections are deemed to be references to the indicated Article, section or subsection of this Agreement, unless a contrary intent is expressed.

ARTICLE 2 APPOINTMENT, TERM AND TERMINATION

2.1 Appointment

- (a) To the extent that the Owner decides to retain the services of a Rental Agency to rent the Resort Strata Lot during the Owner's Period of Use, the Owner hereby appoints the Rental Manager to serve as the Owner's exclusive agent to manage the rental of the Resort Strata Lot during the Owner's Period of Use in accordance with the terms and conditions set out in this Agreement and the Rental Manager hereby accepts such appointment. It is acknowledged and agreed that the Owner may privately arrange for the Private Rental of his or her Resort Strata Lot during the Owner's Period of Use.
- (b) The Owner agrees that a restrictive covenant will be registered against title to the Resort Strata Lot confirming that in the event the Owner determines to rent the Resort Strata Lot through a Rental Agency the Rental Manager shall have the exclusive right to rent the Resort Strata Lot on behalf of the Owner, provided that such restrictive covenant shall not vest in the Rental Manager any greater rights with respect to acting as Rental Manager with respect to the Resort Strata Lot than those contained in this Rental Management Agreement.

2.2 Rental Management Arrangement

To the extent that the Owner decides to retain the services of a Rental Agency, the Owner acknowledges

and agrees that the Rental Manager will manage the rental of the Resort Strata Lot during the Owner's Period of Use in accordance with the Agreement. The Rental Manager will confirm the availability of the Resort Strata Lot by sending the Owner of the Resort Strata Lot a written confirmation that it will be renting the Resort Strata Lot during the Owner's Period of Use. The Owner hereby irrevocably covenants and agrees to be bound by the rental bookings of the Resort Strata Lot made by the Rental Manager in accordance with this Agreement. The Owner will indemnify and save the Rental Manager harmless from all claims, damages and costs in connection with any failure of the Owner, or anyone claiming under or on behalf of the Owner to comply with such rental bookings. The Rental Manager shall use its best efforts to market the Resort Strata Lot and covenants with the Owner that it shall endeavour to promote all Resort Strata Lots in an equitable manner.

2.3 Events upon Termination

The Rental Manager will not make any rental bookings of the Resort Strata Lot for any days during the Owner's Period of Use beyond the expiry of the Term unless otherwise instructed by the Owner. Following the expiry of the Term:

- (a) the money collected on behalf of the Owner in the Operating Account and held by the Rental Manager will be paid in accordance with section 3.2 except an amount reasonably estimated to be required for anticipated expenses and anticipated Management Fees for the period prior to the expiry of the Term which sum will continue to be held for a period of 60 days after termination and during this period the Rental Manager may make withdrawals and payments for the Operating Account with respect to any amount the Rental Manager is authorized or required to pay pursuant to this Agreement, including the Management Fee and any other amount payable to the Rental Manager hereunder, and the Owner will reimburse the Rental Manager for such amounts to the extent that funds held in the Operating Account on behalf of the Owner are insufficient for this purpose; and except as to liabilities and obligations accrued or arisen, the obligations of the parties shall cease and terminate.

2.4 Term

The term of the appointment of the Rental Manager under this Agreement will be for a term commencing on the Commencement Date and ending initially on December 31, 2010. The term will renew automatically thereafter for successive three year terms unless terminated pursuant to the terms of this Agreement. At the commencement of each three year renewal term this Agreement will be amended by the Rental Manager to provide terms and conditions which are consistent with agreements of other professional rental managers of similar product at the time of renewal. If the Owner and Rental Manager cannot agree that the terms and conditions satisfy the consistency with other agreements with rental managers of similar products at the time of renewal then the parties will resolve the matter through arbitration pursuant to section 9.4 herein.

ARTICLE 3

OPERATING ACCOUNT AND OWNER'S EXPENSE

3.1 Operating Account

The Rental Manager will maintain a trust account or accounts in respect of the Rental Management Arrangement with a financial institution qualified and authorized to engage in the banking or trust business in British Columbia. The Owner acknowledges and agrees that the Operating Account may contain funds in respect of the rental of other Resort Strata Lots or other Period of Uses in respect of the Resort Strata Lot and

that the Owner's funds may be commingled with the funds of the other Owners, provided that the Operating Account will be separate from the Rental Manager's personal accounts. The Rental Manager will deposit all Gross Revenue in the Operating Account from time to time. All funds held in the Operating Account will be held for the benefit of the Quarter Owners and the Rental Manager as set out herein and will be disbursed by the Rental Manager in accordance with this Agreement.

3.2 Payment to Owner

Within 30 days after the end of every March, June, September and December during the Term, the Rental Manager will, if the Owner's Net Rental Revenue exceeds \$100 for such period, pay to the Owner the Owner's Net Rental Revenue. The Rental Manager may deduct (and remit to the Owner's Corporation) from the Owner's Net Rental Revenue any Additional Rent under the Sublease or other amounts payable by the Owner to the Owner's Corporation under the Sublease or hereunder which is not otherwise paid by the Owner. The payment owed to the Owner will be made by the Rental Manager mailing the Rental Manager's cheque for such amount to the Owner to the Owner's address set out above (or such other address as the Owner may notify the Rental Manager in writing pursuant to section 9.5) or by deposit to the Owner's bank account if the Owner notifies the Rental Manager of all the relevant details of such account. Concurrently with the payment of the Owner's Net Rental Revenue the Rental Manager will mail to the Owner a written statement of account in respect of the Gross Revenue, the Adjusted Gross Revenue, the Management Fee, the Owner's Net Rental Revenue (including the calculation thereof) and any applicable withholding tax, goods and services tax or other applicable tax, charge or levy for such period and will include a daily breakdown of revenue.

3.3 GST and Withholding Tax

The Rental Manager will withhold from the Owner's Net Rental Revenue and will remit to Revenue Canada or any other relevant authority any amount required to be withheld from the Owner or remitted on behalf of the Owner in respect of goods and services tax, withholding tax or any other applicable tax, charge, rate or levy which the Rental Manager is required to withhold or remit. Ultimately, the Owner will be responsible for the payment of all goods and services tax and other applicable taxes, charges, rates and levies in connection with the Resort Strata Lot or this Agreement, including, without limitation, that payable in connection with the Management Fee. If the Owner is registered for Goods and Services Tax, the appropriate gross amount including GST will be forwarded directly to the Owner for the Owner to pay the Goods and Services Tax.

ARTICLE 4 **COMPENSATION**

4.1 Management Fee

As compensation for the services rendered by the Rental Manager pursuant to this Agreement, the Owner will pay to the Rental Manager an amount equal to forty-five (45%) percent of the Gross Revenue of the Resort Strata Lot less applicable goods and services taxes.

4.2 Payment of Fees

The Management Fee and all other deductions from Adjusted Gross Revenue will be payable monthly, at the end of each calendar month and the Owner hereby authorizes the Rental Manager to withdraw such fees from the Operating Account at any time and from time to time when such fees are due.

