

SILVER CREEK LODGE

RENTAL MANAGEMENT AND COST SHARING AGREEMENT

THIS AGREEMENT dated for reference _____, 2007
BETWEEN:

THE OWNERS OF THE STRATA LOTS (AS DEFINED HEREIN) from
Time to time who are parties to this agreement in accordance with Article_
Hereof

(Herein collectively called the "Owners")

AND SILVER STAR HOSPITALITY MANAGEMENT LIMITED, A British
Columbia Corporation having it's registered and records office at 4th
Floor, 3205-32nd Street, Vernon, British Columbia, V1T 2M4

(Herein call the "Manager")

PRELIMINARY STATEMENT:

- A) The Owners are the owners of the Strata Lots
- B) Manager is knowledgeable in the operation of First-Class Hotels
- C) Manager has entered into a Reservations Services Agreement with Silver Star Ski Resort Ltd
- D) The Owners, by this Agreement, engage the Manager to act as the Owners exclusive Manager for the operation of the Hotel in accordance with the terms and conditions set out in this Agreement, which include the operating of the Rental Booking System referred to in the Covenant KL074896 registered against the individual Strata lot property titles at the Land Title Office; and
- E) Manager agrees to perform such services for the Owners in accordance with this Agreement.

SECTION 1 – INTERPRETATION

1.1 Definitions

See Appendix A

1.2 Interpretation

See Appendix B

SECTION 2– COMMENCEMENT DATE, TERM OF AGREEMENT

2.1 Commencement Date

This Agreement will be a binding agreement and bind the Strata Lots, Manager and all of the Owners upon execution and delivery hereof by the Manager. The duties and obligations of the Parties under this Agreement will come into full force and effect upon the Commencement Date.

2.2 Term

The term of this appointment of Manager as the Owner’s Manager under this Agreement will be a period commencing on the Commencement Date, and terminating on midnight, May 31,2011.

2.3 Renewal

The term may be extended for an additional five-year period provided that Owners at such time are not entitled to terminate this Agreement by reason of Manager’s default. This extension of Term will continue each year at the end of Term unless Strata exercises its right to terminate as set forth in Section 2.3.1

2.3.1 The Strata Corporation may, based on a three quarter vote on the occasion of any Annual General Meeting, or “Special General Meeting” called in accordance with Strata Bylaws, terminate the Manager’s Agreement by providing Manager with 90 days notice of such termination in writing as pursuant with Section 14.2 or 14.3

SECTION 3 – HOTEL RENTAL MANAGEMENT

3.1 Management of Hotel Rental Revenues

The Owners hereby appoint Manager as their exclusive manager to manage the operation of the Hotel and the Revenue Sharing provision of this Agreement in accordance with the terms and conditions set out in the Agreement and to undertake on an exclusive basis, on behalf of and for the account of the Owners, all duties and obligations coming within the scope of the management and marketing of the hotel premises, including those specific services as set forth herein. Without limiting any of its duties or obligations set out in the

Agreement, Manager agrees to operate the premises as a Limited Service Resort, except to the extent that the Manager is prevented from maintaining this standard of service due to default by any Owner pursuant to this Agreement.

3.2 **Unit Rental Agreement**

Manager will manage the rental of the Strata Lots in accordance with this Agreement. Each of the Owners hereby irrevocably covenants and agrees to be bound by the rental bookings of its Strata Lots made by the Manager in accordance with this Agreement.

3.2.1 **Individual Unit Owner Opt Out Provision**

Individual Unit Owners will now have the opportunity to “Opt Out” of the Revenue Sharing and Management portions of this Agreement by completing the Opting Out Agreement, provided that;

- a) The Manager will accept notification if received one calendar month prior to the effective Opt Out date, provided that the Owner is prepared to accept any reservations that Manager may be unable to relocate for a period of 6-months following receipt of notification. Upon receipt of any “Opt Out” notification by an Owner Manager will make every effort to relocate any forthcoming reservations for that Owner’s Unit to Unit that continues to participate in the Agreement.
- b) Owner has caused to be removed the “Section 219 Covenant KL074896 registered against his/her Unit(s). (Please refer to Section 10.1.2 “Owner Use and Privileges”
- c) Owner agrees not to rent their unit and that Manager continues to retain the right to continue as exclusive Manager for any and all Unit Rentals and that no outside Rental Managers, other than the Manager may be retained regardless of an Owner’s decision to Opt Out of this Agreement.
- d) Owner agrees that current entry locks on Units are to be maintained due to fire and emergency requirements for access. Manager agrees to supply Owners with Access Cards which will be renewed on a monthly basis at the Front Desk
- e) Owner is aware of and accepts the conditions of reinstatement as a participant in the “Revenue Sharing and Management” as are outlined in the “Opt Out Agreement”

3.2.2 **Reinstatement into the Revenue Sharing and Management Portion of this Agreement**

Owners who have exercised their right to Opt Out of the “Revenue Sharing and Management” portion of this Agreement may apply for Reinstatement into the “Revenue Sharing and Management” portion of this Agreement, subject to the Terms and Conditions as set out in the “Application for Reinstatement”

3.3 **Use**

The Strata Lots will be used only in accordance with this Agreement and will not be used for any other purpose, except for Owner Personal Use (as limited by this Agreement and as provided in the covenant(s) registered in the Land Title Office against title to the Strata Lots), without the consent of the Owners and Manager. Any use of the Strata Lots will

comply with all applicable laws, bylaws, rules and regulations and the Strata Corporation Bylaws.

3.4 **Restrictions Re: Strata Corporation Bylaws**

No Owner will vote in favour of any Strata Corporation Bylaw, which conflicts with a term or condition set out in this Agreement

3.5 **Management of Owner Unit Inventory**

3.5.1 Silver Creek Hotel, also referred to from time to time as “Silver Creek Condo Hotel” or “Silver Creek Lodge” is licensed to be operated, as per the Agreement, provided that the Owner has not exercised his/her right to Opt Out of the Revenue Sharing and Management Portion of this Agreement, as a “Limited Service Resort Hotel” whereby all Units are available for daily rentals on a year-round basis, unless reserved in advance for Owner Personal Use as defined in the Purchase Agreement and this Management Agreement.

3.5.2 Extension of Complimentary Room Nights by Manager/Silver Star Ski Resort for Marketing Purposes:

Under the Terms of the Resort Marketing (RAM) Agreement and Central Reservations Agreements, each Owner who participates in the Revenue Sharing and Management Agreement is expected to allot up to 3 nights per year to Silver Star Ski Resort for the purposes of familiarizing potential clients to the Resort.

In the event that a Wholesale Provider books a block of Units, and when in such cases the Agreement includes for the provision of one (1) Complimentary Unit, the Total Room Revenue derived from that group stay will be equally divided among all Units occupied, including that Unit which was extended on a complimentary basis.

e.g. if a group occupied 15 units and paid for 14, the total revenue collected from the 14 paying Units would be distributed equally to each of the 15 Units occupied.

3.6 **Standard Required of Rental Unit**

The initial construction of Silver Creek Lodge and the furnishings, fixtures, appliances installed in each Unit were planned so as to meet the standards expected in a limited service all-suite hotel. This approach to symmetry in layout is designed to provide for ease of reservations, both for individuals as well as groups, setting of measurable inspection standards and levels of guest satisfaction, staff training and supervision. Perhaps most importantly the current design allows for standardized maintenance and ability to expedite repair of the Units where required in order to maintain the Unit in a “Rental Ready” condition

Owners who make alterations or changes in their Units should keep in mind that any undertaking of radical alterations such as removal of beds, kitchen appliances, or addition of sophisticated electronic or appliances which may be unfamiliar to overnight users as well as to staff, may result in the Unit becoming less Rentable.

Owners should consult with Manager, prior to any such renovations or refurbishing of his/her Unit.

SECTION 4 – OWNER’S DECISIONS AND OWNER’S COMMITTEE

See Appendix C

SECTION 5 – OPERATING PLAN AND BUDGET

See Appendix D

SECTION 6 – OWNERS REVENUES AND DISTRIBUTIONS TO OWNERS

6.1 Reporting by Manager

6.1.1 For each calendar month during the Term, Manager will prepare or cause to be prepared reasonably detailed financial statements, prepared in accordance with Generally Accepted Accounting Principles and for each such period Manager will calculate for each individual Owner participating in this Agreement

- a) the Gross Revenue for his/her Unit(s)
- b) Revenue Expenses which will include, Central Reservations Fees, Resort Association Marketing Fees, Credit Card Commissions, Travel Agent Commissions
- c) The “Adjusted Gross Revenue
- d) The Owner’s Share of Adjusted Gross Revenues
- e) Any repair or replacement expense which may have been paid for by the Manager on the Owner’s behalf provided that such expense has not exceeded a total of \$300.00 (three hundred dollars) plus applicable taxes for any calendar year without that Unit Owner’s approval
- f) the Unit Revenue Share for each Strata Lot, is to be based on the revenues collected for each individual Unit.
- g) The Manager will forward to the Strata Council Chairman a “Totals Summary” of all Owners Statements for each calendar month. This Totals Summary will not identify any information for each Unit Owner as an individual but be a summary of all Owners only by Unit Type Category in such format as agreed by Manager and Owners’ Committee.
- h) Days occupied by owner and daily revenue.

6.1.2 No later than the 20th day following the end of each calendar month during the Term, Manager will:

- a) deliver to the Chairperson of the Owner’s Committee such financial statements as defined in Section 6.1.1 (g); and
- b) Mail to each of the Owners a written summary statement (“the Monthly Statement”) setting out the amounts set out in Section 6.1.1 (a) to (f) above and calculations thereof, in reasonable detail.

6.2 In the "Revenue Sharing and Management Portion of the Agreement".

A Strata Lot will be considered to be in the Revenue Sharing and Management Agreement portion of the Agreement on a particular day only if it is not booked for use by the Owner(s) in accordance with Section 10

6.3 Payments to Owners

Concurrent with the mailing of the Monthly Statement, Manager will mail to each Owner a cheque in an amount equal to the Owner(s)' Unit Revenue Share for the month in which the Monthly Statement applies, calculated pursuant to Section 6.1

6.4 Maintenance and Repair of Strata Lots

Manager will for, and on behalf of Owners, keep the Strata Lots in substantially the same condition they were in as of the Commencement Date, normal wear and tear excepted, and the cost thereof will be a Hotel Expense. The Owners acknowledge and agree that the cost of maintaining and repairing the Development will be shared by all of the Owners during the Term.

6.5 Capital Expenditures

6.5.1 The Owners agree to make the necessary Capital Expenditures required to maintain the Hotel as are approved in the Annual Operating Plan and Budget or otherwise approved by the Owners' Committee. Without limiting the generality of the foregoing, Owners agree to make as and when required, Capital Expenditures required as a result of a structural defect or repairs in the Hotel, any damage caused by an insured hazard, and any Capital Expenditures required by any regulatory or government body and non-structural repairs and replacements to the Hotel premises required to maintain the Hotel as a Limited Service Resort.

