

SUBLEASE

BETWEEN:

CARRINGTON ROAD HOLDINGS LTD. (Inc. No. 661521), a
British Columbia company having an office at 15080 North Bluff
Road, White Rock, British Columbia, V4B 5C1

**As general partner on behalf of Vintage Hills
Development Limited Partnership**

(herein called the "Sublessor")

OF THE FIRST PART,

AND:

(herein called the "Sublessee")

OF THE SECOND PART.

WHEREAS:

- A. Her Majesty the Queen in Right of Canada as represented by the Minister of Indian Affairs and Northern Development (herein called "Her Majesty") granted a lease made the 5th day of May, 2003, and effective as of the 5th day of May, 2003 to the Sublessor for a term of ninety-nine (99) years commencing the 5th day of May, 2003 respecting lands situate on the Tsinstikeptum Indian Reserve No. 9 in the Province of British Columbia, more particularly described as:

Lot 346 in the Tsinstikeptum Indian Reserve No. 9 Province of British Columbia as shown on Plan of Survey No. 87445 deposited in the Canada Lands Surveys records at Ottawa, Ontario (the "Lands")

which lease was registered at the Indian Land Registry (now the Westbank Lands Register) at Ottawa on 23rd day of May, 2003 under No. 308801 (the "Headlease").

- B. Parliament of the Government of Canada has enacted the *Westbank First Nation Self Government Act*, 52-53 Elizabeth II, 2004;
- C. Pursuant to the *Westbank First Nation Self Government Agreement*, Westbank has enacted the *Westbank First Nation Constitution* (the

"Constitution), which includes Part XI Land Rules setting out the principals, rules and administrative structures pursuant to which Westbank will exercise authority and jurisdiction over Westbank Lands;

- D. Dealing with Westbank Lands are now recorded in the Westbank Lands Register in Ottawa, Ontario;
- E. The Sublessor is developing the Lands into a residential subdivision and the Sublessee wishes to sublease a portion of the Lands hereinafter described as the Leased Premises.

NOW THIS AGREEMENT WITNESSES that in consideration of the mutual covenants and agreements herein contained the parties hereto do hereby covenant and agree as follows:

**ARTICLE 1.
SCHEDULES**

- 1.1 The Schedules which form part of this Sublease consist of:
 - Schedule "A" - Plan of Development
 - Schedule "B" - Plan of Leased Premises
 - Schedule "C" - Rent Schedule
 - Schedule "D" - 2005 Common Costs and Sublessee's portion of Common Costs
 - Schedule "E" - Rules and Regulations
 - Schedule "F" - Transfer Fees
 - Schedule "G" - Architectural Guidelines

**ARTICLE 2.
DEFINITIONS**

- 2.1 In this Sublease unless there is something in the context inconsistent therewith, the following words will have the following meanings:
 - (a) "Administration Fee" means those fees charged by the Sublessor for performing the services provided herein as set forth in Schedule "D";
 - (b) "Approved Mortgagee" means a mortgagee to whose mortgage the Minister has consented;
 - (c) "Band" means the Westbank First Nation;
 - (d) "Building Inspector" means the building inspector appointed pursuant to the By-laws of the Band;
 - (e) "Common Areas" means those areas that are designated by the Sublessor in the DPSA as common areas including but not limited to landscaped areas, parking areas, roadways and sidewalks, but excluding golf course exchange lands identified by 346-41 and 346-42;;

- (f) "Common Costs" means the total of the reasonable costs incurred by the Sublessor to maintain the Common Areas and operate, repair and replace the Common Facilities, the Cost of Insurance and the Tax Cost, together with the Sublessor's Administration Fees;
- (g) "Common Facilities" means those facilities which are designated by the Sublessor in the DPSA as Common Facilities, including but not limited to roads, the electrical and mechanical systems, drainage and sewer systems, waterworks, fire prevention and security systems located in the Common Areas;
- (h) "Construction Contract" means the contract pursuant to which the Sublessor will arrange for construction of the Residential Home on the Leased Premises;
- (i) "Cost of Insurance" means the annual cost to the Sublessor to maintain public liability insurance for the Common Areas, insurance against loss to the Common Facilities, and insurance against loss to buildings on such terms and in such limits as the Sublessor may from time to time determine;
- (j) "Development" means the Lands together with the buildings, improvements and facilities located thereon from time to time, shown on the plan attached as Schedule "A";
- (k) "DPSA" means a Development Permit Servicing Agreement issued by the Band in relation to the Lands or a portion thereof;
- (l) "Homeowners Association" means that body, of which the owners of subleased lands in the Development are members, created by the Sublessor pursuant to Article 9;
- (m) "Lease Year" means a calendar year;
- (n) "Leased Premises" means that portion of the Lands shown outlined on the plan attached as Schedule "B" together with the Residential Home and all other improvements located thereon from time to time;
- (o) "Lessee Corp." means a company incorporated pursuant to the laws of British Columbia in which the shareholders are the Sublessee along with all other sublessees of subleased portions of the Lands and incorporated for the purpose of acquiring an assignment of the Headlease or a portion thereof and managing the Common Areas and Common Facilities on behalf of its shareholders;
- (p) "Minister" means the Minister of Indian Affairs and Northern Development, or the successor thereto, and such person's authorized representatives;
- (q) "Rent" means the sums set forth in Schedule "C";
- (r) "Residential Home" means a fully self-contained dwelling unit comprised either within its own building or as a separate unit in a multi-unit complex building, such unit having been built or to be built on the Leased Premises pursuant to the Construction Contract;

- (s) "Sublease" means this Agreement and the Schedules attached hereto together with the rules and regulations made from time to time by the Sublessor pursuant to the provisions hereof;
- (t) "Tax Cost" means the total of all taxes, rates, duties, general and special assessments and charges levied or imposed on or in respect of the Common Areas or Common Facilities by any competent authority;
- (u) "Term" means the duration of this Sublease set forth in section 4.1;
- (v) "Westbank" means the Westbank First Nation;
- (w) "Westbank Lands" means;
 - (i) the following Westbank Indian Reserves:
 - (1) Mission Creek Indian Reserve No. 8 in British Columbia,
 - (2) Tsinstikeptum Indian Reserve No. 9 in British Columbia,
 - (3) Tsinstikeptum Indian Reserve No. 10 in British Columbia,
 - (4) Medicine Hill Indian Reserve No. 11 in British Columbia, and
 - (5) Medicine Creek Indian Reserve No. 12 in British Columbia;
 - (ii) lands set apart by Canada in the future as lands reserved for the use and benefit of Westbank, within the meaning of subsection 91(24) of the *Land Code Act, 1867* and section 2(1) of the *Indian Act*;
- (x) "Westbank Lands Register" means the register of Westbank Lands established by Canada and held in Ottawa, Ontario;
- (y) "Westbank First Nation" means the body of people who comprise the entity formerly known as the Westbank Band of Indians under the *Indian Act* and for whose use and benefit in common Westbank Lands have been set apart by Westbank and the Queen;

ARTICLE 3.

