



# VACATION LEASE - FLOATING LEASE 2009

Lease Agreement made this \_\_\_\_\_ day of \_\_\_\_\_,

BY AND BETWEEN:

FAIRMONT HOT SPRINGS RESORT LTD. a body corporate  
with offices at Fairmont Hot Springs, British Columbia  
(the "Lessor")

AND:

\_\_\_\_\_  
\_\_\_\_\_  
(the "Lessee")

## FLOATING WEEK

- (i) \_\_\_\_\_ annual (commencing 20\_\_\_\_) or  
\_\_\_\_\_ biennial (\_\_\_\_ odd or \_\_\_\_ even calendar years commencing 20\_\_\_\_)
- (ii) Season: \_\_\_\_\_ Golden (Weeks 24 to 36 inclusive, 51, 52 and Easter Week)  
\_\_\_\_\_ Golf Prime (Weeks 12 to 23 inclusive excluding Easter Week, Weeks 37 to 43 inclusive)  
\_\_\_\_\_ Ski Prime (Weeks 1 to 11 inclusive)  
\_\_\_\_\_ Leisure (Weeks 44 to 50 inclusive)
- (iii) Type of Villa: \_\_\_\_\_ 1 bedroom \_\_\_\_\_ 2 bedroom
- (the seven day week period set out above is defined as the "Week")

## LEASE # \_\_\_\_\_

- DESCRIPTION OF VILLA:** The Lessor leases to the Lessee and the Lessee leases from the Lessor the Week in the furnished residential villas (the "Villas") located on lands situated in the Province of British Columbia commonly referred to as Fairmont Mountainside Vacation Villas and legally described as:

Lot 2, District Lots 46 and 47, Kootenay District, Plan 17735      Lot 3, District Lot 47, Kootenay District, Plan 17735  
Lot 4, District Lot 47, Kootenay District, Plan 17735      Lot 5, District Lots 40 and 47, Kootenay District, Plan 17735

(the "Lands"), together with the right of ingress and egress hereto over the Lands. The Lands and Villas together with recreational facilities located thereon from time to time are referred to as the "Resort".
- TERM:** For the purpose of this Vacation Lease a lease year (a "Lease Year") shall be the period commencing at 4:00 P.M. (Mountain Standard Time) on the first day of the week checked above and ending at 10:00 A.M. (Mountain Standard Time) on the same week day in the following year and this Lease Year shall be divided into fifty-two (52) week periods numbered consecutively, the first week period being numbered "1" commencing at 4:00 P.M. (Mountain Standard Time) on the first week day checked above at 10:00 A.M. (Mountain Standard Time).

This Vacation Lease is for occupancy of a Villa for the Week described above to commence at 4:00 P.M. (Mountain Standard Time) on the \_\_\_\_\_ day of \_\_\_\_\_ (the "Commencement Date") in each Lease Year for a period of forty (40) years, such term to be automatically renewed for a further forty (40) years, in perpetuity, unless and until the Lessee gives notice to the Lessor prior to the end of the term, or any renewal thereof, that the Lessee elects to terminate this Vacation Lease. For clarification, the Lessee may not make use of his or her Week (i.e., occupy a Villa) until the entire Purchase Price has been paid.
- PRICE:** The consideration (the "Purchase Price") for the granting of this Vacation Lease shall be the sum of \_\_\_\_\_ dollars (applicable taxes included). The Purchase Price shall be payable as follows:

Mark "X" to choose this option

(a) \$\_\_\_\_\_ (being 25% of the Purchase Price) is payable to MacDonald Thomas (the "Deposit Holder") upon the execution of this Vacation Lease by the Lessee; and

(b) the remainder of the Purchase Price is payable directly to the Lessor on or before the date that is 60 days after the date of this Vacation Lease.