ARTICLE 5**RENTAL MANAGER'S RESPONSIBILITIES****5.1 Rental Manager's Responsibilities**

The Rental Manager will, at its sole cost and expense, unless otherwise stated:

- (a) rent the Resort Strata Lot using its best efforts and shall employ competent personnel to do so;
- (b) provide a year round reservation service for the Development;
- (c) determine the rate of rental for the Resort Strata Lot, having regard to the seasonal uses and location of the Resort Strata Lot and market for the rental of Resort Strata Lots in the Gulf Islands, British Columbia similar to the Resort Strata Lot;
- (d) collect all rents, taxes, fees and other amounts payable in connection with the rental of the Resort Strata Lot, give receipts and acknowledgements therefore, and if reasonable, make abatements and allowances in respect thereof, and deposit such amount in to the Operating Account;
- (e) give the Owner such notices and statements as may be required hereunder or deemed appropriate by the Rental Manager from time to time;
- (f) keep or cause to be kept full and adequate books of account and such other reasonable records reflecting the Operating Account, the Gross Revenue, the Adjusted Gross Revenue, the Management Fee and the Owner's Net Rental Revenue and the Rental Manager will permit the Owner and its agents the right during normal business hours and on reasonable notice to examine or make copies of extracts of such books and records at the Rental Manager's office, but such examination will be done at the cost of the Owner and with as little disruption as possible to the day to day operations of the Rental Manager;
- (g) use reasonable efforts to ensure that the Resort Strata Lot and the use and occupancy thereof comply with all fire and safety codes, rules and requirements of all governmental or regulatory authorities, including the Zoning Bylaw, the articles of the Owner's Corporation and the bylaws and applicable rules of the Strata Corporation, subject at all times to the duties of the Owner as the owner of the Resort Strata Lot and provided that the Rental Manager will not be obligated to advance or utilize any of its own funds in respect of the foregoing;
- (h) faithfully perform its duties and responsibilities hereunder and to otherwise use its best efforts to supervise and direct the rental of the Resort Strata Lot in an efficient and profitable manner consistent with the standard of the Development, it being the intention of the parties that the Rental Manager will have the control for all customary purposes and the right to determine all operating policies with respect to reasonable standards of operations, quality of services and any other matters affecting the rental of the Resort Strata Lot but will not make any significant changes to policies or, standards of operations without the consent of the Owner, not to be unreasonably withheld;
- (i) procure and maintain all such licenses and permits as are necessary in connection with

performance by the Rental Manager of its obligations under this Agreement;

- (j) provide such general administrative, supervisory and management staff from time to time required to carry out the obligations of the Rental Manager under this Agreement; and take such steps, so far as it may be within its power to do so, to ensure that all restricted and limitations with respect to the use of the Resort Strata Lot are observed and fulfilled.

5.2 Equitable Rental of Resort Strata Lots

The Rental Manager will make all commercially reasonable efforts to ensure that the Resort Strata Lot is rented during the Owner's Period of Use with substantially the same frequency as the other Resort Strata Lots in rentable condition and available for rental at the same time and will not prefer any of the Resort Strata Lots over the Resort Strata Lot, and vice versa, in connection with rentals under the Rental Management Arrangement.

5.3 Obligation to Rent

The Owner will not be required to rent the Resort Strata Lot during the Owner's Period of Use unless the Owner notifies the Rental Manager that the Owner intends to rent the Resort Strata Lot, but if the Owner does decide to so rent the Resort Strata Lot the owner must do so pursuant to this Agreement. The Rental Manager will not be required to rent the Resort Strata Lot pursuant to this Agreement and the Rental Management Arrangement unless it is in rentable condition and available for rental on a particular day. The Resort Strata Lot will be considered to be "in rentable condition" on a particular day if, in the reasonable opinion of the Rental Manager, it is fit for occupancy by renters.

5.4 Renter Damage

The Rental Manager will be responsible for the repair of any damage to the Resort Strata Lot or any in-suite furniture, furnishings, fixtures or equipment caused, and replacement of supplies consumed, by any Permitted User Rental of the Resort Strata Lot pursuant to the Rental Management Arrangement.

5.5 Repairs

Subject to section 5.4, the Rental Manager will notify the Owner and the Quarter Interest Manager promptly of any material damage to the Resort Strata Lot. If the Rental Manager deems the Resort Strata Lot not to be in rental condition at any time during the Term, the Rental Manager will notify the Owner of such condition.

ARTICLE 6

OWNER'S RESPONSIBILITIES/SALE OF RESORT STRATA LOT

6.1 Owner's Responsibilities

The Owner will, at the Owner's sole cost and expense:

- (a) strictly comply with the terms and conditions of the Sublease and this Agreement;
- (b) authorize the Rental Manager to control the keys or other entry device, for the Resort Strata Lot, any parking facility or storage area applicable to the Resort Strata Lot other than in-

suite storage locker allocated to the Owner, the entrance to the Development and any other locked facility in the Resort Strata Lot to which the renters of the Resort Strata Lot pursuant to the Rental Management Arrangement will be permitted access and the Owner hereby authorizes the Rental Manager to duplicate any such keys or other entry device as required by the Rental Manager;

- (c) ensure that the Rental Manager, the Rental Manager's agents and representatives and the renters of the Resort Strata Lot have full, free and uninterrupted access to the Resort Strata Lot and all parking spaces and storage areas other than the in-suite storage locker allocated to the Owner applicable to the Resort Strata Lot as contemplated in this Agreement;
- (d) not remove from the Resort Strata Lot any of the furniture, furnishings or equipment which are owned by the Owner's Corporation;
- (e) promptly pay when due all amounts owing under any financing of the Resort Strata Lot arranged by the Owner;
- (f) not permit any lien, charge or encumbrance to be filed against title to the Resort Strata Lot except in connection with the Owner's financing thereof;
- (g) ensure that the Resort Strata Lot is serviced with water, sewer, electricity, telephone and cablevision at all times during the Term;
- (h) take out and maintain at all times during the Term the following insurance pertaining to the Resort Strata Lot:
 - (i) comprehensive public liability insurance in the amount of at least \$2,000,000 for claims for personal injury, death or property damage arising out of any one occurrence naming the Rental Manager as an additional insured; and
 - (ii) such other insurance as may be reasonably required by the Rental Manager from time to time;
- (i) indemnify and save the Rental Manager harmless from any claim, damage and cost incurred by the Rental Manager within the scope of its authority in connection with the management of the Resort Strata Lot and to carry, at the expense of the Owner, adequate insurance to protect the Rental Manager against any such claim, damage and cost in the same manner and to the same extent as the Owner naming the Rental Manager as one of the insured; and
- (j) not charge the Rental Manager or hold it responsible for any liability for any error of judgment or for any mistake of fact or law or for anything which it may do or refrain from doing in connection with this Agreement except in case of gross negligence or willful misconduct.

6.2 Owner's Authorization

The Owner hereby authorizes the Rental Manager to take any and all such steps as are reasonably necessary or desirable to enable the Rental Manager to perform efficiently its functions and duties under this Agreement including, without limitation, depositing and withdrawing funds from the Operating Account as set out herein and performing the Rental Manager's obligations set out in sections 5.1 and 5.2. The Owner'

hereby covenants and agrees to provide the Rental Manager with all documents and instruments of whatsoever nature reasonably required by the Rental Manager and to cooperate with the Rental Manager in connection with any of the forgoing matters.

