



Prospectus of Fairmont Resort Properties Ltd.
for Fairmont Vacation Villas at Riverside and Hillside

Schedule "H"

VACATION EXPERIENCE LEASE

Fairmont Vacation Villas at Riverside and Hillside
Fairmont Hot Springs, B.C., Canada, V0B 1L0

Lease made this _____ day of _____, 20____

BETWEEN:

FAIRMONT RESORT PROPERTIES LTD., a body corporate, with
offices at Fairmont Hot Springs, British Columbia

(the "Lessor")

OF THE FIRST PART

AND:

(the "Lessee")

OF THE SECOND PART

Purchase Price: \$ _____
☐ Canadian Funds
☐ U.S. Funds

Lease # _____

Vacation Property # _____

Week # _____ in each annual or biennial year

Vacation Particulars

- (i) Type of Vacation Property: (_____) One bedroom, or
(_____) Two bedroom
(_____) Lockoff, or
(_____) Terrace
(_____) Three bedroom, or
(_____) Other _____

- (ii) (_____) annual (commencing 20 _____), or
(_____) biennial (_____ odd or _____ even calendar years commencing 20 _____)

- (iii) Season: (_____) Prime (Weeks 1 to 18 inclusive, excluding Easter Week)
(_____) Golf Prime (Weeks 19 to 25 inclusive and Weeks 36 to 41 inclusive)
(_____) Golden (Easter Week, Weeks 26 to 35 inclusive, and Weeks 51 and 52)
(_____) Leisure (Weeks 42 to 50 inclusive)

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WHEREAS:

A. Fairmont Resort Properties Ltd. (the "Lessor") has constructed residential dwellings (the "Villas") in a resort development (the "Vacation Resort") located on certain lands and premises (the "Lands") situated in Fairmont, British Columbia, legally described as follows:

Parcel Identifier: 017-174-325
Lot A
District Lot 4084
Kootenay District
Plan NEP19239 and

Parcel Identifier: 019-207-051
Lot 2
District Lots 46 and 4084
Kootenay District
Plan NEP22130 and

Parcel Identifier: 025-499-599
Lot 1
District Lot 46
Kootenay District
Plan NEP71522;

B. The Lessor has transferred the Lands to S & A Vacation Ownership Registry Ltd. (the "Nominee") which holds title as nominee, agent and bare trustee for Smith & Andruschuk, chartered accountants (the "Trustee") to be held in trust by the Trustee for the benefit of present and future lessees to the extent of their interests and for the benefit of the Lessor to the extent of its residual interest in the Lands;

C. In this Lease, the Villas are referred to as "Vacation Properties", and "Vacation Property" means one of them; and

D. The Lessee is desirous of purchasing a vacation leasehold interest in the Vacation Properties for the term and upon the terms and conditions hereinafter set forth.

NOW THEREFORE in consideration of the premises, covenants and agreements contained herein the parties agree as follows:

1. **DEMISE:** The Lessor hereby demises and leases to the Lessee and the Lessee leases from the Lessor a specified Vacation Property for a specified week either annually or biennially as described on the first page of this Lease, together with the right of ingress and egress thereto over the Lands, TO HAVE AND TO HOLD during the Term (as defined in paragraph 4 of this Lease) in accordance with the terms and conditions set out in this Lease.
2. **FLOATING OPTION:** Notwithstanding paragraph 1, the Lessee hereby surrenders the right to use and occupy a specified Vacation Property for a specified week as contemplated by that paragraph in consideration for a right to use and occupy for the duration of the Term either an unspecified Villa of the type specified in paragraph 1 or other equivalent Vacation Property for a floating week, either annually or biennially as designated in paragraph 1, within the Season designated in paragraph 1. However, for the purposes of recording the Lessee's leasehold interest, the Trustee will record this Lease as a demise to the Lessee of the specific Vacation Property for the specific week designated on page 1. This option, and the agreement created by this exercise of this option by the Lessee, is an exchange right collateral to, but independent from, the Lease.
3. **PRICE:** The consideration (the "Purchase Price") for the granting of this Lease is the sum set out on the first page of this Lease, payable to the Lessor, as follows:
 - (a) cash; or
 - (b) a deposit equal to twenty-five percent (25%) of the Purchase Price, by cheque, cash or debit or credit card, and the balance of the Purchase Price to be financed by the Lessee and advanced to the Lessor within seven (7) clear days of the execution of this Lease.