All funds received by the Deposit Holder shall be held by the Deposit Holder in trust until the expiration of the seven (7) day rescission period referred to in Clause 4 of this Vacation Lease, the Lessee has received a fully executed copy of the Vacation Lease and the remainder of the Purchase Price has been paid to the Lessor, at which point such funds will be released to the Lessor. If the Lessee defaults in its obligation to pay the remainder of the Purchase Price as provided for herein, the deposit paid to the Deposit Holder will be forfeited and released to the Lessor (and the Lessee hereby confirms and directs the Deposit Holder to effect such release), this Vacation Lease will terminate and the parties hereto will have no further obligations to each other.

or

Mark "X" to choose this option

the Purchase Price is payable in full on the execution of this Vacation Lease to the Deposit Holder. All funds received by the Deposit Holder shall be held by the Deposit Holder in trust until the expiration of the seven (7) day rescission period referred to in Clause 4 of this Vacation Lease and the Lessee has received a fully executed copy of the Vacation Lease, at which point the Purchase Price will be released to the Lessor.

A fully executed copy of this Vacation Lease is an instrument evidencing the interest of the Lessee. Interest on the funds, if any, will be for the account of the Lessor. MacDonald Thomas is not representing the Lessee or providing him or her advice with respect to the Vacation Lease.

The Lessor is not licensed to handle re-sales of this Vacation Lease on behalf of the Lessee.
- RIGHTS OF RESCISSION OF LESSEE:** In the event that the Lessee does not receive a certificate of leasehold interest ("Certificate of Leasehold Interest") from the Trustee (as provided in Clause 17 hereof) evidencing this Vacation Lease within five (5) months from the date of full payment of the consideration for the granting of this Vacation Lease and such Certificate of Leasehold Interest is not delivered to the Lessee within thirty (30) days of the Lessee providing written notice to the Trustee requesting delivery of the Certificate of Leasehold Interest, then the Lessee shall be entitled to rescind this Vacation Lease by providing written notice to the Trustee and thereupon the Lessee shall be entitled to the return of all monies paid thereon. Delivery by the Trustee of the Certificate of Leasehold Interest to a lender constitutes delivery to a Lessee.

In addition to the aforesaid contractual right, the Lessee may, in any event, rescind this Vacation Lease by serving written notice on the Lessor and the Trustee, within seven (7) days after the later of:

(a) the date this Vacation Lease was entered into; and

(b) the date the Lessee receives a copy of the Disclosure Statement in respect of Fairmont Mountainside Vacation Villas, or Fairmont Mountainside Vacation Villas South, as applicable in the discretion of the Lessor.

5. **OCCUPANCY & USE:** The Villas are leased for occupancy as private dwellings to the Lessee and the Lessee's family, and are not to be used for any other purpose or occupied by any other persons other than transient relatives and friends who are guests of the Lessee, without first giving notice to the Lessor as provided in Clause 15 hereof. The Lessee agrees to use the Villas for residential purposes only, and to abide by the regulations from time to time as adopted by the Lessor. The Lessor agrees that all Villas on the Lands, whether now existing or constructed subsequently by the Lessor, will during the term of this Vacation Lease, be used for residential purposes only.

6. **FURNISHINGS:** The Villas are leased as fully furnished, particulars of which have been provided to the Lessee, the receipt of which particulars the Lessee does hereby acknowledge. The Lessee agrees to leave all such furnishings in good and clean condition at the end of the Week. The Lessee will be responsible for all breakage or other damage to furnishings supplied, reasonable wear and tear excepted.

7. **OPERATING COSTS AND RESERVE FOR REFURNISHING:** In addition to the Management Fee as provided in Clause 8, the Lessee shall be responsible for his or her proportionate share of all management, maintenance and repair (herein referred to as "Operating Costs") and replacement costs relative to the Resort, the Villas and the furnishings in the Villas, including without limiting the generality of the foregoing, the following:

(a) property taxes; (b) water and sewer rates; (c) lighting and heating; (d) insurance; (e) clearance of walks and roadways from snow and debris; (f) housekeeping services are on a normal hotel standard basis and include the provision of towels, linens, bathroom soap and paper products (normal housekeeping encompasses linen changes and general clean up following the termination of a Week period and any services in addition are classified as special housekeeping services and are subject to a special charge); (g) painting and redecorating; (h) garbage disposal; (i) repairs to both interior and exterior; (j) costs of the Trustee; (k) maintenance staff and equipment; (l) administrative staff; (m) office space and equipment; (n) accounting costs; (o) fees payable pursuant to the Resort Amenities Agreement to be registered on title to the Lands and as described in the Disclosure Statement (defined in section 39) and (p) all expenses incurred by the Lessor in the management of the Villas and the Resort.