6.3 Sale of the Resort Strata Lot

The Owner and the Rental Manager agree that if at any time the Owner wishes to sell or otherwise directly or indirectly dispose of his or her undivided one-quarter fee simple interest in the Resort Strata Lot to any person (in this section 6.3 called a "Transferee")(other than by way of financing) that:

- (a) prior to entering into any contract or agreement with any Transferee, the Owner will notify the proposed Transferee of the existence and substance of this Agreement and the fact that the ownership and use of the Resort Strata Lots are subject to the rights of the Rental Manager and renters pursuant to this Agreement, (ii) notify the proposed Transferee of its right to obtain from the Rental Manager the items described in subsection 6.3(c), (iii) notify the proposed Transferee of any bookings of the Resort Strata Lot by the Owner pursuant to Article 7, (iv) provide the proposed Transferee with a true copy of this Agreement, and (v) notify the Rental Manager of the intended sale to the Transferee and the scheduled completion data;
- (b) the Owner will not, and will not permit any agent acting on behalf of the Owner to, advertise the expected economic benefits of the Rental Management Arrangement to any Transferee or prospective Transferee;
- (c) the Rental Manager will, upon reasonable written notice of an intended sale by the Owner, at upon written request of the Owner, deliver to the prospective Transferee before an agreement of purchase and sale with the Transferee is entered into, quarterly statements of revenues and expenses for the Resort Strata Lot for the two-year period preceding the entering into of the agreement of purchase and sale, to the extent the Owner has rented the Resort Strata Lot during the Owner's Period of Use through the Rental Manager during that two-year period;
- (d) the Owner will not directly or indirectly sell, lease, or otherwise directly or indirectly dispose of its interest in the Resort Strata Lot unless prior to the completion of such transaction the proposed Transferee either covenants pursuant to a written assignment and assumption agreement or enters into a new agreement for the remainder of the term under this Agreement with the Rental Manager in a form substantially the same as this Agreement and the Rental Manager will provide the Owner and the Transferee with copies of either such agreement, duly executed by the Rental Manager, as soon as reasonably possible thereafter,
- (e) upon written request from the Owner, the Rental Manager will provide any prospective Transferee therein with details of any bookings of the Resort Strata Lot during the Owner's Period of Use;
- (f) the Owner or the Transferee will notify the Rental Manager of the completion of the sale or other disposition of the Resort Strata Lot and provide the Rental Manager with reasonable evidence thereof, together with the assignment and assumption agreement described in subsection 6.3(d), duly by the Owner and the Transferee;
- (g) the Rental Manager will not be required to make any adjustments as between the Owner

and any Transferee and the Rental Manager will be deemed to have fully discharged its obligations hereunder if the Rental Manager pays the Owner's Net Rental Revenue to or to the order of the person who was, according to the records of the Rental Manager, the registered owner of the undivided one-quarter fee simple interest in the Resort Strata Lot on the days such Owner's Net Rental Revenue was earned; and

- (g) upon the execution and delivery of the assignment and assumption agreement described in subsection 6.3(d) by the Owner and the Transferee and the transfer of title of the undivided one-quarter fee simply interest of the Owner to the Transferee:
 - (i) the Owner will be released from its duties and obligations under this Agreement for the period from and including the date of such transfer of title;
 - (ii) the Transferee will be responsible for all duties and obligations under this Agreement for the period from and including the date of such transfer of title; and
 - (iii) all references to the Owner in this Agreement will thereafter be deemed to be references to the Transferee.

ARTICLE 7

OWNER USE OF RESORT STRATA LOT

7.1 Use

- (a) To facilitate rentals by the Rental Manager hereunder, the Owner shall advise the Rental Manager, prior to November 1 for occupancy during May through December and prior to May 1 for occupancy November through April. Allotted periods not booked prior to these dates may be rented out and may become unavailable for use by the Owner.
- (b) Any use of the Resort Strata Lot must comply with the Zoning Bylaw, the bylaws and rules of the Strata Corporation, the articles of the Owners Corporation and all other applicable laws.
- (c) The Owner will be responsible for any breach of terms contained in this Agreement by any Permitted User or any guest or invitee of the Owner.
- (d) The Rental Manager will not charge any Permitted User Owner a nightly room charge for use of the Resort Strata Lot hereunder, but a Permitted User Owner will be required to pay for any services utilized such as, for instance but without limitation, maid service (as contemplated in section 7.5), long distance telephone calls, Turnover Fees and the like.

7.2 Change in Use

If the Owner determines or discovers that a Permitted User Owner will not use the Resort Strata Lot during his or her Period of use and the Owner wants the Resort Strata Lot rented, the Owner is obligated to notify the Rental Manager that the Resort Strata Lot is available for use during such Period of Use.

7.3 Keys/Passcards

The Rental Manager shall provide the Permitted User with keys or passcards to provide access to the Resort Strata Lot at the commencement of a period of use reserved pursuant to section 7.1. The Owner shall not copy or permit any other person to copy any keys or passcards provided by the Rental Manager. The Permitted User shall at the end of such period of use return all keys and passcards as provided hereunder to the Rental Manager and vacate and leave the Resort Strata Lot in good and clean condition.

7.4 Security for Costs or Damage

At the commencement of any period of use, a Permitted User will leave with the Rental Manager, if requested, a signed blank credit card imprint, to be processed by the Rental Manager in the event Damage to the Resort Strata Lot occurs or other costs are uncured as contemplated herein.

7.5 Maid Service - Change Over

The Permitted User will leave the Resort Strata Lot in a reasonably neat and tidy condition following his or her use thereof. The Permitted User will vacate the Resort Strata Lot by 11:00 a.m. on the day following the last evening of the Permitted User's use thereof. The Owner will pay to the Quarter Interest Manager the Turnover Fee prior to the Permitted User using the Resort Strata Lot. In the event a Permitted User Rental uses the Resort Strata Lot it will be the responsibility of the Rental Manager to collect and pay the Quarter Interest Manager such Turnover Fee. The Turnover Fee shall initially be \$100 for each week or part thereof for all two bedroom units and \$130 per week or part thereof for all two bedroom with den units. The Turnover Fee may be varied at the discretion of the Quarter Interest Manager to reflect the incremental cost of providing cleaning to the Resort Strata Lot. If the Owner does not pay the Turnover Fee the Rental Manager at the Quarter Interest Manager's direction may deduct such amount from the Owner's Net Rental Revenue and withdraw it from the Operating Account.

7.6 Use by or on Behalf of Owner

As per this Agreement, the Owner shall be entitled to negotiate the rental of a Resort Strata Lot via a Private Rental.

ARTICLE 8

TERMINATION RIGHTS, OBLIGATIONS ON TERMINATION

8.1 Events of Default

The following will constitute events of default on the part of the Rental Manager:

- a) the filing by the Rental Manager of a voluntary petition in bankruptcy or insolvency or a petition for reorganization under any bankruptcy law;
- b) the Rental Manager's consent to an involuntary petition in bankruptcy or its failure to vacate within sixty (60) days from the date of entry thereof any order approving an involuntary petition by the Rental Manager;
- c) the entering of an order, judgment, or decree by any court of competent jurisdiction, on the application of a creditor, adjudicating the Rental Manager a bankrupt or insolvent or approving a petition seeking reorganization or appointing a receiver, trustee or liquidator of all or a substantial part of its assets, if such order, judgment or decree continues unstayed and in effect for a period of one hundred and twenty (120) consecutive days;

and

- d) the failure of the Rental Manager to perform, keep or fulfill any of its material covenants, undertakings, obligation or conditions set forth in this Agreement.