CONSTRUCTION OF THE RESIDENTIAL HOME ON THE LEASED PREMISES

- 3.1 The Sublessor has accepted the Sublessee's offer to sublease the Leased Premises and has agreed that the Leased Premises shall include a Residential Home to be constructed by the Sublessor on that portion of the Lands shown in Schedule "B" (the "Leased Premises") either prior to or concurrently with the date of execution of this Sublease, and the Sublessee shall pay to the Sublessor the sums set forth in the accepted Offer to Sublease as Rent.
- 3.2 If the Residential Home is not completed on the date estimated by the Sublessor, this Sublease shall not be void or voidable and the Sublessee will not have any claim for any loss or damage, provided that the delay is caused by an event beyond the reasonable control of the Sublessor.

- 3.3 Nothing contained herein shall prevent or restrict the Sublessor from arranging for construction of a Residential Home on that portion of the Lands shown in Schedule "B" on speculation or before the Sublessor shall have entered into this Agreement.
- 3.4 All buildings constructed on the Lands including without limitation the Residential Home shall be constructed in accordance with the architectural guidelines established by the Sublessor and attached as Schedule "G".

ARTICLE 4.
DEMISE AND TERM

- 4.1 In consideration of the Rent, covenants and agreements contained in this Sublease to be paid, observed and performed by the Sublessee, and subject to the consent of Westbank, the Sublessor does hereby demise and sublease unto the Sublessee the Leased Premises to have and to hold for and during the Term commencing on the date upon which Westbank consents to this Sublease approving this Sublease and ending on the 30th day of April, 2102 unless sooner terminated as herein provided.
- 4.2 The Sublessee shall be entitled, to the non-exclusive use of the Common Areas and Common Facilities for the benefit of the Leased Premises, upon the terms and conditions set out herein.

ARTICLE 5.
RENT AND COMMON COSTS

- 5.1 The Sublessee covenants to pay to the Sublessor, or as the Sublessor may in writing direct, in lawful money of Canada, without any setoff, compensation or deduction whatsoever, Rent and the Sublessee's portion of the Common Costs and Administration Fees.
- 5.2 Rent shall be payable at the times and in the amounts set forth in Schedule "C".
- 5.3 The Common Costs for each Lease Year shall be estimated by the Sublessor and communicated in writing to the Sublessee prior to November 30th of the previous Lease Year. The Common Costs for 2003 and the Sublessee's portion of the Common Costs are set forth in Schedule "D".

- 5.4 Any change to the Sublessee's portion of the Common Costs shall be determined by the Sublessor based on a reasonable allocation of the Common Costs among the Sublessees from time to time as determined by the Sublessor in its absolute discretion acting reasonably. The basis of the determination shall be made available to the Sublessee upon request.
- 5.5 The Sublessee will pay its portion of the estimated Common Costs for each Lease Year in advance in monthly instalments on or before the first day of each month during the Term.
- 5.6 Within sixty (60) days of the end of each Lease Year the Sublessor will advise the Sublessee in writing of the actual amount required to be paid as the Sublessee's portion of the Common Costs and if necessary an adjustment will be made between the Sublessor and the Sublessee within thirty (30) days from the date of notice.
- 5.7 Upon an assignment by the Sublessee of its interest in the Sublease the Sublessee shall pay to the Sublessor a transfer fee as provided in Schedule "F".
- 5.8 All payments required to be made to the Sublessor pursuant to this Sublease shall be made at the address of the Sublessor referred to in Article 21, unless otherwise directed by the Sublessor.

ARTICLE 6.
USE OF THE LEASED PREMISES

- 6.1 The Sublessee covenants with the Sublessor that it will only use the Leased Premises for residential purposes and will not carry on or permit to be carried on, on the Leased Premises any activity which is deemed a nuisance by the Sublessor, acting reasonably, or which is illegal.

ARTICLE 7.
REPAIRS TO THE LEASED PREMISES

- 7.1 The Sublessee covenants with the Sublessor that it will at all times during the Term at its own cost and expense repair and maintain the Leased Premises in good order and repair as a careful owner would do. At the end of the Term the Sublessee will deliver to the Sublessor vacant possession of the Leased Premises in the condition in which the Sublessee is required to maintain the Leased Premises by the terms of this Sublease.
- 7.2 The Sublessee covenants and agrees with the Sublessor that the Sublessee shall not remove the Residential Home from the Leased Premises.