The cost of periodic replacement of furnishings as a result of normal wear and tear shall be borne by the Lessee in like manner as the Operating Costs. A yearly assessment shall be made based on the life of the furnishings and fixtures so as to permit replacement as required.

The Operating Costs (with respect to each Villa) means the total costs and expenses related to the Lands and all Villas and other improvements thereon apportioned equally between all the Villas on the Lands, except that the two (2) bedroom Villas shall bear a fifteen (15%) per cent greater portion of such costs and expenses than the one (1) bedroom Villas.

8. **MANAGEMENT BY THE LESSOR:** The Lessee hereby appoints the Lessor as the manager (the "Manager") of the Resort and the Lessor agrees to act as Manager subject to the terms and conditions herein set forth. The Lessor shall be entitled to subcontract its management duties. The duties of the Lessor in its capacity as Manager shall be to generally maintain the Villas by performing all of the duties set forth under the heading "Operating Costs and Reserve for Refurnishing" and all such duties shall be performed in a prudent and workmanlike manner. In addition to such duties, the Lessor shall:

(a) in each year prior to the 30th day of November, prepare a budget of the estimated operating costs for the succeeding calendar year hereinafter referred to as the "Estimated Operating Costs" and also shall calculate an amount (the "Replacement Reserves") which the Lessor deems necessary to enable furnishing and fixture replacements to be made when required;

(b) in each year prior to the 1st day of March send to the Lessee a Notice of Assessment setting forth the Lessee's share of Management Fees, the Estimated Operating Costs and the Replacement Reserves together with such adjustments and carry forwards and other costs as may be contemplated by this Vacation Lease;

(c) maintain records of its management showing inter alia, all receipts and expenditures relating to the Resort and shall prepare and submit to the Lessee prior to the 1st day of March in each calendar year an audited statement (prepared in accordance with standard accounting procedures) showing the receipts and expenditures incurred in the preceding year, including the actual Operating Expenses (the "Actual Operating Expenses"), Management Fee and Replacement Reserves, and the Lessee's share of such expenses, together with an accounting for all trust monies held by the Lessor pursuant to this Vacation Lease. In the event that the Estimated Operating Costs are greater than the Actual Operating Costs for any calendar year, the Lessor shall credit the Lessee with such excess on subsequent assessments and in the event that the Actual Operating Costs determined are greater than the Estimated Operating Costs, add the amount of such deficiency to the next assessment;

(d) hold all monies received by it pursuant to a Notice of Assessment in trust for the payment of Management Fees, Operating Costs and Replacement Reserves open two separate bank accounts, one entitled "Operating Trust Account" and the other entitled, "Replacement Reserve Trust Account" and all monies received relative to Operating Costs shall be placed in the Operating Trust Account and all monies received in connection with Replacement Reserves shall be placed in the Replacement Reserve Trust Account. The Lessor shall at all times keep and maintain monies paid by the Lessee separate and apart from the Lessor's own money. All monies held by the Lessor in Trust as aforesaid shall be deposited in interest bearing accounts whenever practical; and

(e) be entitled in the event that the Lessor should use its own money in the course of carrying out its obligations hereunder to reimburse itself from monies received from the Lessee provided that the Lessor should give the Lessee a full accounting of the reimbursement.

The Lessor will be entitled, as compensation for its services in managing the Resort as provided herein to an annual fee (the "Management Fee") equal to fifteen (15%) per cent of the total Replacement Reserves and Operating Costs incurred in each calendar year with respect to the Resort. The amount of this Management Fee shall be included as a separate amount in the Notice of Assessment and shall be based upon the Estimated Operating Costs. In the event that the Estimated Operating Costs as shown by the Notice of Assessment and the Actual Operating Costs incurred are at variance, then the compensation to the Lessor shall be appropriately adjusted on the next assessment.

9. **LESSEE'S OBLIGATION FOR PAYMENT:** The Lessee covenants and agrees to pay the amount set forth in a Notice of Assessment sent to the Lessee as herein provided within thirty (30) days from the date of such notice. For payments received after thirty (30) days a late charge of \$5.00 or 2% per month of the amount past due (whichever is greater) will be assessed.