All funds received by the Lessor, whether full payment or deposit, shall be held by the Lessor, until the expiration of the seven (7) day rescission period referred to in paragraph 6 of this Lease, and until issuance of a certificate of leasehold interest (the "Certificate of Leasehold Interest").

The Lessor is not licensed to handle resales of either this Lease or the Lessee's leasehold interest in the Vacation Property unless the Lessor acquires the title to such interest pursuant to paragraph 13 of this Lease.



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4. **LEASE TERM:** The term of this Lease is for a period of forty (40) years commencing from the first day of the first week in the Season of the calendar year designated by the Lessee on the first page of this Lease.

For the purposes of this Lease a lease year shall be the period commencing at 4:00 p.m. (Fairmont Hot Springs Time) on the first Thursday, Friday, Saturday, Sunday or Monday in January which is selected as the check-in day for the respective Vacation Property and ending at 10:00 a.m. (Fairmont Hot Springs Time) on the same week day in the following year and this lease year shall be divided into fifty-two (52) week periods (a "week period") numbered consecutively, the first week period being numbered "1". For each consecutive lease year thereafter, the lease year shall commence at 4:00 p.m. (Fairmont Hot Springs Time) on the week day as above in January and end on the same week day in the following year at 10:00 a.m. (Fairmont Hot Springs Time).

If any portion of the week period is not utilized in any calendar year, there shall be no accrual or carry-over of the unused time to subsequent years unless accrued through an international exchange agency.

5. **RESERVATIONS:** Because the Lessee has exercised the floating option described in paragraph 2, the Lessee must reserve his week period each year on the following terms and conditions:

- (a) all reservations must be made by telephone or in writing addressed to the following address or as otherwise designated by the Lessor:

Columbia Villa Management Ltd.
P.O. Box 962
Fairmont Hot Springs, B.C.
V0B 1L0
(604) 345-6241 (tel)

- (b) all reservations must receive a confirmation number before they are valid;
- (c) reservations will only be accepted a maximum of one calendar year in advance or a minimum of thirty (30) days in advance, except that reservations for Easter Week and weeks 51 and 52 will be accepted a minimum of three (3) months in advance;
- (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 period a minimum of thirty (30) days prior to the start of the first week of the designated Season;
- (f) the Manager (as defined in paragraph 10 herein) or the Lessor will charge a nominal fee to the Lessee to change a reservation and a nominal fee to lock-off a two-bedroom lock-off villa;
- (g) the Lessee must cancel a confirmed reservation thirty (30) days prior to the confirmed occupancy date in order to change to an alternate week period;
- (h) if the Lessee does not wish to reserve a week during the calendar year, the Lessee may deposit the week in his designated Season with Interval International if the Lessee is a member of that exchange program provided that the Lessee may only carry forward one week of leasehold interest at any one time, and the Manager may charge a nominal fee to lock-off a two-bedroom lock-off villa; and
- (i) the procedures, rules and requirements pertaining to reservations shall be more particularly set out in rules and regulations established by the Lessor from time to time in respect thereof and of which the Lessee is notified from time to time.

