

A Rental Appraisal
of the Land

Located At

**666 Leg-In-Boot Square (VR551)
Vancouver, British Columbia**

For

The City of Vancouver

as at

May 1, 2006

by

Larry Dybvig, AACI, P.App. MAI

Grover, Elliott & Co. Ltd.
Real Estate Appraisers and Counsellors

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City of Vancouver
300-525 West 10th Avenue
Vancouver, BC V5Z 4A8

June 8, 2006
Our File: 2006-112-V

Attention: Mr. Bruce Maitland

Dear Sir,

Re: 666 Leg in Boot Square(VR551)
Vancouver, British Columbia

In accordance with your instructions, we have appraised the fee simple interest of the land component of this real property, based on the existing use and development density. Our estimate of the annual net market rental value of the property as at May 1, 2006 is:

**FOUR HUNDRED TWENTY-FOUR THOUSAND EIGHT HUNDRED SEVENTY-
EIGHT DOLLARS**
(\$424,878)

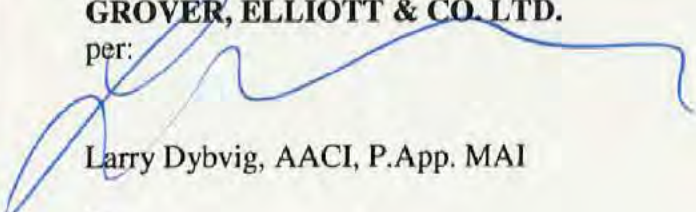
The accompanying appraisal report contains research, data and analyses which support our estimate of the market value. Our opinions are subject to the Assumptions and Limiting Conditions contained within this report and in Appendix 1.

We prepared this report exclusively for the City of Vancouver for rent setting purposes. We are unaware of any third parties that are likely to see or rely on the report, and expressly deny liability in this respect or for any other use.

Thank you for allowing us to be of assistance with this matter. If you have any questions or comments, please contact our office.

Respectfully submitted,
GROVER, ELLIOTT & CO. LTD.

per:



Larry Dybvig, AACI, P.App. MAI

/bp
Encl.

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SUMMARY

Location

The site is located along the southeast side of Leg-in-Boot Square and with frontages along Market Hill, Millbank and Moberly Road, along False Creek South in the Fairview neighbourhood of Vancouver, British Columbia.

The Site

The land is an airspace parcel. The underlying lot 39 is 1.04 acres, with the footprint of Air Space Parcel 3 estimated for the purposes of this appraisal at 16,500 square feet.

The Improvements

An 11-storey multiple-family apartment structure of concrete construction. The aggregate size of the strata lots is 44,464 square feet and comprises 37 units ranging in size from 618 to 2,629 square feet. We have estimated gross building area at 49,400 square feet, including common area such as hallways. Our value conclusion excludes the improvements.

Land Use Controls

The site is zoned FCCDD- False Creek Comprehensive Development District.

Highest and Best Use

Date of Value Estimate

May 1, 2006; the date of property inspection was April 21, 2006

Valuation

\$424,878 net per annum, land only based on the existing use and development density.

THE ASSIGNMENT

Intended Use of the Appraisal

We have prepared this report in accordance with instructions obtained from Bruce Maitland, exclusively for the City of Vancouver, for rent setting purposes. We are unaware of any third parties that are likely to see or rely on this report and expressly deny liability for unauthorized reliance.

Purpose of the Appraisal

The purpose of this report is to provide our estimate of the current market rent of the fee simple interest in the subject property as at the May 1, 2006 effective date of this appraisal.

This appraisal discusses market value and market rent. An accepted Canadian definition of market value is “the most probable price which a property should bring in a competitive and open market as of the specified date under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus.”¹

An accepted appraisal definition² of market rent follows:

The most probable rent that a property should bring in a competitive and open market reflecting all conditions and restrictions of the specified lease agreement including term, rental adjustment and revaluation, permitted uses, use restrictions, and expense obligations; the lessee and lessor each acting prudently and knowledgeably, and assuming consummation of a lease contract as of a specified date and the passing of the leasehold from lessor to lessee under conditions whereby:

1. Lessee and lessor are typically motivated.
2. Both parties are well informed or well advised, and acting in what they consider their best interests.
3. A reasonable time is allowed for exposure in the open market.
4. The rent payment is made in terms of cash in Canadian dollars, and is expressed as an amount per time period consistent with the payment schedule of the lease contract.

1. *Canadian Uniform Standards of Professional Appraisal Practice* : Appraisal Institute of Canada, 2005, Ottawa, Ont.), line 6143
2. *Dictionary of Real Estate Appraisal*, Fourth Edition, Appraisal Institute, Chicago, 2003

5. The rental amount represents the normal consideration for the property leased unaffected by special fees or concessions granted by anyone associated with the transaction.

The fee simple estate is absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the government powers of taxation, eminent domain (expropriation), police power and escheat (the right of the government that gives the state titular ownership of a property when its owner dies without a will or any determinable heirs).³ This is the most comprehensive form of ownership. It gives a "bundle of rights" that allows the owner the right to use the property, to sell it, to lease it, to enter it, or to give it away. It also includes the right to refuse to take any of these actions. A fee simple interest excludes existing financing and leases.

Scope of Assignment

The scope of this assignment included:

- An inspection of the exterior of the property on April 21, 2006. We took the photographs herein at that time.
- A review of land use control information obtained through the City of Vancouver's website and zoning bylaw.
- Investigations into market activity from sources including the local real estate board, Land Titles office transactions, real estate agents, vendors and purchasers active in the market, and our corporate real estate database.
- Appraisal and market analyses as described later herein.

³ Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 4th ed. s.v. "fee simple estate." (Chicago: Appraisal Institute, 2002). CD-ROM.

Technical Investigations

We did not complete technical investigations such as:

- a technical review of the utility servicing;
- a site survey;
- investigations into the bearing, percolation or other qualities of the soils;
- an environmental review;
- an archaeological survey; or
- a hydrological study.

The analysis set out in this report relied on written and verbal information obtained from a variety of sources we considered reliable. Unless otherwise stated herein, we did not verify client-supplied information, which we assumed to be correct. Any party wishing to rely on this report should confirm the source of any important information herein as well as the assumptions that underlie any significant conclusion.

Hypothetical Conditions

This is an airspace parcel. For appraisal purposes, we have made two assumptions.

- The total area of the strata units is 44,464 square feet, however this excludes common areas such as hallways that form part of an apartment building. This land value analysis requires an estimate of gross building area, according to the City of Vancouver's policies for determining floor space ratios. In the marketplace, the ratio of net to gross area (called the "efficiency" factor) is typically 85 to 90%. We have conservatively applied a 90% efficiency factor, producing a gross building area estimate of 49,404 square feet (44,464/90%). Verifying the gross building area of the structure in place will require the advice of an architect.
- Analysis of land sales requires an assumption of site area, for the purposes of considering relative density (land values can vary with density). We have estimated the "footprint" of this airspace parcel at 16,500 square feet, which yields a floor space ratio of +/- 3.0. Basing the FSR calculation on the airspace footprint generates a higher ratio than typical for this type of construction on a regular land parcel, for it does not recognize landscaping, plaza and other areas of lot 39 that benefit the site but that lie outside the airspace footprint.

Our appraisal of the land only assumes that the property is vacant and available for development. In fact, the property is improved.

We have valued the property based on the existing use and density (as discussed above), pursuant to our instructions, which are consistent with our understanding of the lease. In fact, current development proposals in the area contemplate development densities in the order of 3.5FSR.

We have assumed that the soil and groundwater are free from contamination, adverse substances and adverse conditions. We do not know if these might be contaminated, however, the City of Vancouver has indemnified the owners of the property for any contamination effects.

Extraordinary Limiting Condition

We did not review the title or any charges registered against the property. For the purpose of this appraisal, we have assumed that the property is free and clear of any charges against it.

Type of Analysis

This narrative appraisal report complies with the Canadian Uniform Standards of Professional Practice of the Appraisal Institute of Canada. We have competence in this type of appraisal analysis and have valued this class of real property before.

PROPERTY INFORMATION

Civic Address

666 Leg-in-Boot Square, Vancouver, British Columbia

Legal Description

Air Space Parcel 3 of Lot 39, False Creek, Group 1, New Westminster District according to Air Space Plan 4.

Title Information and Encumbrances

We understand the **City of Vancouver** is the registered owner. We did not investigate any charges on the title and are assuming the property is free and clear any charges registered against it.

Subject to the limitations of this assignment and based on our interviews, client-supplied information and our review of the title search print, we believe that title encumbrances do not materially affect the value of the property except as discussed specifically herein. However, we did not obtain a legal opinion of the state of title or any of the encumbrances, we lack qualifications in this area and we have not read the documents registered against title. Our appraisal therefore assumes that title is good and marketable and that encumbrances do not affect the value of the appraised interest.

ASSESSMENTS AND TAXES

The property is the subject of strata subdivision. It is neither assessed nor taxes separately, but rather pursuant to the subdivision. Actual value assessments for this strata subdivision, as provided by British Columbia Assessment for 2006 are as follows:

Strata Lot	Improvements	Land	Total	Gross Taxes 2005
1	129,000	241,000	370,000	1,659.03
2	173,000	295,000	468,000	2,102.23
3	118,000	261,000	379,000	1,727.50
4	150,000	275,000	425,000	1,912.56
5	172,000	292,000	464,000	2,084.24
6	117,000	229,000	346,000	1,551.22
7	194,000	344,000	538,000	2,417.64
8	97,500	231,000	328,500	1,468.95
9	78,500	176,000	254,500	1,138.35
10	74,900	161,000	235,900	1,059.89
11	96,900	204,000	300,900	1,381.01
12	128,000	279,000	407,000	1,820.73
13	160,000	373,000	533,000	2,387.70
14	139,000	305,000	444,000	1,982.43
15	164,000	391,000	555,000	2,521.40
16	115,000	292,000	407,000	1,814.74
17	167,000	352,000	519,000	2,323.82
18	118,000	275,000	393,000	1,755.55
19	159,000	371,000	530,000	2,409.07
20	106,000	241,000	347,000	1,551.22
21	132,000	318,000	450,000	2,010.37
22	153,000	316,000	469,000	2,106.21
23	104,000	251,000	355,000	1,581.15
24	167,000	399,000	566,000	2,534.33
25	180,000	446,000	626,000	2,800.94
26	154,000	364,000	518,000	2,321.82
27	360,000	761,000	1,121,000	5,032.95
28	316,000	731,000	1,047,000	4,693.54
29	164,000	347,000	511,000	2,289.89
30	117,000	303,000	420,000	1,872.61
31	172,000	364,000	536,000	2,399.68
32	186,000	438,000	624,000	2,790.97
33	118,000	322,000	440,000	1,962.47
34	192,000	495,000	687,000	3,142.32
35	116,000	293,000	409,000	1,820.73
Total	5,287,800	11,736,000	17,023,800	76,429.26

Actual value reflects the opinion of British Columbia Assessment of the market value of the property as at July 1, 2005 based on the physical condition of the property as of October 31,

2005. Assessors disregard encumbrances such as leases and financing, and can base their assessments on mass appraisal techniques such as multiple regression analysis and on dated inspection information. Consequently, actual values can be a less precise estimate of market value than provided by a full appraisal.

HISTORY AND USE

Leasing History

Between 1976 and 1982, the City of Vancouver issued head leases on the South False Creek subject development lands to developers, which constructed multiple family housing on the land, registered strata subdivisions and sold the individual units on the marketplace. This led to 37 strata lots, and presumably 37 residences under Strata Plan VR551 registered September 1978. Almost all of the units have since resold at least once. The land leases called for ongoing rental payments, which the owners of individual units paid on a monthly basis. The amount of the rental payments varied from unit to unit, and would reflect the unit entitlements and the total rent for the overall parcel. The City entered into similar agreements with several developers of strata projects on other False Creek sites.

The leases provided for a fixed annual rental amount for the overall property, which adjust at specified dates during the life of the lease. Rent is to reflect the use set out in the lease, being self-contained residential accommodation, according to Section 5.01 of the ground lease reviewed. For the subject projects, the first of the 10-year rent renewal periods where rents are to be set at market levels occurs in September 2006.

According to Schedule C of VR551 the lessee had several options for rental payments:

- 1) Pay the basic rent as a set amount for the first three years of the lease, then go to annual adjustments based on 75% of the percentage increase in personal disposable income less 3%;
- 2) Have the rent set for the first five years, then increase for the last 25 years;
- 3) Fixed rents for 30 years;
- 4) Payment of the rent in advance for the remaining term of the lease, i.e. for 60 years from September 1977 to September 2036, at what appears to the present value for the 30-year fixed rents, projected for 60 years, at a discount rate of 8.47%.

The annual rent payment for VR551 based on the 30 year fixed rents is approximately \$54,442 with rents ranging between \$741 and \$3,680 per unit.

In the early 1990's, the City decided to offer tenants the right to prepay the remainder of their lease payments, and commissioned real estate appraisers to calculate the prepayment amounts. The amount of the prepayment varied from unit to unit and for some units was later revised and adjusted. Tenants were under no obligation to accept the prepayment; we understand that about 18 tenants in this project elected to prepay their remaining rent. The option to prepay the lease was not available after 2001.

Present and Historic Use

A mid-rise, multiple-family, concrete apartment structure with strata title tenure, subject to a ground lease. It sits atop a commercial development that does not form part of the subject air space parcel. To our knowledge, the original developers sold all of the units, which now are widely held, with little or no multiple unit ownership.

The property is located in the Fairview Slopes neighbourhood, adjacent to False Creek. From the early 1920s to the early 1960s, Fairview Slopes⁴ was zoned for three-storey apartments and throughout the 1950s, the area south of Broadway developed as an apartment district. Broadway, as well as Granville and Cambie Streets, became important neighbourhood commercial strips. At the same time, the Slopes were rezoned to industrial use, and some houses were replaced with small industries.

The 1970s were a time of dramatic change for both False Creek and Fairview Slopes. Based on the recommendations by citizens, two advisory review panels and City staff, City Council in 1973 adopted policies that laid out guidelines for redeveloping False Creek. The new City policy required a range of housing to provide a social mix that reflected the City's income and social composition. The City also decided to keep ownership of most of South False Creek, the area containing the subject properties.

Concurrent with the planning for South False Creek, plans to redevelop Granville Island were also being considered. In 1972, the Federal Government transferred administration for the 15-hectare (37 acres) island from the National Harbours Board to Canada Mortgage and Housing

⁴ excerpted from City records - see
http://www.city.vancouver.bc.ca/community_profiles/fairview/history.htm

Corporation and a movement to rejuvenate the site started to gain momentum. Early in 1976 the Granville Island Trust was formed to advise on the Island's future. The first phase of the Island's redevelopment, the Public Market, opened in 1979, soon followed by the Maritime Market, Emily Carr College of Art, theatres, artist's studios, craft galleries and restaurants.

As the City's plans for False Creek took shape, pressure arose to redevelop the Slopes for high-density uses. The area was rezoned in 1972 from industrial to residential/commercial. Fairview Heights, a small fifteen-block area extending north of Vancouver Hospital and Health Sciences Centre (formerly Vancouver General Hospital), was rezoned in 1984 from a duplex to a low-rise apartment zone. Since then the area has been extensively redeveloped providing additional housing opportunities for those employed in the downtown core and with Vancouver Hospital.

Construction of the projects occurred in the late 1970's and early 1980's, and this is reflected in their design and materials of construction. Building codes and construction practises were changing during this time, and some projects of this vintage "leaked."

THE SITE

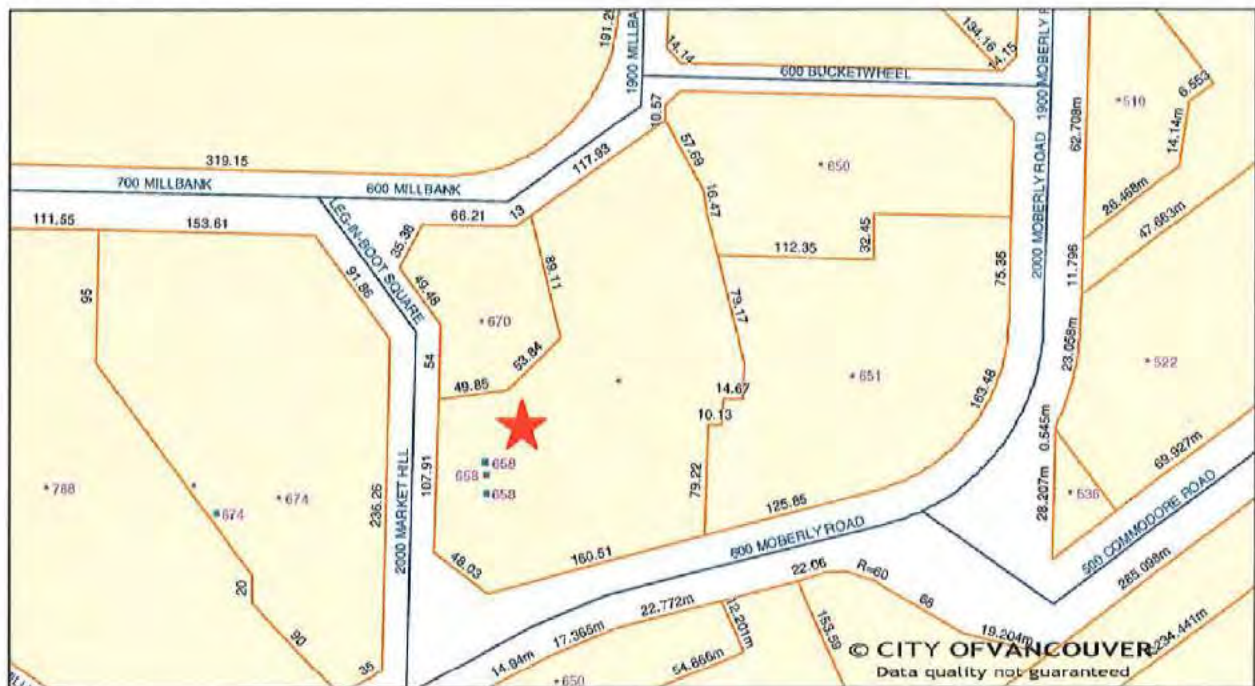
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The site is located along the southeast side of Leg-in-Boot Square and with frontages along Market Hill, Millbank and Moberly Road, along False Creek South in the Fairview neighbourhood of Vancouver, British Columbia.