10. **EMERGENCY FUND:** The Lessor agrees that it will set aside and hold in trust in a bank account entitled "Emergency Fund" one (1%) per cent of the purchase price of each Vacation Lease sold by the Lessor up to a total amount of Fifty Thousand (\$50,000) Dollars. The said sum is to be used to finance any unforeseen expenditures for which funds otherwise maintained by the Lessor may not then be available. Any use of these funds will be deemed to be an advance to all lessees of the Villas (the "Vacation Leaseholders") in the general or to a particular Vacation Leaseholder, depending upon the nature of the expense. Upon the termination of all Vacation Leases, the proceeds of the Emergency Fund shall be returned to the Lessor. Interest accrued from time to time shall be for the account of the Lessor. Advances as aforesaid will be repayable by the Lessee or Vacation Leaseholders upon invoicing by the Lessor.

11. **ABNORMAL DAMAGE:** In the event that during a Week period the Villa is damaged by reason of negligence or malicious acts, then the Lessor shall notify the Lessee (the "Notice of Special Assessment") of the cost of repairing such damage and the Lessee shall, within thirty (30) days following receipt of such Notice of Special Assessment pay the amount thereof. For payments received after thirty (30) days a late charge of \$5.00 or 2% per month of the amount past due (whichever is greater) will be assessed calculating interest from the 31<sup>st</sup> day.

12. **DEFAULT OF THE LESSEE IN ANY PAYMENT REQUIRED UNDER THIS LEASE:** In the event that the Lessee should default in making any payment required to be made by the Lessee hereunder, within the time stipulated for payment, then the Lessee agrees that the Lessee's right to occupy a Villa shall be suspended until such a time as all payments due have been duly paid. The Lessee hereby authorizes the Lessor to rent his or her Week period during the period that the Lessee is in default hereunder to such person or persons as the Lessor may determine at a rental rate of not less than the rental rate for similar accommodation during the same rental period and the Lessor shall apply all proceeds received firstly, in payment of the rental commission to the Lessor twenty (20%) per cent of the monies collected and secondly, in reduction of all monies due by the Lessee to the Lessor. In the event that default in payment is not remedied within twelve (12) months from the date of such default, then the Lessee shall be deemed to have forfeited the Lessee's Vacation Lease to the Lessor, the Lessee forfeits any and all interests in the Vacation Lease to the Lessor, this Vacation Lease will automatically terminate, neither party will have any further rights or obligations to the other in respect of the Vacation Lease and the Lessor has the right to sell the Vacation Lease on its own behalf and for its own account.

13. **LESSOR'S LIABILITY FOR MAINTENANCE AND REPLACEMENT COSTS:** In the event that less than fifty-one (51) Vacation Leases have been granted with respect to the Villas, then for the purpose of sharing of the Management Fee, Operating Costs and Replacement Reserves as provided for herein, the Lessor shall be deemed to be the holder of the Vacation Leases not granted (save and except for the week period reserved for maintenance) and shall be responsible for payment of the portion of the Management Fee, Operating Costs and Replacement Reserves required to be paid to the same extent as if the Lessor were a Vacation Leaseholder, save and except for the purchase price of a Vacation Lease. In the event that a Lessor should default in making payments as a required Vacation Leaseholder, then the Lessee or any other Vacation Leaseholder with respect to the Villas shall be entitled to give notice to the Trustee accompanied by proof of such default and the Trustee shall thereupon be entitled to rent the Week period (either direct or through an agent) for the periods for which Vacation Leases have not been granted (save and except for the week period reserved for maintenance) and the proceeds so realized shall be used firstly, in payment of charges incurred by the Trustee in this connection (including the reimbursement of all expenses incurred); secondly, in payment of monies owing by the Lessor and the remaining monies, if any, shall be paid to the Lessor. In the event that such default is not remedied by the application of lease rentals as aforesaid, or by due payment by the Lessor within sixteen (16) months from the date of such default then the Trustee shall be at liberty to grant Vacation Leases for the period not then leased and to apply the proceeds derived therefrom in the same manner as provided herein in the case of rent collected.

14. **OVERHOLDING:** In the event that the Lessee should overhold his or her Week period, then for every day or fraction thereof, he or she shall pay the Lessor for and on behalf of the holders of the Vacation Leases affected for such overholding, by way of liquidated damages and not as penalty, a sum equal to three (3) times the daily rental established from time to time by the Lessor relative to the renting of the Vacation Leases. Such payment shall be payable to the Lessor upon notice of demand being made thereof by the Lessor. The Lessor shall apportion all monies received, less a fifteen (15%) per cent handling charge amongst Vacation Leaseholders affected by the overholding in the proportion that the overholding relates to such Vacation Leaseholders.