8.2 Remedies for Owner Upon Default

The Owner may give to the Rental Manager notice of its intention to terminate the appointment of the Rental Manager under this Agreement upon the occurrence of any of the events of default. With respect to any event of default referred to in section 8.1(d), if upon receipt of such notice the Rental Manager promptly and with all due diligence proceeds to cure the default referred to in section 8.1(d), or if such default cannot be reasonably cured within the 30 day period thereafter, the Rental Manager takes and continues to cure such default with all due diligence until same is cured, such additional period not to exceed 90 days from such notice, then once a cure has been effected the notice will be of no effect. If following the expiration of the such period, such default has not been cured, the Owner may terminate the appointment of the Rental Manager pursuant to this Agreement. The remedies granted herein will not be in substitution for, but will be in addition to, any rights and remedies otherwise available for breach of contract or otherwise.

8.3 Termination by Rental Manager

The Rental Manager may terminate its appointment as manager under this Agreement at any time upon ninety (90) days written notice to the Owner's Corporation.

ARTICLE 9

MISCELLANEOUS

9.1 Cooperation

Subject to the terms and conditions set out in this Agreement, the parties will at all times during the Term act in good faith, cooperate and act reasonably in respect of all matters within the scope of this Agreement.

9.2 Canadian Funds

All amounts payable by either party to the other hereunder will be paid in Canadian Funds.

9.3 No Waiver Breach

No failure by the Rental Manager or the Owners to insist upon the strict performance of any covenant, agreement, term or condition of this Agreement, or to exercise any right or remedy consequent upon a breach, will constitute a waiver of any such breach or any subsequent breach of such covenant, agreement, term or condition. No waiver of any breach will affect or alter this Agreement, but each and every covenant, agreement, term and condition of this Agreement will continue in full force and effect with respect to any other then existing or subsequent breach.

9.4 Severability Of Provisions

if any provision of this Agreement or the application thereof to any person or circumstance will, to any extent, be invalid or unenforceable, the remainder of this Agreement and the application of such provision to persons or circumstances other than those as to which it is held invalid or unenforceable, as the case may

be, will not be affected thereby, and each provision of this Agreement will be valid and enforceable to the fullest extent permitted by law.

9.5 Notice

All notices, requests, approval, demands and other communications required or permitted to be given under this Agreement will be in writing and addressed to the parties as follows:

- a) if to the Rental Manager:

Painted Boat Management Ltd.
PO Box 153,
Madeira Park, British Columbia
V0N 2H0

- b) if to the Owners:

- (i) in the case of the Owner-Developer:

SHANDRO DIXON EDGSON
400 – 999 West Hastings Street
Vancouver, British Columbia
V6C 2W2

- (ii) in the case of any other Owner, to the address of such Owner as notified by such Owner to the Manager,

or, in any case, at such other address as the party to whom the notice is sent will have designated in accordance with the provisions of this section. All notices will be delivered personally, transmitted by fax or mailed by postage prepaid mail (provided that in the event of a disruption in mail services, notices will be delivered personally or transmitted by fax). Notices will be deemed to be received:

- (i) on the date of delivery or transmittal thereof if delivered personally or sent by fax; or
(ii) on the fifth Business Day after the mailing thereof, if sent by mail.

9.6 Successors And Assigns

Subject to section 6.3, this Agreement shall ensure to the benefit of and shall be binding upon the heirs, executors, successors, legal representatives and permitted assigns of the parties.

9.7 Counterparts

This Agreement may be executed in several counterparts, each of which will be an original, but all of which will constitute but one and the same instrument.

9.8 Waiver

No provision of this Agreement will constitute or be deemed to create a partnership or joint venture between the Owners and the Rental Manager.

9.9 Approvals

Except as expressly set out herein, whenever any party hereto is requested to give its approval to any matter, such approval shall not be withheld or delayed unreasonably. If a party desires the approval of the other party hereto to any matter, such party shall give notice to such other party that it requests such approval, specifying in such notice the matter (in reasonable detail) as to which such approval is requested.

9.10 Force Majeur

if a party is prevented or delayed from performing any of the obligations on its part to be perform hereunder by reason of Act of God, strike, labour dispute, lockout, threat of imminent strike, fire, flood, interruption or delay in transportation, war, insurrection or mob violence, requirement or regulation of government, or statute, unavoidable casualties, shortage of labour, equipment or materials, economic or market conditions, plant breakdown, or failure of operation equipment or any disabling cause (other than lack of funds), without regard to the foregoing enumeration, beyond the control of either party or which cannot be overcome by the means normally employed in performance, then and in every such event, any such prevention or delays resulting from any such thing required or permitted by either party to be done is to be done hereunder, it being understood and agreed that the time within which anything is to be done, or made pursuant hereto shall be extended by the total period of such delay.

9.11 Initial Agreement By Owner Developer

The parties acknowledge and agree that this Agreement is initially entered into with the Owner-Developer, as the owner of all of the Resort Strata Lots. The Owner-Developer has entered into this Agreement on behalf of all of the owners of the Resort Strata Lots and each of the Owners of the Resort Strata Lots will be bound by the terms and conditions of this Agreement insofar as this Agreement relates to such Owner's Resort Strata Lot as though such Owner was a signatory hereto. This Agreement will run with each of the Resort Strata Lots and bind the Owners from time to time of all of the Resort Strata Lots.

9.12 Arbitration

All matters in relation to this Agreement which cannot be agreed upon by the parties shall be referred to the arbitration of a single arbitrator, if the parties agree upon one, otherwise three arbitrators, one to be appointed by each side of the disagreement, and a third to be chosen by the first two named before they enter upon the business of arbitration. The award and determination of such arbitrator or arbitrators, or any two of such arbitrators, shall be binding upon the parties and their respective heirs, executors, administrators and assigns. The *Commercial Arbitration Act* of British Columbia shall apply.

THE CORPORATE SEAL OF **PAINTED**
BOAT DEVELOPMENTS LTD.

was hereunto affixed in the presence of:

)
)
)
)
)
)

C/S

Authorized Signatory

THE CORPORATE SEAL OF
PAINTED BOAT MANAGEMENT LTD.
was hereunto affixed in the presence of:

)
)
)
)
)
)
)

C/S

Authorized Signatory

PAINTED BOAT OWNERS CORPORATION

Per:

EXHIBIT T
Marina Easement

**LAND TITLE ACT
FORM C**

[Section 233]
Province of
British Columbia

GENERAL INSTRUMENT - PART 1

(This area for Land Title Office use)

PAGE 1 OF ____ Pages

1. APPLICATION: (Name, address, phone number and signature of applicant, applicant's solicitor or agent)

Shandro Dixon Edgson
Barristers & Solicitors
400 - 999 West Hastings Street
Vancouver, British Columbia V6C 2W2
Telephone (604) 689-0400
Client No. 11533 File No. X1410-7

Signature of applicant, applicant's solicitor or agent
Larry S. Blaschuk

2. (a) PARCEL IDENTIFIER (S) AND LEGAL DESCRIPTION(S) OF LAND:*
(PID) (LEGAL DESCRIPTION)