6.5.2 Manager may be authorized to make Capital Expenditures only in accordance with the terms of the then current Approved Operating Plan and Budget, except where required in an emergency to preserve the safety of persons in or about the Hotel

6.6 Agency Role of Manager / Funding of Shortfalls

6.6.1 Owners agree that in the acquisition of Furniture, Fixtures, and Equipment, are the financial responsibility of each Unit Owner.

6.6.2 If Manager shall, in the performance of this Agreement, become liable to any person for any act, omission, or error of judgement, then Manager shall be indemnified and saved harmless by the Owners from all uninsured loss, damage, cost and expense by reason of any of the foregoing acts, omissions, or errors of judgement, unless such liability arises out of the gross negligence or wilful misconduct of the Manager. The cost of defending any proceeding brought by any third party to establish such liability will be a Hotel Expense. Any liability resulting from any such claim (provided any settlement amount not paid from insurance proceeds shall require the approval of the Owners Committee, acting reasonably) and the deductible amount paid by any insurer of the Hotel in respect of any such claim shall be Hotel Expenses. The provisions of Section 6.6 shall survive termination of this Agreement.

6.7 GST and Withholding Tax

- 6.7.1 Manager will, as agent for and on behalf of the Owners, if required under the applicable legislation, collect and remit to Revenue Canada and any other applicable authority, within the required time for the remittance thereof, any Goods and Services Tax (GST), Hotel Tax, and any other tax collected in connection with the use of the Hotel premises by Hotel Guests and Owners, make the necessary filings and reports in respect thereof, and claim any applicable input tax credits; and
- 6.7.2 Manager may withhold from any of the Owners and remit to Revenue Canada or any other relevant authority, any amount required to be withheld or remitted in respect of goods and services taxes or withholding taxes, or any other applicable statutory tax, charge, or levy which is required.

SECTION 7 – SHARE OF REVENUES COLLECTED

7.1 MANAGERS SHARE OF UNIT REVENUES

The Owners and Manager Agree that:

- 7.1.1 during the Term, Manager will receive as compensation for management services rendered in accordance with this Agreement, in an amount equal to 40% (40 per cent) of the “Adjusted Gross Revenue” collected for each Unit Owner who participates in the “Revenue Sharing and Management Agreement.” Such fees to be calculated on a monthly basis.

7.2 OWNERS SHARE OF UNIT REVENUES

The Owners and Manager Agree that:

- 7.2.1 During the Term, each Owner who participates in this Agreement will receive compensation in an amount equal to 60% (Sixty Per Cent) of the “Adjusted Gross Revenues” which has been collected for his/her individual Unit. Such Fees to be forwarded on a Monthly basis within 20 days following the end of the Calendar Month in which Revenues were calculated minus any deductions as may be made pursuant to Section 6.1.1

SECTION 8 – HOTEL BANK ACCOUNTS BOOKS AND RECORDS

See Appendix E

SECTION 9 – SERVICES TO BE RENDERED BY THE MANAGER

9.1 Management Services

Manager will:

- 9.1.1 Subject to Section 3.5, use all reasonable efforts to sell room nights in respect of the Strata Lots to Hotel Guests;

- 9.1.2 attempt to spread revenues between similar Unit Types in a fair and impartial manner considering that booking for Owner Use of their Unit, competition and resort pricing and current market conditions may impact the Manager's desire and ability to achieve parity amongst rental Units
- 9.1.3 carry out and perform all such acts and things as reasonably necessary or desirable in connection with the operation of the Hotel as a Limited Service Resort in accordance with this Agreement;
- 9.1.4 procure and maintain any licenses and permits which may be required in connection with the carrying out of its duties and obligations under this Agreement;
- 9.1.5 diligently and faithfully perform its duties and obligations under this Agreement as would a reasonably prudent hotel manager in the position of Manager; and
- 9.1.6 During the term of the Marketing and Reservation Services Agreements, and subject to funding out of Gross Revenues, operate the Hotel in compliance with the Marketing and Reservation Services Agreement.
- 9.1.7 In consort with the Owner, SSHM will provide inspection of Unit Condition and inventories on a regular basis and report to the Owner any deficiencies that need to be addressed.
- 9.1.8 Supply and launder all linens, towels required for the effective day-to-day operation of the Unit as a Rental Unit.
- 9.1.9 Supply all guest amenities required for the effective day-to-day operation of the Unit as a Rental Unit
- 9.1.10 Provide housekeeping services as required
- 9.1.11 Manger will make every effort to ensure that any costs due to intentional damages that can be attributed directly to a paying guest are recovered.

9.2 General Management

Subject to the terms and conditions of this Agreement, the Marketing and Reservation Services Agreement, and any approved Operating Plan and Budget, Manager agrees to perform on behalf of and for the account of the Owners, all appropriate and necessary management services, in connection with the operation of the Hotel as a Limited-Service Resort, including but not limited to:

- 9.2.1 General organization of the Hotel

- 9.2.2 Development and implementation of sales, local advertising, personnel employment, purchasing and maintenance programs consistent with the provisions of this Agreement
- 9.2.3 Implementation of administrative accounting, budgeting, and operational policies and practices of Manager. Such policies and practices will be deemed to be in compliance with manager's obligations hereunder, and Owners will accept such policies and practices so long as they do not conflict with any term or condition of this Agreement;
- 9.2.4 review of the conduct of hotel operations at Hotel from time to time in accordance with the standards of a Limited-Service Resort and established management practices and policies of Manager.
- 9.2.5 Establishment and supervision of Manager's accounting and inventory control systems;
- 9.2.6 Arrangement for the provision of the Hotel of all goods and services as are necessary for the proper operation and maintenance of a Limited-Service Resort as contemplated by this Agreement;
- 9.2.7 Establishment of all prices, charges and rates, and in connection therewith, the supervision and control of the collection, receipt and giving of receipts for all goods and services provided, or revenue of any nature derived from the operation of the Hotel;
- 9.2.8 Determination of the Hotel's purchasing policy including the selection of the merchandise, supplies and materials, and establishment and maintenance of all inventories requires for the proper operation of the Hotel and the selection of suppliers and negotiation of supply contracts in order to assure purchases on the best available terms;
- 9.2.9 Negotiation and execution of contracts which are normally entered into within the scope of the Hotel operations and preparation of the corresponding legal documents;
- 9.2.10 Determination of credit practices applicable to suppliers and to the Hotel's clientele and negotiation of arrangements with credit organizations, in particular those listing credit cards;
- 9.2.11 With the prior approval of the Owner's Committee, acting reasonably, instituting lawsuits or other legal actions having a direct link with the operation of the Hotel and deemed necessary or advisable by Manager; and
- 9.2.12 Supervision and control of the activities of Hotel guests and any tenants, concessionaires and holders or privileges in respect of any portion of the Hotel Premises and their employees, including the disposition of Hotel Guests and tenants for non-payment or rent or other proper cause, or the termination of the rights of concessionaires, licensees for proper cause.

9.3 Maintenance

Manager agrees on the account of the Owners, to cause the Hotel Premises and the Furniture, Fixtures and Equipment to be maintained in good operating condition and repair, normal wear and tear excepted, and Manager will replace, at the expense of and with consent of each individual Owner affected, such items of the Furniture, Fixtures and Equipment and Operating Supplies and Expendables as from time to time may be appropriate. All items of Furniture, Fixtures and Equipment, forthwith upon acquisition and receipt by Manager of any payment thereof, will become, without further act, the property of the Owners. Upon completion of construction of any change or addition to the Hotel, Manager will furnish the Owner's Committee any guarantees and warranties relating to any portions of the Hotel or the Furniture, Fixtures, Equipment and Operating Supplies and Expendables. Manager agrees to co-operate with the Owners to enforce provisions of such guarantees and warranties. Manager will make no expenditures for the repair and replacement of the Furniture, Fixtures and Equipment or for maintenance and repair which would result in or cause a change in the general Character of the interior of exterior of any portion of the Hotel Premises or make any capital improvements except if the same is pre-approved by the Owner's Committee

9.4 Changes and Alterations

From time to time during the term, Manager may be requested to make, at Owners' Expense, but subject to the terms of this Agreement and the then current Approved Operating Plan and Budget, reasonable changes and alterations to the Hotel Premise, or any part thereof, subject however in all cases to the following:

- 9.4.1 no change or alteration would be made which would:
 - a) change the general character or design of the Hotel
 - b) involve the excavation of any portion of the Hotel premises; or
 - c) include alteration of, or result in increasing the burden on the foundation of the Hotel premises without the prior consent of the Owners by special resolution.
- 9.4.2 all permits, licenses and authorizations required to be procured in connection with any change or alteration will be procured (or cause to be procured) by Manager, and the cost of the same will be a Hotel Expense;
- 9.4.3 any change or alteration will be made promptly in a good and workmanlike manner and in compliance with all applicable laws, rules, regulations and permits and insurance requirements;
- 9.4.4 the cost of any change or alteration will be promptly paid (or caused to be paid) so that the Hotel Premises will at all times be free from any lien, encumbrance, mortgage, chattel mortgage, conditional sales agreement, or other charge for labour, services or material supplied or claimed to have been supplied to the Hotel Premises; and
- 9.4.5 if any such change or alteration involves an estimated cost of \$10,000.00;
 - a) Manager agrees to obtain the specific approval (in addition to the approval of the Approved Operating Plan and Budget) of the Owners' Committee to such alteration or change prior to the Manager proceeding;

- b) if Manger proposes to have such change or alteration supervised by Personnel of Manager or the Hotel, Manager will obtain specific approval of the Owners' Committee as to whether such change or alteration requires the supervision of an independent engineer or architect; and
- c) if the Owners Committee so advise the Manager in writing prior to the Owners approving same, such change or alteration will be made under the supervision of an architect or engineer approved by the Owners' Committee in accordance with detailed plans and specifications approved by the Owners' Committee prepared by such architect or engineer and the Owners' Committee will have the right to approve the contractor and to supervise construction.

9.5 Personnel and Employees

- 9.5.1 The selection and employment of the Hotel Manager and all such other employees and Personnel necessary for the proper operation of the Hotel and the other hotels, is the responsibility of Manager and the Manager will employ all such persons. The hiring, promoting and discharging of the Hotel Manager and any other employees and personnel and the terms of their employment, including compensation, will be at the sole discretion of the Manager.
- 9.5.2 Manager may delegate to the Hotel Manager, who in turn may delegate to others, the selection and hiring of all Employees and personnel required for the operation of the Hotel.
- 9.5.3 The Manager may during the term, replace the Hotel Manager, and likewise the employment of any employee may be terminated by Manager, or the Hotel Manager, or by person or persons to whom the Hotel Manager will delegate such authority. The decision in regards to any such discharge, whether directly by Manager or through Hotel Manager, will be at the sole discretion of Manager, acting reasonably.