ARTICLE 8.
COMMON AREAS AND COMMON FACILITIES

- 8.1 The Sublessee covenants with the Sublessor that:
- (a) Until the management of Common Areas and Common Facilities is turned over to the Homeowners Association, the Sublessor will have the right to control the use of the Common Areas and the Common Facilities and to publish and amend rules and regulations concerning their use;
 - (b) the Sublessee, its tenants and guests shall only use the Common Areas and Common Facilities in accordance with the Rules and Regulations which are published from time to time;
 - (c) The Rules and Regulations governing Common Areas and Common Facilities and Sublessee conduct as at the date of this Sublease are set forth in Schedule "E" attached hereto;
 - (d) The Sublessee will not do or permit anything to be done which shall cause the Common Costs to be increased.
- 8.2 The Sublessor shall, at the proportionate cost of the Sublessee, maintain in good order and repair the Common Areas and Common Facilities, normal wear and tear excepted, including notwithstanding the foregoing grounds maintenance and snow removal.
- 8.3 The Sublessor shall, at the proportionate cost of the Sublessee, obtain and keep in force during the balance of the Term an all risk insurance policy which will cover damage and loss to the Common Facilities together with public liability insurance covering accidents which occur on the Common Areas.
- 8.4 The Sublessor shall pay for all water provided to and used for Common Areas, Common Facilities, and Residential Homes, such cost to be charged to all Sublessees proportionately.
- 8.5 The Sublessor shall provide and maintain street lighting and shall pay for all electricity consumed for Common Areas and Common Facilities, such cost to be charged to all Sublessees proportionately.
- 8.6 The Sublessor shall arrange for garbage removal, the cost of which shall be charged to all Sublessees proportionately.
- 8.7 The Sublessor shall arrange for a manager, the cost of which shall be charged to all Sublessees proportionately.

- 8.8 The Sublessor may charge an Administration Fee to the Sublessee to a maximum of 15% of the annual budget for its management and maintenance services aforesaid.
- 8.9 Notwithstanding that the provisions of the Strata Property Act of British Columbia or any successor legislation thereto do not apply legally, the parties agree that they shall insofar as such provisions may be applicable, apply them to the provision of such services by the Sublessor to the Sublessee as though the Sublessor were the Strata Council established under that legislation, except where the nature of the land makes such application impossible.
- 8.10 The Sublessor shall have the right without the consent of the Sublessee to sell or assign its rights and obligations under the Headlease in which event the assignee shall assume the rights and obligations of the Sublessor hereunder and all further liability or obligation with respect thereto on the part of the Sublessor shall terminate.
- 8.11 In the event that after one (1) year from the date of this Sublease in the opinion of greater than fifty percent (50%) of the individual sublessees including the Sublessee who have entered into subleases of a portion of the Lands as witnessed by their signatures upon a petition presented to the Sublessor the Sublessor has defaulted in the performance of management services for the Common Areas and Common Facilities the Sublessor shall have thirty (30) days to correct the default or defaults and shall call a meeting of the individual sublessees upon fourteen (14) days notice and such sublessees by simple majority vote in person or by proxy shall have the absolute right to require that management services be assigned to the Homeowners Association without further recourse to the Sublessor. Only sublessees who are not in default shall be entitled to vote at such meeting.

ARTICLE 9.
HOMEOWNERS ASSOCIATION

- 9.1 In the event that the Sublessor shall decide not to continue to provide management services to the Sublessee for Common Areas and Common Facilities or upon majority vote pursuant to section 8.11 the Sublessor shall, prior to terminating its responsibilities, call a meeting of the Sublessees in order to establish a Homeowners Association. The Homeowners Association will conduct its affairs in accordance with the Schedule of Standard By-laws set forth in the Strata Property Act RSBC and amendments thereto or any successor legislation thereto, except where they conflict with Rules and Regulations in Schedule E which will prevail.

- 9.2 Upon being established, the Homeowners Association shall:
- (a) control the use of the Common Areas and the Common Facilities and publish rules and regulations concerning their use; PROVIDED however no change in the rules and regulations in Schedule "E" will be effective unless the change has been approved in writing by the Sublessor while the Sublessor still holds unsold or undeveloped Headlease or Sublease lands.
 - (b) maintain in good order and repair the Common Areas and Common Facilities, normal wear and tear excepted; and
 - (c) take out and keep in force during the balance of the Term an all risk insurance policy which will cover damage to the Common Facilities together with public liability insurance covering accidents which occur on the Common Areas.
- 9.3 The Sublessor may complete the Development in phases and shall have the right in its absolute discretion but subject to the provisions of the Headlease to transfer administration of Common Areas and Common Facilities and purchase of insurance in later phases to the Homeowners Association at such time or times as the Sublessor shall deem appropriate.
- 9.4 Upon transfer by the Sublessor of management servicing of a phase of the Development to the Homeowners Association the owners of each Residential Home in such phase shall have 2 voting shares in the Homeowners Association.

ARTICLE 10.
INSURANCE

- 10.1 The Sublessee covenants with the Sublessor to take out and keep in force during the Term an all risk insurance policy which will cover damage to the Residential Home and all other improvements on the Leased Premises to the full replacement value thereof together with public liability insurance in amounts and with policies in form satisfactory to the Sublessor and Westbank. Each policy shall:
- (a) name Westbank as additional insured and in the case of public liability insurance shall contain a provision for cross liability insurance as among the Sublessor, Sublessee and Westbank;
 - (b) provide that the insurer shall not have any right of subrogation against the Sublessor on account of any loss or damage covered by such insurance; and

- (c) in the event of damage or destruction to the Residential Home and subject to section 17.6 provide that the proceeds of insurance shall be applied to repair such damage or destruction.
- (d) provide that the insurer shall be required to provide 30 days notice to the Sublessor and Westbank before cancelling such policy.

The Sublessee will, at the request of the Sublessor, provide the Sublessor with written evidence of the existence of such insurance policies.

10.2

If there is any damage to or destruction of the Residential Home or any portion thereof for which there are insurance proceeds payable pursuant to any insurance required to be taken out by the Sublessee pursuant to this Sublease, then unless otherwise agreed in writing by the Minister, but subject to section 17.6 prior to the distribution of any of such insurance proceeds to the Sublessee, any Approved Mortgagee or any other person:

- (a) there will be paid to or to the order of Westbank in trust the amount equal to the amount estimated under seal by the Sublessee's Professional Architect or Professional Engineer, with the approval of the Minister, acting reasonably, required to be paid to satisfy the Sublessee's obligations pursuant to section 10.1(c), in respect of such damage or destruction, plus 20% of such amount; and necessary repairs or replacement will be paid firstly from the insurance proceeds and if such proceeds are not sufficient, then from the funds of the Sublessee;
- (b) the amount paid into trust pursuant to section 10.2(a) will not be released from trust until the Sublessee's obligations pursuant to section 10.1(c) with respect to such damage or destruction have been fulfilled to the satisfaction of the Minister, provided that the Sublessee may apply to the Minister to have the Minister permit funds so held in trust be paid directly to any person performing such work, as such work is completed, and the Minister will act reasonably in considering any such request;
- (c) if the Sublessee's obligations pursuant to section 10.1(c) with respect to such damage or destruction have not been fulfilled within a reasonable time following the occurrence of such damage or destruction, the Minister may, but will not be obligated to, upon written notice to the Sublessee and any Approved Mortgagee, carry out or cause to be carried out such obligations and if the Minister does so, the Minister may cause to be paid from the trust funds held pursuant to section 10.2(a) any amount required to carry out such obligations; and