15. **RIGHT OF ASSIGNMENT, SUBLETTING AND MORTGAGING:** The Lessee shall not assign this Vacation Lease without the prior written consent of the Lessor (which consent will not be unreasonably withheld). Assignments shall be in the form prescribed by the Lessor and shall require the Assignee named in the assignment to perform all covenants of the Lessee to the extent and as if the Assignee had originally executed the Vacation Lease. Upon the filing of the assignment with the Trustee accompanied by the Assignor's copy of the Vacation Lease, the Trustee shall record the Assignee as the Lessee of the Villa and shall issue and forward to the Assignee a Certificate of Leasehold Interest. The Lessor will require the Lessee to pay a reasonable assignment fee for the Lessor's consent.
- The Lessee may sublet the Villa for a Week period (but no less) if 30 days prior to the commencement of the Week the Lessee has notified the Lessor of the names and addresses of such subtenants. In the case of such subletting, the Lessee shall be responsible for all such acts of such guests and all charges incurred by such guest.
- Nothing herein contained shall prohibit the Lessee from permitting a guest to occupy a Villa during the Week period, whether or not the Lessee is in residence, provided always that the Lessee shall be responsible for all acts of such guests and all charges incurred by such guest.
- The Trustee shall, in addition to recording assignments, record any mortgage of a Vacation Lease (and discharges thereof) as provided by this Vacation Lease.
- The Lessee shall be entitled to mortgage this Vacation Lease on a one time basis only to facilitate the purchase of same. A Lessee, who has financed his or her purchase, may assign by way of pledge agreement his or her Certificate of Leasehold Interest to a lender, and the Trustee is authorized and directed to forward the Certificate of Leasehold Interest to the lender. A Lessee who has financed his or her purchase in this manner will not receive physical possession of the Certificate of Leasehold Interest which will be forwarded by the Trustee to the lender.
16. **DAMAGE TO THE VILLA:** If during the term of this Vacation Lease, a Villa shall be destroyed or damaged by fire or the elements for which insurance is carried, then the proceeds of insurance shall be used to rebuild the Villa and during the period of rebuilding the Lessee will not be entitled to any claim for loss of occupancy, provided, however, that the Lessor shall use its reasonable best efforts to provide the Lessee with alternative accommodation at a rate to be negotiated by the Lessor with the Lessee. The Lessor agrees to rebuild or repair the Villa provided insurance proceeds are available for such purpose.
17. **REGISTRATION OF VACATION LEASE:** Title to the Lands is held by S&A Vacation Ownership Registry Ltd. as nominee for Smith Green Andruschuk LLP, Chartered Accountants (the "Trustee") in trust for the Lessor and the various lessees of the Villas to the extent of their respective interests and the Trustee will maintain a register evidencing the Vacation Leases pertaining to the Villas. The Lessor will cause a copy of this Vacation Lease to be registered and recorded with the Trustee and the Trustee will furnish the Lessee with a Certificate of Leasehold Interest evidencing the registration thereof. The Lessee shall furnish the Trustee with the Lessee's mailing address and shall notify the Trustee of any change of address. The Lessee agrees that neither the Lessor nor the Trustee shall be obliged to deliver this Vacation Lease or any other instrument creating a Vacation Lease in form registrable under any land registration statute of British Columbia.
18. **LESSEE'S ASSOCIATION:** The Lessee covenants and agrees to help create, organize, establish and thereafter maintain membership in an association of Vacation Leaseholders, which association may be formed and organized to promote a means of practicable communication with the Lessor and Vacation Leaseholders relative to the resolution of problems between Vacation Leaseholders and the Lessor. The Lessor agrees to cooperate with the Vacation Leaseholders in the formation of such an association and agrees to recognize the association, if it is duly constituted, provided always that the by-laws, rules or regulations of the association do not in any way conflict with any of the provisions of this Vacation Lease or shall in any way effect the rights of the Lessor and provided always that acceptance of such by-laws, rules and regulations by the Lessor shall be deemed to be waived to the extent of such conflict. The Lessor, if it so elects, shall be entitled to be a member of the association. The Lessee agrees that in the event that an association should be formed and has a membership of over fifty (50%) per cent of the holders of Vacation Leases in the Villas situated on the Lands, then if the Lessee is a non-member it shall, notwithstanding that he or she is a non-member, pay the dues assessed by the association from time to time.
19. **REMOVAL OF MANAGER:** The Lessee in conjunction with other Vacation Leaseholders totalling not less than fifty-one (51%) per cent of all Leaseholders of Villas situated on the Lands shall be entitled to terminate the services of the Lessor as Manager provided that:
- not less than sixty (60) days' notice is given duly signed by at least fifty-one (51%) per cent of the Vacation Leaseholders on record with the Trustee;
  - the Lessor's fees and charges are fully paid and satisfied or provided for to date of such termination;
  - the Vacation Leaseholders have produced to the Lessor an executed management agreement with the new Manager in like terms to this agreement and that the Lessor is a party to such agreement as a Lessor or deemed Lessor.