9.6 Marketing at the Hotel

- 9.6.1 Manager will carry out on behalf of the Hotel, all operational marketing activities and, during the term of the Marketing and Reservation Services Agreement, the implementation of the Silver Star Mountain Resorts Ltd. Marketing Policy, as it pertains to the Hotel and other Parities.
- 9.6.2 Marketing At the Hotel will be established and carried out by Manager, or his designate, for the market where the Hotel is located and other markets which Manager reasonably believes relevant, considering the nature of the Hotel.
- 9.6.3 Manager agrees to establish for the Hotel, as part of the Operating plan and Budget, an Annual Marketing Plan for each Operating Year, including, but not limited to:
 - a) Determination of Sales Policy of the Hotel
 - b) Determination of yearly and long-term objectives regarding occupancy rates, revenues, and clientele

- c) In concert with the Owner's Committee, Establishment of all Hotel Rates
- d) Setting of any special sales terms
- e) Determination of credit practices
- f) Establishment of sales methods and procedures relating to the various clientele segments; and
- g) Analysis of results and permanent control

9.6.4 Manager agrees to perform appropriate advertising and promotion services at the Hotel level, including:

- a) definition of Hotel Policy regarding Advertising and Promotion
- b) preparation of advertising documents, brochures and website

9.7 Meetings

The Owners' Committee and Manager agree to meet not less frequently than quarterly, upon reasonable written notice from either party, to discuss general Hotel Operating Procedures, the current approved Operating Plan and Budget or any other matters of interest and concern.

9.8 Separate Manager Contracts and Agreements

A) Manger's Rentals & Agreements with Strata Corporation for Strata Facilities and Equipment

See Appendix F

B) Manger's Rentals & Agreements with Strata Corporation for Manager Services and Equipment

See Appendix G

SECTION 10 – USE OF STRATA LOTS BY OWNERS

10.1 All Units are deemed to be available for Rental purposes each and every day unless otherwise pre-booked by the Owner(s) for personal use. Bookings may be made by telephone, mail, e-mail, or at the Front Desk located in the Vance Creek Hotel

Owners are encouraged to pre-book their respective Unit(s) as early as possible to ensure space availability. During particularly high demand business periods (e.g. Holiday Season, New Year, major School Break Periods, Special Events, etc.), it is recommended that Owner booking requests be made at least six months in advance.

Owners should bear in mind that prior commitments to paid Guest Bookings take precedence over Owner requests.

10.2 Owner use and Privileges

Owner use Covenant – Option to Remove

As per the Strata Council's mandate, recorded in the minutes of the Annual General Meeting of Strata KAS1984 on 24 June 2006, Owners now have the option of replacing the Section 219 Covenant placed on their unit at the original time of purchase. This original Covenant currently limits Owner Personal Use of their Unit to a maximum of 28 days during the Winter Season and 28 days during the Summer Season.

Owners who have exercised the option and have had the Covenant replaced now have no restriction on the number of days allotted for Owner Personal Use.

Owners who have left the Covenant in place continue to be subject to those Owner Personal Use restrictions registered against title.

10.2.1 Guidelines for Owner Bookings

Recognizing that Silver Creek Lodge was purpose-built as a hotel and that rental bookings have absolute priority over Owner use, the following guidelines are in effect with regard to Owner booking requests:

If any Owner wishes to use the Strata Lot, the Registered Owner must first reserve the use of the Strata Lot by notice in writing, by email, or by contacting the Hotel directly.

10.2.2 Required Notice Period for Owner Reservation Requests:

Owners may book their units up to 24 months in advance of the intended occupancy dates. The following guidelines are based on recent experience but are no guarantee that the owners unit will be available. Owners should book as early as possible.

- a) **High Demand Periods** (traditionally mid-December through late March): It is recommended that the reservation request be made a minimum of 3 months in advance of the anticipated dates of use. For the traditional Holiday Season (Dec 24 through December 31), reservations are recommended a minimum of 6 month in advance of the anticipated dates of use.
- b) **Periods which occur when the Alpine Ski Season is not operating:** It is recommended that the reservation request is made a minimum of 30 days prior to the anticipated dates of use.

If, at the time an Owner's request for Personal Use is made, the Manager has already booked the Owner's Unit for rental by the general public, the Manager is under no obligation to accommodate the Owner's request for Personal Use of their Unit.

10.3 Housekeeping Charges to Owners

When an Owner occupies his/her Unit on a limited basis, usually from 2 nights to 2 weeks in duration, such occupancy initiates a requirement for Housekeeping Services. These services essentially fall into 2 categories:

Light Housekeeping Services:

Light Housekeeping – includes replacing towels and facecloths, washroom cleaning, light vacuuming and tidying, placing dishes and cutlery in the washer, re-stocking of all amenities to a 3-day par

“Light Housekeeping” is an optional service and can be arranged at the Front Desk. Current rates for Light Housekeeping Services are \$14.50 per service and such services can be deducted from any amounts owing to Owners who participate in this Agreement.

During his/her stay it is recommended that a Unit Owner utilize the services of a Light Housekeeping Service where stay are greater than 3 days in length.

Full Housekeeping Services:

Full Housekeeping Services are required to place each occupied Unit in a “Rental Ready” condition for arriving guests – includes complete change of bed linens, towels, facecloths, dishcloths, amenities brought to par carpets vacuumed, washrooms thoroughly cleaned and sanitized, kitchen area fully cleaned and sanitized, all wastebaskets emptied and all garbage removed, countertops, shelves, window casings and blinds dusted and cleaned, and Unit inspected for quality assurance.

Full Housekeeping Services are mandatory upon departure for all Units in this Agreement including those Units occupied for short stays by Owners. The current rate for Full Housekeeping Service has be set at \$37.50. Any Owner who stays in his/her Unit will be charge 1 Full Housekeeping Service upon departure, such charges to be deducted from any monies owing to the Owner for his her Unit Revenue Share.

During his/her stay it is recommended that a Unit Owner utilize Full Housekeeping Service where stay are greater than 6 days in length. Requests for Full Housekeeping must be made at the Front Desk.

All and any requests for Housekeeping Services must be arranged directly with the Front Desk. Owners who have opted out of the rental pool may do their own housekeeping, or may arrange for this service through the Front Desk. Contracting out this service to other agencies will not be permitted.

10.4 Incidental Charges

Owners using the Strata Lots agree to pay the standard charges established by the Manager for the following:

- long distance calls where total long-distance toll is charged to Unit
- movie rentals or deliveries charges to the Unit
- purchase of any other goods and services such as food and beverages as offered by the Manager

Should any Owner not pay any fee or charge as set out in this Section, 10.2, Manager may deduct such amounts from the Owner’s Unit revenue Share.

10.5 No Charge for Common Property or Common Facilities

Except as set out in Section 10.2, Manager will not charge any Owner, or any person claiming under the owner for the use and enjoyment of its Unit or any portion of the Hotel Premises, provided that such use is in accordance with this Section 10.

10.6 Request to use Different Strata Lot

If an Owner's Strata Lot is reserved, any Unit Owner may book additional Unit(s) under the same terms and conditions as would any paying guest

10.7 Cancellation Policy

The Owner will forthwith notify Manager or Manager's representative if the Owner determines or discovers at any time that the Owner or person claiming under such Owner will not use the Strata Lot on any of the days for which the Owner gave notice of the Owner's use thereof and Manager may then rent out the Owner's Strata Lot on such days.

10.8 Use by or on behalf of Owner

10.8.1 Owner will be responsible for any use of their Strata lot(s) by the Owner or Guest of Owner.

10.8.2 Owners will not participate in the active rental of their Unit(s)

10.8.3 Owners will not advertise, display, or promote their Unit(s) for rent, unless such activities direct rentals through Manager.

10.9 Owner Acknowledgement

The Owners acknowledge that:

- 1 Other hotels on Silver Star Mountain that compete with the Development have retained the Manager.
- 2 Competing hotels managed or to be managed by the Manager may establish competitive room rates, which may have an impact on the ability of the Development to obtain occupancy rates projected in any Approved Operating Plan and Budget for the Development
- 3 Hotel Guests contacting the Manager to reserve hotel accommodations on Silver Star Mountain may book accommodation in a competing hotel, and the Manager cannot give any assurances that Hotel Guests will be directed or influenced by the Manager to book rooms in the Hotel in priority to competing hotels managed by the Manager; and
- 4 A shareholder of the Manager, or one or more affiliates of a shareholder, owns or has an ownership interest in one or more hotels on Silver Star Mountain which is managed or to be managed by the Manager, and which compete with the Development.

SECTION 11 – COVENANTS, REPRESENTATIONS AND WARRANTIES

See Appendix H

SECTION 12 – INSURANCE

See Appendix I

SECTION 13 – TITLE

See Appendix J

SECTION 14 – TERMINATION RIGHTS, OBLIGATIONS ON TERMINATION

14.1 Events of Default

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

- 14.1.1 The filing by Manager of a voluntary petition in bankruptcy or insolvency or a petition for reorganization under any bankruptcy law.
- 14.1.2 Manager's consent to an involuntary petition in bankruptcy or insolvency or its failure to vacate within sixty (60) days from the date of entry thereof any order approving an involuntary petition by Manager
- 14.1.3 The entering of an order; judgement, or decree by any court of competent jurisdiction, on the application of a creditor, adjudicating Manager, a bankrupt or insolvent approving a petition seeking reorganization or appointing a receiver, trustee or liquidator of all or a substantial part of its assets, if such order, judgement, or decree continues unstayed and in effect for a period of one hundred twenty (120) consecutive days.
- 14.1.4 Failure of the Manager to perform, keep or the fulfill any of its material covenants, undertakings, obligations or conditions set forth in this Agreement.

14.2 Remedies for Owners Upon Default

If Manager is in default pursuant to Section 14.1, the Owners' Committee may give to Manager notice of Its intention to call a meeting of the Owners to terminate the appointment of Manager under this Agreement after the expiration of a period of thirty (30) days from the date of such notice. Notwithstanding the foregoing, with respect to the events of default referred to in Sections 14.1.1 and 14.1.4, upon receipt of such notice, Manager shall promptly and with all due diligence, proceed to cure the default within said 30-day period. If such default is not susceptible of being cured within a 30-day period, Manager shall take and continue action to cure such default with all due diligence until same is cured, during a period not to exceed ninety (90) days from such notice. Once a cure has been effected the notice will take no effect.

14.3 Termination by Owners

The Owners may terminate the Manager's appointment under this Agreement as follows:

- 14.3.1 Except as otherwise provided herein, the Manager's appointment pursuant to this Agreement cannot be terminated within the first 180 days of this Agreement.
- 14.3.2 Following the first one hundred eighty (180) days of this Agreement the Owners' Committee may call a meeting of the Owners to terminate the Manager's appointment at any time during the Term of this Agreement by extending a 180 day notice of termination to Manager in writing.
- 14.3.3 Withdrawal of personal involvement by W Roberts in management may be grounds for termination.
- 14.3.4 Any termination pursuant to this Section shall be effective on the last day of the notice period.