- (d) following the fulfilment of the Sublessee's obligations pursuant to section 10.1(c) with respect to such damage or destruction and the payment of all amounts with respect to such work, including the Minister's reasonable administrative costs, the balance of the funds held in trust, if any, will:
- (1) in the case of any single residence owned by a Sublessee, be paid as follows:
 - (i) firstly, to any Approved Mortgagee, as their interest may appear;
 - (ii) secondly, to the Sublessor, as its interests may appear;
 - (iii) thirdly, to the Sublessee, as its interest may appear; and
 - (iv) any balance thereafter, to Westbank; and
 - (2) in any other case, be divided among and paid to any Approved Mortgagee, any Sublessee, the Sublessor and Westbank and any other loss payee as their interest may appear, taking into account the number of years remaining in the term of this Sublease,

provided that if there are insufficient insurance proceeds held in trust pursuant to section 10.2(a) to fulfil the Sublessee's obligations pursuant to section 10.1(c) with respect to such damage or destruction, the Sublessee will forthwith pay for any shortfall. If there is any dispute as to the division of the insurance proceeds, then any Party may refer the matter to the court for a determination of the division.

10.3 Notwithstanding the generality of the foregoing, during any period when Canada Mortgage and Housing Corp. is in possession of the Leased Premises it shall not be required to obtain or maintain all risk insurance on the Residential Home or public liability insurance.

ARTICLE 11.

REPLACEMENT ON DESTRUCTION

- 11.1 The destruction, in whole or in part, of the Residential Home by any means will not cause this Sublease to terminate or entitle the Sublessee to surrender possession or demand any abatement or reduction of the Rent.
- 11.2 In the event of damage to or partial destruction of the Residential Home, the Sublessee will, subject to applicable laws, and the provisions of section 17.6, repair, replace, or restore any part of the Residential Home so destroyed.

- 11.3 In the event of complete or substantially complete destruction of the Residential Home, the Sublessee will, subject to applicable laws, and the provisions of section 17.6 reconstruct or replace the Residential Home with structures comparable to those being reconstructed or replaced and in addition to other remedies available to the Sublessor, should the Sublessee fail to reconstruct or replace the Residential Home the Sublessor may, in its absolute discretion, do so, in which case all costs and expenses incurred by the Sublessor in relation thereto will be collectable as Rent.

ARTICLE 12.
UTILITIES AND TAXES

- 12.1 The Sublessee covenants with the Sublessor that the Sublessee will pay for electricity, gas, telephone, water and other utilities consumed on the Leased Premises and all taxes, rates, duties, general and special assessments and charges levied or imposed on or in respect of the Leased Premises and the Sublessee's occupation thereof whether levied or imposed by the Sublessor or any other competent authority.
- 12.2 If a separate allocation of taxes, rates, duties, assessments or charges is not issued by the competent authority with respect to the Common Areas or the Leased Premises, the Sublessor may from time to time apply to the authority for a determination of a separate allocation or in the event that no such allocation can be obtained the Sublessor will determine the portion of taxes, rates, duties, assessments or charges attributed to the Common Areas and the Leased Premises using the then current principles of assessment employed by taxing authorities.

ARTICLE 13.
EXCLUSION OF LIABILITY AND INDEMNITY

- 13.1 Unless caused by the negligence of the Sublessor or another person for whose negligence the Sublessor is responsible in law, the Sublessor, its agents, servants and employees shall not be liable or responsible in any way for any injury that may be suffered or sustained by the Sublessee or any guest or tenant of the Sublessee or for any loss of or damage to any property belonging to the Sublessee or to any other person while such property is on the Development and in particular, but without limiting the generality of the foregoing, the Sublessor shall not be liable for any damage or inconvenience caused by the failure to supply utilities to the Leased Premises but the Sublessor shall use all reasonable diligence to remedy such failure or interruption of service if it is within its power and obligation to do so.

- 13.2 The Sublessee covenants with the Sublessor to indemnify and save harmless the Sublessor from any and all claims for personal injury or property damage arising from any default by the Sublessor in the observance or performance of the covenants and agreements on its part to be observed and performed pursuant to this Sublease or from any act or omission of the Sublessee or any guest or tenant of the Sublessee and from all costs, fees and expenses incurred as a result of any such claim or any action or proceedings brought in connection with such claim and this indemnity shall survive the expiration or sooner termination of the Term. This indemnity shall not apply during any period when Canada Mortgage and Housing Corp. is in possession of the Leased Premises.

ARTICLE 14.
SUBLESSOR'S RIGHTS AND REMEDIES

- 14.1 Subject to the provisions of Article 17 herein, if and whenever the Rent hereby reserved or the Sublessee's portion of the Common Costs as established by the Sublessor shall not be paid on the day appointed for payment thereof whether lawfully demanded or not or in the case of the breach or non-observance or non-performance of any of the covenants, agreements, provisos, conditions or Rules and Regulations as amended from time to time on the part of the Sublessee to be kept, observed or performed, then and in every such case it shall be lawful for the Sublessor at any time thereafter to give notice to the Sublessee and its mortgagees and if such default is not cured within sixty (60) days of receipt of the notice then the Sublessor may:
- (a) re-enter and re-take possession of the Leased Premises and terminate this Sublease; or
 - (b) re-enter and re-take possession of the Leased Premises for the purpose of re-leasing the same as agent for the Sublessee. All money received by the Sublessor from such re-leasing shall be applied; first to the payment of any indebtedness due under this Sublease from the Sublessee to the Sublessor; second to the payment of all costs and expenses incurred by the Sublessor in re-leasing the Leased Premises including brokerage, lawyer's fees and the cost of any alterations and repairs to the Leased Premises; third to the payment of any arrears or current mortgage payments due to the Sublessee's mortgage lender if the Sublessor is aware of same (provided that the Sublessor shall not incur any liability for such payment) and fourth the balance of monies, if any, shall be paid to the Sublessee.
- 14.2 If the Sublessee makes default in the performance of any of its covenants herein contained, and without waiving or releasing the Sublessee from its obligations herein, the Sublessor may, but shall not be obliged to observe and