- Upon the termination of the Lessor's duties as Manager, the Lessor shall account and pay to the new manager all monies held by the Lessor pursuant to the terms of this Vacation Lease, subject to receiving a receipt therefor. The Lessor shall account to the Lessee up to the date of its termination and the Lessee shall be responsible for all and shall pay to the Lessor the Lessee's proportionate share of all costs occasioned in connection with the accounting by the Lessor and the termination.
- For the purposes of this agreement, the managerial duties of the Lessor for which the Lessor may be relieved, pursuant to this clause, are those obligations of the Lessor set forth in Clauses 8, 11, 12, 14, 15, 16, 17, 18, 20, 23, 24, 26, 28, 29, 30, 31 and 32.
20. **APPOINTMENT AND REMOVAL OF TRUSTEE:**
- The Trustee shall remain as trustee until this Lease and all other leases of Villas recorded by it have expired or until the Trustee has resigned or its services have been terminated as provided herein.
- The Trustee may at any time resign its office by giving ninety (90) days notice in writing to the Lessor and the Vacation Leaseholders.
- The Trustee may be removed at the written request by the Lessor and of fifty-one (51%) per cent of the Vacation Leaseholders (excluding the Lessor).
- In the event of the resignation or termination of the Trustee as provided herein, the Lessor shall appoint in the stead of the Trustee a trustee whose appointment is acceptable to the Superintendent of Real Estate for British Columbia and shall require the Trustee to transfer all assets and records and accounts to such new trustee so as to enable the new Trustee to carry on in the place and stead of the Trustee.
21. **VACATION LEASE EXCHANGE PROGRAM:** The Lessor agrees that it will cooperate with the Lessee or any lessee's association as contemplated hereby relative to a Vacation Lease Exchange Program on both a national and international basis provided that the Lessor is reimbursed for any and all expenses incurred in connection with such program.
22. **LESSOR'S RIGHT TO MORTGAGE:** The Lessor may at any time during the currency of this Vacation Lease cause the Trustee to mortgage the Lessor's interest in the Lands, provided that such mortgage shall be subject to this Vacation Lease and would have no effect whatsoever on the rights of the Lessee.
23. **POSSESSION OF KEYS:** The Lessee shall not make, nor shall he permit any other person to make, a copy of any key to a Villa and shall upon the expiration of his or her Week surrender all keys to the Lessor. The Lessor shall provide to the Lessee all necessary keys at the commencement of the Lessee's Week.
24. **QUIET ENJOYMENT:** The Lessor hereby covenants with the Lessee that the Lessee, upon performing the covenants on its part contained and the payment of all monies required by the Lessee to be paid hereunder, shall peacefully possess and enjoy the premises for the term agreed upon herein without any interruption or disturbance from other Vacation Leaseholders or from the Lessor or any other person lawfully claiming under him.
25. **SUPPLY OF WATER AND SEWAGE DISPOSAL:** The Lessor covenants and agrees to supply or cause to be supplied to the Villas potable water and to provide adequate sewage disposal, it being understood that all such services are included in a Notice of Assessment and are payable by the Lessee.
26. **TAXES AND RATES:** The Lessor further covenants to pay all taxes and rates assessed against the Lands, including improvements thereon and subject to the Lessee paying (by way of assessment as herein provided) his or her proportionate share of such taxes, the Lessor agrees to indemnify and save harmless the Lessee from any loss that the Lessee may suffer from or by reason of the Lessor's default in such payment.
27. **EXPIRATION OF TERM:** This Vacation Lease is for a forty (40) year term which will automatically renew for a further forty (40) years, in perpetuity, unless and until the Lessee provides written notice to the Lessor prior to the end of the term, or any renewal thereof, that the Lessee elects to surrender this Vacation Lease at the end of the term, or the renewal term, as the case may be.
28. **ENTRY FOR INSPECTION, REPAIRS AND ALTERATIONS:** The Lessor shall have the right to enter the Villas for inspection thereof at all reasonable hours, and whenever necessary may make repairs and alterations to the Villas or clean same.
29. **REDECORATING OR ALTERATIONS:** The Lessee shall not make, or permit to be made, any alterations, additions, improvements or changes in the Villas without in each case first obtaining the written consent of the Lessor. A consent to a particular alteration, addition, improvement or change shall not be deemed a consent to a waiver of restrictions against alterations, additions, improvements or changes for the future.
30. **INSURANCE:** The Lessor specifically agrees that it will during the term of this Vacation Lease insure and keep insured the Villas and contents for the full replacement cost thereof against loss or damage from fire, lightning, explosion, windstorm, hail, riot, smoke damage, airplane, hurricane and by such other insurable hazards as the Lessor may deem advisable. The insurance policy shall contain replacement cost endorsements providing that in the event of loss, settlement shall be based on the cost of repairing, replacing or reinstating the property insured without deduction or depreciation. The proceeds payable under such policies shall be payable to the Trustee, as Trustee for the Lessor and the Lessee (and other Vacation Leaseholders). In addition to the foregoing insurance, the Lessor shall maintain and keep in force and during the term of this Vacation Lease public liability insurance in respect of the Villas and common areas in the name of the Trustee as aforesaid as trustee for the Lessor and the Lessee (and other Vacation