Shape and Size



31

39

40

0.23 AC.

1.04 AC.

BUCKINGHAM

MARKET HILL

ROAD

MOBERLEY

CLOSED ROAD

SEE INSET

15.58' LP

45' LP

20' LP

10.02' OIP

14.14' N46°30'30"E

10.45' N27°26'W

57.69' N70°40'40"W

16.47' N40°30'14"E

112.35' N88°29'30"W

79.17' N1°30'30"E

25.56' N88°29'30"W

14.67' IP

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19.0' N1°30'30"E

79.22' LP

125.85' S75°17'40"W

145' LP

47' LP

R=226.5' 57.35' LP

109.68' LP

48.03' S51°36'E

IPF

160.51' LP

107.91' LP

54' LP

49.85' N61°46'30"E

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53.84' N45°36'10"E

IP

89.11' N14°25'15"W

IP

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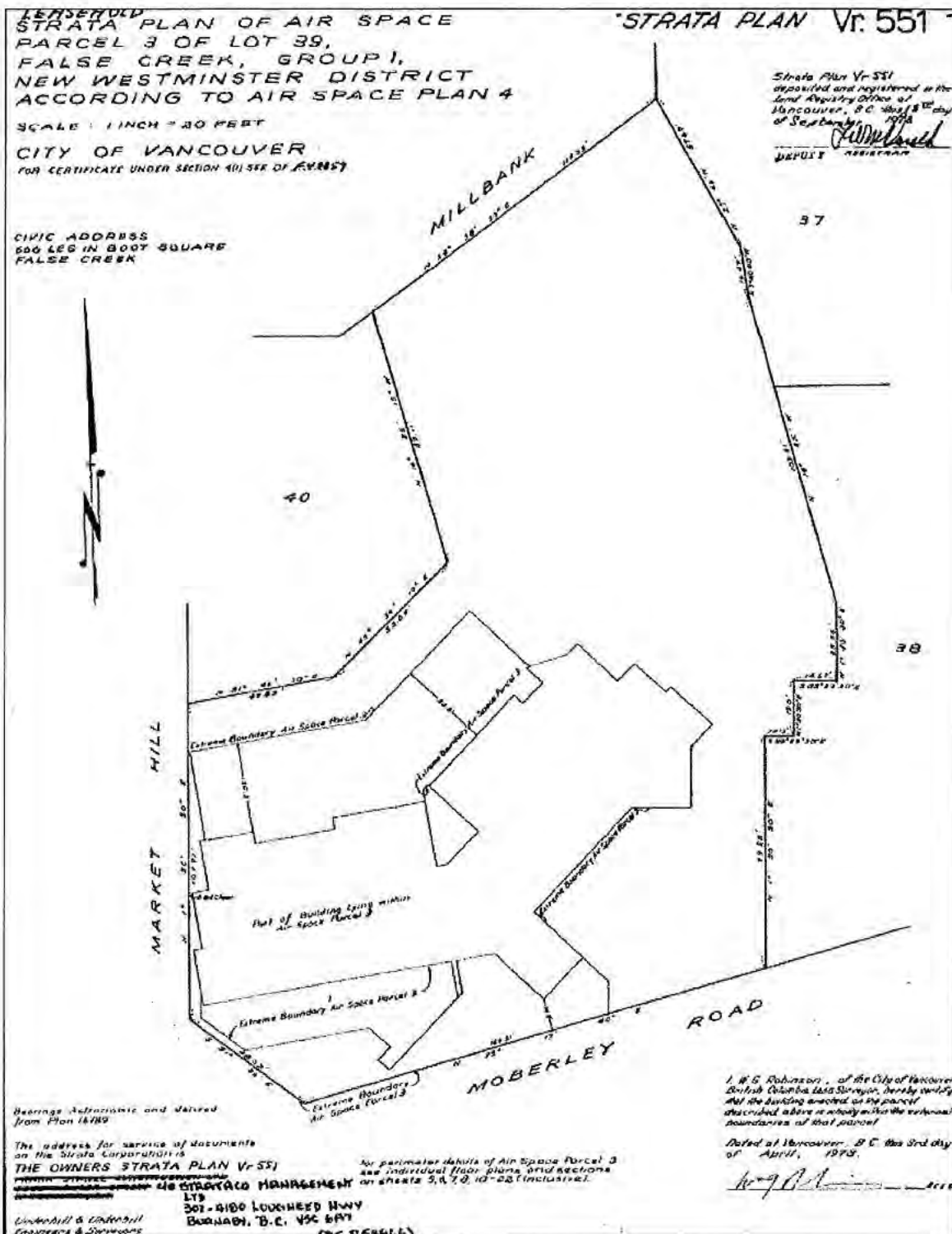
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Topography

The site is level and at grade with the adjacent road and surrounding development.

Soil Conditions

We have not been provided with a soil survey for the subject site and we have not commissioned one. For the objective of this report, we have assumed that the bearing, percolation and other characteristics of the land are adequate to permit development under the present land use controls, without undue and costly site preparation or engineering.

We did not observe any contaminants or hazardous materials at the property and do not have the knowledge or qualifications to detect the existence of such materials on or in the property. Our value estimate assumes that there are no contaminants or hazardous materials on, in or near the property that would cause a loss in value. We recommend retaining an expert in these matters if doubt exists regarding the quality of the soils or groundwater.

Access

Pedestrians can access the property along Millbank, Leg-In-Boot Square and Market Hill. Primary vehicle entry to and egress from the site is available via Moberley Road.

The major east-west arterial route through the Fairview area is south of the subject along West 6th Avenue, connecting with West 2nd Avenue to the east and West 4th Avenue to the west.

Major north-south arterial routes include Cambie Street to the east providing direct access to Downtown Vancouver via the Cambie Street Bridge, Oak Street to the west and Granville Street farther west, also providing access downtown..

Street Improvements

Millbank has a dedicated width of 35 feet along the subject property and is part of the seawall along False Creek South. Market Hill has a dedicated width of 35 feet, is asphalt paved and allows for pedestrian access only.

Moberly Road is asphalt paved curb to curb, two lanes in width with concrete sidewalks and ornamental street lighting. Visitor Parking is accessed via Moberly Road and is southeast of the subject. Traffic signals control the intersection of Moberly Road and Sixth Avenue.



View east along Millbank



View west along Millbank



View south along Mill Yard



View north along Mill Yard



Leg-In-Boot Square

Utilities

Utility services typical of an urban community are available in the area, including municipal water and domestic sewer, storm water drainage, electricity, natural gas, telephone and television cable.

Surrounding Developments



The subject property is situated on the south shore of the False Creek basin. The immediate surrounding area is predominantly multifamily, low-rise, wood-frame or mid-rise concrete developments with some commercial at grade. Commercial developments are concentrated on Granville Island to the west and 6th Avenue to the south. 6th Avenue and up in the Fairview area is primarily medium-rise residential, often with commercial use at street level.

East and west of the property are multi-family apartment and townhouse buildings with commercial at grade in the development to the west. Heather Civic Marina is situated to the northeast.

False Creek Elementary and Destination park are to the west, within a five minute walking distance. Two blocks southeast of the property is a bus loop providing public transit.



Multifamily development to the west



Multifamily development to the west



Multifamily development to the east



Heather Marina to the northeast

PHOTOGRAPHS



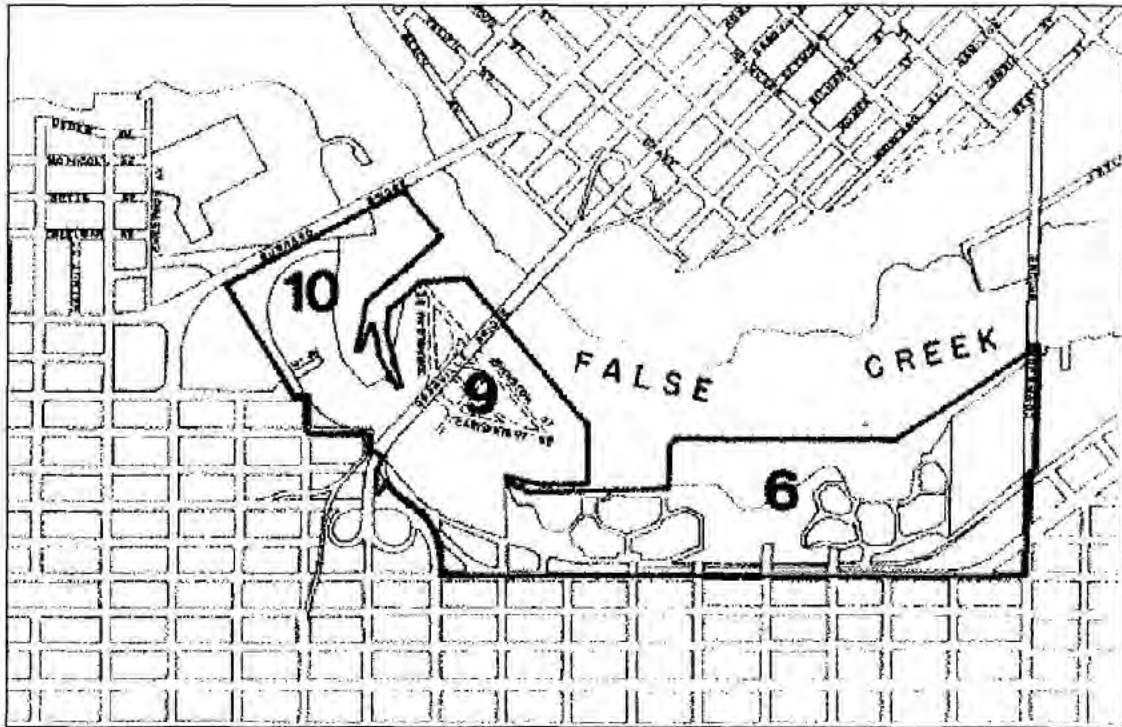
View south of the subject property



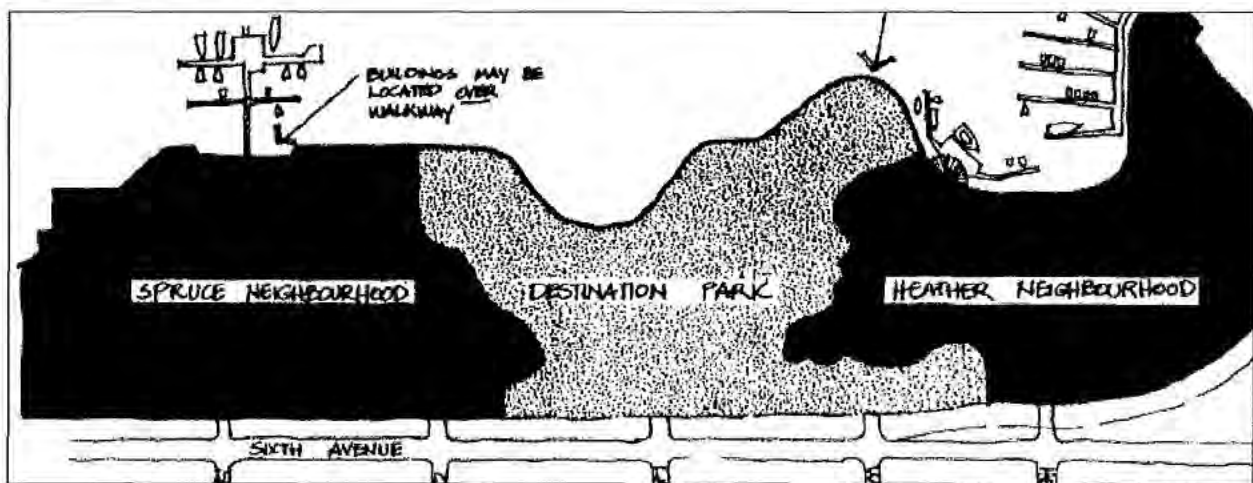
View north of the property

LAND USE CONTROLS

The subject property is zoned FCCDD, False Creek Comprehensive Development District. The intent of the zone is to regulate development in a portion of that part of the City of Vancouver for which the zoning district is described as "False Creek Comprehensive Development District (FCCDD)" adopted in 1974.



The subject property is within Sub-Area 6, which comprises two major neighbourhoods, on the west the Heather Neighbourhood and on the east the Spruce Neighbourhood with Destination Park separating the two.



The Phase 1 policy calls for residential development at densities of 45 to 65 units per acre, which requires a blend of apartment and townhouse densities, along with related uses such as school and park facilities. The policy calls for building heights of 65 to 120 feet. Based on policy documents downloaded from the City's website, no significant changes appear to have occurred to these policies. Given the pattern of recent development in False Creek, it is likely that the City would adopt higher development densities if it revisited the land use controls.

The Heather Neighbourhood

The Heather Neighbourhood is planned as a mixed life-style residential area. Non-residential uses include a marina, community facilities and some commercial facilities. The neighbourhood area encompasses 19.318 acres with the development area being 10.96 acres. The number of residential units is not to exceed 650 units or an average net density of 60 units per acre. The Site coverage in development areas is not to exceed 65%.

Significant Area Future Development

The Canada Line

The transportation corridor connecting downtown Vancouver with Richmond is one of the busiest in Greater Vancouver and home to one-third of the region's jobs and 20 percent of its population. The proposed Canada Line will include 16 stations, and provision for three future stations located to serve the dense and growing neighbourhoods along the corridor. The projected completion date is last half of 2009, roughly four years away.

The proposed Canada Line will provide a north-south link needed to help enhance the regional network, creating a safe, fast and reliable rapid transit system. The line will connect with the existing Expo and Millennium rapid transit lines, WestCoast Express and SeaBus at Waterfront Station. The Canada Line provides for a future connection with a Millennium Line extension to Broadway and Cambie Street. The project also includes a park-and-ride facility and a bus exchange at the Bridgeport Station; a second bus exchange will be provided at the Richmond Terminus Station.

The Canada Line consists of a fully grade-separated alignment that will run from downtown Vancouver to Richmond Centre and the Vancouver International Airport.

Starting at Waterfront Station, the Canada Line will run beneath Granville Street, False Creek and Cambie Street and will remain underground until 63rd Avenue. Between 63rd and 64th Avenues, the Line will transition from an underground to an elevated guideway, extending south across the North Arm of the Fraser River to Bridgeport Station. From this station, two separate lines will provide service along elevated guideways, one to central Richmond and one to the Airport.

A park-and-ride facility and a bus exchange will be at the Bridgeport Station; a second bus exchange will be provided at the Richmond Terminus Station. The Line will include 17 stations: four in Richmond, 4 on Sea Island and 9 in Vancouver.

Annual boarding (one-way rides) is projected to range from 28 to 38 million in 2010 with modest annual growth over the following years of 1% to 1.5%. This translates into 2010 trips at 75,000 to 100,000 boardings per day.

Plans indicate that the False Creek Station location will be near the Cambie and 2nd Avenue interchange, a few minutes walk to the subject property. Moberly Road will become a primary access point from the station to the Seawall area.



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Canada



BRITISH COLUMBIA

TRANS LINK
Greater Vancouver
Transportation Authority



Because of Skytrain, the Cambie Corridor should experience sustained long-term growth superior to areas not gaining rapid transit service. In addition, the future Olympic village will be located in the Second Avenue/Main Street area, and will provide long-term market, affordable and social housing as well as a modest commercial component. Further development in the Southeast False Creek area will surround Athlete's Village. In summary, population and access should increase and the Seawall will remain a strong attraction for leisure traffic, thereby positively influencing future values.

Olympic Village and Southeast False Creek Development Plan

The following is a descriptive excerpt from the City of Vancouver.

"Southeast False Creek is a new community planned for the last remaining undeveloped waterfront in the False Creek basin, adjacent to Downtown Vancouver. The objective of the development is to create a new community based on principles of sustainability. Planning has been underway for several years and has now reached the Official Development Plan stage of planning approval process.

The overall intent is to create a diverse community within a low- to mid-rise scale of development. Approximately 2.2 million square feet of space will be developed on the publicly owned lands. A full slate of roads, pedestrian routes and public parks will be created. The overall park space target is 26.4 acres with an allowance of up to a 10% reduction agreed to by Council resolution. A broad mixture of uses will be encouraged in the plan with flexible space at ground floor allowing for changes in use over time. Community facilities on the site will include an elementary school; a community centre and boating centre; an inter-spiritual centre; up to five childcare facilities; and, outdoor uses like playfields, an amphitheatre and community garden plots.

The character of the proposed development will build on the unique industrial history of the site. Both open spaces and built form will respond to the legacy of the working history of the place. The waterfront will remain in its diverse, almost rough character, with a diversity of edge conditions from naturalized areas to wood-piled structures. Buildings will reflect the simple bold forms found on industrial sites and will include the use of brick, large window and door openings and industrial finishes. This attitude will extend into developments on the private lands surrounding the site, south to Second Avenue and east to Main Street."

Southeast False Creek Development Area



Newspaper reports indicate the 2.2 million square feet of space will be 2 million residential and 200,000 commercial/ other. This represents a significant population increase for the general area, which historically has had an industrial, non-residential character. Soil remediation work has begun, and the City has selected a developer for the Athlete's Village project, with construction to start within the next 12 months.

The Southeast False Creek Official Development Plan By-law and two accompanying Council Reports (Financial Strategy and Sustainability Targets and Indicators) were approved by Vancouver City Council at Public Hearing on March 1, 2005 and enacted on July 19, 2005.

Planned Athlete's Village

Athletes' Village



Where: Southeast False Creek

Features:

- 600,000 square feet
- 600 units
- 2,800 athletes, coaches and officials
- To be converted into mixed-use, model sustainable community following the Games

Construction: This site is being developed by the City of Vancouver. Planning work is underway, and construction is expected to begin in late 2006 or early 2007, with completion in 2009.

Website: vancouver.ca/sefc

Based on the information available to us, the subject development appears to conform to the land use controls.

Most provincial municipalities have also adopted official community plans, area plans and other planning devices that supplement their zoning bylaws. The process for developing an Official Community Plan ("OCP") typically involves considerable social, economic and demographic research and an extensive public consultation process. OCPs serve to express municipal aspirations for future land uses within its borders, guide capital budgeting and direct the handling of rezoning applications. In British Columbia, municipalities generally do not rezone properties for a use or development scale that is contrary to the OCP; rezonings of this nature first require an amendment to the OCP.

Unlike most provincial municipalities, the City of Vancouver does not have an OCP. As a result, the F.C.C.D.D. zoning by-law is the main document governing the site. Municipal councils can change only some aspects of the land use controls that apply to certain properties. Provincial, regional and federal controls that also affect development include:

- environmental and fisheries regulations;
- heritage policies;
- public health, building and fire codes; and,
- highways and transit plans.

The mandate for this appraisal did not require research into all of the land use regulations that possibly apply. Further, existing land use controls do not always bind regulators, who can develop new policy and rescind or modify existing land use policies. Municipal planning officials and independent planning consultants can assist with specific questions on land use matters.

MARKET OVERVIEW VANCOUVER

Geography

Vancouver is the largest city in the province of British Columbia and is surrounded by water on three sides. Vancouver is bordered on the north by Burrard Inlet, on the west by English Bay, on the south by the Fraser River and to the east by the municipality of Burnaby. The city encompasses an area of 28,700 acres and is a major Pacific Ocean seaport and an international and national distribution centre, served by Vancouver International Airport, the Port of Vancouver and VIA Rail Canada.



Source: Microsoft Streets and Trips

Population

Year	Vancouver	% Change	GVRD	% Change	BC	% Change
1991	485,646	-	1,602,502	-	3,373,464	-
1996	536,511	10.47%	1,906,492	18.97%	3,874,276	14.85%
1997	545,373	1.65%	1,954,523	2.52%	3,948,544	1.92%
1998	550,433	0.93%	1,984,743	1.55%	3,983,077	0.87%
1999	556,863	1.17%	2,013,201	1.43%	4,011,342	0.71%
2000	563,114	1.12%	2,041,339	1.40%	4,039,198	0.69%
2001	569,473	1.13%	2,073,662	1.58%	4,078,447	0.97%
2002	572,113	0.46%	2,095,113	1.03%	4,115,413	0.91%
2003	576,226	0.72%	2,114,061	0.90%	4,154,591	0.95%
2004	579,716	0.61%	2,131,340	0.82%	4,201,867	1.14%
2005	583,267	0.61%	2,155,880	1.15%	4,254,522	1.25%

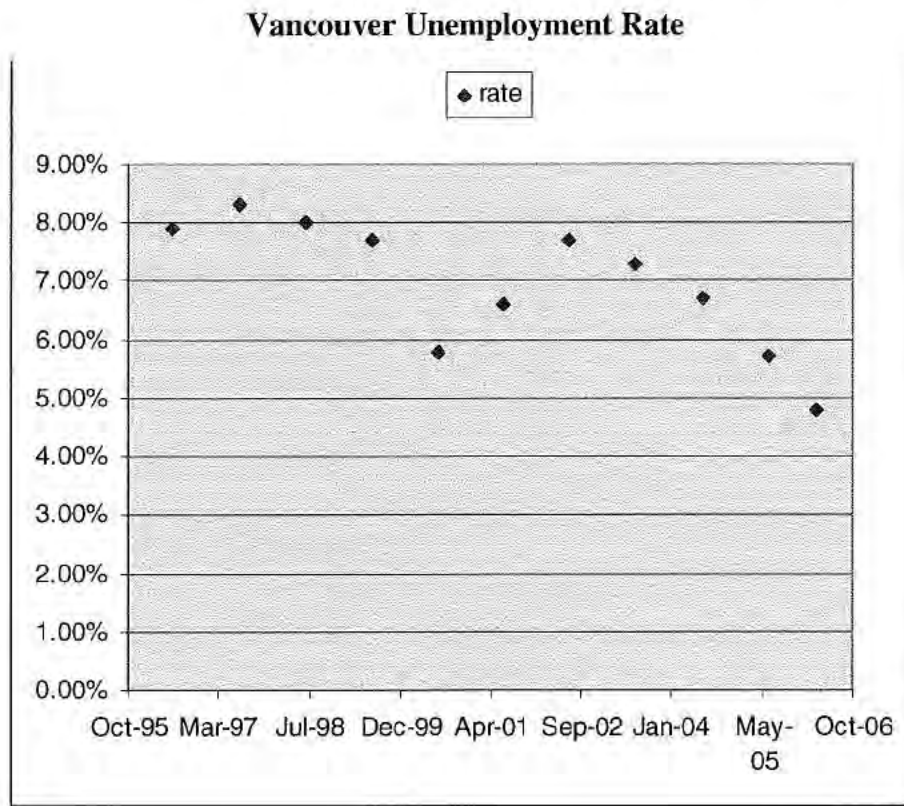
Source: BC Stats

The population of Vancouver has been increasing steadily over the past ten years with a median increase of 1.03% per year. A total increase of 8.7% has occurred since 1996, compared to a 13.08% increase for the Greater Vancouver Regional District (GVRD) and 9.81% increase for British Columbia. The constraint on population growth for Vancouver is a shortage of incremental development rights, for the City is almost fully built out. Current city planners envision accommodating through higher densities on redevelopments in and near the downtown. The GVRD population is growing more rapidly than that of British Columbia; however Vancouver's growth is slower than British Columbia indicating it is the cities outside of Vancouver that are the main contributors to the GVRD's growth. This is due to the greater availability of developable land and increased density opportunities in the suburbs.