6. **RIGHTS OF RESCISSION OF LESSEE:** In the event that a Lessee who has not financed his purchase (or has financed it where there is no requirement to pledge his Certificate of Leasehold Interest to a lender) does not receive a Certificate of Leasehold Interest from the Lessor evidencing his Lease within five (5) months from the date of payment of the Purchase Price and such Certificate of Leasehold Interest is not delivered to the Lessee within thirty (30) days of the Lessee providing written notice to the Lessor requesting delivery of the Certificate of Leasehold Interest, then the Lessee shall be entitled to repudiate this Lease by providing written notice to the Lessor and thereupon the Lessor will return to the Lessee all monies paid by the Lessee, together with all accrued interest thereon. Delivery by the Lessor 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 his agreement to purchase a time share interest by serving written notice on the Lessor within seven (7) days after the later of:

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- (a) the date this Lease was entered into; or
- (b) the date the Lessee receives a copy of the prospectus (the "Prospectus") dated September 1, 1990 (as may be amended from time to time), for Fairmont Vacation Villas at Riverside and Hillside.

7. **USE AND OCCUPANCY:** Vacation Properties are leased to the Lessee for use by the Lessee and the Lessee's immediate family, guests and tenants as private residential dwellings only, and are not to be used for any other purpose or occupied by any other persons without the Lessee first giving written notice to the Lessor as provided in paragraph 16 of this Lease.

8. **FURNISHINGS:** Each Villa is fully furnished and particulars of the furnishings have been described in the Prospectus. The Lessee agrees to leave all such furnishings in good and clean condition at the end of each of his week periods. The Lessee will be responsible for all breakage or other damage to furnishings supplied, reasonable wear and tear excepted.

9. **OPERATING COSTS AND RESERVE FOR REFURBISHING:** In addition to the Management Fee described in paragraph 10 of this Lease, the Lessee shall be responsible for his proportionate share of all administration, maintenance and repair costs (the "Operating Costs") and replacement costs incurred with respect to the Vacation Resort and the Vacation Properties 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, on a hotel standard basis, including the provision of towels, linens, bathroom soap and paper products (i.e., 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, redecorating and refurbishing as required;
- (h) garbage disposal;
- (i) repairs to both the exterior and interior of the Vacation Properties;
- (j) service fees and costs of the Trustee;
- (k) maintenance staff and equipment;
- (l) administrative staff;
- (m) office space and equipment;
- (n) accounting costs;
- (o) furniture and equipment replacement costs; and
- (p) all expenses incurred by the Lessor in the management of the Vacation Properties (i.e., see paragraph 10 of this Lease).

All maintenance and repairs to the Vacation Properties will be apportioned equally between the lessees in accordance with the number of weeks and the type of Vacation Property specified on page 1 of this Lease. The portion of the Operating Cost borne by a terrace suite will be 15% less than that borne by a two-bedroom lock-off suite.

A yearly assessment shall be made of the furnishings and fixtures to permit replacement as required.

10. **MANAGEMENT BY THE LESSOR:** The Lessee hereby appoints the Lessor as the manager (the "Manager") of the Vacation Resort and the Lessor agrees to provide management services subject to the terms and conditions herein set forth. The Lessor shall be entitled to subcontract management services to an independent corporation. The Manager shall manage and maintain the Vacation Resort in a prudent and workmanlike manner. Its duties shall include dealing with the items described in paragraph 9 of this Lease. In addition, the Manager shall:

- (a) maintain records of its management showing all receipts and expenditures relating to the Vacation Resort;



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- (b) in each calendar year (usually by January 15th), prepare a budget of the estimated Operating Costs for the calendar year (the "Estimated Operating Costs") and calculate an amount it deems necessary to enable furnishing and fixture replacements to be made when required (the "Replacement Reserves");
- (c) prior to the 31st day of March in each calendar year, send to the Lessee:
 - (i) a notice of assessment (the "Notice of Assessment") setting forth the Lessee's share of the Management Fee, the Estimated Operating Costs and the Replacement Reserves, together with such adjustments and carry forwards and other costs as may be contemplated by this Lease; and
 - (ii) an audited statement (prepared in accordance with standard accounting procedures) showing the receipts and expenditures incurred in the preceding calendar year, including the actual Operating Costs (the "Actual Operating Costs"), Management Fee and Replacement Reserves, and the Lessee's share of such expenses, together with an accounting of all trust monies, if any, held by the Trustee;
- (d) in the event that there is a cumulative operating surplus either:
 - (i) credit the Lessee with such excess on subsequent assessments; or
 - (ii) maintain any cash surplus in an interest bearing account to be credited toward future assessments, including special assessments;
- (e) in the event that there is a cumulative operating deficit, add the amount of such deficiency to subsequent assessments;
- (f) hold all monies received by it from a Lessee pursuant to the Notice of Assessment in trust for the payment of the Management Fee, Operating Costs and Replacement Reserves and at all times keep and maintain monies paid by the Lessee separate and apart from the Lessor's own money, and deposited in interest bearing accounts whenever practical;
- (g) 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; and
- (h) be entitled in the event that it uses its own money in the course of carrying out its obligations hereunder to reimburse itself from monies received from the Lessee provided that the Manager gives the Lessee a full accounting of such reimbursement.