14.4 Termination by Manager

Manager may terminate its appointment as Manager under this Agreement at any time upon 90 days written notice to the Owners Committee if:

- 14.4.1 Owners fail to make or authorize Manager to make (at the sole cost and expense of the Owners) Capital Expenditures without which the Hotel cannot be operated as a Limited Services Resort in compliance with the requirements of Marketing and Reservations Services Agreement.
- 14.4.1 at any time during the Term, the appointment of Manager as sole Manager of the Strata Units is terminated.

14.5 Remedies for Manager

The Owners acknowledge and agree that if any Owner or Owners are in breach of their duties or obligations under this Agreement, Manager may seek an injunction or the specific performance by such Owner or Owners of such duties or obligations, instead of, or in addition to seeking damages against such Owner or Owners. Any termination by Manager pursuant to this Section 14.5 is without prejudice to any other rights that Manager may otherwise have against the Owners or any of them.

14.6 Obligations on Termination

Upon termination or expiry of the appointment of Manager under this Agreement, the following will apply:

- 14.6.1 Cooperation between Manager and Owners
Manager agrees to co-operate with the new management and may vacate his position prior to the completion of the 180 day notice period with the concurrence of the new management and the owners committee.

Manager and Owners will cooperate with respect to all matters relating to the transition of the Management of the Hotel.

14.7 Managers Compensation Upon Termination

Recognizing the Manager's efforts in contribution to all reservations, including those where actual occupancy will occur following Manager's termination Owners agree to pay to Manager a separate sum of monies for all reservations in place, beginning on the final day of termination and extending for a period of 12 months following the final day of termination notice calculated at a rate of \$5.00 (Five Dollars) per reserved room night. Manager will have the right to collect such monies from individual Unit Owners by deducting such amounts owing from Owners Accounts.

Manager agrees to continue promoting and accepting all future reservations throughout the period of termination notice.

14.8 Trademarks and Logos

Owners agree that the branding name "Silver Star Club Resort" will, in the event of termination of the Manager, become sole property of the Manager and will not be used in any form whatsoever to promote, whether through in-house signage or collateral advertising by any person or group other than the Manager. All references to "Silver Star Club Resort" are to be removed by the Owners within 180 days of the notice of termination of the Manager at the Owners' expense

Since the inception of "Silver Star Club Resort" the collateral for all marketing activities has included the "Silver Creek Lodge", "Chilcoot Lodge and Conference Center" and "Vance Creek Hotel" In the event of termination of the Manager, Owners and Manager agree to the following:

14.9 Directory or long-term Advertising

Any hard copy advertising will remain unchanged until that publication's renewal date, following which, all references to Silver Creek Lodge will be removed at the Manager's expense. Such directory advertising will include, but not be limited to:

- Telephone Directories
- Annual Tourism-related publications
- Maps, brochures
- Exterior directional signage
- Elevator and Public area signage
- Billboard displays

14.10 Manager- Provided Services

1. Cable Television

Owners agree that any contracts, including the negotiation of any revised or new contracts to provide cable television services to Silver Creek Lodge will be the sole responsibility of the Owners.

2. Telephones

Manager agrees to remove the Owner Units in Silver Creek Lodge from the Silver Star Club Resort's central switchboard system as of midnight on the last day of the termination notice at the Manager's expense. Should this procedure be impractical for the Owners Manager agrees to provide central switchboard services during and interim period while the telephone system is being changed. Any fees or details regarding provision of this central switchboard service will be subject to a separate contractual Agreement between the Manager and Owners.

3. Website

The website will remain the property of the Manager and all references to Silver Creek Lodge will be deleted at the Manager's Expense

4. Central Switchboard System

Owners agree that the "Central Switchboard System" having been in place at Vance Creek Hotel, prior to the inclusion of Owner Units at Silver Creek Lodge, is the property of Vance Creek Hotel. Owners agree that the installations of any new telephone arrangements in Silver Creek Lodge are the sole responsibility of the Owners.

5. "Ving Card" Key System

Owners agree that any new key system will be at the Owners' expense. Owners will continue to Own Unit Door Locks, however the card readers and inventory of access cards are property of Manager.

6. Wireless Internet

Owners agree that the provision of any "wireless Internet" will be at the Owners' expense.

7. Vending Machines

Owners agree that the Ownership of the vending machines for provision of laundry soaps, fabric softeners, confectionary vendors and pop vendors, are the property of the Manager and that the Manager has the right to remove such machines from Silver Creek Lodge, or to enter into a mutually agreed purchase Agreement with the Owners, should they wish to retain this equipment.

14.11 Fees and Payments

All fees and payments payable to Manager in accordance with this Agreement will be paid to the Manager within thirty (30) days following notice of termination of the appointment of Manager under this Agreement, including all deferred, accrued and unpaid fees;

14.11.1 Manager will peacefully vacate and surrender the management of the Hotel, excluding possession of the Operating Supplies and expendables, which are Property of Manager, to or to the order of the Owners;

- 14.11.2 Manager shall deliver to the Owners all Owners' books and records pertaining to the Hotel in the custody and control of Manager, and assign the transfer to or to the order of the Owners all of the Manager's right, titles and interest in and to all licenses and permits, if any, used by the Manager in the operation of the Hotel, provided that, if Manager has expended any of its own funds in the acquisition of such licenses and permits, the Owners will reimburse Manager for same if the Owners request assignment and transfer of such licenses and permits.

SECTION 15 – STRATA LOTS AND DISPOSITIONS

15.1 Limitation of Owners Liability

Notwithstanding anything contained in this Agreement, the duties, obligations and liabilities of each Owner pursuant to this Agreement will be limited to:

- 15.1.1 With respect to the duties and obligations relating directly to the Strata Lots, to such Owner's duties and obligations arising directly in respect of any Strata Lot owned by such Owner; and
- 15.1.2 With respect to duties and obligations of the Owners collectively under this Agreement;
To such Owner's proportionate share of such duties and obligations, as calculated in accordance with the Unit Share Ratio, and without limiting the generality of the foregoing:
- 15.1.3 Manager will not look to any Owner for payment of any amount in connection with this Agreement except as expressly set out herein; and
- 15.1.4 No Owner will be liable for any act or omission of any other Owner.

15.2 Sale of Strata Lot by any Owner

The Owners and Manager agree that, if at any time the Owner wishes to sell, lease, or otherwise indirectly dispose of its Strata Lot or any interest therein to any person (in this Section 15.2.2 called a "Transferee") (other than by way of financing to any Security Holder):

- 15.2.1 prior to entering into any contract or Agreement with any Transferee, the Owner will notify the Manager of the intended sale, lease, or other disposition and notify the proposed Transferee of the existence and substance of this Agreement and the fact that the Ownership and use of the Strata Lot are subject to the rights of the Manager and the Hotel Guests pursuant to this Agreement and the Rental Pool and provide the Transferee with a true copy of this Agreement.
- 15.2.2 upon reasonable notice of an intended sale, lease or other disposition of a Strata Lot by an Owner, the Manager will, upon written request from an Owner, provide to the prospective Transferee, the Annual Statements and interim financial statements provided to the Owner within the preceding two years, before the agreement to sell, lease, or otherwise dispose of the Strata Lot is entered into; the fee for such transaction to be \$50.00 (Fifty Dollars)

- 15.2.3 the Owner and the Transferee will notify Manager of the completion of the sale, lease, or other disposition of the Strata Lot and provide Manager with reasonable evidence thereof.
- 15.2.4 Manager will not be required to make any adjustments as between the Owner and any Transferee and Manager will be deemed to have fully discharged its obligations hereunder if Manager pays the Unit Revenue Share payable to such Owner, or to the order of the person who was, according to the records of the Manager, the registered Owner of the Strata Lot on the last date of the Month in which the transfer occurred.

15.3 Assumption and Release

Upon the execution and delivery of the assignment and assumption agreement by the vendor and purchaser of any unit and the transfer of title of such Strata Unit to the purchaser thereof:

- 15.3.1 the vendor of such Strata lot will be released from its duties and obligations under this Agreement insofar as such duties and obligations relate to such Strata Lot for the period from and including the date of such transfer of title, provided that the vendor of such Strata Lot will not be released from any of its duties or obligations under this Agreement in respect of any other Strata Lot owned by such vendor; and
- 15.3.2 The purchaser of such Strata Lot will be responsible for all duties and obligations under this Agreement insofar as such duties and obligations relate to such Strata Lot for the period from and including the date of such transfer of title.

15.4 Financing of Strata Lots

If title to any Strata Lot is at time to be subject to any mortgage, assignment of rents or other security registered or to be registered by any Owner against title to its Strata Lot, including any renewals, modifications, replacements, or extensions thereof, (collectively called the "Security", then:

Its Strata Lot, including any renewals, modifications, replacements or extensions thereof, (collectively called the "Security"), then;

- 15.4.1 prior to granting, the Owner of such Unit will notify the proposed holder of such security ("the Security Holder") of existence and substance of this Agreement and the fact that the Ownership and use of the Strata Lot are subject to the rights of Manager and the Hotel Guests and the Rental Pool pursuant to this Agreement and the Owner will provide the Security Holder with a true copy of this Agreement; and
- 15.4.2 if the Security Holder in respect of such Security does not agree to the priority of the Restrictive Covenant, (provided that the Restrictive Covenant remains in force) and this Agreement over the Security, the Restrictive Covenant and this Agreement will be subordinate to such Security, and Manager will, upon written request of the Owner, execute any instrument of postponement or in confirmation of the subordination of the Restrictive Covenant (provided that the Restrictive

Covenant remains in force), and this Agreement, the Owner will use its best efforts to obtain a non-disturbance agreement from such Security Holder

15.5 Attornment by Manager

Manager agrees to attorn and become the manager, in accordance with this Agreement of any purchaser, mortgagee, or trustee who becomes entitled to possession of any Strata Lot in accordance with any requirements set out in this Section 15

SECTION 16 ASSIGNMENTS BY MANAGER

16.1 Manager has the right to assign its rights under this Agreement as security to its bankers, provided thereto the assignee agrees to be liable hereunder for the obligations of the Manager to the Owners upon any enforcement by the Assignee of its security comprising Manager's rights under this Agreement. Manager has the further right, so long as it is not then in default under this Agreement, to assign its rights under this Agreement to:

16.1.1 An affiliate of the Manager; or

16.1.2 To any successor, assignee of the Manager, which may result from any merger, transfer, consolidation or reorganization;

Provided that in any such case, that the assignee enjoys the benefits of the organization of the Manager and that the Manager will continue to be liable for its obligations hereunder and following any such assignment, the Manager will deliver to the Owners' Committee an agreement pursuant to which such assignee agrees to assume and be bound by all of the provisions of this Agreement on terms and conditions determined by Manager acting reasonably. Except as otherwise provided, Manager will not directly or indirectly assign, transfer, convey or otherwise dispose of this Agreement, any interest in this Agreement or any of its rights, duties or obligations under this Agreement without the Owners' prior approval by Special Resolution

SECTION 17 – ARBITRATION

See Appendix K

SECTION 18 – DESTRUCTION

See Appendix L

SECTION 19 – EXPROPRIATION

See Appendix M

19 Force Majeure

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 of 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 delay will not be deemed a breach of this Agreement but performance of any of the said obligations or requirements will be suspended during such period or disability and the period of all such 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 all such delays.