perform the covenant in respect of which the Sublessee has made default and all costs, payments and expenses incurred by the Sublessor in the observance and performance of such covenant including, without limitation, legal costs as between solicitor and his own client shall immediately be due and payable by the Sublessee to the Sublessor and will bear interest at the rate specified in section 14.3 from the date such costs, payments and expenses are paid until repaid by the Sublessee to the Sublessor.

14.3 Except where otherwise herein provided, the Sublessee shall pay to the Sublessor interest at the rate equal to five percent (5%) per annum above the prevailing prime rate then being published by the Royal Bank of Canada on all amounts which are due and owing by the Sublessee to the Sublessor.

14.4 Subject to the provisions of section 17.4, in the event that the Sublessee shall have received three (3) notices in writing of defaults pursuant to the provisions of paragraph 14.1, even if such defaults shall be cured within the sixty (60) day notice period, thereafter for further defaults the notice period shall be reduced to five (5) days.

14.5 All rights and remedies of the Sublessor in this Sublease shall be cumulative and not alternative.

14.6 No condoning, excusing or overlooking by the Sublessor or the Sublessee of any default, breach, or non-observance by the other in respect of any covenant, proviso or condition herein contained shall operate as a waiver of the Sublessor's or the Sublessee's rights hereunder in respect of any continuing or subsequent default, breach or non-observance or so as to defeat or affect in any way the rights of the Sublessor or the Sublessee in respect of any continuing or subsequent default or breach and no waiver shall be inferred from or implied by anything done or omitted by the Sublessor or the Sublessee, save only express waiver in writing.

14.7 The Sublessor may assign its rights and remedies hereunder or any of them to a Lessee Corp. created pursuant to the Headlease.

ARTICLE 15.

MORTGAGES AND ASSIGNMENTS BY THE SUBLESSOR

15.1 Subject to the consent of Westbank, the rights of the Sublessor herein may be assigned to a purchaser or mortgaged to a mortgagee and in the event of the purchaser or mortgagee as the case may be duly entering into possession of the Sublessor's interest in this Sublease, the Sublessee agrees to attorn to and become Sublessee of such purchaser or mortgagee pursuant to the terms of this Sublease.

- 15.2 In the event of an assignment by the Sublessor of its interest in this Sublease and to the extent that the assignee assumes the covenants and obligations of the Sublessor contained herein, the Sublessor shall without further written agreement be relieved of further liability relating to such covenants and obligations.

ARTICLE 16.

ASSIGNMENT AND SUBLETTING BY THE SUBLESSEE

- 16.1 The rights of the Sublessee under this Sublease shall not be assigned and the Sublessee shall not sublet the whole or any part of the Leased Premises without the prior written consent of Westbank, pursuant to the terms of the Headlease. If the Sublessee is a corporation, control of the corporation shall not be changed without the consent of Westbank, pursuant to the terms of the Headlease.

ARTICLE 17.

RIGHT TO MORTGAGE BY SUBLESSEE

- 17.1 The Sublessee shall have the right, at any time, and from time to time, to grant a mortgage of this Sublease, subject to the consent of Westbank, pursuant to the terms of the Headlease.
- 17.2 An Approved Mortgagee under any such mortgage may enforce the mortgage and acquire title to this Sublease in any lawful way and by its representative or by a receiver, as the case may be, may take possession of and manage the Leased Premises, and upon foreclosure of the mortgage or other action taken by an Approved Mortgagee in respect of its security, may with the consent of Westbank as provided in the Headlease sell or assign the Sublease and the purchaser or assignee of the Sublease shall be liable to perform the obligations imposed on the Sublessee by this Sublease, only so long as such purchaser or assignee has ownership or possession of the Leased Premises.
- 17.3 If the Approved Mortgagee takes possession of the Leased Premises or acquires the Sublessee's equity of redemption, then the Approved Mortgagee shall covenant and agree to perform and observe the Sublessee's covenants and agreements under this Sublease only during the time the Approved Mortgagee is in possession.
- 17.4 If the Sublessee defaults under the terms of this Sublease, including notwithstanding the generality of the foregoing a default arising as a result of the insolvency or bankruptcy of the Sublessee, and the Sublessor intends to exercise its rights under section 14.1 of this Sublease or elsewhere, the Sublessor shall give notice to the Approved Mortgagee at the address provided by the Approved Mortgagee of this Sublease at the same time as notice is

given to the Sublessee and the Approved Mortgagee shall have the right to cure the default of the Sublessee within the sixty (60) days of receipt of the notice, and in the event that such default is not curable within the sixty (60) days, to commence and diligently pursue action to cure the default, which action may include the sale or foreclosure of the Leased Premises pursuant to the terms contained in its mortgage.

- 17.5 Any curing of a default by the Approved Mortgagee will be construed as a curing of default by the Sublessee.
- 17.6 Notwithstanding the provisions of section 10.2, if the mortgage is insured by Canada Mortgage and Housing Corporation ("CMHC") then if the Residential Home is damaged or destroyed to the extent of at least twenty-five percent (25%) of its full replacement cost, the Approved Mortgagee shall have the option of determining whether the Residential Home should or should not be repaired, replaced, rebuilt, or restored and if it elects not to repair, replace, rebuild or restore then insurance proceeds shall notwithstanding anything to the contrary herein provided be paid firstly to the Approved Mortgagee if so provided in loss payee provisions in the insurance policy.
- 17.7 If a mortgage is not insured by CHMC then the mortgage must provide that the proceeds of all insurance policies with respect to the Leased Premises or the Residential Home will be used solely for rebuilding or repairing the loss or damage to the Leased Premises or the Residential Home.
- 17.8 Every mortgage will be made expressly subject to the rights of Westbank.