As compensation for its services the Manager shall be entitled to an annual fee (the "Management Fee") equal to fifteen per cent (15%) of the aggregate of the Replacement Reserves and the Operating Costs assessed in each calendar year with respect to the Vacation Resort. The amount of the Management Fee shall be included as a separate amount in the Notice of Assessment and shall be based upon the Estimated Operating Costs.

- 11. **LESSEE'S OBLIGATION FOR PAYMENT:** The Lessee covenants and agrees to pay to the Lessor the amount set forth in the Notice of Assessment within thirty (30) days from the date of such notice. For payments received after thirty (30) days a late charge of 10% of the amount past due or two percent (2%) per month (being 26.824% per year) of the amount past due (whichever is greater) will be assessed.
- 12. **SPECIAL ASSESSMENTS:** In the event that during a week period a Vacation Property is damaged by reason of the negligence or malicious acts of the Lessee or a subtenant, guest or invitee of the Lessee, then the Lessor shall notify the Lessee by way of a notice of special assessment (the "Notice of Special Assessment") of the cost of repairing such damage and the Lessee shall, within thirty (30) days from the date of the Notice of Special Assessment, pay the amount thereof. The Lessee will be responsible for all damage to any Vacation Property and the building in which the Vacation Property is located and for all theft of, or breakage or other damage to, the furnishings which occurs while the Vacation Property is occupied by the Lessee or is caused by the Lessee, his guests or invitees, reasonable wear and tear excepted. Chipped, cracked, burned, torn or otherwise damaged furnishings shall be counted as breakage. For payments received after thirty (30) days a late charge of 10% of the amount past due or two percent (2%) per month (being 26.824% per year) of the amount past due (whichever is greater) will be assessed.
- 13. **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 Vacation Property shall be suspended until such time as all payments due have been duly paid.

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If a default in any payment required to be paid according to this Lease has not been remedied within 90 days from the date of such default, and the Lessee has been given a minimum of one written notice of such default, the Lessor may terminate this Lease upon written notice to the Lessee, and from the date of such notice all of the Lessee's rights to the Vacation Property pursuant to the provisions of this Lease shall be terminated. Furthermore, from the date of such notice of termination, the Lessor shall be entitled to the full and exclusive right to use and occupy the Vacation Property free and clear of all rights of the Lessee pursuant to this Lease or otherwise and Lessor may grant the right to use the Vacation Property during the week period to which the Lessee is entitled hereunder to another person or may retain it for any other purpose. The monies received by Lessor on account of rights of occupation or otherwise following such default or termination shall be retained by the Lessor as its sole and exclusive property as liquidated damages and not as a penalty. In the event of termination as hereinbefore provided, the Lessee shall, following such termination, be released from all obligations hereunder except for any monies then owing to the Lessor, or any other liabilities then outstanding of the Lessee, under this Lease.

14. **LESSOR'S LIABILITY FOR OPERATING COSTS:** In the event that less than fifty-one (51) week period in any calendar year have been leased by the Lessor for each of the Villas, then for the purpose of the 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 week periods not leased (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 lessee.