Leaseholders), said insurance to be coverage and in amounts stipulated by the Lessor. All insurance premiums are the responsibility of the Lessee (to the extent of his or her proportionate share) and shall be paid by the Lessee through Notice of Assessment as provided for in this Vacation Lease.

31. **REGULATIONS:** The Lessor may from time to time issue regulations governing use of the Villas, it being understood that such regulations shall be non-discriminatory and for the general benefit of the Lessee and the Vacation Leaseholders. The Lessee agrees to abide by such regulations.
32. **PARKING SPACES:** The Lessee is hereby granted a license to use one parking space adjacent to a particular Villa as may be designated from time to time by the Lessor and the Lessor agrees to provide additional parking for at least one additional motor vehicle.
33. **ANIMALS/SMOKING:** No animals are allowed in the Villas or at the Resort. No smoking is allowed inside the Villas.
34. **WASTE, NUISANCE OR UNLAWFUL USE:** The Lessee agrees that the Lessee will not permit waste on the premises, or maintain or permit to be maintained a nuisance thereon, or use or permit the premises to be used in an unlawful manner.
35. **WAIVERS:** Any waiver by the Lessor of any breach of any covenant or duty of the Lessee under this Vacation Lease is not a waiver of a breach of any other covenant or duty of the Lessee, or of any subsequent breach of the same covenant or duty.
36. **NOTICES:** Notices under this Vacation Lease shall be deemed to be validly given when deposited postage prepaid in a postal box in Canada and addressed to the Lessee at the address set forth in the register maintained by the Trustee as contemplated by Clause 17 thereof.
37. **ENUREMENT:** This Vacation Lease shall enure to the benefit of and be binding upon the Lessor and its successors and assigns and the Lessee and its heirs, successors and permitted assigns.
38. **RESERVATIONS:** The Lessee must reserve his week period each year on the following terms and conditions:
  - (a) all reservations must be made by telephone, email or in writing addressed to the following addresses or as otherwise designated by the Lessor;  
Fairmont Villa Management 5247 Fairmont Creek Road Fairmont Hot Springs, B.C. V0B 1L1 Tel: (250) 345-6341 Fax: (250) 345-6299 Email: info@mountainsidevillas.com
  - (b) all reservations will receive a confirmation number;
  - (c) reservations will only be accepted a maximum of one calendar year in advance beginning on the first weekday of the week in the year proceeding the sought after week of arrival based on the Mountainside Vacation Interval Schedule.
  - (d) all reservations are subject to space availability;
  - (e) in order to be assured of available weeks in the Lessee's designated Season the Lessee must reserve his week a minimum of thirty (30) days prior to the first week of the designated Season;
  - (f) if the Lessee does not reserve his week period a minimum of thirty (30) clear days prior to the start of the week of the designated Season, the floating week leased pursuant to this Lease will be available to the Lessor to lease on its own account; provided however, that the Lessee may use such floating week during his designated Season if a reservation is made a minimum of seven (7) days in advance and space is available;
  - (g) the Manager (as defined in Clause 8 herein) or the Lessor will charge a nominal fee to the Lessee to change a reservation; and