Vancouver Unemployment Rate

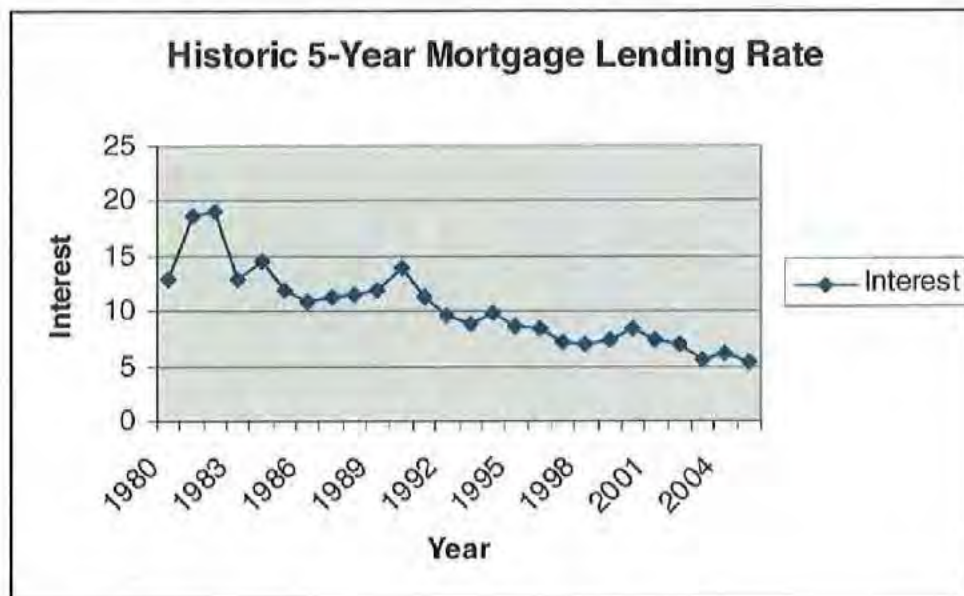
Year	Unemployment Rate	% Change
1996	7.90%	
1997	8.30%	5.06%
1998	8.00%	-3.61%
1999	7.70%	-3.75%
2000	5.80%	-24.68%
2001	6.60%	13.79%
2002	7.70%	16.67%
2003	7.30%	-5.19%
2004	6.70%	-8.22%
2005	5.70%	-14.93%
Mar-06	4.8%	-15.79%
Average	7.17%	

Source: Statistics Canada, Labour Force Survey (Annual Averages)



The unemployment rate for Vancouver as at March 2006 was at 4.8%, the lowest rate in the past 10 years. Statistics Canada reports that British Columbia has seen the fastest job-growth rate of all provinces in the past year with the largest job gains occurring in retail and wholesale trade due in part to the rising incomes and population growth in B.C. TD Bank forecasts this rate to continue to decrease for British Columbia leading up to the 2010 Olympics.

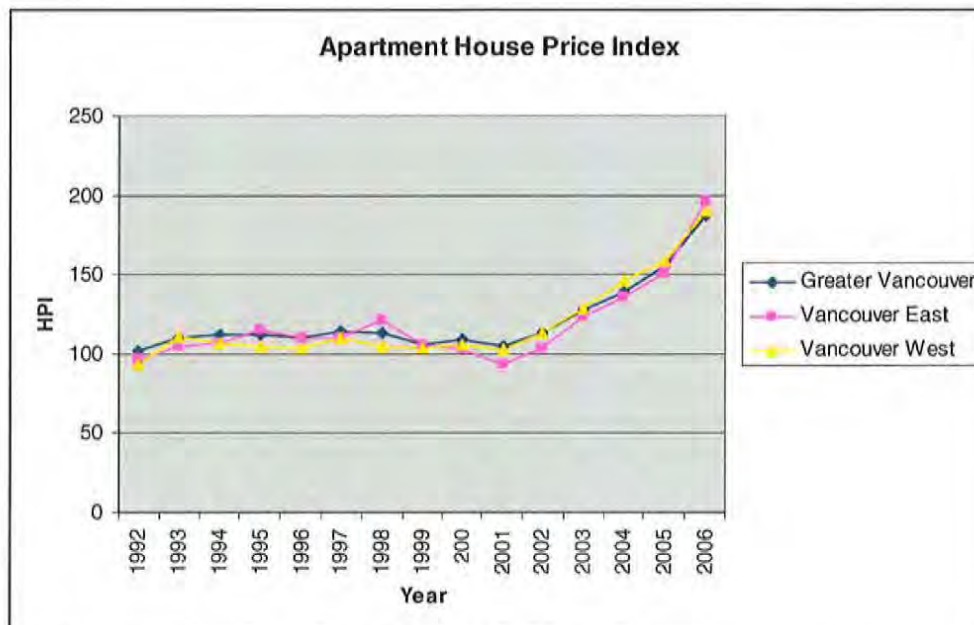
Interest rates



Source: Bank of Canada

A lower interest rate allows buyers to spend more on their home as the interest component of their mortgage payment is less; when interest rates increase, buyers will have less to spend on their homes as the payment will rise due to higher interest expense. Due to the effect on affordability, as interest rates rise, sale volumes decline relative to supply, placing downward pressure on home prices will decrease; as rates fall, prices usually increase. The 5-year mortgage interest rate as at April 2006 was 6.75% below the average over the past 25 years of 10.29%. Mortgage rates had risen, by as much as 1% since summer of 2005

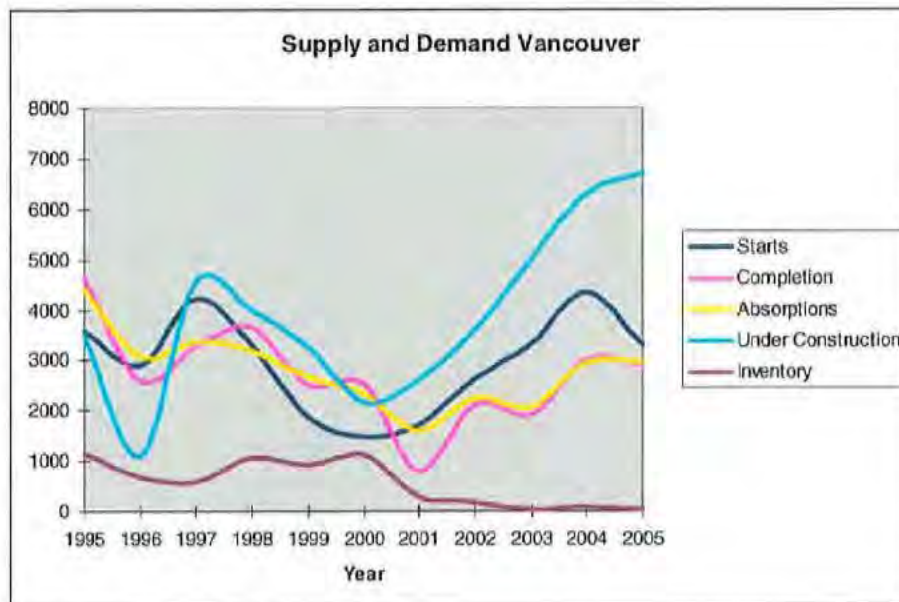
House Price Index



Source: Greater Vancouver Real Estate Board

The Greater Vancouver Real Estate Board produces a House Price Index (HPI) each month for detached homes, attached homes and apartments. The HPI is achieved by dividing the median price of homes for the month by the median price of homes in June 1991, when the index began, and then multiplying by 100. The HPI relates to the change in price relative to June 1991. The HPI in January 2006 for Vancouver was approaching 200, signifying that prices have nearly doubled since 1991.

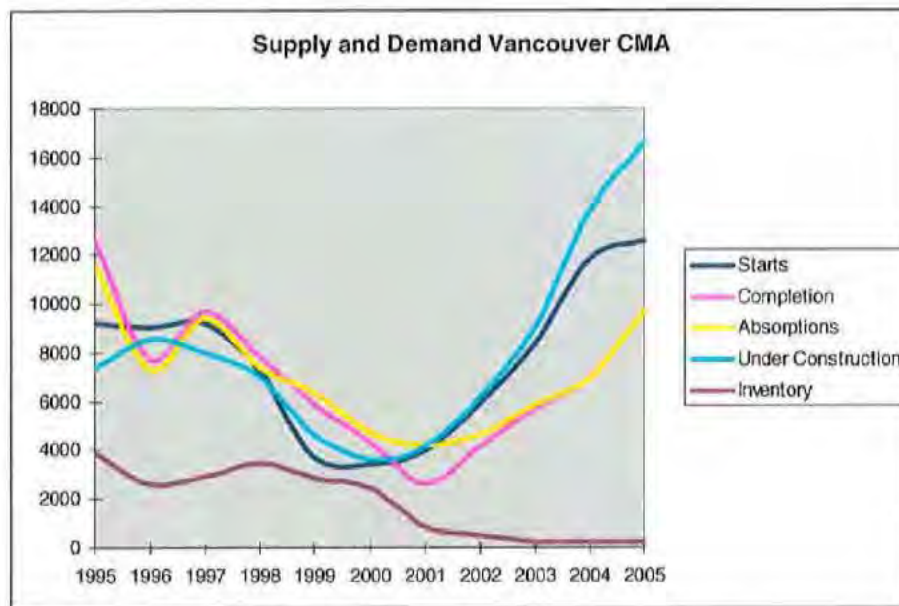
Demand and Supply



Source: CMHC Housing Reports

The chart above illustrates the supply and demand for condominiums and townhomes in Vancouver. Units-under-construction have been rising since the market nadir in 2000; the inventory of complete and unoccupied units has been falling since 2000 indicating a strong demand for condominiums. The fact that the inventory has been decreasing as the supply increases is one indicator that demand is outpacing supply. This condition creates upward pressure on price levels.

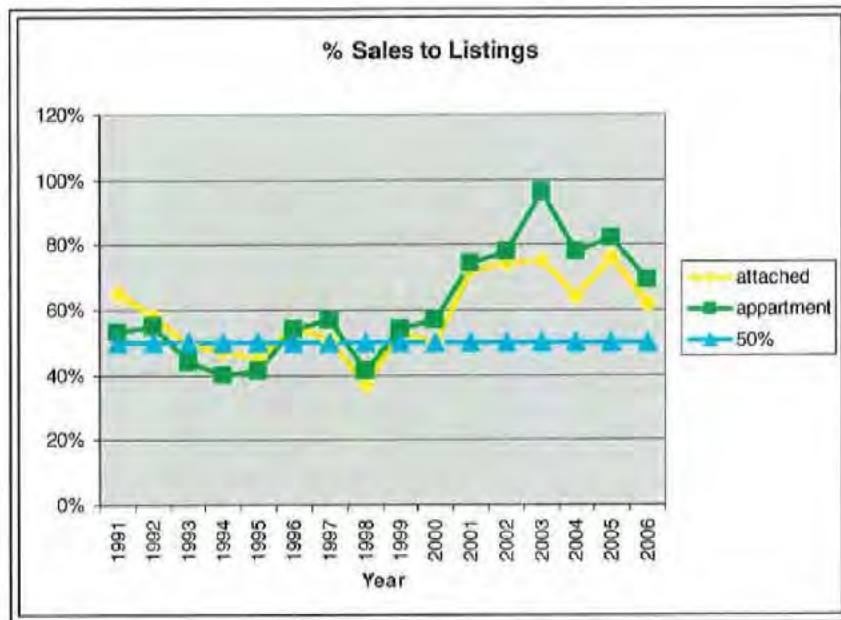
Vancouver apartment and townhouse starts have begun declining. From 2004 to 2005, starts fell from 4,329 to 3,308, or a decrease of 23.6%. Canada Mortgage and Housing senior market analyst Cameron Muir states, "Ongoing supply-side constraints will moderate homebuilding activity over the next two years. Competition for skilled labour and rapidly rising construction costs will continue to be significant impediments for homebuilding."



Source: *Canada Mortgage and Housing*

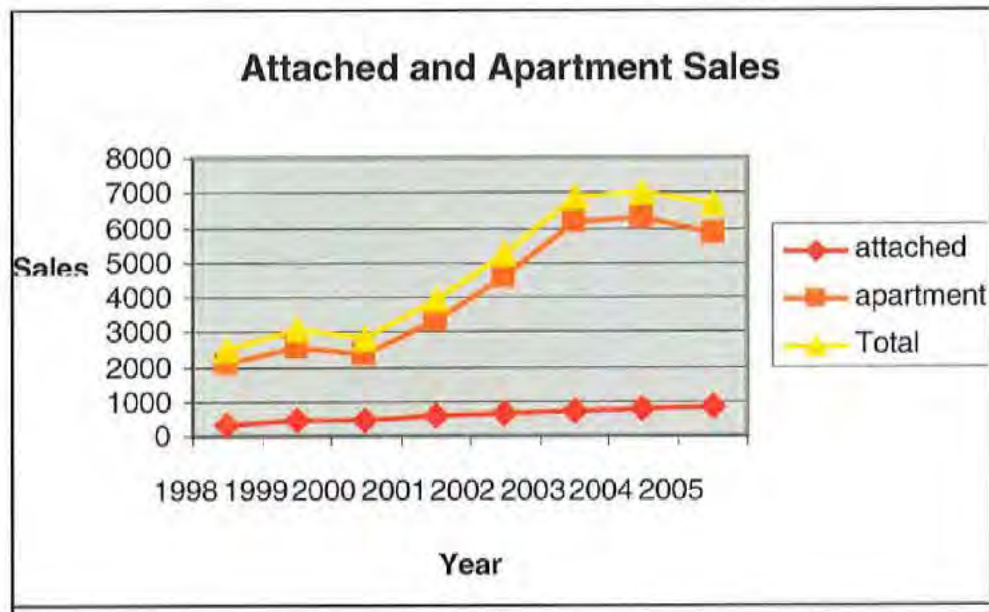
The Vancouver region has been showing a pattern similar to the City of Vancouver with the main difference being that housing starts and completions are still rising in the Vancouver CMA where in Vancouver they have begun declining. This is due in part to the decreasing supply of land and increasing land values in the City of Vancouver. Because of the higher land values, many families are moving to more affordable housing in Vancouver's suburbs, leading to an overall increase in the region's starts, completions and absorptions.

The sales-to-new listings ratio is another indicator of the relative balance between demand and supply in the existing home market. In markets where sales are high relative to new listings, potential buyers have less choice and typically have less bargaining power. Canada Mortgage and Housing has stated that a sales-to-new listings ratio above 50% is associated with rising prices, a "sellers' market." As at February 2006, the Real Estate Board of Greater Vancouver reported the percentage of sales to listings at 69% for apartments on Vancouver's westside.



Source: Real Estate Board of Greater Vancouver

Another measure of the strength of Vancouver's housing market is the number of sales transactions occurring. The greater Vancouver Real Estate Board publishes monthly statistics on the number of sales for detached, attached and apartment units. Results are as follows for the number of attached and apartment sales in Vancouver's westside between 1998-2005:



Source: Greater Vancouver Real Estate Board

The number of attached and apartment sales transactions began increasing steadily in 2000. By 2003, the number of sales in Vancouver's westside had more than doubled to 6,891 sales compared to only 2,794 in 2000. As at December 2005, the Greater Vancouver Real Estate Board had recorded 6,693 sales for the year.

HIGHEST AND BEST USE

An accepted definition of highest and best use is “that reasonably probable and legal use of vacant land or an improved property which is physically possible, appropriately supported, financially feasible, and that results in the highest value.”⁵

The highest and best use of a property is an economic concept that measures the interaction of four criteria: legal permissibility, physical possibility, financial feasibility and maximum profitability. Estimating the highest and best use of a property is a critical appraisal component that provides the valuation context within which market participants and appraisers select and analyze comparable market information.

An appraiser considers highest and best use of the property “as if vacant” separately from the highest and best use of the property “as improved.” This is because the highest and best use of the site, as if vacant and available for development determines the value of the land, even if the property's existing improvements may not represent the highest and best use of the site.

An accepted definition of the highest and best use of a land or site is “the use among all reasonable alternative uses that yields the highest present land value, after payment for labour, capital and co-ordination. The conclusion assumes that the parcel of land is vacant or can be made vacant by demolishing any improvements.”⁶

Zoning policies in place contemplate use of the property as FCCDD, False Creek Comprehensive Development District.

Changing the land use controls requires approval by municipal council of a rezoning. Given the nature of development in the area and the pattern of municipal land use policy, we consider the prospect of achieving a rezoning to another use as unlikely. Current city policy favours higher densities in the areas near the downtown core. Were the subject precinct to be redeveloped today, the Southeast False Creek policies suggest that the housing form would likely be mostly apartment in a low to mid-rise format, and density would be higher, in the order of 3.5 FSR. For

⁵ Canadian Uniform Standards, line 6640.

⁶ IBID, line 6658

the purposes of this analysis, we have assumed that the existing use and density reflects the legally permissible level.

For the purposes of our analysis, we have assumed that the non-financial title limitations do not restrict use of the site beyond the restraints of the land use controls.

Market values and rents for residential properties in the neighbourhood are sufficient to retire the cost of construction, adequately compensate the developer and to provide a positive return to the underlying land.

The site size, utility servicing, exposure and topography generally suit the requirements of development. Based on the surrounding development pattern we have assumed that soil conditions could support development as contemplated under the land use controls without undue or costly site preparation.

Consequently, we conclude that highest and best use of the site, as if vacant and available, entails development pursuant to the applicable land use controls, and as market conditions permit. (For the purpose of this analysis, we have assumed that the existing use and development density is the maximum permitted on the property.)

The highest and best use of a property as improved is “multiple-family residential”, the use that should be made of an improved property in light of the existing improvements and the ideal improvement described at the conclusion of the analysis of highest and best use as though vacant.”⁷

⁷ Larry Dybvig, et al., *The Appraisal of Real Estate Second Canadian Edition* (A joint publication of the Appraisal Institute of Canada and the US Appraisal Institute: UBC Real Estate Division, 2002) 5.12-5.13

VALUATION

Introduction

Market rent is interpreted to mean the most probable fixed annual minimum rent for the land determined in accordance with generally accepted appraisal principles and methods and having regard to the privileges and obligations contained in the lease. Lease agreements on multifamily residential lands such as the subject typically involve long lease terms, in the order of 50 to 99 years; periodic rent reviews and renewal options at market rent. Leases are most often written on a triple net or absolute net basis, with the lessee being responsible for all operating, maintenance and repair expenses as well as property taxes and insurance. Long-term land rent generally has a relationship to the underlying land value.

An appraiser may value land⁸ that is vacant and available for development in various ways:

- 1) Direct comparison,
- 2) Extraction,
- 3) Allocation
Income capitalization, divided into two direct capitalization techniques:
- 4) Land residual
- 5) Ground rent capitalization, and
One yield capitalization technique:
- 6) Discounted cash flow analysis (subdivision development analysis)

Direct comparison relates current market activity to the site being valued. Extraction, a variety of abstraction, deducts the depreciated value of the buildings from a sale price to show vacant land value. Allocation, employed when comparable sales evidence is scarce, relies upon a typical land-value-to-property-value ratio. The direct capitalization techniques entail the capitalization of income from a single year of property operation. Land residual allocates net revenue from an improved property into its component parts of first, the building, with the residual to the land. Ground rent capitalization converts net lease payments into capital value. The yield capitalization technique explicitly recognizes time-value-of-money considerations. Subdivision development applies to undeveloped acreage where a potential urban development

8 Appraisal of Real Estate, 2nd Canadian Edition, Appraisal Institute of Canada, Ottawa, 2002, chapter 13

represents the highest and best use of the land. The analyst considers cash flows over the construction and the marketing stages.

There is an established market for freehold land in the residential neighbourhoods surrounding False Creek. The City of Vancouver has a number of leasehold properties throughout the City, typically leased for multifamily development purposes. In the instance of the subject and a number of other local projects, these lands are held under arrangements whereby the rents are paid annually and periodically reviewed. Most projects, though, entail prepaid leases.

Two appraisal methodologies are commonly considered when examining annual land rent: the Direct Comparison method, in which rents on similar sites are analyzed and compared to the subject, and the Rate Times Value method, in which a rate of return is applied to the estimated land value.