Appendix A

1.3 Definitions

The following words as used in this Agreement have the following meanings except as otherwise expressly provided or unless context otherwise requires:

- 1.1.1 **“Active Rental”** means soliciting for the purpose of generating rental income, including marketing of the Unit(s)
- 1.1.2 **“Affiliate”** means, with respect to any person:
- a) any person which is controlled by that particular person; or
 - b) any person which controls that particular person
whether such control be direct or indirect
- 1.1.3 **Adjusted Gross Unit Revenue”** means the balance of Gross Unit Revenue minus deductions for the following expenses:
- 1) Central Reservations Fees means fees payable to Silver Star Ski Resort which are currently negotiated at a rate calculated at 6% (six per cent) of Gross Unit Revenues
 - 2) Resort Association Marketing (RAM) Fees means fees payable to Silver Star Ski Resort which are negotiated at a rate calculated at 5% (five per cent) of Gross Unit Revenues
 - 3) Credit Card Commissions assessed for payment of Revenues Collected
 - 4) Travel Agency Commissions and any discounts of similar nature which may be extended by the Manager
- 1.1.4 **“AGM”** means the Annual General Meeting of the “Strata Corporation” pursuant to the Strata Property Act.
- 1.1.5 **“Annual Statement”** has the meaning set forth in Section 8.2.2.
- 1.1.6 **“Approved Operating Plan and Budget,”** means any Operating Plan and Budget approved pursuant to Section 5.1.3. or deemed to be approved pursuant to Section 5.1.2 and Section 9.6.3
- 1.1.7 **“Arm’s Length”** means “arm’s length” according to the Income Tax Act (Canada), determined in accordance with such Act, the interpretation bulletins issued in connection therewith and all relevant case law, all as from time to time in effect.
- 1.1.8 **“Business Day”** means any day which is not a Saturday, Sunday, or a Statutory Holiday in Vernon, British Columbia, or Easter Monday, or Boxing Day.

- 1.1.9 **“Capital Expenditures”** means all expenditures of the Hotel of a capital nature, which are not expensed, as determined in accordance with Generally Accepted Hotel Accounting Principles.
- 1.1.10 **“Chartered Accountants”** refers to the firm of Chartered Accountants as selected by the Manager and approved by the Owners’ Committee.
- 1.1.11 **“Commencement Date”** means the date that the Manager assumes responsibility for management of the Hotel
- 1.1.12 **“Common Facilities”** means the common facilities (as defined in the Strata Property Act).
- 1.1.13 **“Common Property”** means the common facilities (as defined in the Strata Property Act) within the Strata Plan, other than any limited common property designated for the exclusive use of any of the Strata Lots.
- 1.1.14 **“Control”** means:
- a) The right to exercise a majority of the votes which may be put at a meeting of the shareholders of Silver Star Hospitality Management Limited; and
 - b) The right to elect or appoint, directly or indirectly, a majority of the directors of Silver Star Hospitality Management Limited or other persons who have the right to manage or supervise the management of the affairs and business of a person.
- 1.1.15 **Development”** means the 69-unit strata hotel development situated at Silver Star Mountain, British Columbia and legally described as Strata Lots 1-69 inclusive, District Lot 1355, ODYD, Plan KAS1984
- 1.1.16 **“Employees”** means the employees hires by manager pursuant to Section 9.5
- 1.1.17 **“Escalation Factor”** means the fraction (which may be greater than, equal to or less than one) of which:
- a) The numerator is the All-Items Consumer Price Index for Vancouver, British Columbia published by Statistics Canada, or its successor, as of the date that the Escalation Factor is to be determined; and
 - b) The denominator is the All-Items Consumer Price Index for Vancouver, British Columbia published by Statistics Canada, or its successor, as of the prior date to which the date of the determination of the Escalation Factor is being compared,
- except that if at any time Statistics Canada no longer publishes an All-Item Consumer Price Index for Vancouver, or is no longer operated by the Canadian Government, the Escalation Factor will be determined by the agreement of the Owners’ Committee and Manager, or, failing such agreement, by arbitration in accordance with Section 17.1
- 1.1.18 **Furniture, Fixtures and Equipment”** means all furniture, fixtures and equipment necessary for the proper operation of the Hotel and situated in the Hotel Premises, including, without limitation, telephone systems, refrigerators,

stoves, kitchen equipment, carpeting, rugs, floor coverings, draperies, curtains, works of art, pictures, paintings, prints, beds, mattresses, box springs, pillows, radios, television sets, casegoods.

1.1.19 **“Generally Accepted Accounting Principles”** means generally accepted accounting principles as published by the Canadian Institute of Chartered Accountants and as supplemented by the Uniform System of Accounts published by the Hotel Association of New York City, Inc.

1.1.20 **Gross Unit Revenue”** means all revenue of any kind derived directly or indirectly from the rental of an individual Strata Unit whenever the Manager collects the revenue, excluding however, any or all of the following:

- a) applicable excise, sales, income, hotel, room and use taxes or similar government charges collected directly from Hotel Guests and Owners or as part of the sales price of any goods and services
- b) proceeds from the sale or other disposition of Capital Assets or unwanted inventory;
- c) revenue from expropriation awards or sales or other transfers in lieu of and under threat of expropriation;
- d) proceeds of any insurance other than business interruption insurance;
- e) revenues paid by the Manager directly to the Strata Manager in respect of shared revenues for guest laundry and parkade, rent for the Commercial laundry, where such revenues will form part of the Strata Manager Operating Budget.

1.1.21 **“Hotel”** means the Hotel premises and hotel operations known as “Silver Creek Lodge” managed by the Manager for the Owners pursuant to this Agreement, but does not include Common Property, Common Facilities or other assets of the Strata Corporation.

1.1.22 **“Hotel Bank Accounts”**
means the bank accounts established pursuant to Section 8.1

1.1.23 **“Hotel Expenses”**
means all expenses properly incurred in accordance with Generally Accepted Accounting Principles and the terms and conditions set out in this Agreement in connection with the earning of Gross Revenue and chargeable to the Owners in accordance with this Agreement, such as but not limited to:

- a) The total of all Utility Costs, Snow Removal, Landscaping, Elevator Maintenance costs, Cable TV, Wireless Internet, Telephone, Water and Sewage charges with the noted exceptions as follows:
 - **In those cases where the “Strata Manager” pays bills for any such services directly, there will be no additional billings paid on behalf of the Owners by the Manager**
- b) Expenses in connection with the maintenance and repair of any Furniture, Fixtures and Equipment located in Owner Units. Such expenses are deemed to be the sole responsibility of the individual Unit Owner and the Manager will have the right to incur any one-time expense of up to \$300.00 (Three Hundred Dollars) in each Operating Year without seeking approval from the

Unit Owner. Such expense will be deducted from the Owner's Share of "Adjusted Gross Revenues".

In the event that any single maintenance, repair or replacement cost exceeding \$300.00 (three hundred dollars) is required for a Unit, this matter will be brought directly to the affected Unit owner's attention and the Owner is expected to arrange for correction of the deficiency at his/her expense in a timely manner so as to return the Unit to an "available rental inventory" status as soon as possible.

- 1.1.24 **Hotel Guests**" means the occupants of the Strata Lots from time to time
- 1.1.25 **"Land Title Office"** means the Kamloops Land Title Office or the successor thereof
- 1.1.26 **"Limited Service Resort"** means the standards of a first-class, limited service resort, in accordance with hotel industry standards with regard to Silver Star Mountain, having regard to the facilities of the Hotel (which, for example, do not contain a restaurant, provide room service, concierge service, or an on-site 24-hour front desk.
- 1.1.27 **"Manager"** means Silver Star Hospitality Management Limited, its successors and permitted assigns.
- 1.1.28 **"Manager's Share"** means that portion of "Adjusted Gross Revenue" payable to the Manager established and paid pursuant to Section 7.1.
- 1.1.29 **"Rental Booking System"** means a bona fide rental management facility or arrangement whereby not less than all of those Units still subject to Section 219 Covenant KL074896 are made available for rental to the Public.
- 1.1.30 **"Reservations Services Agreement"** means the reservations services agreement between the Manager and Silver Star Ski Resort Ltd.
- 1.1.31 **"Rental Sharing and Management Portion of this Agreement"** means that any Unit in this Agreement is available to Manager for rental on any night(s) throughout the Calendar year, unless either a Unit has been pre-booked for personal use by Owner, or if Owner has completed and forwarded to Manager in a timely manner the "Opting Out Agreement". Reservations for Units may be taken at any time for space request made up to 24 months in advance and Owner agrees to honour all reservations taken on behalf of his/her Unit
- 1.1.32 **"Monthly Statement"** has the meaning set forth in Section 6.1
- 1.1.33 **"Operating Plan and Budget"** means the marketing and operating plan and budget for the operations of the Hotel for any Operating Year established pursuant to the terms of Sections 5.1 and 5.2
- 1.1.34 **"Operating Supplies and Expendables"** means all operating supplies used by the Manager in the operation of the Hotel in accordance with this Agreement, including without limitation, laundry supplies, linens, housekeeping supplies,

maintenance supplies, accounting supplies, miscellaneous and general supply items, uniforms, inventories, paper supplies, and other such items that when used once, are considered to be disposed of, and all other similar items necessary or appropriate for the operation of the Hotel, as contemplated by this Agreement. The Manager is solely responsible for the costs of Operating Supplies and Expendables.