  - (h) to cancel a confirmed reservation, the Lessee must cancel the reservation thirty (30) days prior to the confirmed occupancy date in order to change to an alternate week period. If the Lessee cancels its reservation less than thirty (30) days in advance, the Lessee will only be entitled to choose an alternate week if the reserved week period is used by another lessee, or is in fact rented.
39. **MODIFICATIONS TO LEASE:** The Lessor reserves the right to adjust or modify this Lease from time to time for the benefit of existing and future lessees, provided that any such adjustment or modification will not in any way materially prejudice the rights of existing Lessees. If any such adjustment or modification is effected, the Lessor will provide notice to each Lessee setting out the nature of the adjustment or modification, the reasons giving rise to such adjustment or modification and the effects thereof.
40. **DISCLOSURE STATEMENT:** The Lessee acknowledges and agrees that the Lessee has received a copy of the Disclosure Statement for the Resort dated May 25, 2009 including any amendments thereto filed up to the date hereof (collectively called the "Disclosure Statement") and has been given a reasonable opportunity to read the Disclosure Statement, and the execution by the Lessee of this Vacation Lease shall constitute a receipt in respect thereof.
41. **SUBLETTING SERVICES:** The Lessor in its capacity as Manager agrees to maintain a subletting service to assist the Lessee in subletting his or her Week and the Lessor shall be entitled to a twenty (20%) per cent service commission. The Lessor is hereby authorized to collect for and on behalf of the Lessee all rents relative to such subletting and shall remit same to the Lessee subject to the deduction of the said service commission. The Lessor agrees that as between Vacation Leaseholders, subletting will be done on a "first come first served" basis and the Lessor does not guarantee that the Week will be sublet. In the event a Lessee desires to lease his or her Week, the Lessee must request in writing that the Lessor do so. The Lessor will use commercially reasonable efforts to advise the Lessee in advance if the Week has been sublet.
42. **AGE:** As of the date hereof, the Lessee hereby represents and warrants (and if the Lessee is comprised of more than one party, then each of them represents and warrants) that he/ she is 19 years of age or older. If the Lessee (or any of the parties comprising the Lessee) is not 19 years of age or older as of the date of this Vacation Lease, the Lessor may terminate this Vacation Lease and the Purchase Price will be forfeited to the Lessor as liquidated damages.
43. **ORIGINAL LEASE:** If the Lessee is a lessee of the Week pursuant to a previous vacation lease (the "Original Lease"), then upon the full payment of the Purchase Price and the expiry of the seven day rescission period described in section 3, this Vacation Lease will replace and supersede the Original Lease, and the Original Lease will be of no further force or effect.

IN WITNESS WHEREOF the parties hereto have executed these presents all as of the day, month and year first above written.

**SIGNED IN THE PRESENCE OF:**

_____	LESSEE - PRINT NAME	SIGNATURE
WITNESS		
_____	LESSEE - PRINT NAME	SIGNATURE
WITNESS		
_____	LESSEE - PRINT NAME	SIGNATURE
WITNESS		
_____	LESSEE - PRINT NAME	SIGNATURE
WITNESS		
_____	STREET ADDRESS	
FAIRMONT HOT SPRINGS RESORT LTD.:	CITY	PROVINCE      POSTAL CODE
_____	TELEPHONE	
AUTHORIZED SIGNATURE		
_____	EMAIL ADDRESS	
NAME		