In the event that the Lessor should default in making payments as a lessee, then the Lessee or any other lessee holding a leasehold interest in the Vacation Resort shall be entitled to give notice to the Trustee, accompanied by proof of such default, and the Trustee shall thereupon be entitled to sublet the leasehold interests of the Lessor (either directly or through an agent) and the proceeds so realized shall be used as follows:

- (a) firstly, in payment of charges incurred by the Trustee in this connection (including the reimbursement of all expenses incurred);
- (b) secondly, in payment of monies owing by the Lessor; and
- (c) thirdly, the remaining monies, if any, shall be payable to the Lessor.

In the event that such default is not remedied by the application of funds realized from such subletting, 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 leases for the week periods not then leased and to apply the proceeds derived therefrom in the same manner as provided herein for funds realized from subletting.

15. **OVERHOLDING:** In the event that the Lessee fails to vacate the Vacation Property at the expiration of the week period to which he is entitled as herein provided, or otherwise makes unauthorized use or occupancy of the Vacation Property, or prohibits another person who is entitled to use and occupy the Vacation Property from occupying and making use of the Vacation Property during his period of entitlement, the Lessee shall, at the option of the Lessor:

- (a) be subject to immediate removal, eviction or ejection from the Vacation Property wrongfully used and occupied;
- (b) reimburse the Lessor and any other person entitled to the Vacation Property for all costs and expenses incurred by it or him, as the case may be, as a result of such conduct, including, but not limited to, costs of alternate accommodation, travel costs, court costs and reasonable legal fees incurred in connection with removing or ejecting the Lessee or others using or occupying the Vacation Property and costs (including reasonable legal fees) incurred in collecting such disbursements; and
- (c) pay to the Lessor for and on behalf of all others affected by such failure to vacate or unauthorized use or occupancy of the Vacation Property, as liquidated damages (in addition to the costs and expenses referred to above) and not as a penalty, an amount equal to three times the rate established from time to time for such Vacation Property by the Lessor or for similar accommodation at Fairmont Vacation Villas for each and every day or fraction thereof that the Lessee occupies the Vacation Property in contravention of this Lease.

Such costs or liquidated damages described herein may be charged to the Lessee by way of a notice of special assessment.

16. **LESSEE'S RIGHT OF ASSIGNMENT, SUBLETTING AND MORTGAGING:** The Lessee shall not assign this Lease without the consent of the Lessor first had and obtained (which consent will not be unreasonably withheld). Assignments shall be in the form prescribed by the Lessor and shall require the assignee (the "Assignee") named in the assignment to perform all of the covenants of the Lessee as if the Assignee had originally executed the Lease. Upon the filing of the assignment with the Trustee accompanied by the Lessee's copy of the Lease, the Trustee shall record the Assignee as the lessee under the Lease and shall issue and forward to the Assignee a Certificate of Leasehold Interest.



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The Lessee may sublet its leasehold interest if, thirty (30) days prior to the first week of the designated Season, 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 damage occasioned by the subtenant.

Nothing herein contained shall prohibit the Lessee from permitting a guest to occupy the Vacation Property 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 guest and all charges incurred by such guest.

The Lessee shall be entitled to mortgage this Lease on a one time basis only to facilitate the purchase of same. A Lessee who has financed his purchase may assign by way of pledge agreement his 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 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.