Because property values are location specific and there is scant information on comparable non-prepaid multifamily land leases, we concluded that direct comparison would not provide a value indication that is meaningful and reliable. Our analysis therefore involves the Rate times Value method.

Rate times Value

In general, the reliability of this method depends on the availability of appropriate information on land values and ground rental conversion rates.

Land Value

We surveyed the Vancouver area for evidence of recent sales, listings or offers to purchase on properties that provide useful benchmarks of value for the subject property, emphasizing transactions that are recent sales. Important criteria include:

- Recent sales
- Settings near False Creek
- Similar parcel size
- Similar development potential (density and housing form)
- Similar density, measured in terms of FSR (the basis on which multifamily land trades in Vancouver)
- Similar relationship to the water and to water views.

Examples of land sales meeting one or more of these criteria follow:

INDEX NO. 1 (Land)

Property Identification

Address	600 - 636 West 6th Avenue (now 2201 Ash Street), Vancouver
Neighbourhood	Fairview
Legal Description	Lot 7, Except the south 10 feet and north 7 feet now highways, Lot 8, 9 and 10, Except the south 10 feet, Block 299, District Lot 526, Plan 590.
PID	015-194-981 et al
Reference	1410

Land Data

Lot Size	22,000 square feet, or 0.505 acres
Zoning	FM-1, Multiple Dwelling (Fairview S)
Planned/Allowable Buildable Area	35,752
Planned/Allowable Units	35
Frontage	200ft (rounded) Along West 6th Avenue
Depth	110 ft.
Shape	Rectangular
Topography	Slight slope - south to north
Utilities	Full

Sale Data

Sale Date	April 1, 2003 (Offer to Purchase)
Sale Price	\$3,060,000
Vendor	517627 B.C. Ltd, Nicolas Santorelli, ASO
Purchaser	6A Holdings Ltd.
Property Rights	Fee Simple
Conditions of Sale	Sold through commercial broker

Remarks

Southwest corner of the 600 Block of West 6th Avenue and Ash Street, the site contains two old commercial buildings with little contributory value. The floor space ratio is based on a 24,000 square foot site, which is inclusive of 2,000 square feet of road dedications required by the City of Vancouver. Site benefits from city and mountain views over the south end of False Creek. Development plans have since been submitted to construct a 35-unit townhouse style development underground parking. Net building area is provided at 35,752 square feet. (FSR 1.49); including enclosed patio areas, saleable area is 36,815 square feet.

Indicators

Sale Price/Gross Acre	\$6,058,806
Sale Price/Gross SF	\$139.09
Sale Price/Unit	\$87,429

INDEX NO. 2 (Land)

Property Identification

Address	2386 Cornwall Street, Vancouver
Neighbourhood	Kitsilano
Legal Description	Lot 2 Except West 5 Feet, Block 192, District Lot 526, Plan 848
PID	015-098-478
Reference	3196

Land Data

Lot Size	5,400 square feet, or 0.124 acres
Zoning	RM-4, Multiple Dwelling District
Planned/Allowable Buildable Area	7,760
Planned/Allowable Units	4
Frontage	45ft (rounded) along Cornwall Street
Depth	120 ft.
Shape	Rectangular

Sale Data

Sale Date	July 1, 2003 (closed)
Sale Price	\$975,000
Instrument Number	BV298506
Vendor	Juanita Vivian Harris & Oliver Anthony Kuys, ASOs
Purchaser	668398 B.C. Ltd. - Ken Wai, ASO
Property Rights	Fee simple
Financing	Demand debenture - MCAP Financial Corporation - \$2,813,713 at prime plus 1.0%

Remarks

A redevelopment site located on the south side of Cornwall Avenue, east of Balsam Street. The site was improved with an old revenue conversion, which was demolished to allow for a four-storey project with four full floor units and eight basement parking stalls. Proposed gross floor area of 7,760 square feet (1.44 FSR), and net saleable area of 6,795 square feet. Prime location across from park with unobstructed water views.

Sale Price/SF Buildable - \$125.64

Sale Price/Saleable SF - \$143.48

Indicators

Sale Price/Gross Acre	\$7,864,806
Sale Price/Gross SF	\$180.56
Sale Price/Unit	\$243,750

INDEX NO. 3 (Land)**Property Identification**

Address	854 - 864 West 6th Avenue, Vancouver
Neighbourhood	Fairview
Legal Description	Lot A (Explanatory Plan 10422), Except the South 10 Feet now lane, Block 297, District Lot 526, Plan 590
PID	009-281-916
Reference	753

Land Data

Lot Size	21,981 square feet, or 0.505 acres
Zoning	FM-1, Fairview Multiple Family Residential
OCP Designation	Maximum 1.5 FSR
Planned/Allowable Buildable Area	35,970
Planned/Allowable Units	52
Frontage	200ft (rounded) along West 6th Avenue
Depth	110 ft.
Shape	Rectangular
Topography	Slopes down toward West 6th Avenue
Utilities	At lot line
Fencing	Wire

Sale Data

Sale Date	September 2, 2003 (closed)
Sale Price	\$2,600,000
Instrument Number	BV352650
Vendor	Carefree Coin-Op Leasing Ltd., McIver's Appliance Sales & Service Ltd. - Leslie and John McIver, ASO
Purchaser	Larc Developments Ltd. - Richard Bordewick and Ralph Carle, ASOs
Property Rights	Fee Simple
Conditions of Sale	Marketed on MLS
Financing	Three mortgages
Marketing Time	since 09/02

Remarks

A midblock development site located on the south side of West 6th Avenue, west of Willow Street, an old 14,200 square foot commercial building on site. A development permit was in place for a 52-unit, multiple-family residential building, including 3,822 square feet of commercial space; four stories, one and half floors of parking. Buildable potential to 35,970 calculated using the maximum 1.5 floor space ratio applied to the 23,980 square foot site area prior to a lane dedication. Listed since November 2002.

New Financing - MCAP Financial Corporation - \$6,660,000 with interest at Prime plus 1.50%

Secondary Financing - Realtech Capital Group Inc. - \$1,600,000 with interest at 10.0% balance due and owing March 2005.

Addition Financing - Demand Debenture - Realtech Capital Group Inc. - \$480,000

Indicators

Sale Price/Gross Acre	\$5,152,494
Sale Price/Gross SF	\$118.28
Sale Price/Unit	\$50,000

INDEX NO. 4 (Land)**Property Identification**

Address	325 West 59th Avenue, Vancouver
Neighbourhood	Oakridge
Legal Description	Lot B, Block 1006, District Lot 526, Plan 9413
PID	009-658-408
Reference	2194

Land Data

Lot Size	61,350 square feet, or 1.408 acres
Zoning	CD-1, Comprehensive Development
OCF Designation	Maximum 1.0 FSR
Planned/Allowable Buildable Area	61,350
Planned/Allowable Units	43
Frontage	237ft (rounded) West 59th Street
Depth	258 ft.
Utilities	Full urban utilities

Sale Data

Sale Date	April 1, 2004 (closed)
Sale Price	\$5,500,000
Instrument Number	BW144686
Vendor	Southpines Homes Ltd.; Dan McDonald, ASO
Purchaser	Brenmore Development Corp. (Langara Development Corp.); Greg Morfitt, ASO
Property Rights	Fee simple
Financing	Construction financing, \$14,500,000, MCAP
Sale History	Listed in February 2003 for \$5,750,000

Remarks

Improved at the time of sale with an older vacant private hospital. Bounded by three streets - 58th Avenue to the north, 59th Avenue to the south and Columbia Street to the east; two blocks east of Cambie Street, south of Langara Golf Course in Vancouver. CD zoning allowed Special Needs Residential Family - containing a maximum of 80 beds. Amendment application (DE408258) filed in March 2004; Bylaw 8865 amended CD bylaw to allow a maximum 43 multiple dwelling units, 1.0 FSR, based on site area of 5,700 square meters or 61,350 square feet, maximum height of 12.8 meters or 42 feet. Price per buildable square foot: \$86.95 (at the maximum 1.0 FSR)

Indicators

Sale Price/Gross Acre	\$3,905,141
Sale Price/Gross SF	\$89.65
Sale Price/Unit	\$127,907

INDEX NO. 5 (Land)

Property Identification

Address	1803 Macdonald Street, Vancouver
Neighbourhood	Kitsilano
Legal Description	Lot 5 (Reference Plan 1) of Lot 3, Block 26, District Lot 192, Plan 851
PID	015-093-948
Reference	3563

Land Data

Lot Size	15,569 square feet, or 0.357 acres
Zoning	RT-8, Two Family Dwelling
Planned/Allowable Buildable Area	11,677
Planned/Allowable Units	9
Frontage	78ft (rounded) along Macdonald Street
Depth	200 ft.
Shape	Rectangular
Utilities	Full urban utilities

Sale Data

Sale Date	October 1, 2004 (closed)
Sale Price	\$2,403,000
Instrument Number	BW474790
Vendor	Christine Yvonne Regehr
Purchaser	Dalt Holdings Ltd. - Donato De Cotiis, ASO
Property Rights	Fee simple
Financing	\$5,000,000 construction financing, First Commercial Bank - see BW474791

Remarks

A development site on the west side of Macdonald Street, north of West 3rd Avenue. The property was improved with an old house at the time of the sale. Nine-unit townhouse development proposed, maximum 11,677 square feet under the 0.75 FSR RT-8 zoning schedule.
Sale Price/SF Buildable - \$205.79

Indicators

Sale Price/Gross Acre	\$6,723,183
Sale Price/Gross SF	\$154.35
Sale Price/Unit	\$267,000

INDEX NO. 6 (Land)

Property Identification

Address	2280 Cornwall Avenue, Vancouver
Neighbourhood	Kitsilano
Legal Description	Lot E (P11512), Block 193, District Lot 526, Plan 848
PID	003-410-307
Reference	3348

Land Data

Lot Size	12,000 square feet, or 0.275 acres
Zoning	RM-4, Multiple Dwelling District
Planned/Allowable Buildable Area	17,400
Frontage	100ft (rounded)
Depth	120 ft.
Shape	Rectangular
Topography	Level to gently sloping
Utilities	Full urban utilities

Sale Data

Sale Date	January 1, 2005 (closed April 2005)
Sale Price	\$4,650,000
Instrument Number	BX431659
Vendor	Heung Wing Yeung
Purchaser	0719804 B.C. Ltd. - Les Sallay, ASO
Property Rights	Fee simple
Conditions of Sale	Sold through commercial broker

Remarks

A 32-year-old, three-storey, 24-unit apartment building with basement located on the south side of Cornwall Avenue, between Vine Street and Yew Street, across from Kitsilano Beach Park. The property sold at a 4.2% overall rate; value is primarily in the land.
Sale Price/SF Buildable - \$267.24

Indicators

Sale Price/Gross Acre	\$16,879,628
Sale Price/Gross SF	\$387.50

INDEX NO. 7 (Land)

Property Identification

Address	1436-1466 West 14th Avenue (now 1468 West 14th Avenue), Vancouver
Neighbourhood	Fairview
Legal Description	See below
PID	014-666-278, 014-666-294, 014-666-502, 014-666-472 and 009-770-455
Reference	4129

Land Data

Lot Size	28,125 square feet, or 0.646 acres
Zoning	RM-3, Multiple Dwelling District
Planned/Allowable Buildable Area	40,781
Planned/Allowable Units	46
Frontage	225ft (rounded) along West 14th Avenue
Depth	125 ft.
Shape	Rectangular
Utilities	Full urban utilities

Sale Data

Sale Date	January 1, 2005 to April 2005
Sale Price	\$7,690,000
Instrument Number	BX432874
Vendor	Various
Purchaser	Polygon Group - Ralf Schmidtke and Robert Bruno, ASOs
Property Rights	Fee simple

Remarks

A three-lot assembly on the south side of West 14th Avenue, east of Granville Street. The properties were improved with three wood-frame apartment buildings. An application was submitted in March and June 2005 to allow for a 12-storey apartment development with 46 units.

Sale Price/SF Buildable - \$188.57

Lots 21, 22 and 23, Except Part in Explanatory Plan 3498, Block 451, District 526, Plan 1276

Lot A (Explanatory Plan 3498), Block 451, District Lot 526, Plan 1276

Amended Lot 25, Block 451, District Lot 526, Plan 1276

Indicators

Sale Price/Gross Acre	\$11,910,293
Sale Price/Gross SF	\$273.42
Sale Price/Unit	\$167,174

INDEX NO. 8 (Land)

Property Identification

Address	3837-3851 West 4th Avenue, Vancouver
Neighbourhood	Point Grey
Legal Description	Lots 39 to 41, Block C, District Lot 538, Plan 7743
PID	004-532-686, 004-532-694 and 010-543-813
Reference	4080

Land Data

Lot Size	17,815 square feet, or 0.409 acres
Zoning	RM-3A, Multiple Dwelling District
Planned/Allowable Buildable Area	25,832
Frontage	153ft (rounded) along West 4th Avenue
Depth	116 ft.
Shape	Rectangular

Sale Data

Sale Date	May 1, 2005 (closed June & July 2005)
Sale Price	\$5,775,000
Instrument Number	BX552938/39
Vendor	602561 B.C. Ltd.; Chi Ying Ching & Lee Lai Yung
Purchaser	Toyu Point Grey Developments Ltd.; Fu Tian, ASO
Property Rights	Fee simple

Remarks

A three-lot redevelopment assembly located on the north side of West 4th Avenue, west of Highbury Street and east of Wallace Street. The properties were improved with three apartment buildings with a total of 32 units. The purchaser was planning to demolish the building and redevelop the site in the short to medium term. Maximum build out of 25,832 square feet at 1.45 FSR.

Sale Price/SF Buildable - \$223.56

Indicators

Sale Price/Gross Acre	\$14,120,495
Sale Price/Gross SF	\$324.17

INDEX NO. 9 (Land)

Property Identification

Address 1315, 1337 and 1345 West 11th Avenue, Vancouver
Neighbourhood Fairview
PID 006-493-467, 015-018-512, 012-237-841, 015-018-539, 012-237-833,
015-018-58
Reference 4251

Land Data

Lot Size 37,496 square feet, or 0.861 acres
Zoning RM-3, Multiple Dwelling District
Planned/Allowable Buildable Area 54,369
Frontage 300ft (rounded) along West 11th Avenue
Depth 125 ft.
Shape Rectangular
Topography Level
Utilities Full urban

Sale Data

Sale Date **August 1, 2005 (closed)**
Sale Price \$12,000,000
Instrument Number BX185964/69
Vendor Various
Purchaser Polygon Development 179 Ltd.; John G.R. Third, Lawyer
Property Rights Fee Simple

Remarks

An assembly on the northwest corner of West 11th Avenue and Birch Street, in Fairview. A high-rise development (see DE409253, BU432459), 12 stories, one and a half levels of underground parking will benefit from excellent views towards downtown Vancouver.

Prices as follows:

1337 West 11th Avenue (4,163 square feet) - \$791,162 or \$190 per square foot
1315 West 11th Avenue (20,833 square feet) - \$6,963,652 or \$334 per square foot
1345 West 11th Avenue (12,500 square feet) - \$4,245,188 or \$340 per square foot

Price per buildable square foot: \$220.71 (at the maximum 1.45 FSR)

Lot 11, Block 372, District Lot 526, Plan 991

Lot A of 13 and 14, Block 372, District Lot 526, Plan 3739

Lot 16 West Half, Lot 15, Block 372, District Lot 526, Plan 991

006-493-467, 015-018-512, 012-237-841, 015-018-539, 012-237-833, 015-018-580, 015-018-555 and 015-018-610

Indicators

Sale Price/Gross Acre \$13,940,682
Sale Price/Unit \$320.03

INDEX NO. 10 (Land)

Property Identification

Address	2166 West 8th Avenue, Vancouver
Neighbourhood	Kitsilano
Legal Description	Lots 3 to 5, Block 324, District Lot 526, Plan 590
PID	015-196-208, 015-196-224 and 015-196-232
Reference	4253

Land Data

Lot Size	17,250 square feet, or 0.396 acres
Zoning	RM-4, Multiple Dwelling District
Planned/Allowable Buildable Area	26,100
Planned/Allowable Units	18
Frontage	150ft (rounded) West 8th Avenue
Depth	125 ft.
Shape	Rectangular
Utilities	Full urban

Sale Data

Offer Date	December 1, 2005 (offer)
Offer Price	\$5,700,000
Vendor	Ming Wah Developments Inc.
Property Rights	Fee Simple
Sale History	Sold - June 1995 (closed) for \$3,140,000

Remarks

A multiple-family residential development site on the south side of West 8th Avenue, between Yew Street and Arbutus Street. At the time of the sale, the property was improved with a three-storey, wood frame apartment development constructed in 1966. The purchaser is proposing to demolish the existing improvements and construct 18 townhouses with a saleable area of 26,100 square feet and secured underground parking garage measuring 11,000 square feet. This proposed development reflects a floor space ratio of 1.51, based on the net site area of 17,250 square feet; gross site area prior to required dedications is 18,750 square feet. Price per buildable square foot \$218.39 (based on the saleable area)

Indicators

Sale Price/Gross Acre	\$14,393,576
Sale Price/Gross SF	\$330.43
Sale Price/Unit	\$316,667

INDEX NO. 11 (Land)

Property Identification

Address	415, 425 and 445 West 2nd Avenue; 340 West 1st Avenue, Vancouver
Neighbourhood	Fairview
Legal Description	See below
PID	010-957-553, 009-484-809, 003-998-487, 003-998-525, 003-998-657 & 003-998-6
Reference	3982

Land Data

Lot Size	67,812 square feet, or 1.557 acres
Zoning	C-3A, Commercial District
Planned/Allowable Buildable Area	240,054
Frontage	334ft (rounded) along West 2nd Avenue
Depth	264 ft.
Shape	Irregular
Topography	Level
Utilities	Full urban utilities

Sale Data

Offer Date	December 1, 2005 (to Close June 2006))
Offer Price	\$23,680,000
Vendor	Maynard's Industries Limited; City of Vancouver, PCI
Purchaser	Aquilini Investments Group
Property Rights	Fee simple
Sale History	Sold between May 1985 and June 1989 for \$2,675,000

Remarks

An eight-parcel assembly located on the northwest corner of Wylie Street and West 2nd Avenue. It involves three vendors - Maynard's sold the six lots along Wylie Street and Second Avenue, PCI Developments sold a single parcel in the northwest corner of the site, and the City of Vancouver sold an intervening lane way. 415 West 2nd is improved with a 31,510 square foot, three-storey building and a 10,210 square foot, 37-stall, paved parking lot. 425 West 2nd includes a 3,762 square foot, single storey commercial retail structure and 445 West 2nd is improved with a 15,836 square foot, masonry constructed, two-story building. The balance of the land is essentially unimproved. The C3A schedule allows a maximum of 3.0 FSR but the South East False Creek development area guidelines entail a density of 3.54 FSR, which has formed the basis of negotiations with the City of Vancouver. This site is exempt from the South special East False Creek development levies - anticipated to be between \$12 and \$26 per buildable square foot, presently proposed at \$14.50/BSF for area-specific development cost levies and \$11.50 for community amenity charges.

Lot A, Block 2, District Lot 302, Plan 6163
Lot B, Block 2, Plan 12940
Lots 7 to 9, Block 2, District Lot 302, Plan 5832
Lots C & D, Block 2, District Lot 302, Plan 13533, Except Plan 17673x, 18232
(and intervening laneway)

Indicators

Sale Price/Gross Acre	\$15,211,079
Sale Price/Unit	\$349.20

INDEX NO. 12 (Land)

Property Identification

Address	102-130 West 1st Avenue and 1703 Manitoba Street, Vancouver
Neighbourhood	Southeast False Creek
Legal Description	Amended Lot 8 (Explanatory Plan 4077), Block 10, District Lot 200A, Plan 197 and Lots 9 to 12, Block 10, District Lot 200A, Plan 197
PID	008-462-038, 003-132-978, 003-132-994, 003-133-001 and 003-133-036
Reference	4310

Land Data

Lot Size	30,274 square feet, or 0.695 acres
Zoning	M-2, Industrial
Planned/Allowable Buildable Area	105,959
Frontage	248ft (rounded) along West 1st Avenue

Sale Data

Sale Date	December 1, 2005 (closed)
Sale Price	\$9,750,000
Instrument Number	BX029719/23
Vendor	Winkler Holdings Ltd. - Joe and Hildegard Winkler, ASOs
Purchaser	0734570 BC Ltd. - Bruno Wall, Director
Property Rights	Fee simple

Remarks

A redevelopment site located at the southwest corner of West 1st Avenue and Manitoba Street, in South East False Creek. The site is improved with a storage and warehouse building of mixed construction with grade load doors and no yard area.