ARTICLE 18.
SUBLESSOR'S COVENANTS

- 18.1 The Sublessor covenants with the Sublessee that if the Sublessee pays the Rent hereby reserved, its portion of the Common Costs and Administration Fees and performs the covenants herein on its part contained, the Sublessee shall, subject to the terms of this Sublease and the Headlease peaceably possess and enjoy the Leased Premises for the Term without any interruption or disturbance from the Sublessor or any other person or persons lawfully claiming by, from or under it.
- 18.2 The Sublessor covenants with the Sublessee that it has fulfilled all requirements of the Headlease requiring acting on its part and in particular it has prepaid rent for the Leased Premises and pursuant to the Headlease has designated the Leased Premises as Prepaid Lands.

ARTICLE 19.
THE HEADLEASE

- 19.1 The Sublessor covenants with the Sublessee that it will pay the rent and will observe and perform all of the terms, covenants and agreements in the Headlease to be observed and performed by the Sublessor and will indemnify and save the Sublessee and its permitted assigns and Approved Mortgagee harmless from any loss, damage, liability, claim or expense incurred by the Sublessee resulting from any failure to do so.
- 19.2 The Sublessor will not amend the Headlease in any manner that will adversely affect the rights of the Sublessee and its permitted assigns and Approved Mortgagees under the terms of this Sublease without the prior written consent of the Sublessee, which consent will not be unreasonably withheld.
- 19.3 The Sublessee acknowledges that this Sublease is subject to and subordinate to the Headlease and to the rights of Westbank thereunder and this Sublease will terminate upon the termination of the Headlease.
- 19.4 The Sublessee acknowledges that it has had the opportunity to read the Headlease and hereby agrees to comply with and be bound by all the applicable terms, covenants, conditions, provisions and terms of this Sublease and the Headlease, to the extent that they relate to the Leased Premises and the Sublessee's use and occupation thereof and in the event of conflict between the provisions of this Sublease and the Headlease, the provisions of the Headlease will govern.
- 19.5 The Sublessee acknowledges that Westbank and the Band will have the benefit of and be entitled to enforce the obligations of the Sublessee in favour of Westbank and the Band.

ARTICLE 20.
LEGAL RELATIONSHIP

- 20.1 It is understood between the Sublessor and the Sublessee that nothing contained in this Sublease shall be deemed to create any relationship between the Sublessor and the Sublessee other than the relationship of Sublessor and Sublessee.
- 20.2 Should the Sublessee comprise two or more persons each of them shall be jointly and severally bound to perform the obligations of the Sublessee hereunder.
- 20.3 References to the Sublessor and Sublessee shall be read with such changes

in gender as may be appropriate and where appropriate the singular shall mean the plural and vice versa.

- 20.4 This Sublease shall enure to the benefit of and be binding upon the Sublessor, its successors and assigns and the Sublessee, its heirs, executors, administrators, successors and permitted assigns.

ARTICLE 21.
NOTICE

- 21.1 Any notice, demand or consent to be given hereunder shall be given in writing and either delivered personally or sent by registered mail, postage prepaid, addressed to the Sublessor at:

CARRINGTON ROAD HOLDINGS LTD.
15080 North Bluff Road
White Rock , B.C., V4B 5C1

with a copy to:
PORTER RAMSAY
Barristers and Solicitors
200-1465 Ellis Street
Kelowna, B.C. V1Y 2A3

or addressed to the Sublessee at the Leased Premises or to such other address in British Columbia which the Sublessor or Sublessee may from time to time notify the other in writing. The time of giving or making such notice, demand, consent or objection shall be, if delivered when delivered and if mailed then on the fourth business day after the day of the mailing thereof provided that if mailed should there be between the time of mailing and the actual receipt of the notice a mail strike, slowdown or other labour dispute which might affect delivery of such notice then such notice shall only be effective if actually delivered.

ARTICLE 22.
COMPLIANCE WITH LAWS

- 22.1 The Sublessee shall comply with all federal, provincial, municipal and Band laws, bylaws, rules, regulations and ordinances in connection with the use and occupation of the Leased Premises by the Sublessee. The Sublessee will also comply with all directions of the health officer, fire marshall, building inspector and other officers and agencies having jurisdiction.

ARTICLE 23.
CHANGE TO DEVELOPMENT

- 23.1 The plans attached to this Sublease as Schedule "A" setting forth the general layout of the Development shall not be deemed to be a representation by the Sublessor that the Development will be exactly as indicated on such plans and nothing contained in this Sublease shall be construed so as to prevent the Sublessor from altering the location of the Common Areas and Common Facilities from time to time, provided that such alterations do not adversely affect the Development or the Sublessee's enjoyment thereof. The Sublessor shall have the right to alter the ingress or egress to the Lands and the Leased Premises provided that the Sublessor shall at all times provide reasonable access to the Leased Premises across or through the Common Areas.

ARTICLE 24.
NET SUBLEASE

- 24.1 It is intended that once the Sublessor has completed the Development, including the landscaping of the Common Areas and the installation of the Common Facilities, this Sublease shall be a completely carefree, net sublease from the Sublessor.

ARTICLE 25.
APPLICABLE LAW

- 25.1 This Sublease shall be construed and governed by the laws of Canada and of the Province of British Columbia and the Sublessor and Sublessee agree to attorn to the jurisdiction of the British Columbia Courts which shall have the exclusive jurisdiction to determine any dispute arising out of this Sublease.

ARTICLE 26.
ARBITRATION

- 26.1 Notwithstanding the provisions of Article 25, the Sublessor and the Sublessee may agree to resolve any dispute relating to this Sublease pursuant to the provisions of the Commercial Arbitration Act, S.B.C. 1986 Ch.3 and amendments thereto. In the event that a mortgage is registered against the title to the Leased Premises, then a copy of the notice of dispute shall be given to the mortgagee at the same time as it is given to the Sublessor or Sublessee, as the case may be, and if the mortgagee considers that the dispute may affect its mortgage security, the mortgagee shall be given the opportunity to participate in the arbitration proceedings.