026-735-351

Parcel H, District Lot 1023, Group 1, NWD Plan BCP24781

3. NATURE OF INTEREST:*

DESCRIPTION	DOCUMENT REFERENCE (page and paragraph)	PERSON ENTITLED TO INTEREST
Easement over PID: 026-735-351 Parcel H District Lot 1023 Group 1, NWD Plan BCP24781 Priority Agreement granting Easement priority over Mortgage BX178321 and Assignment of Rents BX178322 Priority Agreement granting Easement priority over Mortgage BX273361 and Assignment of Rents BX178322	Pages ____ to ____ Page ____ Page ____	Registered Owners of Foreshore Lease No. 232125 covering Lot 6348 Group 1 NWD Transferee Transferee

4. TERMS: Part 2 of this instrument consists of (select one only)

- | | | |
|---------------------------------|--------------|---------------------------------------|
| (a) Filed Standard Charge Terms | _____ | D.F. No. |
| (b) Express Charge Terms | <u> X </u> | Annexed as Part 2 |
| (c) Release | _____ | There is no Part 2 of this instrument |

A selection of (a) includes any additional or modified terms referred to in item 7 or in a schedule annexed to the instrument. If (c) is selected, the charge described in item 3 is released or discharged as a charge on the land described in item 2.

5. TRANSFEROR(S):* LOWES RESORT MARINE COMMUNITY LTD. (Inc. No. BC0728708)

6. TRANSFeree(S): [Including occupation(s), postal address(es) and postal code(s)]*

LOWES RESORT MARINE COMMUNITY LTD. (Inc. No. BC0728708) as to Easement
VANCOUVER CITY SAVINGS CREDIT UNION as to Priority and
KEN DELF as to Priority

7. ADDITIONAL OR MODIFIED TERMS: * N/A

8. EXECUTION(S):** This instrument creates, assigns, modifies, enlarges, discharges or governs the priority of the interest(s) described in item 3 and the Transferor(s) and every other signatory agree to be bound by this instrument, and acknowledge(s) receipt of a true copy of the filed standard charge terms, if any.

Officer Signature(s)

 Print Name

(as to both signatures)

Execution Date

Y	M	D
06		

Transferor(s) Signature(s)

**LOWES RESORT MARINE
COMMUNITY LTD.** by its authorized
signatory(ies)

 Print Name

 Print Name

Officer Signature(s)

 Print Name

(as to both signatures)

Execution Date

Y	M	D
06		

Transferee(s) Signature(s)

**LOWES RESORT MARINE
COMMUNITY LTD.** by its authorized
signatory(ies)

 Print Name

 Print Name

Officer Signature(s)

 Print Name

(as to both signatures)

Execution Date

Y	M	D
06		

Transferee(s) Signature(s)

**VANCOUVER CITY SAVINGS
CREDIT UNION** by its authorized
signatory(ies)

 Print Name

 Print Name

Officer Signature(s)

 Print Name

Execution Date

Y	M	D
06		

Transferee(s) Signature(s)

KENDELF

OFFICER CERTIFICATION:

Your signature constitutes a representation that you are solicitor, notary public or other person authorized by the Evidence Act, R.S.B.C. 1996, c. 124, to take affidavits for use in British Columbia and certifies the matters set out in Part 5 of the Land Title Act as they pertain to the execution of this instrument.

* If space insufficient, enter "SEE SCHEDULE" and attach schedule in Form E.

** If space insufficient, continue executions on additional page(s) in Form D.

TERMS OF INSTRUMENT - PART 2

THIS AGREEMENT made the ____ day of _____, 2006.

BETWEEN:

LOWES RESORT MARINE COMMUNITY LTD. (Inc.
No. BC0728708), a company incorporated under the laws of British
Columbia

(the "Grantor")

OF THE FIRST PART

AND:

LOWES RESORT MARINE COMMUNITY LTD. (Inc.
No. BC0728708), a company incorporated under the laws of British
Columbia

(the "Grantee")

OF THE SECOND PART

WHEREAS:

- A. The Grantor is the registered owner of those lands and premises situate lying and being in Madeira Park on Pender Harbour, in the Province of British Columbia, and more particularly described as:

PID: 026-735-351
Parcel H
District Lot 1023
Group 1, NWD Plan BCP24781

(hereinafter referred to as the "Development Lands" or as the "Servient Tenement")

- B. The Grantee is the registered owner of a Foreshore Lease No. 232125 dated December 29, 1983 (expiring on December 29, 2013) those lands and premises situate, lying and being in Madeira Park on Pender Harbour, in the Province of British Columbia, and more particularly described as:

LOT 6348 GROUP 1 NWD

(hereinafter referred to as the "Marina Lands" or the "Dominant Tenement")

- C. The Grantor intends to develop on the Development Lands a condominium development comprised of 31 residential strata lots and one commercial strata lot (the "Development").
- D. The Grantee intends to develop on the Marina Lands a marina, a restaurant, a meeting room and associated outdoor patios (collectively the "Restaurant") which will encroach on the common property of the Development.
- E. It is intended that the owners of the Restaurant and their guests will have access to and the use of the Development Lands for purposes of access and egress to and from the Marina Lands.
- F. There is constructed or will be constructed on the Development Lands by the Grantor certain water, communication, electricity, fire protection, storm water drainage, irrigation, and sanitary sewer systems, access roads and a parking lot, as well as propane gas lines (collectively the "Services") in accordance with the plans approved by the Grantee consisting of:
 - (a) a utility building which will include sewerage treatment system controls, and related mechanical equipment and controls;
 - (b) a sewage treatment system servicing the Marina Lands to be located on the Development Lands;
 - (c) a disposal field for effluent from the sewage treatment system, including an underground system of perforated distribution pipes;
 - (d) a system of pipes and water hydrants for the fire protection system;
 - (e) a parking lot containing thirteen (13) parking stalls for the exclusive use of the Grantee (the "Parking Stalls"); and
 - (f) a system of pipes and lines and related valves, manholes and appurtenances for the water system, the sewerage system, power supply, communication system, storm drainage system and propane gas supply;
- G. Various Services, at differing locations, pass or are intended to be located upon or to pass under the Development Lands.
- H. The Grantor has agreed to provide the Grantee the exclusive use of the Parking Stalls.

- I. The Grantee has requested and the Grantor has agreed to grant an easement in favour of the Grantee to:
- (a) allow access to and from and the use of the Marina Lands and the Services, with or without vehicles;
 - (b) facilitate the development, improvement, expansion, repair, maintenance, operation, and replacement of the Services and the Restaurant;
 - (c) permit the Restaurant to encroach on the Development Lands; and
 - (d) allow and facilitate all works and things ancillary and incidental thereto (collectively I (a), (b), (c) and (d) are referred to as the "Works") over all of the common property on the Development Lands (the "Easement Area").