Sale Price/SF Buildable - \$92.02 (based on a floor space ratio of 3.5)

Indicators

Sale Price/Gross Acre	\$14,028,777
Sale Price/Gross SF	\$322.06

INDEX NO. 13 (Land)

Property Identification

Address	6650 Arbutus Street, Vancouver
Neighbourhood	Kerrisdale
Legal Description	Lot A, Block 2 South, District Lot 526, Plan BCP20220
PID	026-448-513
Reference	4438

Land Data

Lot Size	55,800 square feet, or 1.281 acres
Zoning	CD-1, Comprehensive Dev. (Downtown)
OCP Designation	Maximum 0.83 FSR
Planned/Allowable Buildable Area	46,314
Planned/Allowable Units	28
Frontage	439ft (rounded) Arbutus
Shape	Triangular
Topography	Slopes
Utilities	Full urban utilities

Sale Data

Sale Date	December 12, 2005 (closed)
Sale Price	\$6,755,000
Instrument Number	BX299780
Vendor	PROVIDENCE HEALTH CARE SOCIETY; Carl Roy & Ray Barnard, ASOs
Purchaser	POLYGON BANNISTER MEWS HOMES LTD; Ralf Schmidtke & Robert Bruno, ASOs
Property Rights	Fee simple
Financing	Interest free VTB see BX299781, Reg'd 12/12/2005

Remarks

Southeast corner of Arbutus and West 49th Avenue in Kerrisdale, backing onto a presently unused CPR rail corridor. The site was occupied by a nursing home, since demolished. The CD-1 (447) zoning (effective November 23, 2005) allows a maximum of 28 multiple dwellings (21.9 UPA) and 0.83 FSR; 35 feet height limit. 2.5 storey townhouses to be built, project called "Bannister Mews." Two to eight units per building, size ranging from 1,448 to 1,917 square feet.
Price per buildable square foot \$145.85 (at the maximum 0.83 FSR).

Indicators

Sale Price/Gross Acre	\$5,273,224
Sale Price/Gross SF	\$121.06
Sale Price/Unit	\$241,250

INDEX NO. 14 (Land)

Property Identification

Address	Southeast False Creek Sub Area 2A, Vancouver
Neighbourhood	Southeast False Creek
Legal Description	310, except portion on Plan BCP 20732, False Creek, Plan BCP 207731
PID	026-500-447
Reference	4421

Land Data

Lot Size	300,128 square feet, or 6.890 acres
Zoning	CD
Planned/Allowable Buildable Area	808,047
Frontage	940ft (rounded) False Creek Waterfront
Topography	Level
Utilities	Full urban utilities near

Sale Data

Sale Date	April 1, 2006 Council resolution
Sale Price	\$193,000,000
Upward Adjustment	\$17,100,000
Downward Adjustment	\$65,500,000
Adjusted Price	\$144,600,000
Vendor	City of Vancouver
Purchaser	Millennium Properties Ltd.
Property Rights	Fee simple
Conditions of Sale	Sold in a public tender process
Sale History	n/a, former City Public Works Yard

Remarks

A development site located in the central north area of Southeast False Creek and known as 'Sub-Area 2A.' Total area net of roadways is 488,748 square feet, or 11.22 acres. Total area for private development: 300,256 square feet or 6.89 acres, assuming an estimate of 28,428 square feet for community centre, childcare facility land, an estimated 90,940 square feet for City-owned affordable housing and 68,818 square feet of City-lands within sub-area 2A.

Millennium will design and construct all of the buildings in the first phase of the project (Sub-area 2A of the SEFC site) to meet or exceed the social, economic, and environmental sustainability standards set out in the City's SEFC Official Development Plan (ODP). The Millennium proposal also provides training, employment and business opportunities to inner city and aboriginal communities.

Gross floor area for all the site components and per the RFP is 1,191,511 square feet, however, this sum is inflated by a 10% increment to allow flexibility in architectural design for the various components; Maximum development is 1,083,192 square feet, of which 860,702 square feet is residential, 117,669 square feet is "choice of use", 77,073 is commercial and 34,748 square feet is amenity space. 246,161 square feet of the residential component is to be "affordable housing," i.e., nonmarket. Deducting the amenity space and the nonmarket housing produces a net yield of 802,283 square feet; Millennium's proposal entailed 808,047 square feet.

LAND SALE NO. 14 (Cont.)

Remarks (Cont.)

Title to all developable parcels will remain with the City until the end of the exclusive use period, after which the city will transfer the developer's parcels to Millennium. A ground lease will allow the parties to conduct their responsibilities up until the transfer. The development agreement will contain the provisions granting the developer the right and obligation to purchase the developer's parcels following the Exclusive Use Period.

The developer will also design and manage construction of 250 units of affordable housing, a childcare facility, community centre, non-motorized boating facility and related underground parking facilities. The City will pay construction costs for these facilities plus a fee estimated to be \$5 million. Millennium has also proposed a plan to create modest market housing for middle-income earners in the development, and will work with the City over the coming months to finalize its plans.

Land related costs beyond the purchase price include a \$6 DCL per square foot buildable. The cost of the \$6/BSF development cost levy over 808,047 square feet is \$4.85 million and is not included as part of the land value estimated herein.

The City has asked for fees as community amenity charges as high as \$43/BSF on neighbouring sites, with the present proposal at \$26/BSF; for the subject 808,047 square feet, the levy savings will be \$21 million. The final amount is yet to be determined. 50% of the amenities are to be in place for 2010. The balance will roll out over the 10 years beyond that.

City officials confirm that the sale price includes these additional development charges for community amenities that neighbouring developers will have to pay. Effectively the City will pay for these costs through in kind development contributions to the site. Therefore, the price paid by Millennium in effect includes all such supplemental development levies.

The terms of the RFP are that the affordable housing and community amenities are not at the developer's risk. The developer may build these and charge a fee to the City. Alternatively, the City may build these on its own. As such, this analysis excludes these buildings and lands.

In addition, City officials have indicated in the RFP its preference that the affordable housing be located on a distinct and separate piece of land. Discussions with City officials indicate that the affordable housing will be built on a lot bordering 1st Avenue. We have assumed this in our analysis of the sale.

City officials confirmed they would pay any incremental costs associated with soil contamination. Other developer costs at risk include extra site preparation and construction costs related to non-native land fill known to require additional foundation work such as piling and underground parking tanking.

Incremental foundation work is expected to entail piling and related costs. Assuming 20% of the site requires piling, we estimate this would cost approximately \$6.5 million. 50% of the parking stalls will likely require "tanking" at an additional cost of \$5,000 per stall. Based on an allowance of 1,200 square feet per unit and 1.3 stalls per unit, an estimated 438 stalls would need to be tanked at cost of \$2.2 million.

In addition, City Officials reported that due to contamination and unstable landfill, the entire site between First Street and Front Street would have to be excavated down to native soil. Immediately next to First Street, depth would be 3-4 meters but then would go to 8 meters deep for the rest of the site. Between the water and Front Street, further analysis has to be done but development would likely be piled due to depth and other factors. The site would then have to be refilled with load bearing material. Developer's portion of site incremental excavation and fill costs and contingencies have not been included in this estimate.

Benefits to the developer include property tax holiday during the development period through an interim ground lease arrangement. This benefit is estimated to be approximately \$4.1 million, present value based on a \$470 /SF of site and applying 2005 mill rates for residential and commercial.

Other benefits to the developer include the likely waving of permit fees during the development period which City officials estimate would run between \$1 and \$2 million. We have used a figure of \$1.5 million.

City officials confirm that the purchaser has waived the right for the City to pay the holding costs during the Exclusive Use Period, which they estimate to worth between \$10 and \$12 million. We have used a figure of \$11 million discounted at 7%; the present value is \$8.4 million

Payment of 85% of the purchase delayed until after project completion. At a 7% discount rate, the present value of the transaction is \$154 million, a \$39 million reduction.

Present value of land and related costs total \$144.6 million or \$178.94 per buildable market square foot.

The allowable development area of 808,047 saleable square feet assumes RFP (December 7, 2005) and ODP guidelines. This figure is net of any affordable housing construction, which is at the cost and risk of the City.

Sale Price/Acre	\$28,011,611
Sale Price/Gross SF	\$643.06

INDEX NO. 15 (Land)**Property Identification**

Address	368 West 1st Avenue, Vancouver
Neighbourhood	Southeast False Creek
Legal Description	Lots 1, 2 and 3, Block 3, District Lot 302, Plan 5832.
PID	003-896-196, 003-896-854 and 003-896-218
Reference	4413

Land Data

Lot Size	18,117 square feet, or 0.416 acres
Zoning	M-2, Industrial
OCP Designation	Proposed CD, Comprehensive Development
Planned/Allowable Buildable Area	69,084
Planned/Allowable Units	54
Frontage	149ft (rounded) West 1st Avenue
Depth	122 ft.
Shape	Rectangle
Topography	Level
Utilities	Full urban utilities

Sale Data

Sale Date	April 1, 2006 (to close June 2006)
Sale Price	\$9,375,000
Vendor	Cecilia and Ulf Von Dehn
Purchaser	PCI Developments Corp.
Property Rights	Fee simple

Remarks

Southeast corner of the intersection of West 1st Avenue and Wylie Street, east of Cambie Street and north of West 2nd Avenue, in the South East False Creek area. Improved with a four-storey timber and brick building on the west portion of the site plus a one storey, non-basement concrete block building adjacent on the east. Historic use for storage and office purposes, aggregate building area is approximately 42,052 square feet. The four-storey-plus-basement heritage building is to be retained, with the one storey, non-basement concrete block structure to be demolished. A five-storey building is to be erected on the east portion of the site and combined gross floor area for the two structures is to be 69,084± square feet. The floor space ratio for the overall development will be 3.81. 40 parking stalls for this project will be under a nearby site at 420 West 1st Avenue, which was purchased as part of the subject acquisition and immediately sold to the purchaser of the former Maynard's site, with the requirement to accommodate (but not pay for) the parking forming part of the transaction.

To compensate the owner for the cost of retaining the heritage building, the City of Vancouver will provide 93,073 square feet of transferable density. Valued at \$50 PBSF, this incentive was intended to offset the incremental cost of retention relative to new construction,

Forms part of the South East False Creek Official Development Plan, adopted July 2005; sub-area 1B, allowing a total floor area of 81,655 square metres or 878,956± square feet, all of which can be multiple family residential. Specific land uses and regulations as per the Official Development Plan point to a floor space ratio of 3.50 for the subject enclave, including mandatory retail, service and office uses. Development will occur primarily under the CD-1, Comprehensive Development District zoning. Maximum building height in Area 1B is 38 metres or 125 feet.

Indicators

Sale Price/Gross Acre	\$22,540,934
Sale Price/Gross SF	\$517.47
Sale Price/Unit	\$173,611

Summary

Index	Location	Zoned	Site SF	BSF	FSR	Units	BSF /unit	UPA	Date	\$
1	2201 Ash Street	FM-1	22,000	35,752	1.63	35	1,021	69	Apr-03	3,060,000
2	2386 Cornwall Street	RM-4	5,400	7,760	1.44	4	1,940	32	Jul-03	975,000
3	854 - 864 West 6th Avenue	FM-1	21,981	35,970	1.64	52	692	103	Sep-03	2,600,000
4	325 West 59th Avenue	CD-1	61,350	61,350	1.00	43	1,427	31	Apr-04	5,500,000
5	1803 Macdonald Street	RT-8	15,569	11,663	0.75				Oct-04	2,403,000
6	2280 Cornwall Avenue	RM-4	12,000	17,400	1.45				Jan-05	4,650,000
7	1468 West 14th Avenue	RM-3	28,125	40,781	1.45	46	887	71	Jan-05	7,690,000
8	3837-3851 West 4 th Avenue	RM-3A	17,815	25,832	1.45				May-05	5,775,000
9	1315 - 45 West 11th Avenue	RM-3	37,496	54,369	1.45				Aug-05	12,000,000
10	2166 West 8th Avenue	RM-4	17,250	26,100	1.51	18	1,450	45	Dec-05	5,700,000
11	415 - 445 West 2nd Avenue; 340 West 1st Avenue	C-3A	67,812	203,436	3.00				Dec-05	23,680,000
12	102-130 West 1st Avenue; 1703 Manitoba Street	M-2	30,274	105,959	3.50				Dec-05	9,750,000
13	6650 Arbutus Street	CD-1	55,800	46,314	0.83	28	1,654	22	Dec-05	6,755,000
14	SE False Creek Sub Area 2A	CD	300,128	808,047	2.69				Apr-06	144,600,000
15	368 West 1st Avenue	M-2	18,117	69,084	3.81	54	1,279	130	Apr-06	9,375,000
	Subject		16,500	49,400	2.99	37	1,335	98		
	Minimum		5,400	7,760	0.75	4	692	22	Apr-03	975,000
	Median		22,000	40,781	1.45	39	1,353	57	May-05	5,775,000
	Average		47,408	103,321	1.84	35	1,294	63	Feb-05	16,300,867
	Maximum		300,128	808,047	3.81	54	1,940	130	Apr-06	144,600,000

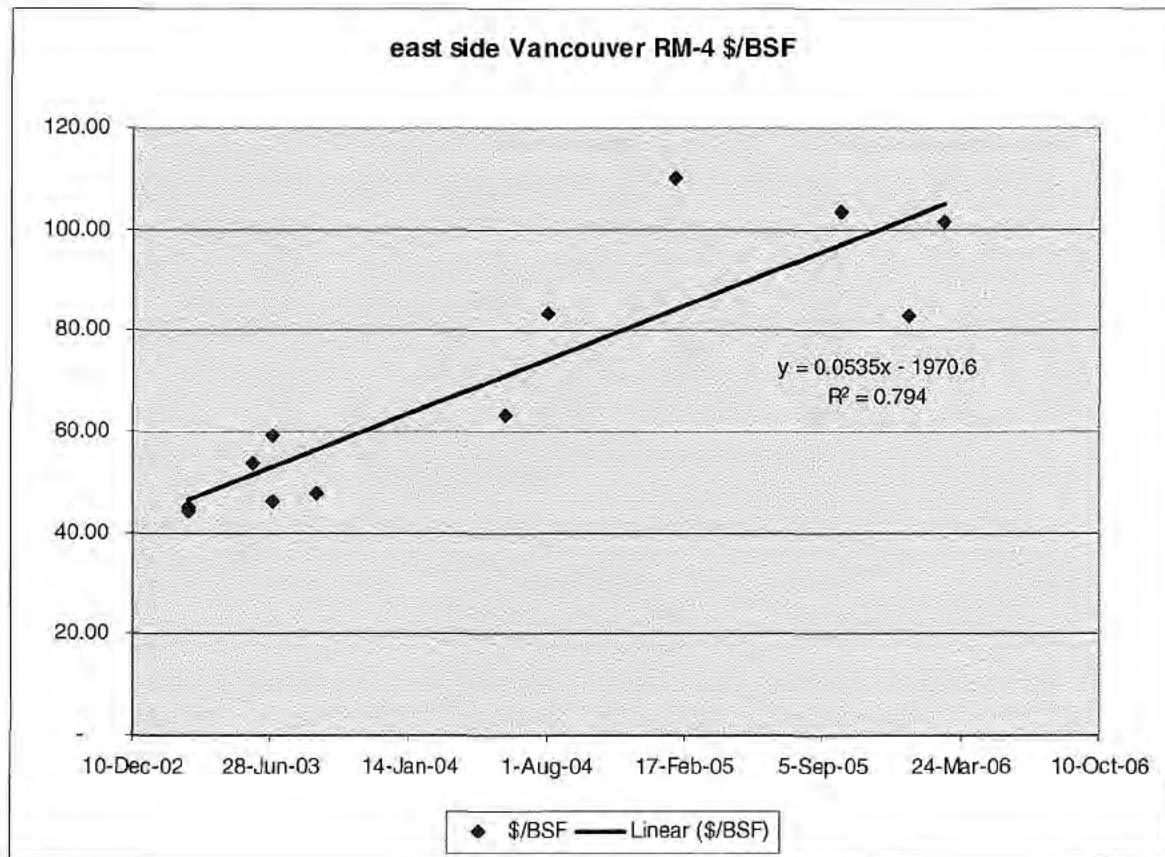
As a general comment, the subject has a nominal density, measured in terms of FSR and unit per acre (UPA), toward the upper end of the market data range: it is a mid-rise development. With high demand and limited land supply, the City favours higher densities in contemporary land developments than it did thirty years ago when the subject development was approved.

To consider sales of land that in aggregate have the characteristics relevant to this analysis, it has been necessary to include land sales extending back to April of 2003. Because the Vancouver multifamily land market has been rising, a time adjustment is needed. The two common methods to evaluate changing market conditions involve the analysis of individual property resales, and the analysis of sales of similar properties. Because the development market has been strong, buyers of development sites have tended to develop rather than hold them; consequently, there is little in the way of recent resales to analyse. We therefore examined resales of similar properties.

Multifamily land sales in suburban areas of Vancouver tend to be zoned RM-3, RM-4, C3-A and C2. RM-4 is the most common in recent land sales, and being a pure residential use schedule, is free from the commercial influences of the C2 and C3-A schedules. We examined sales of RM-4 sales since early 2003, completing separate analyses for the east and west side markets of Vancouver.

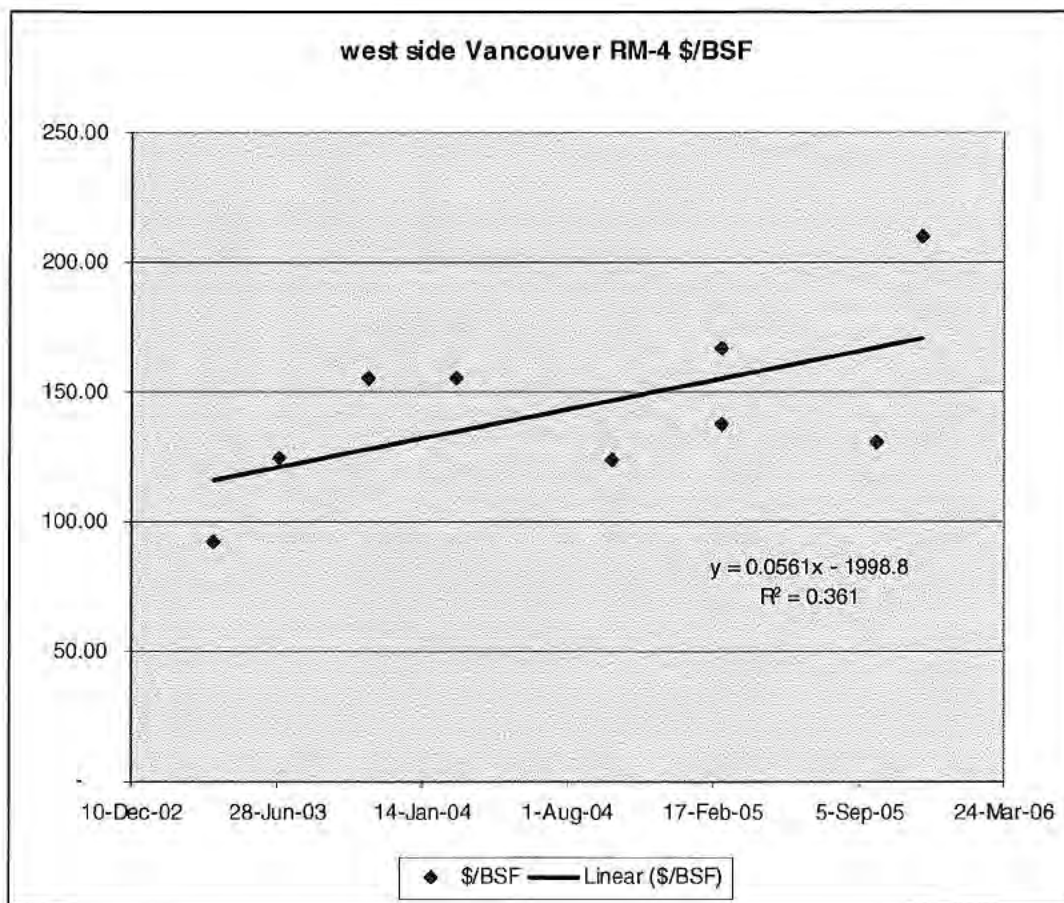
Location	E/W	Site SF	Date	Adjusted price	\$/SF	\$/PBSF
2234-2240 St. George Street; & 519 East 7th Avenue	e	12,078	1-Mar-03	\$788,000	65.24	44.99
549 East 7th Avenue	e	4,026	1-Mar-03	\$258,000	64.08	44.20
1628-1638 East Georgia Street	e	16,117	1-Jun-03	\$1,250,000	77.56	53.49
374 - 396 East 15th Avenue	e	12,222	1-Jul-03	\$1,050,000	85.91	59.25
1428 -1438 East 8th Avenue	e	8,052	1-Jul-03	\$540,000	67.06	46.25
245 East 13th Avenue	e	6,055	1-Sep-03	\$420,000	69.36	47.84
2234 & 2236 St. George Street; & 519 & 525 East 7th Avenue	e	16,096	1-Jun-04	\$1,469,998	91.33	62.98
2620 Quebec Street	e	13,068	1-Aug-04	\$1,577,500	120.71	83.25
2707 - 2771 Guelph Street	e	24,742	1-Feb-05	\$3,950,000	159.65	110.10
105 East 15th Avenue	e	6,534	1-Oct-05	\$979,000	149.83	103.33
1523-1543 East 8th Avenue	e	16,104	5-Jan-06	\$1,938,000	120.34	83.00
1622 Grant Street	e	4,008	27-Feb-06	\$590,000	147.22	101.53
926/30 West 16th Avenue	w	7,986	1-Apr-03	\$1,070,000	133.98	92.40
2386 Cornwall Street	w	5,400	1-Jul-03	\$975,000	180.56	124.52
1438-1460 Arbutus Street	w	9,950	1-Nov-03	\$2,245,000	225.63	155.61
1946-1956 West 5th Avenue	w	9,000	1-Mar-04	\$2,025,000	225.00	155.17
240-250 West 10th Avenue	w	11,446	1-Oct-04	\$2,055,000	179.54	123.82
2329-2339 West 1st Avenue	w	6,000	1-Mar-05	\$1,450,000	241.67	166.67
2022-2032 West 1st Avenue	w	6,000	1-Mar-05	\$1,195,000	199.17	137.36
1948 West 2nd Avenue	w	3,000	1-Oct-05	\$567,500	189.17	130.46
2166 West 8th Avenue	w	18,750	1-Dec-05	\$5,700,000	304.00	209.66

Plotting these sales illustrates rising values.