ARTICLE 27.
RIGHT OF WAY

- 27.1 The Sublessor and Sublessee jointly and severally HEREBY GRANT AND CONVEY to all public utility companies a statutory right of way on and under all parts of the Lands not containing a Residential Home (hereinafter referred to as the "Right of Way Area"), to install, construct and maintain public utility facilities and such equipment as may be considered necessary or beneficial (hereinafter called the "Facilities") for the operation and maintenance of underground electrical distribution system, communication facilities, water and sewer systems, gas distribution systems, or any other necessary or desirable utility systems with the right to dig up the soil and rock thereof for the installation of the Facilities, and from time to time to inspect, repair, remove, alter, renew and replace the same or any part or parts thereof, and to clear the Right of Way Area of such growth and material which might interfere with or damage the Facilities.
- 27.2 The Sublessor or Sublessee may plant the Right of Way Area to lawn and they agree that the soil will not be disturbed to a depth of more than ten (10) inches.
- 27.3 The Sublessor or Sublessee may install a fence within the Right of Way Area provided it does not interfere with the operation or maintenance of the Facilities. The utility companies will be liable for any damage caused by their agents, servants, licensees or workmen to the Lands and will, each time they disturb the Lands, restore the same as near as is reasonably possible to the same condition as before the disturbance.
- 27.4 The Sublessee HEREBY GRANTS AND CONVEYS to the Sublessor and its successors in title to an interest in the Lands and its licencees, invitees, and guests a right of way for the term of this Sublease over all parts of the Lands not contained within this Sublease whether or not designated as roads on a plan of subdivision of the Lands.
- 27.5 The rights, privileges and easement hereby granted are and shall be of the same force and effect as a covenant running with the Lands, and this Article shall enure to the benefit of and be binding upon the parties hereto, their heirs, administrators, successors and assigns, and wherever the singular or masculine is used herein, it shall be construed as if the feminine, plural and neuter, as the case may be, had been used wherever the context or the parties hereto so require.

SCHEDULE "A"

PLAN OF DEVELOPMENT

In respect to Proposed lot 346-1 in the Sonoma Pines Development on lot 346, Tsinstikeptum Indian Reserve No. 9 and the Offer to Sublease Lot and Residential Home dated May 25, 2005.

SCHEDULE "B"

PLAN OF LEASED PREMISES

In respect to Proposed lot 346- in the Sonoma Pines Development on lot 346, Tsinstikeptum Indian Reserve No. 9 and the Offer to Sublease Lot and Residential Home dated May 25, 2005.

Civic Address:

Westbank, B.C., V4T

Legal Description:

Lot 346- in the Tsinstikeptum Indian Reserve No. 9, Province of British Columbia as shown on Plan of Survey No. 90681 deposited in the Canada Lands Surveys records at Ottawa, Ontario.

The Survey Certificate is attached hereto and forms part of Schedule "B".

SCHEDULE "C"

RENT SCHEDULE

In respect to Proposed lot 346- in the Sonoma Pines Development on lot 346, Tsinstikeptum Indian Reserve No. 9 and the Offer to Sublease Lot and Residential Home dated May 25, 2005.

(PREPAID SUBLEASE)

Rent for the Leased Premises for the Term shall be prepaid in the sum of

All deposits paid by the Sublessee as provided in its Offer to Sublease shall be applied to the prepaid sublease rent as aforesaid. The full Rent must be received by the Sublessor prior to occupancy of the Residential Home by the Sublessee.

SCHEDULE "D"

**COMMON COSTS AND SUBLESSEE'S
PORTION OF COMMON COSTS**

In respect to Proposed lot 346- in the Sonoma Pines Development on lot 346,
Tsinstikeptum Indian Reserve No. 9 and the Offer to Sublease Lot and Residential Home
dated May 25, 2005.

SCHEDULE "D"

**COMMON COSTS AND SUBLESSEE'S
PORTION OF COMMON COSTS**

In respect to Proposed lot 346- in the Sonoma Pines Development on lot 346, Tsinstikeptum Indian Reserve No. 9 and the Offer to Sublease Lot and Residential Home dated May 25, 2005.

SCHEDULE "E"

Rules and Regulations

In respect to Proposed lot 346- in the Sonoma Pines Development on lot 346, Tsinstikeptum Indian Reserve No. 9 and the Offer to Sublease Lot and Residential Home dated May 25, 2005.

**SCHEDULE E
SONOMA PINES
RULES AND REGULATIONS
EFFECTIVE JULY 2005**

DIVISION SUMMARY

Division 1 - Duties of Owners, Tenants, Occupants and Visitors
Division 2 - Powers and Duties of the Homeowners Association
Division 3 - Enforcement of Rules and Regulations
Division 4 - Voluntary Dispute Resolution
Division 5 - Marketing Activities by Developer

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

Payment of homeowner fees

1. An owner must pay homeowner fees on or before the first day of each month.

Repair and maintenance of property by owner

2. (1) An owner must repair and maintain the owner's lot, except for repair and maintenance that is the responsibility of the Sonoma Pines Homeowners Management Corp. ("SPHOM") under its Articles of Incorporation.

(2) An owner shall keep all areas of the lot clean, free of debris and well maintained at all times.

Use of property

3. (1) An owner, tenant, occupant or visitor must not use a lot, the common property or common assets in a way that:
 - (a) causes a nuisance or hazard to another person,
 - (b) causes unreasonable noise,
 - (c) unreasonably interferes with the rights of other persons to use and enjoy the common property, common assets or another lot,
 - (d) is illegal, or
 - (e) is contrary to a purpose for which the lot or common property is intended as shown expressly or by necessary implication on or by the overall development plan.
- (2) An owner, tenant, occupant or visitor must not cause damage, other than reasonable wear and tear, to the common property, common assets or those parts of a lot which the SPHOM must repair and maintain under these rules and regulations.
- (3) An owner, tenant, occupant or visitor must ensure that all animals are leashed or otherwise secured when on the common property or on land that is a common asset.