- 1.1.35 **“Opting Out Agreement”** refers to the separate Agreement extending to any Unit Owner(s) the right to be excluded from the Revenue Sharing and Management portion of this Agreement.
- 1.1.36 **“Operating Year”** means the 12-month period as set by the Strata Corporation with the approval of the Canada Revenue Agency, which is currently set as;
- a) the period beginning the first day of May, each year, through to and including the thirtieth day of April, the following year; and
 - b) thereafter, each period of twelve (12) months from and including the first day of May to and including the thirtieth day of April, or a portion thereof in the case of the year of the last year of the Term.
- 1.1.37 **“Owner”** means the registered Owner of a Unit(s), and the spouse of that Owner and in those cases where there is more than one registered Owner, all of the registered Owners and their spouses and where the Unit Owner is a corporation(s) all directors and officers of that corporation(s)
- 1.1.38 **Owners Committee”** means the committee representing the Owners, established pursuant to Section 4.2.
- 1.1.39 **“Owner Personal Use”** means that an Owner has the right to occupy his/her Unit personally or to designate use of his/her Unit to any person (referred to as “Guest of Owner”) of his/her choosing providing such use is in keeping with the Terms of this Agreement. Only the Owner has the right to reserve his/her Unit for personal or guest use
- 1.1.40 **Owners Strata Lot Expenses”** means the following amounts payable in respect of the Units:
- a) property taxes; and
 - b) Monthly Strata Fees and other amounts payable to the Strata Corporation
- 1.1.41 **“Person”** means any individual, corporation, body corporate, partnership, joint venture, trust, unincorporated organization or other entity, government or governmental or regulatory authority, however constituted, or any trustee, executor, administrator, or other legal representative.
- and;
- “Related Person” means with respect to any person who is;
- a) any Affiliate of such person
 - b) any person who is not at Arm’s Length to such person or any Affiliate of such person; and
 - c) any person who is a director, officer, employee or agent of such person
- 1.1.42 **Prime Rate”** means the floating rate of interest used by the main branch of the Bank of Montreal from time to time as a reference rate for establishing rates of

interest for Canadian Dollar Loans payable on demand and commonly known as “prime rate”

- 1.1.43 **“Rental Management and Cost Sharing Agreement”** means the rental management arrangement in respect to the Hotel Premises undertaken by Manager on behalf of the Owners pursuant to this Agreement
- 1.1.44 **“Strata Property Act”** means the Strata Property Act_(British Columbia)
- 1.1.45 **“Special Resolution”** means a resolution passed at a meeting of the Owners properly convened in accordance with Section 4, of at which at least 14 days notice specifying the purpose of the Special Resolution has been given, passed by the Owners present or represented by proxy and representing not less that 75% (seventy-five per cent) of the Strata Lots entitled to vote thereon.
- 1.1.46 **“Strata Corporation”** means the Owners, Strata Plan No. KAS1984.
- 1.1.47 **“Strata Corporation Bylaws”** means Bylaws and Rules and Regulations of the Strata Corporation.
- 1.1.48 **“Strata Council”** means the members of the Strata Council of the Strata Corporation who are appointed by the Owners of the Strata Lots or who are representatives of the Owners of the Strata Lots.
- 1.1.49 **“Strata Lots”** means 69 strata lots on Strata Plan KAS1984 together with any limited Common Property designated for the exclusive use of any such Strata Lots.
- 1.1.50 **“Strata Plan”** means Strata Plan KAS1984
- 1.1.51 **“Term”** has the meaning set forth in Section 2.2.
- 1.1.52 **“Unit Entitlement”** means the unit entitlement of any Strata Lot(s) as set out in the Strata Plan.

Appendix B

1.2 Interpretation

For all purposes of this Agreement, except as otherwise expressly provided, or unless the context otherwise requires:

- 1.2.1 “Agreement” means the “RENTAL MANAGEMENT AND COST SHARING AGREEMENT” as it may from time to time be supplemented or amended by one or more agreements between the parties in accordance with the terms hereof.
- 1.2.2 All references in this Agreement to designated “Articles”, “Sections” and other Subdivisions are to be designated Articles, Sections and other Subdivisions of this Agreement;
- 1.2.3 The words “herein”, “hereof” and “hereunder” and other words of similar import refer to this Agreement as a whole or not to any particular Article, Section, or other Subdivision;
- 1.2.4 The headings are for convenience only and do not form a part of this Agreement as a whole, or not to any particular Article, Section, or other Subdivision;
- 1.2.5 The word “including” when following any general statement, term, or matter, will not be construed to limit such general statement, term, or matter to the specific items terms or matters set forth immediately following such word, or to similar items or matters, whether or not non-limiting language (such as “without limitation” without limiting the generality of the foregoing, or but “not limited to” or words of similar import) is used with reference thereto, but rather shall be deemed to refer to all other items or matters that could reasonably fall within the broadest scope of such general statement, term or matter;
- 1.2.6 Words importing the neutral gender include the masculine or feminine gender and words in the singular include the plural and vice versa.

1.3 Applicable Law

This Agreement shall be governed by and construed and enforced in accordance with the laws of the Province of British Columbia, which will be deemed to be the proper law hereof, and, subject to Section 17, the Courts of British Columbia will have exclusive jurisdiction in connection with all matters under this Agreement and the interpretation and enforceability hereof.

Appendix C

SECTION 4 – OWNER’S DECISIONS AND OWNER’S COMMITTEE

4.1 Owners Meetings

The Owners will have meetings in respect of the Agreement as follows:

- 4.1.1 any duly called meeting of the Strata Corporation at which the Owners are entitled to attend and to vote in respect of the Strata Lots, of a properly convened General Meeting of the Owners under the Strata Act and the Strata Corporation Bylaws.
- 4.1.2 the Owner’s Committee may, upon notice to the Owners, equivalent to the notice required to be given to the Owners of the Strata Lots, of a properly convened General Meeting of the Owners under the Strata Act and the Strata Corporation Bylaws, call a meeting of the Owners under and in respect of this Agreement.
- 4.1.3 Without limiting any rights of Manager if Manager is an Owner, unless otherwise determined by the Owner’s Committee from time to time, Manager, as manager, will be given notice of and entitled to attend meetings of the Owners.

Owners’ Committee

The Owners will be represented by an Owners’ Committee established pursuant to this Section 4.2 as follows:

- 4.2.1 unless otherwise elected by the Owners, the Owner’s Committee will be comprised of each of the members of the Strata Council;
- 4.2.2 notwithstanding the foregoing, the Owners may, at any time, elect at a meeting called pursuant to Section 4.1 a different Owner’s Committee, comprised of up to five owners, upon which the new Owner’s Committee will notify the Manager in writing thereof;
- 4.2.3 each Strata Lot will be allocated one vote in the selection of the Owner’s Committee; no Owner may nominate or elect more than one representative to the Owner’s Committee and no group of two or more Owners who are Related Persons may nominate or elect more than one representative to the Owner’s Committee;
- 4.2.4 Manager will advise the Owners of any nominee to the Owner’s Committee who is a representative of Manager prior to the election of such person to the Owner’s Committee;
- 4.2.5 All decision of the Owner’s Committee will be made by a majority of the members of the Owner’s Committee, provided that no person on the Owner’s Committee who is a related person to Manager or appointed to the Owner’s Committee by Manager may vote in respect to any matter under, or relating to

this Agreement; a quorum for a meeting of the Owner's Committee will be a majority of the members of the Owner's Committee;

- 4.2.6 Meetings of the Owner's Committee will be held at Silver Star Mountain, British Columbia, or such other place as may be determined by the Owner's Committee and such meetings may be held by telephone conference call;
- 4.2.7 The members of the Owner's Committee will be given not less than seven (7) days notice of meetings of the Owner's Committee, unless otherwise agreed by all members of the Owner's Committee;
- 4.2.8 In all other respects, meetings of the Owner's Committee will be governed by the rules applicable to meetings of the Strata Council pursuant to the Strata Property Act and the Strata Corporation Bylaws;
- 4.2.9 Unless otherwise determined by the Owner's Committee from time to time, Manager will be given notice of and be entitled to attend meetings of the Owner's Committee;
- 4.2.10 Manager will be entitled to rely on any agreement, document or instrument signed by the chairperson or any two members on behalf of the Owner's Committee; and
- 4.2.11 All acts and things done by the Owner's Committee as set out in this Agreement will be binding upon all of the Owners and Manager will be entitled to reply on all acts and things done by the Owners' Committee in purported compliance with this Agreement, except where a special resolution is expressly required.

4.3 Release and Indemnity of Owners' Committee

The Owners hereby release and agree to fully indemnify and hold harmless the members of the Owners' Committee for all acts and things done by members of the Owners' Committee as members of the Owners' Committee in good faith in connection with this Agreement.

4.4 Major Decisions – Special Resolutions

The following will be subject to the approval of the Owners by Special Resolution:

- 4.4.1 Any amendment to or modification of this Agreement, with the exception of Section 9.8 which may be amended by Strata Council
- 4.4.2 The termination of this Agreement pursuant to Section 14.2.
- 4.4.3 Any other matter which, pursuant to the terms of this Agreement is required to be approved by Special Resolution

4.5 Owners to be Bound

All of the Owners will be bound by acts and things done by the Owners' Committee in accordance with this Section 4 and this Agreement and any Special Resolutions passed by the Owner at any meeting of the Owners in accordance with this Section 4 and this Agreement

Appendix D

SECTION 5 – OPERATING PLAN AND BUDGET

5.1 On or before May 1 of each year, Manager will prepare and deliver to a meeting of the Owners' Committee duly convened in accordance with this Agreement, a preliminary Operating Plan and Budget for the following Operating Year and Manager will review same with the Owners' Committee.

5.1.1 Each Operating Plan and Budget is subject to the approval of the Owner's Committee and no Operating Plan and Budget will be an Approved operating Plan and Budget unless it is approved by the Owner's Committee or otherwise in accordance with this Section 5.1.2. If any Operating Plan and Budget is not approved by the Owner's Committee, then:

- a) pending resolution of any disputed item, the specific disputed items of the Operating Plan and Budget will be suspended and replaced for the Operating Year in question by an amount equal to lesser of (A) that proposed by Manager for such Operating Year, or (B) such budget item in the Approved Operating Plan and Budget for the Operating Year prior thereto, subject to escalation per item by the escalation factor, over the twelve (12) month period immediately preceding the start of the Operating Year in question, provided that if such budget item was not in the Approved Operating Plan and Budget for the Operating Year thereto, such item will be suspended pending resolution of such item; and
- b) either the Owner's Committee or the Manager may submit the Operating Plan and Budget to be settled by arbitration in accordance with Section 17.1

5.1.2 Manager makes no assurances that actual performance of the Hotel will correspond to such estimates contained in the Approved Operating Plan and Budget. However, Manager agrees to use its best efforts to operate the Hotel within the Approved Operating Plan and Budget. The Owners acknowledge that notwithstanding the Manager's experience and expertise in relation to operation of hotels, the projections contained in each Operating Plan and Budget are subject to and may be affected by changes in financial, economic and other conditions and circumstances beyond Manager's control.