Applying the formula for the trend line of East side RM-4 sales shows a typical 2.24% monthly rate of increase over the period of interest.

east side	start	end		
month	1-Apr-03	1-May-06	37.00	months gone
rate PBSF	47.29	107.53	127%	% increase
			2.24%	per month



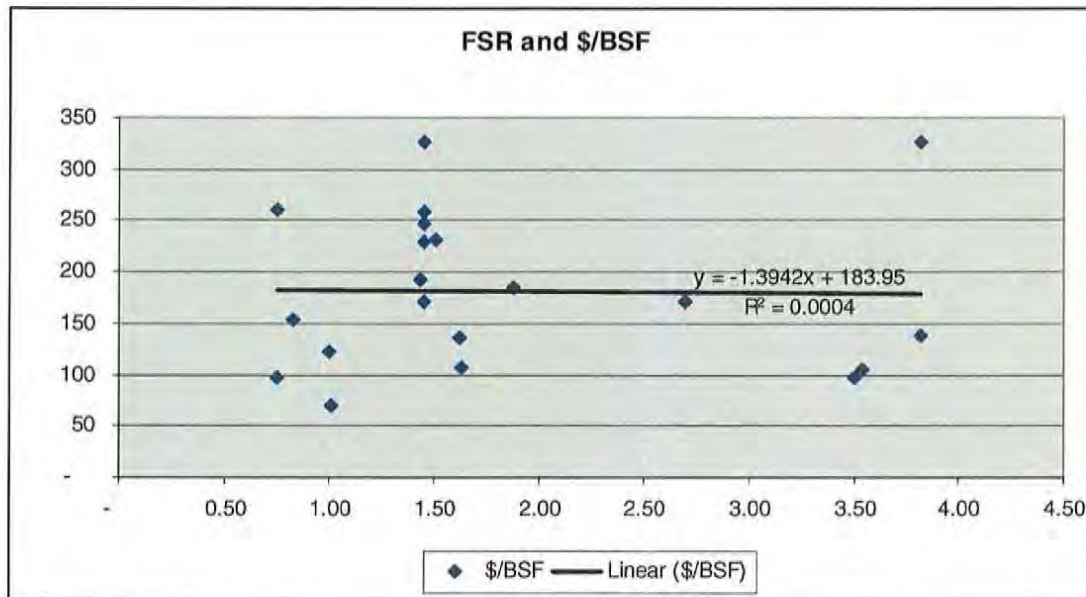
west side	start	end		
month	1-Apr-03	1-May-06	37.00	months gone
rate PBSF	116.84	180.01	54%	% increase
			1.17%	per month

The west side sales show a typical 1.17% monthly increase in values. The subject lies in the west side, however, the east side data is technically better: the west side data shows somewhat greater variability than that from the east side sales, and does not have any 2006 sales, while two 2006 trades exist in the east side data. Since the subject lies on the west side, we have given greatest weight to the west side data, recognizing the higher time adjustment shown by the east side data in our time adjustment of 1.25% per month.

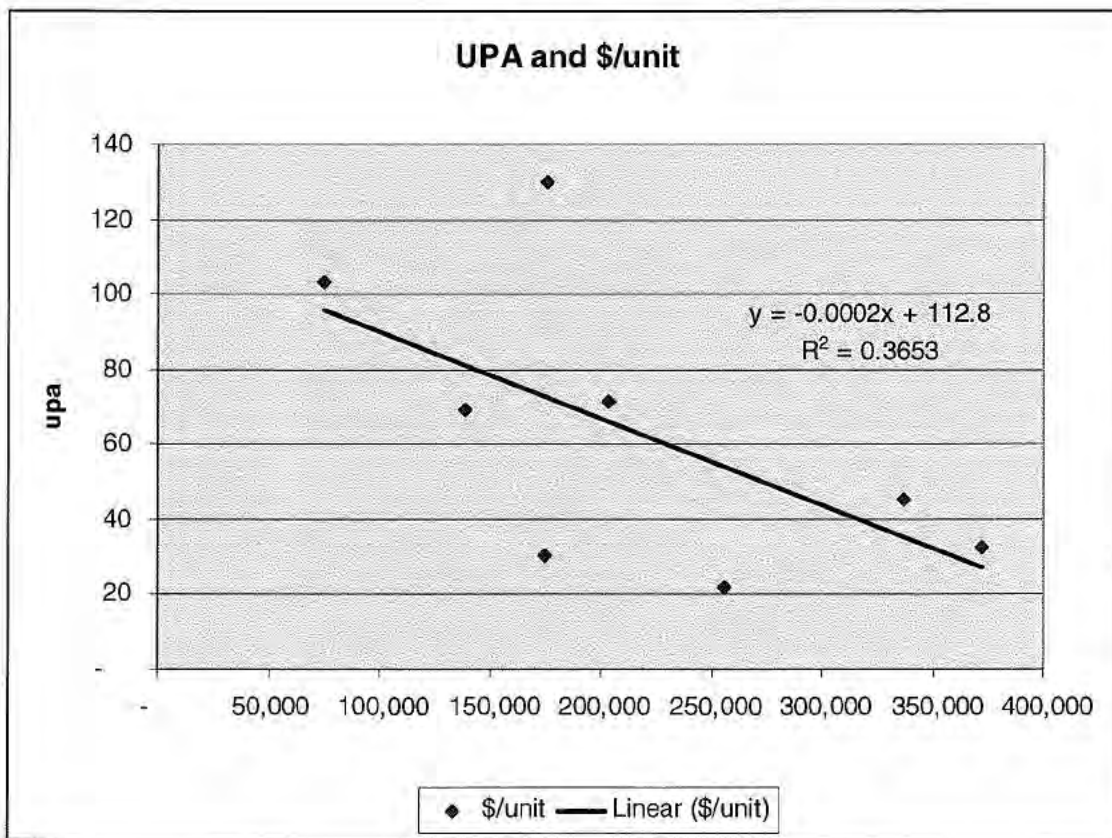
The following chart shows the results of this time adjustment.

Index	Location	Date	months elapsed	\$	time adjustment	adjusted \$	per LSF	per BSF	per unit
1	2201 Ash Street	Apr-03	37	3,060,000	58%	4,845,118	220	135.52	138,432
2	2386 Cornwall Street	Jul-03	34	975,000	53%	1,487,503	275	191.69	371,876
3	854 - 864 West 6th Avenue	Sep-03	32	2,600,000	49%	3,865,982	176	107.48	74,346
4	325 West 59th Avenue	Apr-04	25	5,500,000	36%	7,500,191	122	122.25	174,423
5	1803 Macdonald Street	Oct-04	19	2,403,000	27%	3,041,072	195	260.75	
6	2280 Cornwall Avenue	Jan-05	16	4,650,000	22%	5,667,858	472	325.74	
7	1468 West 14th Avenue	Jan-05	16	7,690,000	22%	9,373,296	333	229.84	203,767
8	3837-3851 West 4th Avenue	May-05	12	5,775,000	16%	6,702,673	376	259.47	
9	1315 - 1345 West 11th Ave	Aug-05	9	12,000,000	12%	13,414,372	358	246.73	
10	2166 West 8th Avenue	Dec-05	5	5,700,000	6%	6,062,329	351	232.27	336,796
11	415 - 445 West 2nd Avenue; 340 West 1st Avenue	Dec-05	5	23,680,000	6%	25,185,256	371	123.80	
12	102-130 West 1st Avenue; 1703 Manitoba Street	Dec-05	5	9,750,000	6%	10,369,774	343	97.87	
13	6650 Arbutus Street	Dec-05	5	6,755,000	6%	7,152,210	128	154.43	255,436
14	SE False Creek Sub Area 2A	Apr-06	1	144,600,000	1%	146,381,360	488	181.15	
15	368 West 1st Avenue	Apr-06	1	9,375,000	1%	9,490,493	524	137.38	175,750
	Minimum	Apr-03	1	975,000	1%	1,487,503	122	97.87	74,346
	Median	May-05	12	5,775,000	16%	7,152,210	343	181.15	189,759
	Average	Feb-05	15	16,300,867	21%	17,369,299	316	187.09	216,353
	Maximum	Apr-06	37	144,600,000	58%	146,381,360	524	325.74	371,876

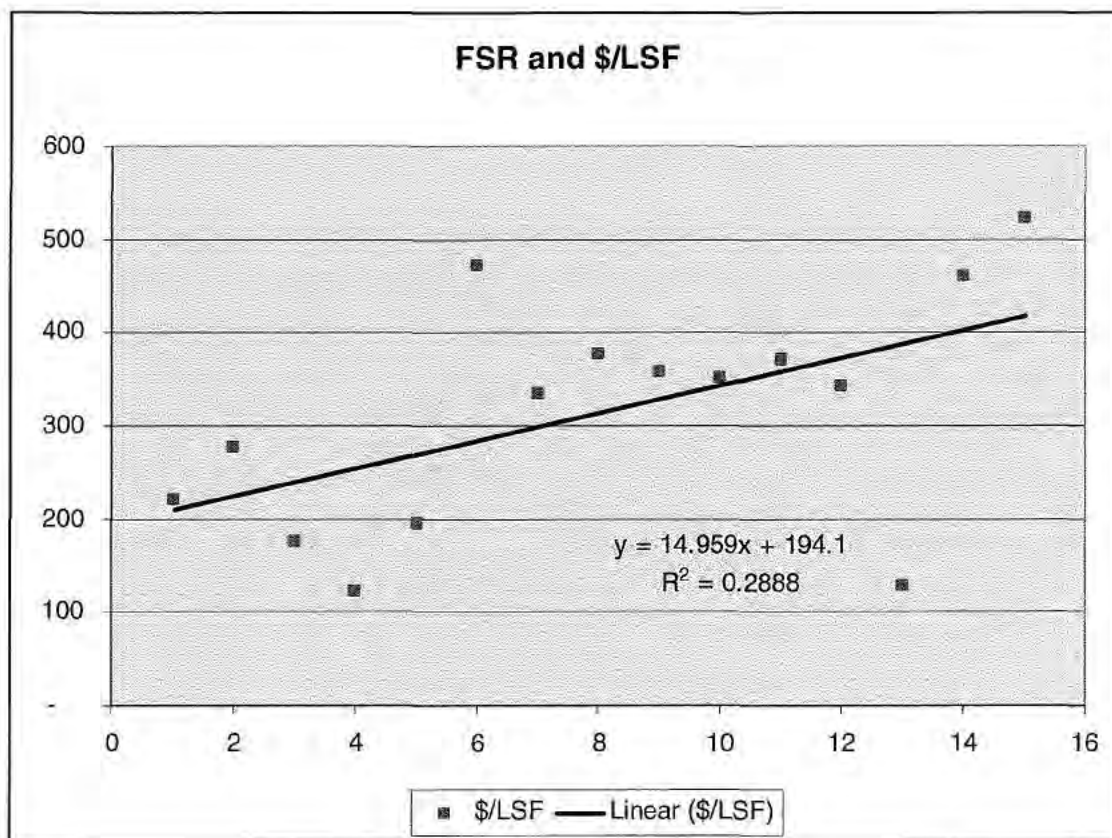
After adjustment for time, the price per buildable square foot ranges from \$98 to \$326, and the price per unit extends from \$74,346 to \$371,876, with a central tendency near \$200,000. Floor space ratios range from 0.75 to 3.81; at an assumed 3.0+/-, the subject lies toward the higher end of this range. We completed three graphical analyses to examine patterns within the data with respect to the relationship between value and density.



Graphical analysis shows no obvious relationship between the price per buildable square foot and the floor space ratio, which is simply because the sales do not represent homogenous properties: development economics are such that the price per buildable square foot generally declines as density increases.



There is a clear relationship between density, measured in terms of units per acre, and the price per unit. There is also a clear relationship between the floor space ratio and the price per square foot of land.



With the foregoing as background, we turn now to analysis of the market data.

Land Sale No. 1 is a development site located on the southwest corner of West 6th Avenue and Ash Street in Fairview, near the subject. This 22,000 square foot site is exposed to considerable traffic, mostly from 6th Avenue. An offer to purchase was reported in April 2003 for \$3,060,000, representing time adjusted rates of \$136/BSF and \$138,432 per unit. At the time of offer, the site contained two old commercial buildings that contributed little to overall value. The purchaser was to build a 35-unit multiple-family residential development. This setting is clearly inferior to that of the subject and while the comparable's FSR is lower, the site has a much inferior relationship to the water; we regard both time-adjusted indicators as low for the subject.

Land Sale No. 2 is on the south side of Cornwall Avenue, east of Balsam Street and opposite Kits Beach, with excellent water views. We included this and another sale to help reflect the influence of a water amenity on value. The 5,401 square foot site is zoned RM-4, with a maximum 1.45 FSR. It now contains a four-storey, four-unit luxury multiple family residential

development. The property sold in July 2003 for \$975,000. Time adjusted rates are \$192 per buildable square foot and \$371,876 per unit. These are very large units, at 1,940 square feet, relative to the subject at 1,335 square feet; the unit rate is high for the subject. Density, in terms of FSR is lower; however, the subject orientation to the water is superior. Further, the site is very small, and very small sites are less economic to develop. Overall, we regard the \$192/BSF as low or slightly low for the subject.

Land Sale No. 3 is a 21,981 square foot FM-1 zoned multiple family residential development site located on the south side of West 6th Avenue, west of Willow Street, in Fairview. West 6th Avenue in this location is a busy street. The former "McIver's Appliances" site sold in September 2003 with a development permit in place for a 52-unit low-rise multifamily development that included a small commercial component. The sale price of \$2,600,000 represented time adjusted rates of \$107 per buildable square foot and \$74,346 per unit. The units are very small, at an average of only 692 square feet, and the subject setting is clearly superior. These rates are low for the subject.

Land Sale No. 4 is a 1.4-acre comprehensive development site two blocks east of Cambie Street, south of Langara Golf Course in the Oakridge area of Vancouver. At the time of sale, the property was improved with a vacant, older private hospital structure. Vancouver has now amended the zoning to allow up to 43 multiple dwelling units (30.5 UPA) at 1.0 FSR. The April 2004 sale yielded \$5,500,000, with time-adjusted rates of \$122 per square foot buildable and \$174,423 per unit, which are slightly larger units than that of the subject. The subject setting is clearly superior, and the rates associated with this trade are thus low, notwithstanding the appeal of the Kerrisdale marketplace.

Land Sale No. 5 is a 15,569 square foot, RT-8 zoned development site on the west side of Macdonald Street, north of West 3rd Avenue in the Kitsilano. The property sold for \$2,403,000 in October 2004, showing a time-adjusted rate of \$261 per square foot buildable. This site has a low 0.75 FSR, and an attractive Kitsilano location. I regard this rate per buildable square foot as high for the subject.

Land Sale No. 6 refers to a 12,000 square foot potential development site located on the south side of Cornwall Avenue, between Vine Street and Yew Street, across from Kitsilano Beach

Park. The property was improved with a three-storey, 24-unit apartment building and sold in January 2005 for \$4,650,000 or \$387.50 per square foot of site. Value is primarily in the land, although the improvements contributed somewhat to value. Based on the 1.45 maximum floor space ratio the transaction showed a time-adjusted rate of \$325.74 per buildable square foot. The subject setting is superior, however, the contribution of the comparable improvements and the appeal of the Kitsilano location are more than offsetting – I regard this adjusted rate as materially high for the subject.

Land Sale No. 7 refers to a 28,125-square-foot, RM-3 zoned property on the south side of West 14th Avenue, east of Granville Street. The three-lot assembly closed between January and April 2005. The purchase price was \$7,690,000, which after adjustment for time reflects rates of \$203,767 per unit and \$229.84 per buildable square foot, based on a 1.45 floor space ratio. The purchaser contemplates a high-rise development on the site, which will provide very good views to units on the upper floors. This phenomenon will offset, to a greater or lesser extent, the superior subject setting and the higher FSR. Average unit size is 887 square feet, much smaller than for the subject. I regard the \$229.84 per square foot rate as a useful indicator for the subject, with the adjusted unit price of \$203,767 low, due to the smaller average unit size.

Land Sale No. 8 is a three-lot redevelopment assembly located on the north side of West 4th Avenue, between Highbury Street and Wallace Street near Jericho Beach. The properties were improved with three wood frame apartment buildings containing 32 units. The purchaser was planning to redevelop the site in the short to medium term. The May 2005 trade at \$5,775,000 reflected a time-adjusted rate of \$259.47 per square foot buildable, at the maximum 1.45 FSR. This Point Grey location has high market values, and represents a superior location, which the subject water setting mostly offsets, and the improvements likely continue to contribute value; I regard this \$259 rate as high for the subject.

Land Sale No.9 pertains to an assembly of three properties totalling 37,496 square feet on the northwest corner of West 11th Avenue and Birch Street in the Fairview neighbourhood of Vancouver. At the time of the sale, the overall property was improved with a rental conversion dwelling and two low-rise apartment buildings. Polygon is proposing a 12-storey high-rise development with a maximum floor area of 54,369 square feet. The properties were assembled in August 2005 for \$11,973,002, which yields a time-adjusted rate of \$246.73 per square foot

buildable at the maximum 1.45 FSR. The purchaser contemplates a high-rise development on the site, which will provide very good views to units on the upper floors. Along with the higher subject FSR, this phenomenon will offset, to a greater or lesser extent, the superior subject setting. I regard the \$246.73 per buildable square foot as a high indicator for the subject.

Pending Land Sale No.10 pertains to the December 2005 contract for a 17,250 net square feet property on the south side of West 8th Avenue, between Yew Street and Arbutus Street in the Kitsilano neighbourhood. At the time of the sale, the property was improved with a three-storey, wood frame apartment development constructed in 1966. The purchaser is proposing to demolish the existing improvements and construct 18 townhouses with a saleable area of 26,100 square feet and secured underground parking garage measuring 11,000 square feet. This proposed development reflects a floor space ratio of 1.51, based on the net site area of 17,250 square feet. The offer price was for \$5,700,000, showing adjusted rates of \$232.27 per square foot buildable and \$336,796 per proposed unit. After considering the settings of subject and comparable and the higher subject FSR, we regard the \$232.27 rate per square foot buildable as a indicator for the subject; as the 1,450 square foot average unit size is slightly larger than that of the subject, the \$336,796 per unit is a high indicator

Pending Land Sale No.11 refers to the Maynard's Auction site, a 67,812-square-foot development site on the northwest corner of Wylie Street and West 2nd Avenue in Fairview, east of the subject. The eight-lot assembly has an offer as of December 2005 for \$100 per square foot buildable or approximately \$23,680,000. The property is located on the edge of the Southeast False Creek neighbourhood, but out of the Olympic Village security zone and will not be subject to the additional development cost charges (budgeted at the time of sale between \$12 and \$26 per buildable square foot, plus the citywide \$6 levy.) At the present 3.0 FSR limit, the rate per buildable square foot is \$116.40, however at the 3.5 FSR provided on nearby Southeast False Creek South East sites, the rate per buildable square foot is \$99.77. After adjustment for time, the 3.0 FSR unit rate is \$123.80 per buildable square foot; at 3.5, the adjusted rate is \$106.11. The density is similar, but the views and the setting clearly inferior; the unit rate associated with this trade is low for the subject.