- (4) An owner, tenant, occupant or visitor must not keep any pets on a lot other than following:
 - (a) a reasonable number of fish or other small aquarium animals;
 - (b) a reasonable number of small caged mammals;
 - (c) up to 2 caged birds;
 - (d) one dog and one cat.
- (5) An owner, tenant, occupant or visitor must not conduct major repairs or maintenance to motor vehicles or trailers or other mechanical equipment; this shall include oil or lubricant changes.
- (6) An owner, tenant, occupant or visitor must not have exposed or open garbage cans, bags or containers, unless being placed for collection on specified collection days only.
- (7) Real estate, rental or any advertising signs must not be displayed on a lot or on the common property except as approved and in the location designated by the SPHOM.
- (8) A resident must not display or erect fixtures, poles, clotheslines, racks, storage sheds and similar structures permanently or temporarily on a lot, common property or land that is a common asset. Despite the foregoing, the placing of items on balconies or patio areas shall be limited to free standing, self contained planter boxes or containers, summer furniture and accessories and not used for storage of other items.
- (9) Second kitchens are permitted so long as they are intended for the use by members of the household, and must be freely and fully accessible from the remainder of the dwelling without any intervening doors equipped with a locking device of any kind.

Parking Restrictions

4. (1) An owner, tenant, occupant or visitor must not park trucks exceeding 1 ton, campers, recreational vehicles, equipment, unlicensed vehicles, boats, trailers, containers, or more than two cars for each lot except on areas specifically approved and designated by the SPHOM except for the purpose of loading and unloading which will not exceed 12 hours.
- (2) Boat, recreational vehicle and utility trailer parking on the street is prohibited.
- (3) A resident or visitor shall not use any part of a lot as a parking stall other than the concrete driveway.
- (4) A owner or visitor must not permit a vehicle to be parked or left unattended in a manner that interferes with driveway entrances or access to driveway entrances.

- (5) Any vehicle parked in violation of rule 4 may be subject to removal by a towing company authorized by the SPHOM, and all costs associated with such removal will be charged to the owner of the lot.

Inform Homeowners Association

5. (1) Within 2 weeks of becoming an owner, an owner must inform SPHOM of the owner's name, lot number and mailing address outside the plan, if any.

Obtain approval before altering a lot

6. (1) An owner must obtain the written approval of SPHOM before making an alteration to a lot that involves any of the following:
- (a) the structure of a building;
 - (b) the exterior of a building including the color of the building;
 - (c) chimneys, stairs, balconies or other things attached to the exterior of a building;
 - (d) doors, windows or skylights on the exterior of a building;
 - (e) fences, railings or similar structures that enclose a patio, balcony or yard;
 - (f) common property located within the boundaries of a lot;
 - (g) those parts of the lot which the SPHOM must insure;
 - (h) removal or addition of vegetation, planting of any hedges or trees, except for annuals and perennials.
- (2) The SPHOM may require as a condition of its approval that the owner agree, in writing, to take responsibility for any expenses relating to the alteration.

Permit entry to lot

7. (1) An owner, tenant, occupant or visitor must allow a person authorized by SPHOM to enter the lot;
- (a) in an emergency, without notice, to ensure safety or prevent significant loss or damage, and
 - (b) at a reasonable time, on 48 hours' written notice, to inspect, repair or maintain common property, common assets and any portions of a lot that are the responsibility of SPHOM to repair, maintain or insure under these rules and regulations.
- (2) The notice referred to in subsection (1) (b) must include the date and approximate time of entry, and the reason for entry.

Division 2 - Powers and Duties of SPHOM

Repair and maintenance of property by SPHOM

1. SPHOM must repair and maintain all of the following:

- (a) common assets of SPHOM;
- (c) common property that has not been designated as limited common property;

Division 3 – Enforcement of Rules and Regulations

Maximum fine

1. The Homeowner Association may fine an owner or tenant a maximum of:

- (a) \$100.00 for each contravention of a rule or regulations hereunder.

Continuing contravention

2. If an activity or lack of activity that constitutes a contravention of the rules and regulations continues, without interruption, for longer than 7 days, a fine may be imposed every 7 days.

Action under Default

3. The Homeowners Association shall be entitled to take any all actions as permitted under the Sublease Agreement for breaches of these rules and regulations which continue for a period of longer than 30 days.

Division 4- Voluntary Dispute Resolution

Voluntary dispute resolution

1. (1) A dispute among owners, tenants, SPHOM or any combination of them may be referred to a dispute resolution committee by a party to the dispute if
 - (a) all the parties to the dispute consent, and
 - (b) the dispute involves the regulations, the rules and regulations.
- (2) A dispute resolution committee consists of;

- (a) one owner or tenant of SPHOM nominated by each of the disputing parties and one owner or tenant chosen to chair the committee by the persons nominated by the disputing parties, or
 - (b) any number of persons consented to, or chosen by a method that is consented to, by all the disputing parties.
- (3) The dispute resolution committee must attempt to help the disputing parties to voluntarily end the dispute.

Division 5- Marketing Activities by Developer

Display lot

1. (1) The developer of the Sonoma Pines subdivision may carry on sales functions that relate to any lots, including the posting of signs.
- (2) The developer may use a lot, that the developer owns or rents, as a display lot for the sale of other lots in the development plan.
- (3) The provisions of this division may not be altered without the prior written consent of the Developer.

SCHEDULE "F"

TRANSFER FEES

In respect to Proposed lot 346-1 in the Sonoma Pines Development on lot 346, Tsinstikeptum Indian Reserve No. 9 and the Offer to Sublease Lot and Residential Home dated May 25, 2005.

An application for approval of an assignment of this Sublease by the Sublessor and the Westbank First Nation shall be delivered in writing to the Sublessor with fees in the sum of \$150.00 plus applicable taxes for review of the application. This fee is in addition to any fees chargeable by Westbank First Nation, and shall be adjusted annually on May 1st in accordance with any change in the cost of living index published from time to time by Statistics Canada or any replacement agency which publishes such statistics in Canada.

SCHEDULE "G"

ARCHITECTURAL GUIDELINES

In respect to Proposed lot 346- in the Sonoma Pines Development on lot 346, Tsinstikeptum Indian Reserve No. 9 and the Offer to Sublease Lot and Residential Home dated May 25, 2005.

NIL