17. **DAMAGE TO THE VACATION PROPERTIES:** If during the term of this Lease, a Vacation Property is destroyed or damaged by fire or other hazards for which insurance is carried, then the proceeds of insurance shall be used to rebuild or replace the Vacation Property 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 reasonable efforts to provide the Lessee with an alternative Vacation Properties at rates to be negotiated by the Lessor with the Lessee. The Lessor agrees to rebuild, repair or replace the Vacation Property provided insurance proceeds are available for such purpose.
18. **REGISTRATION OF LEASE:** Title to the Lands is held by the Nominee as nominee, agent and bare trustee for the Trustee which holds the Lands in trust for the Lessor and the various lessees to the extent of their respective interests. The Trustee will maintain a register evidencing the leases pertaining to the Vacation Properties. The Lessor will cause a copy of this Lease to be registered and recorded with the Trustee and the Lessor 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 changes of address. The Lessee agrees that neither the Lessor nor the Trustee shall be obliged to deliver this Lease or any other instrument creating a lease of the Lands in a form registrable under any land registration statute of British Columbia.
19. **REGISTER OF VACATIONERS:** The Lessor and the Trustee are entitled to maintain a register of all Lessees who from time to time have been granted a lease or license to use a Vacation Property. The Lessee consents to his name being included in the register of Lessees and to the Lessor using the register from time to time to contact the Lessee about promotional opportunities that may be of interest to the Lessee.
20. **LESSOR'S RIGHTS WITH RESPECT TO VACATION PROPERTIES:** The Lessee hereby acknowledges the right of the Lessor to use, occupy and rent any Vacation Property not reserved for a particular week period pursuant to a Vacation Lease, and to retain all monies and other consideration received as a result of the use, occupation and rental of any such Vacation Properties.
21. **LESSEE'S ASSOCIATION:** The Lessee covenants and agrees to help create, organize, establish and thereafter maintain membership in an association of lessees of the Vacation Properties, which association shall be formed and organized to promote a means of practicable communication with the Lessor and lessees relative to the resolution of problems as between lessees and as between lessees and the Lessor. The Lessor agrees to cooperate with the lessees in the formation of such an association and agrees to recognize the association, if it is duly constituted, provided the by-laws, rules and regulations of the association do not in any way conflict with the provisions of this Lease or in any way affect the rights of the Lessor; provided always that acceptance of such by-laws, rules and regulations by the Lessor shall not be deemed to be a waiver 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 per cent (50%) of the holders of leasehold interests in the Vacation Resort, then if the Lessee is a non-member he shall, notwithstanding that he is a non-member, pay the dues assessed by the association from time to time.
22. **APPOINTMENT AND REMOVAL OF TRUSTEE:** The Lessor does hereby represent and warrant to the Lessee that the Trustee was appointed as trustee for the purposes set forth in this Lease.

The Trustee shall remain as trustee until this Lease and all other leases of Vacation Properties recorded by it have expired or until the Trustee has resigned or its services have been terminated as provided for herein.

The Trustee may be removed at the written request of the Lessor or at the written request of fifty-one per cent (51%) of the leaseholders (excluding the Lessor).

In the event of the resignation or termination of the Trustee as provided for herein, the Lessor shall appoint in the stead of the Trustee a trustee acceptable to the Superintendent of Real Estate and shall require the Trustee to transfer all assets and

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records and accounts to such trust company so as to enable such new trustee to carry on in the place and stead of the Trustee.

23. **REMOVAL OF MANAGER:** The Lessee in conjunction with other holders of leasehold interest in the Vacation Resort totalling not less than fifty-one per cent (51%) of all leaseholders of Vacation Properties shall be entitled to terminate the services of the Lessor as Manager, provided that
- (a) not less than sixty (60) days' notice is given, duly signed by at least fifty-one per cent (51%) of the leaseholders on record with the Trustee;
 - (b) the Lessor's fees and charges are fully paid and satisfied or provided for to the date of such termination; and
 - (c) the lessees have produced to the Lessor an executed management agreement with a new manager in like terms to the management provisions in this Lease and the Lessor is a party to such agreement as a lessee or deemed lessee.

Upon 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 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 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.