5.2 Inclusions in Operating Plan and Budget

- 5.2.1 The projected Gross Revenue; detailed as to each source of revenue, together with information and background as to how the various projections have been determined;
- 5.2.2 the projected "Adjusted Gross Revenue" and the projected total distribution of adjusted Gross Revenues to Owners participating in this Agreement
- 5.2.3 the marketing strategy and plan for the Hotel; and
- 5.2.4 any recommended capital improvements to be made to the Hotel premises.
- 5.2.5 The provision of paragraph 9.6.3

(Manager agrees to establish for the Hotel, as part of the Operating plan and Budget, an Annual Marketing Plan for each Operating Year, including, but not limited to:

- a) Determination of Sales Policy of the Hotel
- b) Determination of yearly and long-term objectives regarding occupancy rates, revenues, and clientele
- c) In consort with the Owner's Committee, Establishment of all Hotel Rates
- d) Setting of any special sales terms
- e) Determination of credit practices
- f) Establishment of sales methods and procedures relating to the various clientele segments; and
- g) Analysis of results and permanent control)

5.3 Budget Summary

Manager will mail to each of the Owners a summary of each Approved Operating Plan and Budget once it is approved in accordance with this Section 5

Appendix E

SECTION 8 – HOTEL BANK ACCOUNTS BOOKS AND RECORDS

8.1 Manager will have the right to designate the Canadian Chartered Bank with which the Hotel will conduct its various banking affairs, and all funds received in the operation of the Hotel, will be deposited into one or more trust accounts bearing the name of the Hotel. The Hotel Bank Accounts will be under the control of the Manager and only persons authorized by the Manager will sign cheques and other documents of withdrawal. All Owner funds in the Hotel Bank Accounts will belong to the Owners and will be dealt with in accordance with this Agreement. Manager is hereby authorized to pay all Hotel Expenses, Capital Expenditures, Capital Lease Payments and Fees incurred in accordance with this Agreement from the funds in the Hotel Bank Accounts. Manager may, at its own discretion, invest the funds in interest bearing instruments of quality acceptable under the Trustee's Act.

8.2 Books, Records, Financial Statements

- 8.2.1 Manager agrees, on behalf of the Owners, to keep proper books of account and other records relating to, or reflecting the results of the operations of the Hotel in accordance with this Agreement. All books of account and other records are the property of the Owners and will be available to the Owners' Committee at all reasonable times for examination, audit, inspection and copying. Upon any termination of this Agreement, all financial books and records will be turned over herewith to the Owners Committee to ensure the orderly continuance of the operations of the Hotel. All books and records will, for so long thereafter as the Manager may remain subject to an audit from Revenue Canada in respect of any Operating Year during which the Manager managed the Hotel pursuant to this Agreement, be available to the Manager, at all reasonable times for inspection, audit examination and copying. Manager will pay any costs and expenses incurred in providing books and records to Owner(s) after termination.
- 8.2.2 Within ninety (90) days after the end of each Operating Year, Manager agrees to cause to be prepared and mailed to all of the Owners, reasonably detailed financial statements in accordance with Generally Accepted Hotel Accounting Principals.

Unless otherwise agreed by the Owner's Committee in advance, the Annual Statement will be audited by the Chartered Accountants and will contain a certification by the Chartered Accountants to the effect that all such items have been calculated in accordance with the terms of this Agreement.

Appendix F

Separate Manager Contracts and Agreements

A) Manger's Rentals & Agreements with Strata Corporation for Strata Facilities and Equipment

9.8.1 Commercial Laundry Rental

In order to carry out its mandate to operate the Housekeeping Department, Manager agrees to enter into a rental contract with the Strata Manager for exclusive use of the Commercial Laundry located on the main floor, Silver Creek Lodge, it being understood that such use of the Commercial Laundry will be primarily to deal with laundry items for Silver Creek Lodge.

9.8.2 Parkade Rental

Based on the limited number of parking stalls available, Strata Council has decided that an element of control must continue to be placed on use of the Parkade area. Accordingly, the Manager has agreed to lease the Parkade from the Strata Corporation at an annual lease rental of \$4,000.00 (Four Thousand Dollars). Key features of the lease will be:

- Manager will continue to be responsible for the maintenance of the parkade area
- Guests will be offered use of the Parkade based on payment of a rental charge expected to be calculated as follows:

Rental Rates for the period Nov. 01, 2007 through October 31, 2008

Single-day Rental = \$7.50

2 to 5 days Rental = \$ 5.00 per night

5 days or greater = \$25.00 per week

Unit Owners, when occupying his/her Unit will be extended 1 (one) parking stall per Unit occupied, dependent on availability. Owners, occupying their Unit may, dependent on availability, acquire additional parking stalls, during their stay at regular rental rates.

All vehicles in the Parkade must display "Parking Passes, issued at the front desk. Any vehicle not displaying a parking pass is subject to towing.

9.8.3 Guest Laundry

Manager has agreed to service the "guest laundry area and washer/dryer machines on the following terms:

- Manager will keep the area clean and tidy at all times and will be responsible for preventative maintenance to equipment.
- Manager will collected all monies received from washer/dryer machines and remit to the Strata Manager a monthly accounting of revenues collected and accompanied by a "commission payment" to the Strata Manager equal to 50% (fifty per cent) of the revenues collected from the washers and dryers.

Manager will stock at its own expense, all supplies such as detergent, fabric softener and will be entitled to retain any and all monies received for same

9.8.4 Confectionary and Soft Drink Machines

Manager will continue to provide vending machines for the provision of soft drinks and confectionary items as guest service and stock machines at its own expense. Manager will be entitled to retain any revenues derived from these machines.

Appendix G

B) Manger's Rentals & Agreements with Strata Corporation for Manager Services and Equipment

With the dissolution of the "Revenue Pooling and Cost Sharing Agreement, certain services which were normally cost-shared and noted on Owner Statements as "Operating Expenses" will no longer be treated in the same manner. Included in these services are:

a) Telephone and Switchboard and Wireless Internet Services

Manager has agreed to supply telephone and wireless internet services to the Strata Manager at a rate of \$25.00 monthly plus applicable taxes. Payment for these services will now be included in Owners' Strata Fee

b) Television Cable Connection Services

Television Cable Connection Services were originally negotiated through Silver Star Club Resort at a package rate for all 3 properties, then charges through the "Cost Sharing Agreement" as part of the "operating Expenses" shared in the Rental Pool and Cost Sharing Agreements.

Manager has agreed to continue to share the existing agreement rates with Silver Creek Owners, and accordingly will bill to the Strata Manager a monthly amount equal to 69/124ths of the total cable connection billings received, such proportionate share representing the total number of Units in Silver Star Club Resort (124) as the "divisor" and Silver Creeks total Units (69) as the "multiplier in determining Silver Creek's fair share. Payment for these services will now be included in the Owner's Strata Fees.

c) Common Area Expenses

Common Area Expenses, which currently form a part of Strata Fees, will continue as such and be contracted with the Strata Manager based on current rates. Such common area expense now includes:

Housekeeping Related Services

- Cleaning of all common area lobbies, stairwells, corridors, exercise room, hot tub change rooms, guest ski locker area, exercise area and garbage removal from all guest units, whether participating in this Agreement having opted out of this Agreement.

Maintenance Related Services

- Hot tub servicing and chemical costs for same,
- Daily check of mechanical areas and preventative maintenance in the form of any drive belt tightening and replacements, temperature adjustments, air flow adjustments if required, lubrication of pulleys and exposed moving parts
- Grounds maintenance and snow removal from entry areas
- Transportation of refuse to waste transfer station

d) Building Security

The Manager will enter into a contract with the Strata Manager to provide Security Services as follows:

- Monitoring of the new closed-circuit security system currently being installed, with monitors located at the Front Desk
- Monitoring of the Parkade vehicle emission detection system located in the Parkade
- Response to fire alarms including contact of the authorities\Daily shut-down of Hot tub Area and exercise facility
- Daily walk-through of the building between the hours of 10pm and 2am to ensure guest quiet.
- Dealing with guest complaints of noise or unruly behaviour
- Ensuring compliance with Strata policies regards to pets, non-registered guests etc, are
- Reporting of any unusual or serious occurrences such as theft, damages etc. are properly recorded and reported to Strata Council

The contracted fee for Security Services will be \$750.00 (seven hundred and fifty dollars) monthly for the contract period.

The term for all contracts will be from the Commencement Date through April 30th each year and will be renewed subject to the following:

- a) Contract renewals will be dated to coincide with the dates of the “Revenue Sharing and Management Agreement” and any renewals will be subject to any increase in the cost of labour, products or supplier charges
- b) Strata Council or Manager retains the option to terminate any or all contracts by providing Manager with 60 days notice.

9.9 Maintenance and Quality Assurance to Participating Owners

For those Owners who have not opted out of the Revenue Sharing and Management portion of this Agreement Manager will include the following services at no additional charge to the Unit Owner(s);

9.9.1 Inspections and Quality Control

Regular inspections will be conducted on their Units and any deficiencies noted and discussed with the Unit Owner (s). Any Owner who fails to maintain his/her Unit in a rentable standard, will be notified that they may be excluded from the Rental Pool until corrective measures have been implemented.

9.9.2 Regular Maintenance Services

Manager will provide at no additional charge, the following services:

- a) Bulb replacements
- b) Fuses and stovetop element replacements

- c) Washer replacements in the event of leaks in the sinks, toilets or dishwashers
- d) Clearing of stopped drains in sinks, toilets and dishwashers
- e) Battery replacements in TV remote units
- f) Wall-mounted hairdryer replacements where required
- g) Minor repairs to closets, blinds, case goods
- h) Upkeep and replacement of in-Unit coffee makers and coffee cups

Appendix H

SECTION 11 – COVENANTS, REPRESENTATIONS AND WARRANTIES

11.1 Covenants

All of the terms and provisions of this Agreement will be deemed and construed to be “covenants” to be performed by the respective parties as though words specifically expressing or importing covenants and conditions were used in each separate term and provision hereof.

11.2 Representations and Warranties of Manager

Manager covenants, represents and warrants as follows:

It is a corporation duly incorporated under the laws of the Province of British Columbia and is duly qualified as a corporation authorized to do business in British Columbia it has full corporate power, authority and legal right to operate the Hotel and to perform and observe the provisions of this Agreement; and

11.2.1 This Agreement constitutes a binding obligation of Manager enforceable in accordance with its terms; and

11.2.2 It will, during the term, preserve and keep in effect, at its own expense and not as a Hotel Expense, its corporate existence, rights and licenses as required to carry on the business in the Province of British Columbia

11.3 Representations and Warranties of Owners

Each of the Owners covenants, represents and warrants as follows:

11.3.1 Unless otherwise disclosed by the Owner to Manager in writing, the Owner is not, and during the Term will not be a non-resident of Canada for the purposes of the Income Tax Act (Canada);

11.3.2 If such Owner is a corporation, it is a corporation duly authorized to do business under the laws of the Province of British Columbia;

11.3.3 It has full power, authority and legal right to own real property in British Columbia and to execute and deliver and to perform and observe the provisions of this Agreement;

11.3.4 This Agreement constitutes the valid and binding obligations of the Owners enforceable in accordance with its terms; and

11.3.5 If such Owner is a corporation, it will, during the term of this Agreement, preserve, and keep in effect, at its own expense, its corporate existence, rights and licenses to carry on business in the Province of British Columbia

Appendix I

SECTION 12 – INSURANCE

12.1 Insurance

Manager will, with the exception of 12.1.5, for itself and the Owners, at the sole cost and expense of Manager take out and maintain at all times during the Term:

12.1.1 Comprehensive public, products and Innkeeper's liability and property damage insurance against claims for personal and bodily injury or death and property damage occurring in or about the Hotel premises, or the Common Property, with a single limit of not less than \$1,000,000.00 per occurrence, wherever practicable, or such higher amount as the Owners' Committee and Manager may agree, acting prudently;

12.1.2 Reasonable levels of business interruption insurance as determined by Manager, acting reasonably

12.1.3 Employer's liability insurance, with a minimum liability limit of \$1,000,000.00

12.1.4 Employee honesty insurance in the amount of \$5,000,000.00 per occurrence

12.1.5 The Owners in the will maintain Liability coverage in the amount of \$1,000,000 for their Strata Lot.

12.2 Parties Insured

All insurance policies provided for in Section 12.1 will either include the Owners and Manager as parties insured as their interests may appear or contain an endorsement providing that the insurance company waives any right of recovery against Manager on account of any loss payable under such policies. All insurance policies referred to in Section 12.1 will provide that same may not be cancelled or materially modified until at least ten (10) days after prior notice to the Owners' Committee and Manager.