THIS AGREEMENT IS EVIDENCE that in consideration of \$1.00 now paid by the Grantee to the Grantor, and other good and valuable consideration (the receipt and sufficiency of which the Grantor hereby acknowledges), and of the mutual covenants and agreements herein set forth, the Grantor and the Grantee covenant and agree, and the Grantor hereby grants to the Grantee this grant of Easement from the Servient Tenement in favour of the Dominant Tenement as follows:

Servient Tenement

PID: 026-735-351

Parcel H

District Lot 1023

Group 1, NWD Plan BCP24781

Dominant Tenement

Lot 6348 Group 1 NWD

(Foreshore Lease No. 232125)

1. Provided the Grantee has paid its Proportionate Maintenance Cost (as hereinafter defined), the Grantor further hereby grants, conveys and confirms to the Grantee, in perpetuity, the full, free and uninterrupted right, liberty and easement, for the Grantee and their invitees, licensees, employees, agents, officials, contractors, and workers at all times hereafter, by day and by night at their will and pleasure, to enter, go or be on, pass and re-pass, with or without vehicles, personal property or equipment, upon, over and across the Easement Area to:
 - a) remove, repair, operate, maintain or replace the Works and the Restaurant from time to time in the owners of the Marina Lands discretion;
 - b) have unobstructed use of the Easement Area and access to and from the Easement Area at any and all times;

- c) store all personal property (including equipment) necessary to install, remove, repair, maintain or replace the Services and the Works, provided that:
 - (i) the Grantee shall consult the Grantor as to the duration and location of such storage, which is to be limited to the time and place necessary to complete the work for which it is needed;
 - (ii) the Grantee shall use its best efforts to not interfere with the operation of the Development on the Development Lands; and
 - (iii) as soon as reasonably practical after completion of the work the Grantee shall restore the Development Lands to the same condition or a better condition than it previously was in;
- d) do all other things on the Easement Area as may be reasonably required in connection with the foregoing;
- e) exercise and enforce the rights and liberties of this Easement for itself or any public utility requiring access for performance of the Works; and
- f) allow the Grantee and all subsequent owners of the Marina Lands and the Restaurant, and their guests and invitees, to use and enjoy the Easement Area, including the Parking Stalls, but specifically excluding the pool, hot pool, and exercise facilities (collectively the "Amenities"), without discrimination, provided that such parties obey any reasonable rules and regulations of the Grantor.

2. The Grantor shall:

- (a) not do or permit to be done any act or thing which in the opinion of the Grantee may interfere with, injure, impair the operating efficiency of, or obstruct access to or the use of, the Easement Area or the Works;
- (b) trim or, if the Grantee thinks it necessary, acting reasonably, cut down any tree or other growth on the Development Lands which in the opinion of the Grantee constitutes or may constitute a danger or obstruction to those using the Easement Area, the Services or the Works and replace, at it's the Grantee's cost, any removed vegetation with equivalent landscaping as agreed upon by the Grantor and Grantee, acting reasonably;
- (c) execute all further documents and things whatsoever for the better assuring the Easement hereby granted;

- (d) permit the Grantee to peaceably hold and enjoy the rights hereby granted;
 - (e) designate the Parking Stalls within thirty (30) days of completion of construction of the Development; and
 - (f) maintain and care for the Easement Area as required by the Grantee, acting reasonably, and do all other things deemed by the Grantee to be reasonably necessary for the safe use and preservation of the Easement Area.
3. Except as provided elsewhere herein, the Grantee shall and may peaceably hold and enjoy the rights, liberties and easement hereby granted without hindrance, molestation or interruption by the Grantor or any person, firm or corporation claiming by, through, under or in trust for the Grantor.
 4. The Grantor upon every reasonable request and at the Grantee's cost, shall do or execute or cause to be done or executed all such further and other lawful acts, deeds, things, conveyances and assurances in law whatsoever for better assuring to the Grantee the rights, liberties and easement hereby granted.
 5. The Grantor and the Grantee shall enter into a management agreement with a third party manager (the "Utility Manager") to oversee the repair, replacement and maintenance of the and the collection of the Grantor's and the Grantee's Proportionate Maintenance Costs (as defined herein). The Grantor agrees that the Grantee shall be responsible for retaining the Utility Manager and overseeing the management agreement with the Utility Manager. In the event the Grantee fails to retain a Utility Manager or maintain the management agreement with the Utility Manager, after providing the Grantee 14 days written notice to rectify same, the Grantor may then retain the Utility Manager and oversee the management agreement with the Utility Manager and may charge a reasonable fee for same.
 6. The costs for the management, repair, replacement and maintenance of the Works shall be determined as follows:
 - a) the costs for the management, repair, replacement and maintenance of the community water system shall be apportioned between the owner of the Marina Lands and all of the owners of the Development Lands based on the actual metered usage;
 - b) until such time as the Marina Lands connect to the community sewerage system, all costs for the management, repair, replacement and maintenance of the sewerage system servicing the Marina Lands shall be paid for by the owner of the Marina

Lands. Any costs for the Marina Lands to connect or modify the community sewerage system shall be at the cost of the Marina Lands. Upon the Marina Lands connecting to the community sewerage system such that the Marina Lands can use the sewerage system, the costs for the management, repair, replacement and maintenance of the sewerage system servicing the Marina Lands shall be the responsibility of the owner of the Marina Lands;

- c) electricity and propane gas will be separately metered for the Marina Lands. The electricity and propane gas charges for the Marina Lands will be charged to the owners of the Marina Lands;
 - d) the owner of the Marina Lands will pay all costs for insurance against liability for property damage and bodily injury in an amount not less than \$2,000,000 plus full replacement coverage against loss from major perils meaning fire, lightning, smoke, windstorm, hail, explosion, water escapes, earthquake, strikes, riots, or civil commotion, impact by aircraft and vehicles, vandalism and malicious acts for the Marina Lands;
 - e) in addition, the owner of the Marina Lands will contribute to the costs for the management, repair, replacement and maintenance of the landscaping, parking lot and road access on the Development Lands in an amount to be advised annually by the Grantor (the "Proportionate Maintenance Cost").
7. The Grantee in consideration of the granting of the Easements contained herein covenants and agrees to pay to the Utility Manager its share of the Proportionate Maintenance Cost on an annual basis. In the event the Grantee does not pay the Utility Manager its share of the Proportionate Maintenance Cost within 30 days of receipt of an invoice for same from the Utility Manager, then the Grantor shall be entitled to terminate all or some of the Works provided to the Marina Lands until the Grantee pays its portion of the Proportionate Maintenance Cost. The Grantee does hereby charge the Marina Lands by way of an equitable charge in favour of the Grantor with its Proportionate Maintenance Cost and in the event the Grantee fails to pay its Proportionate Maintenance Cost, the Grantor's Proportionate Maintenance Cost shall form a charge on the Marina Lands.
8. Nothing in this Agreement restricts the Grantor from using the Easement Area in any manner which does not interfere with or endanger the construction, installation, operation, maintenance, repair, removal, replacement, security or unobstructed access to or through the Works, but the Grantor shall not erect any building, improvement, structure, driveway or patio, (other than asphalt driveways or patios) thereon, or permit anything to be placed or

exist thereon or done thereon, that may injure, interfere with or obstruct the Works or prevent reasonable access thereto or to the Restaurant by the Grantee. In the event the Grantor erects any further buildings, improvements or structures within the Easement Area pursuant to this section (the "Additional Buildings"), the Additional Buildings will be excluded from the Easement Area.