24. **LESSOR'S RIGHT TO MORTGAGE:** The Lessor may at any time during the currency of this Lease cause the Trustee to mortgage the Lessor's interest in the Lands, provided that such mortgage shall be subject to this Lease and would have no effect whatsoever on the rights of the Lessee.
25. **POSSESSION OF KEYS:** The Lessee shall not make, nor shall he permit any other person to make, a copy of any key to a Vacation Property and shall, upon the expiration of each of his week periods, surrender all keys to the Lessor. The Lessor shall provide the Lessee with all necessary keys at the commencement of the Lessee's week period.
26. **QUIET ENJOYMENT:** Except as otherwise provided herein, the Lessor hereby covenants with the Lessee, upon the Lessee performing covenants on his part contained herein and the payment of all monies required by the Lessee to be paid hereunder, that the Lessee shall peacefully possess and enjoy the leased premises for the term agreed upon herein without any interruption or disturbance from other lessees or from the Lessor or any other person lawfully claiming under him.
27. **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 the Notice of Assessment and are payable by the Lessee to the extent of his proportionate share.
28. **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 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 of such payment.
29. **EXPIRATION OF TERM:** Upon the expiration of the term hereby granted, the Lessee shall peaceably surrender the leased premises to the Lessor and shall not remove or carry away from the leased premises any furnishings or fixtures forming part of the leased premises.
30. **ENTRY FOR INSPECTION, REPAIRS AND ALTERATIONS:** The Lessor shall have the right to enter the Vacation Properties for inspection thereof at all reasonable hours, and whenever necessary may make repairs and alterations to the Vacation Properties or clean same.
31. **REDECORATIONS OR ALTERATIONS:** The Lessee shall not make or permit to be made any alterations, improvements or changes in the Vacation Properties 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 to be a consent to any subsequent alteration, addition, improvement or change.
32. **INSURANCE:** The Lessor specifically agrees that it will during the term of this Lease insure and keep insured the Vacation Properties and contents for the full replacement cost thereof against loss or damage from fire, lightning, explosion, wind-storm, hail, riot, smoke damage, airplane, hurricane and 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, the Lessee and other lessees of leasehold interests in the Vacation Resort.

In addition to the foregoing insurance, the Lessor shall maintain and keep in force during the term of this Lease, public liability insurance in respect of the Vacation Properties and the common areas of the Vacation Resort in the name of the Trustee as trustee for the Lessor, the Lessee and other lessees of leasehold interests in the Vacation Resort, said insurance to



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be for coverage and in amounts stipulated by the Lessor.

All insurance premiums are the responsibility of the Lessee (to the extent of his proportionate share) and shall be paid by the Lessee through the Notice of Assessment as provided for in this Lease.

33. **RULES AND REGULATIONS:** The Lessor may from time to time issue rules and regulations governing the use of the Vacation Properties, it being understood that such rules and regulations shall be non-discriminatory and for the general benefit of the Lessee having regard to all of the Vacation Properties. The Lessee agrees to abide by such rules and regulations.
34. **PARKING SPACES:** The Lessee is hereby granted a licence to use one parking space on the Vacation Resort 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.
35. **ANIMALS:** No pets are permitted in the Vacation Properties or on the Lands.
36. **WASTE, NUISANCE OR UNLAWFUL USE:** The Lessee agrees that the Lessee will not permit waste on the leased premises, or maintain or permit to be maintained a nuisance thereon, or use or permit the leased premises to be used in an unlawful manner.
37. **DEATH OF THE LESSEE:** On the death of the Lessee, the rights and interests of the Lessee under this Lease may be transferred to the beneficiary of the Lessee for the unexpired Term, provided such beneficiary executes an agreement agreeing to be bound by all the terms of this Lease. In the event of the Lessee's death, appropriate notification shall be given to the Lessor to enable it to make note of such transfer in the register of Lessees maintained by the Lessor.
38. **INDEMNITY:** The Lessee covenants with the Lessor to indemnify and save harmless the Lessor from any and all actions, suits, claims, liabilities, damages, costs, losses and expenses incurred or sustained by the Lessor arising from or connected with:
- (a) any breach, violation or non-performance of any covenant, agreement, condition or proviso in this Lease set out and contained on the part of the Lessee to be fulfilled, kept, observed and performed;
 - (b) any damage to any Vacation Property or other part of the Vacation Resort by the Lessee or the Lessee's agents, sublessees, licensees or invitees;
 - (c) any injury to the Lessee or any agent, sublessee, licensee or invitee of the Lessee, including death resulting at any time therefrom, occurring in or about the Vacation Property or the Vacation Resort; or
 - (d) any other act or omission of the Lessee.
39. **VACATION LEASE EXCHANGE PROGRAM:** The Lessor agrees that it will cooperate with the Lessee or any leaseholders, association as contemplated herein 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.
40. **PLATINUM EXCHANGE CLUB:** To facilitate the ability of Lessees to exchange their allotted week or weeks with vacation weeks at other resorts or for other vacation experiences, the Lessor manages its own exchange program (the "Platinum Club Benefits Program" or the "Program") which enables Lessees who participate in the Program to exchange their week or weeks at the Vacation Properties for a week or weeks at other resorts or for other vacation experiences owned or managed by entities affiliated with the Lessor or with whom the Lessor has an exchange arrangement. At present, the properties available for exchange through the Program include the Vacation Properties at the Vacation Resort and vacation villas at Lake Okanagan Vacation Resort in Kelowna, British Columbia. The Lessor reserves the right to make additional properties and vacation experiences available for exchange through the Program. As at the date hereof, the Lessor anticipates that the annual cost of membership in the Program will be \$89 (Cdn. funds) per year, but this cost may be subject to change. The Program will offer participating Lessees the ability to exchange their week period on the basis of either one or both of the following reservation systems, as determined by the Program:
- (a) the Lessee will register a request for an exchange with the Program and will only deposit his or her week with the Program for exchange upon receiving confirmation from the Program that an exchange is available for the Lessee at the specific resort or vacation experience chosen by the Lessee; and
 - (b) a Lessee wishing to exchange a week at the Vacation Resort for time at a different resort or an alternate vacation experience will deposit his or her week with the Program within the reservation timelines established by the Program, and will list, in priority of choice, the resorts or vacation experiences with which the Lessee wishes to exchange, and the Program will then confirm to the Lessee which property or vacation experience is available for exchange.