12.3 Insurance by Manager

The cost of furnishing any insurance pursuant to Section 12.1 will be borne by the Manager.

12.4 Schedules of Insurance

Manager will provide the Owners Committee with copies of the insurance certificates for any insurance obtained pursuant to Section 12.1. At least once during each Operating Year, Manager will furnish to the Owners a schedule of insurance, listing the number of policies of insurance obtained by Manager then outstanding and in force with respect to the Hotel Premises, or any part thereof,

the names of the companies issuing such policies, or dates of such policies and the risks covered thereby.

Appendix J

SECTION 13 – TITLE

13.1 Title

Each Owner covenants, represents and warrants that:

- 13.1.1 It has, and that throughout the Term, it will maintain, full ownership of the Owner's Strata Lot and Furniture, Fixtures and Equipment therein, free and clear of all liens and encumbrances except those registered against title as of the Commencement Date, any Security and those hereafter approved in writing by the Manager;
- 13.1.2 Manager, upon fulfilling its duties and obligations herein, will and may peaceably and quietly possess, manage and operate the Owner's Strata Lot and the Furniture, Fixtures and equipment therein during the Term. Each Owner will, at its own expense undertake and prosecute any appropriate action, judicial or otherwise, to assure peaceful and quiet possession of such Owner's Strata Lot by Manager; and
- 13.1.3 Throughout the Term it will observe and perform all terms, covenants, conditions, duties and obligations required under the Reservation Services Agreement, and any lease, mortgage, or other agreement creating a lien on the Owner's Strata Lot and the Furniture, Fixtures and Equipment therein and pay all property taxes.

Nothing in this Section 13.1 shall be construed as preventing an Owner from selling his Strata Lot, subject to compliance with Section 15.3.

Appendix K

SECTION 17 – ARBITRATION

17.1 Arbitration

Where pursuant to the terms and conditions of this Agreement a matter is submitted to arbitration, such matter will be settled in accordance with this Section 17.1. If any such matter is so submitted to arbitration, the arbitration will be final and binding upon the parties and will be conducted as follows:

- 17.1.1 The rules of procedure (“the Rules”) for domestic arbitrations of the British Columbia International Commercial Arbitration Centre (“the Centre”) will apply to the arbitration except as otherwise provided in this Section 17.1
- 17.1.2 such matter will be determined by a single arbitrator agreed upon by the parties, or, failing agreement on the arbitrator by the date which is ten (10) days after the party submitting the matter to arbitration has notified the other party that it wishes the matter to be determined by arbitration, the arbitrator will be appointed by the Centre, upon request by either party at any time after such date.
- 17.1.3 The arbitrator will be an experienced Hotel Consultant or such person as is approved by the Manager and the Owners’ Committee.
- 17.1.4 The arbitrator will make his determination based on written submissions and affidavits (including expert evidence) submitted by the parties, without any hearing, unless the arbitrator determines that a hearing is necessary, and the arbitrator may require the parties to make further and other written submissions or provide further and other affidavits. Each party will receive a copy of each such submission and affidavit.
- 17.1.5 The arbitrator’s decision will be final and binding on the parties.
- 17.1.6 The parties will share all costs of the arbitrator equally, unless otherwise determined by the arbitrator.
- 17.1.7 The parties agree and acknowledge that they have for arbitration to determine the matters set out in this Section 17.1 so as to promote the efficient, expeditious and inexpensive resolution of the issue. The parties agree to act at all times so as to facilitate, and not frustrate nor delay, such efficient, expeditious, and inexpensive resolution of the issue. The arbitrator is authorized and directed to make orders, on his initiative or upon application of either party, to ensure that the arbitration proceeds in an efficient, expeditious and inexpensive manner, and in particular, to enforce the time limits provided for in the Rules or as set out by order of the arbitrator, unless the arbitrator considers it inappropriate to do so. The parties acknowledge and agree that it is their wish that the issue be determined within thirty (30) days after appointment of the arbitrator, subject to an order of the arbitrator extending the date.

Appendix L

SECTION 18 – DESTRUCTION

18.1 Owners to Restore After Insured Casualty

If the whole or any part of the Hotel is damaged or destroyed by any cause for which insurance coverage is maintained, then the Owners shall, (to the extent permitted by the amount of insurance proceeds payable to the Owners on account of such damage or destruction) repair, replace or rebuild the Hotel (the “Casualty Restoration”) as nearly as is reasonably possible to its value, condition and character immediately prior to the occurrence of such damage or destruction. Manager shall cooperate with the Owners in obtaining all insurance proceeds payable on account of such damage or destruction so that the same shall be available to the Owners (subject to the terms of any insurance trust agreement and the mortgages on the Hotel) as the Casualty Restoration progresses. The Owners shall commence the Casualty Restoration promptly after occurrence of such damage or destruction and shall complete the same with diligence.

18.2 Termination After Substantial Insured Casualty

If more than 30% of the Strata Lots are rendered unusable for use by guests as a result of any damage or destruction to the whole or any part of the Hotel when the Term shall have no more than three (3) years to run, then either the Owners or Manager may Terminate Manager’s appointment under this Agreement within three (3) months after the occurrence of the damage or destruction giving rise to such right of termination by giving notice to the other party hereto specifying a date (which shall be no earlier than one (1) month, not later than two (2) months after the giving of such notice) when Manager’s appointment under this Agreement shall terminate.

18.3 Uninsured Casualty – Owners’ Option to Terminate or Restore

If the whole or any part of the Hotel becomes damaged or destroyed for any cause for which was not maintained by the Owners and the cost of the Casualty Restoration exceeds 25% of the replacement value of the Hotel, as determined by an independent licensed architect selected by Manager and the Strata Council, and Owners elect to make such Casualty Restoration, then the Owners may terminate this Agreement within two (2) months after the occurrence of such damage or destruction and said determination by giving notice to Manager specifying a date (which shall be no earlier than one (1) month, not later than two (2) months, after the giving of such notice) when Manager’s appointment under this Agreement shall terminate. If the Owners and Manager fail to agree upon the selection of an independent licensed architect, either party may have the same appointed by the governing body of architects in the Province of British Columbia or by the person acting as the top official of such body, by either party delivering a request for such appointment in writing to the said body and by deliver a copy of such request to the other party. The architect so appointed or selected by Manager and the Owners shall give to Manager and Owner his determination with respect to the cost of the restoration and the replacement value of the Hotel within sixty (60) days after his selection or appointment. If Owners do not terminate Manager’s appointment under this

Agreement pursuant to the forgoing provisions of this Section 18.3, then the Owners shall commence the Casualty Restoration promptly after the occurrence of such destruction or damage and shall complete the same with diligence.

18.4 First Right of Refusal

If this Agreement is terminated by the Owner(s) pursuant to provisions of this article 18 and within a period of 18 months after termination, Owner commences the construction of a Hotel on the Premises, then Manager shall be given a right of first refusal to operate the Hotel on a basis as set forth in this Agreement subject to those changes required by the changes in circumstances.

Appendix M

SECTION 19 – EXPROPRIATION

19.1 Appropriation Where Agreement Terminated

In the event of expropriation of either the fee of, or a perpetual easement upon all of the Hotel, or a substantial part thereof, and the part not so taken cannot be repaired, restored, or replaced or rebuilt so as to constitute a First Class Hotel facility, Manager's appointment under this Agreement shall terminate as of the date of expropriation.

19.1.1 If Manager's appointment under this Agreement terminates pursuant to Section 19.1, all compensation and damages for the taking of the land and the improvements, including any interest on such award, shall be paid to the Owners as their absolute property, subject to the terms of any mortgages, provided however, that Manager shall have the right to claim or recover from the expropriating authority, but not from Owners, such amount as may be separately awarded or recoverable by Manager for loss of income.

19.2 Expropriation Where Agreement Not Terminated

In the event of expropriation of either the fee of, or a perpetual easement upon, less than all of the Hotel, and if this Agreement is not terminated pursuant to the provision of Section 19.1, this Agreement shall remain in force with respect to the remainder of the Hotel, and, if any part of the Hotel is taken, the Owners, to the extent of the proceeds of the expropriation paid to them as their absolute property (i.e. not paid to any mortgagees), shall repair, restore, replace or rebuild the Hotel as nearly as possible to its value, condition and character immediately prior to expropriation. The Owners shall commence such work promptly after the date of expropriation and shall complete the same with diligence.

20 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.

21 Canadian Funds

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

22 Waiver or Breach

No failure by the 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, 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 than existing or subsequent breach.

23 Severability of Provisions

If any provision of this Agreement or the application thereto 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 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.

24 Notices

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

24.1 If to Manager:

Silver Star Hospitality Management Ltd.
152 Silver Lode Lane, P.O. Box 3003, Silver Star Mountain
British Columbia, Canada, V1B 3M1

24.2 If to the Owners:

At the current address of the Strata Council Chairperson

In the case of any other Owner, to the address of such Owner as notified by such Owner to Manager, or, in any case, at such address as the party to whom the notice is sent will have been designated in accordance with the provision of this Section 20.5. All notices will be delivered personally, by fax or mailed by postage pre-paid 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 have been received:

- on the date of deliver or transmittal thereof if delivered personally or sent by fax; or
- on the fifth Business Day after the mailing thereof, if sent by mail.

25 Successors and Assigns

Subject to the provisions of Section 15.3, this Agreement shall endure to the benefit of and shall be binding upon the heirs, executors, successors, legal representatives and permitted assigns of the parties.

26 Counterparts

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

27 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 such notice to the matter (in reasonable detail) as to which such approval is requested.

28 Force Majeure

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 of 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 delay will not be deemed a breach of this Agreement but performance of any of the said obligations or requirements will be suspended during such period or disability and the period of all such 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 all such delays.

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

**BY
THE OWNERS OF THE STRATA LOTS AS SIGNED BY THE CURRENT
STRATA COUNCIL PRESIDENT**

_____ **Date:** _____
by its authorized signatory:
Per: James Skinner

**BY MANAGER
SILVER STAR HOSPITALITY MANAGEMENT LTD.**

_____ **Date:** _____
by its authorized signatory
Per; J. Wayne Roberts