Land Sale No. 12 refers to a 30,274-square-foot site situated at the southwest corner of West 1st Avenue and Manitoba Street, in the South East False Creek development area. The property sold

in December 2005 for \$9,750,000 or \$322.06 per square foot of site. Based on a floor space ratio of 3.5, the transaction shows an adjusted rate of \$97.87 per buildable square foot. This site is obliged to pay the South East False Creek development levies, anticipated at the time of sale to lie between \$12 and \$26 per buildable square foot, but subsequently expected to lie in the order of \$26, in addition to the \$6 city wide charges. Again, due to setting and views, the \$98 rate associated with this sale is materially low for the subject.

Land Sale No. 13 is the former St. Vincent's Hospital property at the southeast corner of Arbutus and West 49th Avenue in Kerrisdale. The site has a sloping terrain and backs onto a presently unused CPR rail corridor; it is near the commercial heart of Kerrisdale. The 1.281-acre triangular site is proposed for 28, 2.5-storey townhouses, "Bannister Mews." Closing in December 2005 the trade at \$6,755,000 yields an adjusted \$255,436 per unit and a price per buildable square foot of \$154.43 at the maximum 0.83 FSR. The average unit size is 1,654 square feet, larger than the subject at 1,335 square feet; notwithstanding the differences in FSR and location, the subject water setting and view are the most important comparative factors: the rate per buildable square foot is low, and the rate per unit is slightly low.

Land Sale No. 14 is the Athlete's Village property in False Creek. The net "market" lands are about 6.89 acres, and will accommodate about 808,047 square feet of saleable or rentable area. The project entails an additional +/- 300,000 square feet of non-market housing and community amenity space. This is a desirable waterfront residential site, and likely the last to be available for years. The developer is to construct the facility in time for the Olympics, receiving the project for sale or rental thereafter. The nominal value of the April 2006 transaction is \$193,000,000; after adjustment for a variety of factors, the net price is \$144,600,000, \$178.94 per buildable square foot. As a general comment, this rate should be less than appropriate for the subject, which is a smaller site in a better False Creek,, with good northerly views due to the high-rise development approval in place. However, reliance on this unit rate requires caution due to the complexity of the transaction.

Land Sale No. 15 is the Best Building site at West 1st Avenue and Wylie Street, a block east of the Cambie Street Bridge, and forming the westerly boundary of the South East False Creek development area. Sites in this location are obliged to pay area development costs, presently expected to be in the order of \$26 per square foot, plus the \$6 per square foot citywide levy. The

four-storey-plus-basement heritage building is to be retained, with the one storey, non-basement concrete block structure to be demolished. A five-storey building is to be erected on the east portion of the site and combined gross floor area for the two structures is to be 69,084± square feet. The floor space ratio for the overall development will be 3.81, relative to the assumed subject level at 3.0. This April 2006 agreement at \$9,375,000 equates to \$135.70 per buildable square foot. There is a significant amount of transferable density associated with retention of the existing building; however, this incentive supposedly reflects the added costs of its retention. Again, while the price per buildable square foot is clearly low for the subject, the complexity of this transaction makes it difficult to rely on the data as more than a general indicator.

In terms of the adjusted price per buildable square foot, we regarded indices No. 5, 6, 8 and 9 as high limits, showing values of \$247 and beyond. Indices No. 1, 2, 3, 4, 11, 12, 13, 14 and 15 are low indicators, showing rates of \$192 and less. The remaining indicators, No 7 and 10 show rates of \$230 and \$232 were considered slightly high indicators for the subject. In our view, value will lie between \$210 and \$230 per buildable square foot. At the \$220 midpoint, value is \$10,621,000.

\$/BSF	value
200	9,880,000
215	10,621,000
230	11,362,000

The price per unit indicator was also considered, albeit for support only, because there are fewer indicators. Indices No. 1, 3, 4, 7, 13 and 15 are considered low indicators, showing rates up to \$255,436, with the latter considered to lie near that of the subject. The remaining two sales were considered to show upper bounds – Indices No. 2 and 10, with rates of \$336,796 and higher. Our analysis points to value in the lower part of the \$255, \$436, to \$ 336, \$796 range, say \$275,000 to \$300,000 per unit; at 37 units, value lies between \$10,175,000 and \$11,100,000.

\$/unit	value
275,000	10,175,000
287,500	10,637,500
300,000	11,100,000

Our **\$10,621,000** conclusion of value relies on the price per buildable square foot unit of

comparison, with good support from the price per unit analysis.

Exposure time⁹ is the time a property remains on the market. In an appraisal, the term means the estimated length of time an owner would likely need to market the appraised property interest before the hypothetical consummation of a sale at market value on the effective date of the appraisal. An opinion of exposure time is a retrospective estimate that has its basis in an analysis of past events assuming a competitive and open market.

In our view, the subject property ought to trade within a time typical for its market. This exposure time was typically three months or less for properties such as the subject. This time estimate assumes no known or suspected defects, reasonable pricing and professionally marketing. It does not include the time for normal due diligence, nor the closing time after an agreement in principle.

Ground rental conversion rate

While the City has at various times adopted policies respecting ground rental conversion rates, it often relies on real estate appraisal advice. We routinely interview officials of property owners (usually government or quasigovernment in character) respecting their land use policies: The majority who monitor the marketplace rely on appraisal advice for properties of material value. Properties of nominal value are often rented using administratively simple policies, involving “zone” values or assessed land value.

The various municipalities and agencies surveyed suggest an overall range in yield rates of 6% to 12%, with the province charging as low as 4.5% for rural and remote locations. Industrial rates fall within a narrower range of 8% to 12%, with the preponderance of evidence suggesting 8%. In our experience, the public sector trails the private sector in setting their rates. We have given little weight to these leasing practises, other than to note that historically the rates tend to lie slightly beneath the prevailing overall rate for improved properties of a similar use and nature.

One can gain insight into ground rental conversion rates by examining the overall rates associated with sales of improved multifamily residential properties. These improved sales generally show higher rates than appropriate for long-term land leases, due to the need to recapture depreciating building assets. Representative recent sales of improved residential

⁹ Canadian Uniform Standards, 2005, line 1428

properties include the following.

Index	Location	Sale Date	adjusted price	Net Income	Overall Rate
1	5815 Yew Street	Dec-04	15,600,100	691,048	4.4%
2	2280 Cornwall Avenue	Jan-05	4,650,000	194,399	4.2%
3	1855 Barclay Street	Apr-05	5,600,000	270,024	4.8%
4	1419 Harwood Street	Apr-05	5,500,000	210,537	3.8%
5	1228 Nicola Street	Apr-05	12,500,000	647,497	5.2%
6	1461 Harwood Street	Jun-05	5,350,000	218,931	4.1%
7	5951 Balsam Street	Jun-05	12,883,250	653,916	5.1%
8	1298 West 10th Avenue	Jul-05	7,000,000	397,513	5.7%
9	2090 Comox Street	Aug-05	7,888,000	323,339	4.1%
10	1374 Grant Street	Nov-05	3,925,000	195,421	5.0%
11	2255 Cypress Street	Dec-05	7,825,000	351,598	4.5%
12	2166 West 8th Avenue	Jan-06	5,700,000	230,458	4.0%
13	1817 Yew Street	Jan-06	4,000,000	151,825	3.8%
14	612 7th Avenue East	Jan-06	4,250,000	211,063	5.0%
15	1010-1030 Howe Street, 750-780 Nelson Street	Mar-06	30,030,000	1,012,507	3.4%
16	1020 West 12th Avenue	Apr-06	5,200,000	255,523	4.9%
17	1107 West 14th Avenue	Apr-06	5,900,000	246,114	4.2%
18	1364 West 11th Avenue	Apr-06	5,600,000	219,882	3.9%
minimum		Dec-04	3,925,000	151,825	3.4%
median		Sep-05	5,650,000	250,819	4.3%
average		Sep-05	8,300,075	360,089	4.4%
maximum		Apr-06	30,030,000	1,012,507	5.7%

Apartment Sale No. 1 refers to the December 2004 sale of an 83-unit, 14-storey, high-rise apartment building on the west side of Yew Street, north of 43rd Avenue in the Kerrisdale neighbourhood of Vancouver; the site measures 33,106 square feet and has RM-3 zoning. The building contained 15 studios, 55 one-bedroom units and 13 two-bedroom units and was reportedly in good condition at the time of the sale. The property traded for \$15,600,100 or \$187,953 per unit, while the overall rate was 4.4%; 27.4% expense ratio, with the rents including heat.

Apartment Sale No. 2 is a 24-unit apartment building located on a 12,000 square foot RM-4 zoned site on Cornwall Avenue in the Kitsilano area of Vancouver. A January 2005 offer for \$4,650,000 or \$193,750 per unit closed in April. The offer reflects an overall rate of 4.2%. Rents were regarded as below market at the time of the sale; low rents depress overall rates.

Apartment Sale No. 3 involves a 50-year-old five-storey concrete apartment building with one level of secured parking, reportedly in good condition. It has a very good west-of-Denman location on the northeast corner at Gilford Street, in the West End. Hollyburn Properties acquired the property from an estate. This 41-suite property has mostly bachelor units, and occupies a small 8,712 square foot RM-5B zoned site. Closing in April of 2005, this \$5,600,000 sale yielded a 4.8% overall rate.

Apartment Sale No. 4 pertains to a 42-unit, seven-storey concrete apartment building on an 8,646 square foot RM5-A zoned site, midblock on the north side of Harwood Street, west of Broughton, in the West End neighbourhood of Vancouver. The building was constructed in 1959 and was reportedly in good condition. The property traded in April 2005 for \$5,500,000 or \$130,952 per unit. The overall rate was 3.83%, expenses at \$2,987 per unit are reasonable, but the high operating expense ratio of 37% shows that rents are low.

Apartment Sale No. 5 is a 14-storey, concrete high-rise apartment building in the West End. The property was listed in July 2004 for \$12,875,000 or \$125,000 per unit, eventually selling in April of 2005 for \$12,500,000. The transaction reflected an overall rate of 5.2% with a 30.5% operating expense ratio.

Apartment Sale No. 6 is a ten-storey 38 suite apartment building on the corner of Nicola Street and Harwood Street, in Vancouver's West End. The RM-5 zoned site is small, at only 9,432 square feet, but it offers views from the upper levels. 18 of the 38 units are studios. Closing in December of 2005, the \$5,350,000 sale yielded an overall rate of 4.1%, with expenses at a high 37.7%, again suggesting rents were below market levels, thus depressing the overall rate.

Apartment Sale No. 7 is Bermuda Manor, a 67-unit three-storey wood frame apartment in Kerrisdale; The 49,500 gross square foot improvement represents a 1.33 FSR on the 36,920 square foot RM-3 zoned site - maximum density would be 1.45 FSR. Estimated at 35 to 40 years in age, the June 2005 sale at \$12,883,250 represents a 5.08% overall rate.

Apartment Sale No. 8 is an older four-storey mill and masonry apartment at the corner of West 10th Avenue and Birch Street, in Vancouver's Fairview neighbourhood. This 69-suite apartment sits on a 12,632 square foot RM-3 zoned site, and albeit clean, had significant deferred

maintenance at the time of sale. The July 1, 2005 sale at \$7,000,000 produced an overall rate of 5.7, based on the income profile "as is." The poor condition would lead to a price discount, and thus a higher overall rate than for a property in average condition.

Apartment Sale No. 9 is a six-storey masonry and concrete apartment project on the south side of Comox Street, west of Chilco, in Vancouver's West End. This 41-suite apartment project occupies an 11,921-square foot RM-5B zoned site. Closing in August of 2005, the \$7,888,000 trade yielded a 4.1% overall rate (expenses 31.7%, \$3,726 a unit)

Apartment Sale No. 10 is a four-storey, 39-unit apartment building located on the northwest corner of Grant Street and McLean Drive, in the Grandview neighbourhood of Vancouver. The RM-4 zoned site has a net area of 0.46 acres, with the improvements representing a 1.33 FSR. The property sold in November 2005 for \$3,925,000 or \$100,641 per unit. The transaction shows an overall rate of 5.0% (33.8% operating expenses). East side Vancouver locations often have a higher overall rate than those on the west side.

Apartment Sale No. 11 refers to the December 2005 sale of a 47-unit apartment building on a 22,400 square foot RM-4 zoned site at the northwest corner of Cypress Street and West 7th Avenue, in Kitsilano. After adjusting for post purchase repairs and fees, the price was \$7,825,000. The overall rate was 4.5%. Expenses were 30.23%, with the landlord paying heat.

Apartment Sale No. 12 represents the January 2006 sale of a 32-unit, wood frame apartment building located on the south side of West 8th Avenue, in Kitsilano. The RM-4 zoned site measured 18,750 square feet and represented most of the value. Built circa 1966, 22 units were 1-bedroom, with six 2-bedroom and only three studio units. The sale price of \$5,700,000 equates to an overall rate of 4.04%, with a 30.1% operating expense ratio. When land makes up the bulk of value, lower overall rates are the result.

Apartment Sale No. 13 is a three-storey 21-unit wood frame apartment in Kitsilano. The 12,000 square foot site is zoned RM-4, 1.45 FSR. The building has an elevator, both two-bedroom suites have two bathrooms and the condition was very good. Rents were believed to be below market, which influenced the overall rate; the \$4,000,000 estate sale closed in January 2006: 3.8% overall rate, 30.6% operating expense ratio, \$3,210 per unit. Rents were reportedly below market, thus depressing the overall rate.

Apartment Sale No. 14 is Carolina Court, a 41-unit three-storey frame apartment building in the Mount Pleasant neighbourhood of Vancouver. The 0.46-acre RM-4 zoned site can yield a maximum density of 1.45 FSR; however, the existing improvement likely represents full development of the site under present guidelines. The property sold in January of 2006 for \$4,250,000, after 84 days of marketing; 4.97% overall rate (33.7% operating expense ratio, \$2,613 per unit). The expenses as reported appear low, and this would inflate the overall rate.

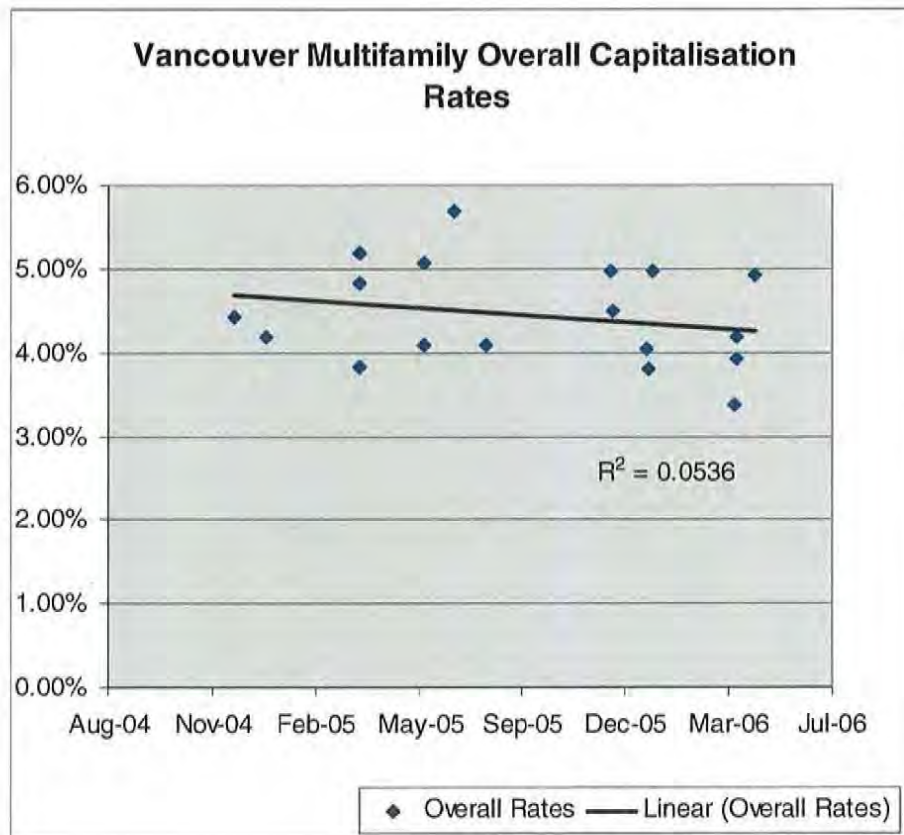
Apartment Sale No. 15 is Fortune House, a 12-storey strata apartment high-rise located in Downtown Vancouver, southeast corner of Howe Street and Nelson Street. This is a 1980's office building that was converted to a strata-titled apartment building in the '90s. Comprised of 130 residential units and 8 retail units with a total net saleable/leasable area of 84,106 sq. ft., the top two floors contain eight luxury penthouse suites. The transaction closed at the end of March 2006, at a price of \$30,030,000, a value inflated by the strong marketplace for strata apartments. The overall rate of 3.37% requires an upward adjustment for this factor.

Apartment Sale No. 16 is an extensively renovated 27-suite three-storey apartment building on the south side of West 12th Avenue, west of Oak Street in Vancouver's Fairview neighbourhood, near transit. It occupies a 12,632 square foot RM-3 zoned site. The property sold in April of 2006 for \$5,200,000, yielding a 4.9% overall rate (29% operating expense ratio, \$3,856 a unit.) The extensive investment in renovations has led to quality units with high rents, and inflated the overall rate.

Pending Apartment Sale No. 17 is a three-storey frame apartment building on the northwest corner of West 14th Avenue and Spruce Street, in Fairview. It occupies an 18,731 square foot RM-3 zoned site. An offer in April of 2006 for \$5,900,000 reflects a 4.2% overall rate (\$3,297 expenses per unit, 30.0% of effective gross income).

Pending Apartment Sale No. 18 is a three-storey-plus-penthouse 30 unit frame apartment building in the 1300 block of West 11th Avenue, in Fairview. It occupies an 18,731 square foot site that is zoned RM-3 and comprises the bulk of value. An April 2006 offer to purchase for \$5,600,000 reflects a 3.9% overall rate, at a 32.6% operating expense ratio. Again, the high underlying land value likely depressed the overall rate.

The 18 indices presented traded between December 2004 and April 2006 at prices ranging from \$3,925,000 to \$30,030,000. We examined the data for a pattern of change over time. Plotting these sales on a graph suggests a modest decline, but variation within the data makes it difficult to quantify any specific adjustment.



Overall rates range from 3.4% to 4.7%, with a median and average of 4.31% and 4.45%, respectively. These rates include a rate of return on the land and building investment, as well as recapture of the depreciating improvement asset. All of the indicators require a negative adjustment to reflect a land-only lease situation, but as discussed above, some of the rates require upward adjustment for other factors.

Based on the above, after consideration for the existing strong market conditions, income characteristics, location and relative size, a realistic ground rental conversion rate will lie in the order of 3.75% to 4.25%. According, we adopt a rate of 4.0% for the purpose of the Rate-Times-Value method.

Market rent by the Rate-Times-Value method is estimated as follows:

\$10,621,000 times 4.0% is **\$424,840**

This rent is equivalent to \$11,482 per unit per year, and \$8.60 per square foot of building.