9. Whenever reasonably necessary, the Grantee may cross over the remainder of the Development Lands to gain access to the Easement Area to perform work thereon, provided that the Grantee shall exercise reasonable care to avoid (and if unavoidable, minimize) any damage to the Development Lands or improvements thereon outside the Easement Area and, if such damage is caused, shall remedy it promptly at their cost.
10. The Grantor shall not diminish or increase the soil cover over any pipe installed in the Easement Area without the Grantee's prior written consent.
11. This Agreement shall be construed as running with the Development Lands but no part of the fee of the soil thereof passes to or is vested in the Grantee under or by this Agreement and the Grantor may fully use the Easement Area subject only to the rights and restrictions herein set forth.
12. The Grantor shall, after execution hereof by it, at the expense of the Grantee, do or cause to be done all acts necessary to grant priority to this Agreement over all financial charges and encumbrances against the title to the Development Lands in the Land Title Office save and except those as have been specifically approved in writing by the Grantee or have been granted in favour of the Grantee.
13. Waiver of any default by either party shall not be deemed to be a waiver of any subsequent default by that party.
14. This Agreement runs with the Development Lands and every part or parts thereof, and shall attach to and run with the Development Lands and each and every part to which the Development Lands may be divided or subdivided whether by subdivision plan, strata plan, fractured interest or otherwise howsoever.
15. Wherever the singular or masculine is used in this Agreement, the same is deemed to include the plural or the feminine or the body politic or corporate as the context so requires.
16. Every reference to each party is deemed to include the heirs, executors, administrators, successors, assigns, employees, agents, officers, and invites of such party wherever the context so requires or allows.

17. If any section, subsection, sentence, clause or phrase in this Agreement is for any reason held to be invalid by the decision of a court of competent jurisdiction, the invalid portion shall be severed and the decision that it is invalid shall not affect the validity of the remainder of the Agreement.
18. This Agreement shall enure to the benefit of and be binding on the parties hereto notwithstanding any rule of law or equity to the contrary.
19. All matters in relation to this Agreement which cannot be agreed upon by the parties shall be referred to the arbitration of a single arbitrator, if the parties agree upon one, otherwise one to be appointed by each side of the disagreement, and a further arbitrator to be chosen by the those arbitrators named by the parties, before they enter upon the business of arbitration. The award and determination of such arbitrator or arbitrators shall be binding upon the parties and their respective heirs, executors, administrators and assigns. The *Commercial Arbitration Act* of British Columbia shall apply.
20. Notwithstanding anything contained herein, neither the Grantor named herein nor any future owner of the Development Lands or any portion thereof shall be liable under any of the covenants and agreement contained herein where such liability arises by reason of an act or omission occurring after the Grantor named herein, or any future owner ceases to have a further interest in the Development Lands.
21. This Agreement shall be governed and construed according to the laws of the Province of British Columbia.

As evidence of their agreement to be bound by the above terms, the parties each have executed and delivered this Agreement under seal by executing Part 1 of the *Land Title Act* Form C to which this Agreement is attached and which forms part of this Agreement.

CONSENT AND PRIORITY AGREEMENT

WHEREAS:

- A. VANCOUVER CITY SAVINGS CREDIT UNION** is the holder of a Mortgage and Assignment of Rents, which Mortgage and Assignment of Rents are registered in the Vancouver Land Title Office under instrument numbers BX178321 and BX178322 respectively encumbering the Development Lands described in the attached Easement;
- B. KEN DELF.** is the holder of a Mortgage, which Mortgage is registered in the Vancouver Land Title Office under instrument number BA391710, being a transfer of Mortgage BX273361, as modified by instrument number BA399560, encumbering the Development Lands described in the attached Easement;
- C. VANCOUVER CITY SAVINGS CREDIT UNION** and **KEN DELF** are hereinafter referred to as the “Chargeholders” and the Mortgages and Assignment of Rents in their favour are hereinafter referred to as the “Charges”.

THEREFORE THIS CONSENT AND PRIORITY AGREEMENT WITNESSETH THAT:

- 1. The Chargeholders hereby consent to the granting and registration of the attached Easement and the Chargeholders hereby agree that the Easement shall be binding upon their interests in and to the Development Lands described in the Easement.
- 2. The Chargeholders hereby grant to the Grantee of the Easement priority for the Easement over the Chargeholders’ rights, title and interests in and to the Development Lands described in the Easement and the Chargeholders do hereby postpone their Charges and all of their rights, title and interests thereunder to the Easement as if the Easement had been executed, delivered and registered prior to the execution, delivery and registration of the Charges and prior to the advance of any funds thereunder.

IN WITNESS WHEREOF the Chargeholders have executed the Consent and Priority Agreement of the Form C above.

END OF DOCUMENT

EXHIBIT U

SUNSHINE COAST REGIONAL DISTRICT
STATUTORY RIGHT OF WAY

LAND TITLE ACT**FORM C**

[Section 233]

Province of
British Columbia**GENERAL INSTRUMENT - PART 1**

(This area for Land Title Office use)

PAGE 1 OF **Pages****1. APPLICATION:** (Name, address, phone number and signature of applicant, applicant's solicitor or agent)

Shandro Dixon Edgson
Barristers & Solicitors
400 - 999 West Hastings Street
Vancouver, British Columbia V6C 2W2
Telephone (604) 689-0400
Client No. 11533 File No. X1410-7

Signature of applicant, applicant's solicitor or agent
Larry S. Blaschuk

2. (a) PARCEL IDENTIFIER (S) AND LEGAL DESCRIPTION(S) OF LAND:*
(PID) (LEGAL DESCRIPTION)

026-735-351

Parcel H District Lot 1023 Group 1 New Westminster District Plan BCP24781

3. NATURE OF INTEREST:*

DESCRIPTION

DOCUMENT REFERENCE
(page and paragraph)

PERSON ENTITLED TO INTEREST

Statutory Right of Way over
that portion shown on
Explanatory Plan BCP _____

Pages ____ to ____

Transferee

Priority Agreement granting
the above Statutory Right of
Way priority over

Page ____

Transferee

4. TERMS: Part 2 of this instrument consists of (select one only)

- (a) Filed Standard Charge Terms
(b) Express Charge Terms
(c) Release

D.F. No.
 X Annexed as Part 2

There is no Part 2 of this instrument

A selection of (a) includes any additional or modified terms referred to in item 7 or in a schedule annexed to the instrument. If (c) is selected, the charge described in item 3 is released or discharged as a charge on the land described in item 2.

5. TRANSFEROR(S):* LOWES RESORT MARINE COMMUNITY LTD. (Inc. No. BC0728708)**6. TRANSFEE(S):** [Including occupation(s), postal address(es) and postal code(s)]*

SUNSHINE COAST REGIONAL DISTRICT, 1975 Field Road, Box 800, Sechelt, British Columbia V0N 3A1 as to Statutory Right of Way
VANCOUVER CITY SAVINGS CREDIT UNION as to Priority and
KEN DELF as to Priority

7. ADDITIONAL OR MODIFIED TERMS: * N/A

8. EXECUTION(S):** This instrument creates, assigns, modifies, enlarges, discharges or governs the priority of the interest(s) described in item 3 and the Transferor(s) and every other signatory agree to be bound by this instrument, and acknowledge(s) receipt of a true copy of the filed standard charge terms, if any.