Prospectus of Fairmont Resort Properties Ltd.
for Fairmont Vacation Villas at Riverside and Hillside



Exchange weeks will be subject to availability. A vacation week will always be available to the Lessee either at the Vacation Properties or at an alternate resort or vacation experience within the Program in which the Lessee has expressed an interest, provided the Lessee complies with the reservation time requirements. The Program may restrict the number of weeks or the frequency in which a Lessee may exchange. Different resorts and vacation experiences will have different exchange values. For example, one week in a three bedroom villa at Lake Okanagan (which accommodates 8 persons) may be equivalent to either more or less than one week in a lock-off at Fairmont Vacation Villas at Riverside and Hillside (which accommodates 8 persons), as determined by the Program. The Program reserves the right from time to time to enhance its features and the benefits and types of vacation experiences available pursuant to the Program.

Membership in the Program is non-transferable by Lessees (other than to family members) and are personal rights which do not attach to the time share interest of a Lessee or to a Vacation Lease.

41. **WAIVERS:** Any waiver by the Lessor of any breach of any covenant or duty of the Lessee under this 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.
42. **NOTICES:** Notices under this 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 paragraph 18 hereof, except during any interruption of postal service when notice shall be given only when delivered by hand or acknowledged as received by the addressee.
43. **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. In particular, the Lessor reserves the right to add further vacation villas located in the Vacation Resort to the Vacation Properties and houseboats and motorhomes, the use of which may circulate among the Lessee and other persons who have entered into similar leases with the Lessor.
44. **JOINT AND SEVERAL:** If this Lease is signed by more than one Lessee, each Lessee shall be bound separately and severally as well as jointly with the other or others. If this Lease is entered into with respect to more than one Vacation Property it shall be construed as though a separate Lease was entered into for each week.
45. **ENUREMENT:** This Lease shall enure to the benefit of and be binding upon the Lessor and its successors and assigns and the Lessee and its heirs, executors, successors and permitted assigns.

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

SIGNED, SEALED AND DELIVERED

in the presence of:

Witness

Lessee

Witness

Lessee

Street Address

City

Province

Postal Code

Phone

FAIRMONT RESORT PROPERTIES LTD.

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