Officer Signature(s)

Print Name

(as to both signatures)

Execution Date

Y	M	D
06		

Transferor(s) Signature(s)

**LOWES RESORT MARINE
COMMUNITY LTD.** by its authorized
signatory(ies)

Print Name_____
Print Name

Officer Signature(s)

Print Name

(as to both signatures)

Execution Date

Y	M	D
06		

Transferee(s) Signature(s)

**SUNSHINE COAST REGIONAL
DISTRICT** by its authorized signatory(ies)

Print Name_____
Print Name

Officer Signature(s)

Print Name

(as to both signatures)

Execution Date

Y	M	D
06		

Transferee(s) Signature(s)

**VANCOUVER CITY SAVINGS CREDIT
UNION** by its authorized signatory(ies)

Print Name_____
Print Name

Officer Signature(s)

Print Name

Execution Date

Y	M	D
06		

Transferee(s) Signature(s)

KENDELF

OFFICER CERTIFICATION:

Your signature constitutes a representation that you are solicitor, notary public or other person authorized by the Evidence Act, R.S.B.C. 1996, c. 124, to take affidavits for use in British Columbia and certifies the matters set out in Part 5 of the Land Title Act as they pertain to the execution of this instrument.

* If space insufficient, enter "SEE SCHEDULE" and attach schedule in Form E.

** If space insufficient, continue executions on additional page(s) in Form D.

TERMS OF INSTRUMENT - PART 2

WHEREAS:

- A. The Transferor is the registered owner of the lands more particularly described in paragraph 2 (page 1) hereto (the "Lands");
- B. The Transferor has agreed to grant to the Transferee a statutory right-of-way through, under and across that portion of the Lands shown outlined on the right-of-way plan deposited in the Land Title Office under number _____ and containing _____ m² more or less (the "Right-of-Way Area");
- C. It is necessary for the operation and maintenance of the Transferee's undertaking to obtain a statutory right-of-way.

NOW THEREFORE THIS INSTRUMENT WITNESSES:

1. That in consideration of the premises and the covenants, promises and agreements set out below and other good and valuable consideration, the Transferor hereby grants and conveys to the Transferee, its successors and assigns in perpetuity the full, free and uninterrupted easement and right-of-way (the "Right-of-Way") for the Transferee, its servants, employees, agents and licensees at all times:
- (a) to enter and work upon, use, and to pass and repass (with or without equipment and materials) over the Right-of-Way Area;
 - (b) to dig and remove and to cover up the soil of the Right-of-Way Area and to lay down, construct and install sewerage and drainage works, including without limiting the generality of the foregoing, to lay down, construct and install within the Right-of-Way Area, additional sewer and drainage works adjacent to such works which may have already been installed, and such appurtenances, connections and ancillary works (the "Works") as may be necessary for the Works and to operate, maintain, alter, enlarge, repair, extend, renew, remove, inspect, clean and replace the Works and for such purpose to make such excavations and do such work and construction as may be necessary;
 - (c) to construct and maintain a granular base maintenance road over the Right-of-Way Area for access to and from the Works (with or without equipment and materials) for the purpose of operating, maintaining, altering, enlarging, repairing, extending, renewing, removing, inspecting, cleaning and replacing the Works;

- (d) to do all things necessary or incidental to the business and undertaking of the Transferee in connection with the foregoing.

2. The Transferee shall do the work that it is entitled to do under this instrument in a workmanlike manner so as to do as little injury as practicable to the surface of the Lands, the Right-of-Way Area and any improvements and upon completion of any work that it is entitled to do under this instrument shall restore the surface of the Lands, the Right-of-Way Area and any improvements, except the access road referred to in section 1.(c), as nearly as possible to the condition they were in prior to the commencement of such work.

3. The Transferor shall not:

- (a) excavate or dig any well, hole, trench, ditch or excavation of any kind or nature;
- (b) erect, build, construct or place any building, structure, erection, pipe, pole, tower, road, concrete, pavement, foundation, improvement or thing of any kind or nature;
- (c) place or remove any soil or other material of any kind or nature;

on, in, under, through or over the Right-of-Way Area without the prior written consent of the Transferee, which consent shall not be unreasonably withheld.

4. If the Transferor does any of the acts referred to in breach of Section 3, in addition to any other right or remedy it has the Transferee may (i) if the Transferor fails to remedy the breach within 30 days after written notice thereof to the Transferor to remedy or (ii) immediately, in the event of an emergency (as determined in the sole discretion of the Commissioner), do all things necessary to remedy the breach without any liability for damages and for such purpose may enter with men and equipment upon the Lands and the Right-of-Way Area. If the Transferee requests, the Transferor shall forthwith pay to the Transferee all reasonable costs, charges and expenses to which the Transferee may be put by reason of a breach of Section 3.

5. Except as provided in this instrument nothing shall be interpreted so as to restrict or prevent the Transferor from using the Right-of-Way Area in a manner which does not interfere with the security or efficient functioning of or unobstructed access to the Works and the Right-of-Way Area.

6. The Transferor shall not do or permit to be done anything which will interfere with or impair the operating efficiency of the Works or obstruct access to and on the Right-of-Way Area by the Transferee and all persons entitled under this instrument to have access on, in, under, through or over the Right-of-Way Area.

7. Without limiting the generality of Section 3, the Transferor shall not grant to any person, firm or corporation

- (a) an easement or statutory right-of-way over the Right-of-Way Area, or;
- (b) any other interest in land over the Right-of-Way Area which would in the opinion of the Transferee, reasonably exercised, adversely affect the Right-of-Way or the Transferee's rights under this instrument;

without first obtaining the express written consent of the Transferee.

8. The Transferee may peaceably enjoy the Right-of-Way granted by this instrument without hindrance or interruption by the Transferor or any person, firm or corporation claiming by, through, under or in trust for the Transferor.

9. All chattels and fixtures installed by the Transferee on, in, under or through the Right-of-Way Area shall be and remain chattels notwithstanding any rule of law to the contrary and shall belong solely to the Transferee.

10. The covenants in this instrument shall be covenants running with the Lands and shall not be personal or binding on the parties hereto except during such time as the parties hereto shall have any interest in the Lands or the Right-of-Way Area and only in respect of such portion of the Lands or the Right-of-Way Area in which the parties have an interest but the Lands shall nevertheless be and remain at all times charged therewith.

11. This instrument shall enure to the benefit of and be binding upon the respective heirs, executors, administrators and assigns of the parties wherever the context so admits.

12. Words importing the male gender include the female gender and either includes the neuter and vice versa and words importing the singular number include the plural number and vice versa.

MEMORANDUM AS TO ENCUMBRANCES, LIENS AND INTERESTS

• (the "Chargeholder")
HOLDER OF MORTGAGES •
(collective the "Charge")
charging •
(the "Lands")

For good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged and agreed to by the Chargeholder, the Chargeholder, being the holder of the Charge, hereby approves, joins in and consents to the granting of the Statutory Right of Way (the "Encumbrance") which is contained in the attached agreement, and consents and agrees that the Encumbrance shall be binding upon the Chargeholder's interest in or charge upon the Lands and shall be an encumbrance upon the Lands in priority to the Charge in the same manner and to the same effect as if the Encumbrances had been granted and registered against title to the Lands prior to the dating, execution and registration of the charge and the advance of any monies thereafter.

IN WITNESS WHEREOF the Chargeholder has executed this priority agreement by causing its proper officers to sign the General Instrument -- Part 1 attached hereto.

END OF DOCUMENT