CERTIFICATION

Re: 666 Leg in Boot Square (VR551), Vancouver, British Columbia

We hereby certify that, except as otherwise noted in the preceding analysis, to the best of our knowledge and belief:

- the statements of fact contained in this report are true and correct;
- the reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal impartial, and unbiased professional analyses, opinions and conclusions;
- we have no present or prospective interest or bias in the subject property, and no personal interest or bias with respect to the parties involved;
- our engagement in and compensation for this assignment were not contingent upon developing or reporting predetermined results, the amount of the value estimate, or a conclusion favouring the client;
- our analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the Canadian Uniform Standards;
- we have the knowledge and experience to complete this assignment competently;
- as of the date of this report, the undersigned has fulfilled the requirements of The Appraisal Institute of Canada Continuing Professional Development Program for designated members and candidate members;
- no one provided significant professional assistance to the person signing this report; Andrea Franz assisted with factual research and report drafting.
- the undersigned personally inspected the subject property on April 21, 2006;
- based upon the data, analyses and conclusions contained herein, the annual net market rental value of the interest in the property described, as at May 1, 2006 is estimated at:

**FOUR HUNDRED TWENTY-FOUR THOUSAND EIGHT HUNDRED SEVENTY-
EIGHT DOLLARS**
(\$424,878)

GROVER, ELLIOTT & CO. LTD.

per: 

Larry Dybvig, AACI, P.App. MAI

ASSUMPTIONS AND LIMITING CONDITIONS
Re: 666 Leg in Boot Square (VR551), Vancouver, British Columbia

Appendix 1

The only party who may rely on the opinions expressed in this report is the specified intended user, even where the report is for financing purposes. Where the intended user is a lender, its borrower and the loan insurer may also rely on this report. This report assumes that only the intended user specified herein will rely upon it, and only for the intended use stated herein. No one else may rely on this report without the written consent of the appraiser, which we may not provide retroactively. We expressly deny any legal liability for unauthorized reliance and for any other use.

When preparing an appraisal for lending purposes, appraisers do not investigate if the prospective loan and applicant satisfy prudent loan underwriting criteria. Correspondingly, we assume no responsibility for loans made where the borrower lacks the ability or motivation to repay the loan, or where the lender has not followed prudent lending practices. When we authorize a lender to rely on this report, we grant such authorization subject to the lender completing a thorough due diligence investigation, which reasonably concludes that the borrower has the intention and capacity to repay the loan.

The basis of the opinions and estimates herein is information gathered from various sources considered reliable and believed to be correct.

We assume no responsibility for factors relating to the legal description, state of title or for unapparent conditions of the property not brought to our attention that might affect value.

We have included plans and sketches for visual reference only. We cannot assume responsibility for the accuracy of such illustrations where the basis was third party sources.

The client or identified third parties provided figures in this report relating to land and floor areas unless stated otherwise. Incorrect land and floor areas could render our analysis and conclusions invalid.

The economic conditions and outlook current at the date of valuation form the basis of our opinions and conclusion of value. Because market conditions, including economic, social and political factors change rapidly, and, on occasion, without warning, it could be misleading to rely on the market value estimate expressed herein as of any other date except with the further advice from the appraiser, for which advice we will accept no responsibility unless made formally and confirmed in writing.

We undertook no investigation with the local zoning office, the fire department, the building inspector, the health department or any other government regulatory agency except as expressly described in this report. The subject property must comply with such government regulations. Any noncompliance may affect market value. Confirming compliance could require further investigations.

We were not provided with studies of hazardous materials or contaminated land, and we were not authorized to commission such studies. We therefore offer no opinion with respect to the status of the lands or soils. We assume no responsibility for any such conditions or for any specialized expertise or engineering knowledge required to discover, remove or eliminate them. We recommend retaining an expert in this field if doubt exists about the quality of the soils or groundwater.

The appraiser is not qualified to comment on environmental issues that may affect the market value of the property appraised, including but not limited to pollution or contamination of land, buildings, water, groundwater or air. Unless expressly stated, the property is assumed to be free and clear of pollutants and contaminants, including but not limited to moulds or mildews or the conditions that might give rise to either, and in compliance with all regulatory environmental requirements, government or otherwise, and free of any environmental condition, past, present or future, that might affect the market value of the property appraised. If the party relying on this report requires information about environmental issues then that party is cautioned to retain an expert qualified in such issues. We expressly deny any legal liability relating to the effect of environmental issues on the market value of the property appraised.

Except as this report specifically notes otherwise, our conclusions presume that the appraised property is free and clear of all liens or encumbrances except normal mortgage financing. Our valuation excludes the cost to retire the mortgage obligation.

Our report presumes that adequate fire, peril and liability insurance are available to cover any reasonable use of the property, at costs and terms that have been typical over the years.

The liability of Grover, Elliott & Co. Ltd. for a claim related to professional service provided pursuant to this service in either contract negligent misrepresentation or tort, including the owner's, officers, employees or subcontractors of the firm is limited to the extent that such liability is covered by the Appraisal Institute of Canada's errors and omissions insurance in effect from time to time, which is available to indemnify the company and its appraisers at the time the claim is made and not more than two years after the services are rendered.

No one should rely on this report in any context other than that in which we present it. Use in excerpted or partial form could mislead.

Possession of this report, or a copy of it, does not carry the right to reproduction or publication, in full or in part. No one other than the identified intended user can use this report for its stated purpose. No one can use this report for any other purpose without our written consent. Exceptions exist for due process of law and for confidential review by the Appraisal Institutes of Canada and the United States.

Attendance at any legal proceedings with respect to this report, and any fees and expenses for preparation and attendance requires our prior agreement. However, neither this nor any other limiting condition is an attempt to limit the use that a judicial body might make of this report should it properly become evidence in duly constituted proceedings. In such a case, the judicial body will decide the use of the report that best serves the administration of justice.

This report is valid only if it bears the original signature of the author.

We cannot monitor changes to our reports once they leave our office, nor can we prevent changes, additions or deletions in copies of our reports. We recommend that people intending to rely on our report do so only after reading an original copy in its entirety. With the prior consent of our client, we will provide an original of this report.

TITLE SEARCH

Appendix 2

Date: 06/05/05 TITLE SEARCH PRINT - VANCOUVER
Requestor: (PA42625) GROVER, ELLIOTT & CO. LTD.
TITLE - E14179

Time: 10:59:44
Page: 001

VANCOUVER LAND TITLE OFFICE TITLE NO: E14179
FROM TITLE NO: C65357

APPLICATION FOR REGISTRATION RECEIVED ON: 07 MARCH, 1977
ENTERED: 05 APRIL, 1977

REGISTERED OWNER IN FEE SIMPLE:
CITY OF VANCOUVER

TAXATION AUTHORITY:
CITY OF VANCOUVER

DESCRIPTION OF LAND:
PARCEL IDENTIFIER: 003-980-367
STRATA LOT 9 FALSE CREEK LEASEHOLD STRATA PLAN VR. 419 TOGETHER WITH AN
INTEREST IN THE COMMON PROPERTY IN PROPORTION TO THE UNIT ENTITLEMENT OF
THE
STRATA LOT AS SHOWN ON FORM 1.

LEGAL NOTATIONS:

NOTICE OF INTEREST, BUILDERS LIEN ACT (S.3(2)), SEE BM249219
FILED 1998-09-03

CHARGES, LIENS AND INTERESTS:

NATURE OF CHARGE
CHARGE NUMBER DATE TIME

LEASE

E88679 1977-12-08 11:27

REGISTERED OWNER OF CHARGE:

GLADYS JUNE COX

E88679

REMARKS: ASSIGNMENT OF LEASE E12100 RECEIVED 24/02/1977
14:44 CERTIFICATE OF LEASEHOLD TITLE 35703 ISSUED
12/12/1977
MODIFIED BY BG413576
ASSIGNED TO BH413631 18 11 1994
C OF C 35703 SURRENDERED 18 11 1994 SEE BH413631

LEASE

BG413576 1993-11-17 12:56

REMARKS: MODIFICATION OF E12100

SEE E88679

ASSIGNED TO BH413631 18 11 1994

LEASE

BH413631 1994-11-18 14:51

REGISTERED OWNER OF CHARGE:

GLADYS JUNE COX,

LYNDA JUNE STANDERWICK,

JOINT TENANTS

BH413631

CONTINUES ON PAGE 002

Date: 06/05/05 TITLE SEARCH PRINT - VANCOUVER
Requestor: (PA42625) GROVER, ELLIOTT & CO. LTD.

Time: 10:59:44

Page: 002

TITLE - E14179

REMARKS: ASSIGNMENT OF E12100 REC'D 24 02 1977 @ 14 44
SEE ALSO E88679 AND BG413576
TRANSMITTED TO BH433911, 05/12/1994

LEASE

BH433911 1994-12-05 14:44

REGISTERED OWNER OF CHARGE:

LYNDA JUNE STANDERWICK

BH433911

REMARKS: TRANSMISSION OF E12100 REC'D 24/02/1977 @ 14:44

SEE E88679, BG413576 AND BH413631

TRANSFERRED TO BM93305

1998/03/30

LEASE

BM93305 1998-03-30 14:55

REGISTERED OWNER OF CHARGE:

JUDITH LYNN GROBERMAN

BM93305

REMARKS: TRANSFER OF LEASE E12100 (REC'D: 1977/02/24 @

14:44)

(SEE ALSO E88679, BG413576, BH413631 AND BH433911)

TRANSFERRED TO BR161705

LEASE

BR161705 2001-06-28 15:07

REGISTERED OWNER OF CHARGE:

CAROLYN JEAN FRASER

BR161705

REMARKS: TRANSFER OF E12100 RECEIVED 24/02/1977

(SEE E88679, BG413576, BH413631,

BH433911 AND BM93305)

"CAUTION - CHARGES MAY NOT APPEAR IN ORDER OF PRIORITY. SEE SECTION 28,
L.T.A."

DUPLICATE INDEFEASIBLE TITLE: NONE OUTSTANDING

TRANSFERS: NONE

PENDING APPLICATIONS: NONE

*** CURRENT INFORMATION ONLY - NO CANCELLED INFORMATION SHOWN ***

REGIONAL LOCATION

Appendix 3



LEASEHOLD
STRATA PLAN OF AIR SPACE
PARCEL 3 OF LOT 39,
FALSE CREEK, GROUP I,
NEW WESTMINSTER DISTRICT
ACCORDING TO AIR SPACE PLAN 4

SCALE: 1 INCH = 20 FEET

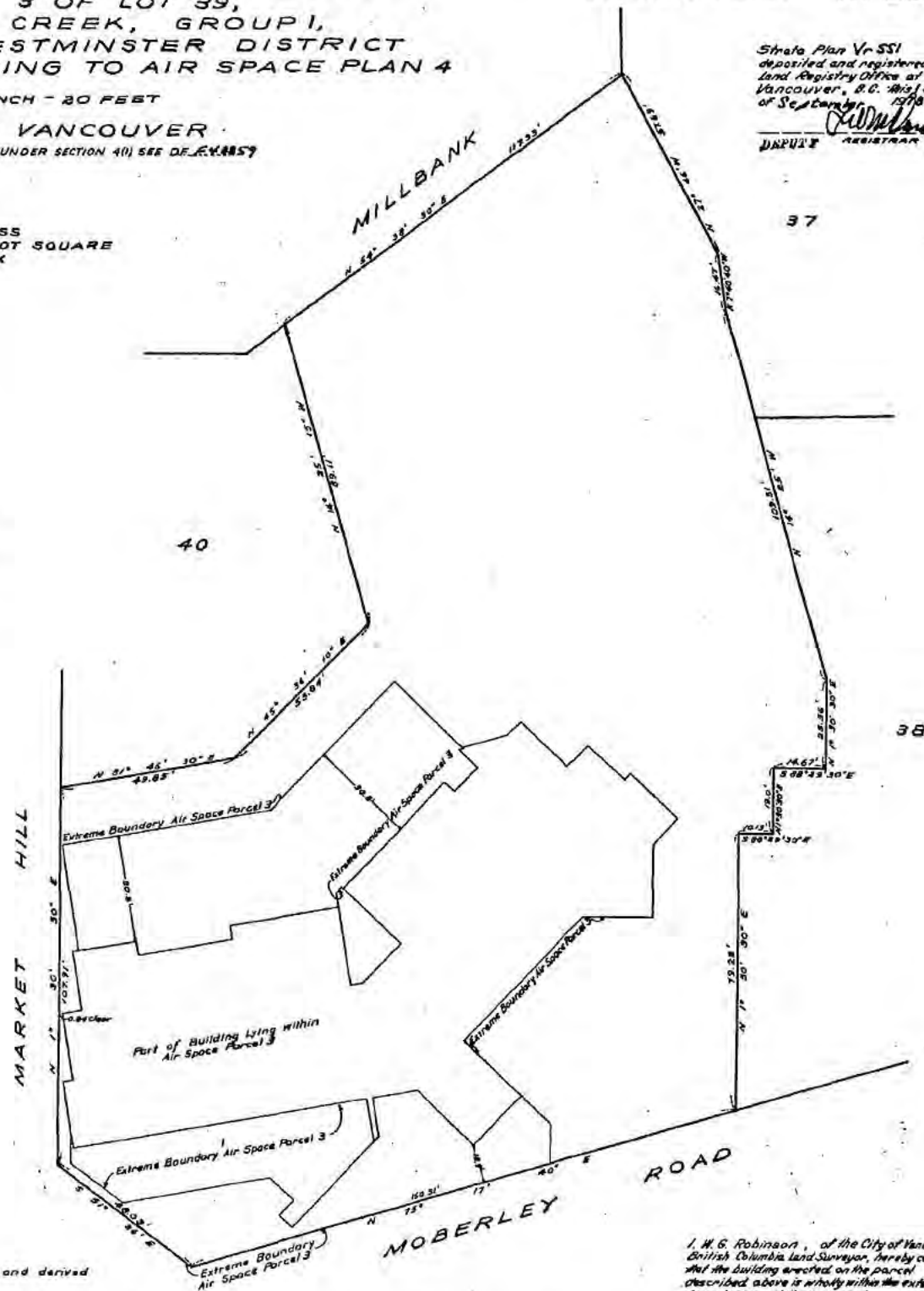
CITY OF VANCOUVER
 FOR CERTIFICATE UNDER SECTION 40(1) SEE DE REGISTRY

CIVIC ADDRESS
 666 LES IN BOOT SQUARE
 FALSE CREEK

"STRATA PLAN Vr. 551"

Strata Plan Vr. 551
 deposited and registered in the
 Land Registry Office at
 Vancouver, B.C. this 3rd day
 of September, 1978

DEPUTY REGISTRAR



Bearings Astronomic and derived
 from Plan 16789

The address for service of documents
 on the Strata Corporation is
THE OWNERS STRATA PLAN Vr. 551

418 STANTACO MANAGEMENT

Underhill & Underhill
 Engineers & Surveyors
 Vancouver, B.C.

For perimeter details of Air Space Parcel 3
 see individual floor plans and sections
 on sheets 5, 6, 7, 8, 10-22 (inclusive).

LTB
 302-4100 LOUGHEED HWY
 BURNABY, B.C. V5C 6A7
 (OF R54866)

I, H. G. Robinson, of the City of Vancouver,
 British Columbia Land Surveyor, hereby certify
 that the building erected on the parcel
 described above is wholly within the external
 boundaries of that parcel.

Dated at Vancouver, B.C. this 3rd day
 of April, 1978.

H. G. Robinson SCLB

ST. 1-49

J-7712

STRATA PLAN Vc. 551

STRATA TITLES ACT

		FORM 1	FORM 2	FORM 3			FORM 1	FORM 2	FORM 3
LOT NO.	SHEET NO.	SCHEDULE OF UNIT ENTITLEMENT	SCHEDULE OF INTEREST UPON DESTRUCTION	SCHEDULE OF VOTING RIGHTS	LOT NO.	SHEET NO.	SCHEDULE OF UNIT ENTITLEMENT	SCHEDULE OF INTEREST UPON DESTRUCTION	SCHEDULE OF VOTING RIGHTS
1	7,8,13,14	1125	81,840						
2	7,8,13,14	1469	104,160						
3	7,8,13,14	1027	70,446						
4	5,7,8,13,14	1312	97,185						
5	5,6,13,14	1454	104,160						
6	5,6,13,14	1026	76,446						
7	5,6,13,14	1639	111,749						
8	8,14	832	63,760						
9	8,14	671	51,894						
10	6,14	618	45,979						
11	6,14	827	63,388						
12	7,8,14,15,16	1102	81,988						
13	7,8,14,15,16	1347	100,216						
14	7,8,14,15,16	999	74,325						
15	5,7,8,14,15,16	1202	89,428						
16	5,6,14,15,16	1379	102,597						
17	5,6,14,15,16	996	75,516						
18	5,6,14,15,16	1396	104,792						
19	7,8,16,17	1015	70,306						
20	7,8,16,17	1328	101,221						
21	7,8,16,17,18	911	70,010						
22	5,7,8,16,17	1133	84,295						
23	5,6,16,17	1274	101,295						
24	5,6,16,17	894	68,373						
25	5,6,16,17	1396	108,512						
26	8,17	829	65,565						
27	8,17	703	55,099						
28	4,17	1264	102,858						
29	7,8,17,18,19	1293	95,100						
30	7,8,17,18,19	1612	121,032						
31	5,7,8,17,18,19	2629	194,704						
32	5,6,17,18,19	1306	102,653						
33	5,6,17,18,19	997	70,915						
34	5,6,17,18,19	1389	108,512						
35	5,6,19,20	1512	119,932						
36	5,6,19,20	1000	79,980						
37	5,6,19,20	1546	125,550						
AGGREGATE		44464	3,359,775						

STATUTORY DECLARATION

I/We the undersigned do solemnly declare that
 (1) I/We the undersigned (am/are) the owner/developer or (in the alternative) the duly authorized agent of the owner/developer.
 (2) The Strata Plan is entirely for residential use.

I/We make this solemn declaration conscientiously believing it to be true and knowing that it is of the same force and effect as if made under oath.

[Signature]
 Declared before me at Vancouver, British Columbia this 5th day of May, 1978

[Signature]
 A Commissioner for taking affidavits for British Columbia

NEW DEVELOPMENT CERTIFICATE
SECTION 4 (1)

I W. B. Robinson, of Vancouver, British Columbia Land Surveyor, hereby certify that the building shown in this strata plan has not, as of the 3rd day of April, 1978, been previously occupied.
 Dated at Vancouver, British Columbia this 3rd day of April, 1978.

[Signature] S.C.L.S.

Approved as to Forms 1, 2 and 3 dated this 30th day of August 1978

[Signature]
 for SUPERINTENDENT OF INSURANCE

FRANK STANZEL CONSTRUCTION LTD

[Signature]
 CITY OF VANCOUVER, DIRECTOR OF LEGAL SERVICES

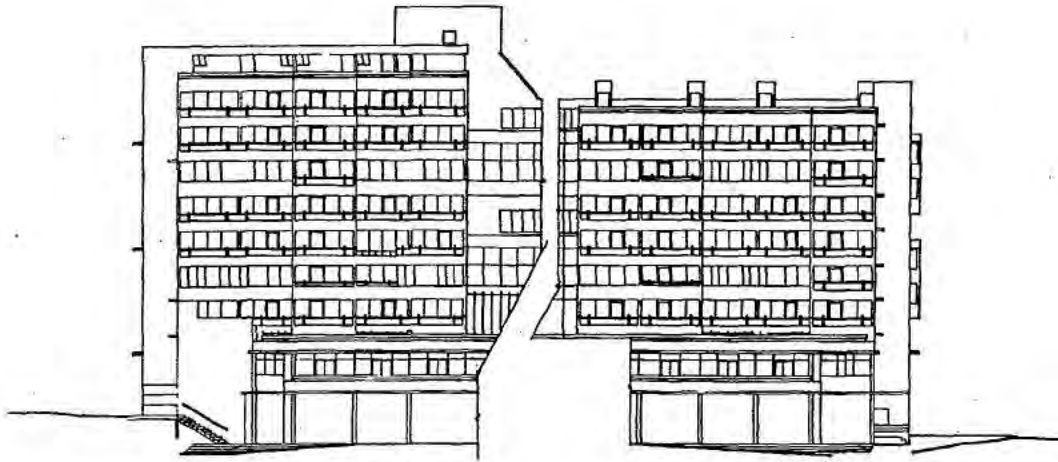
BANK OF MONTREAL CREDIT MANAGER,
 BY ITS ATTORNEYS

BY ATTORNEYS IN FACT HANOVER MORTGAGES

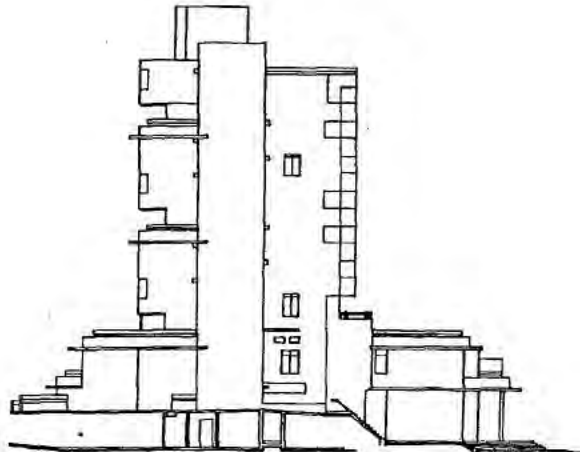
[Signature]
 WITNESS AS TO BOTH SIGNATURES.

[Signature]
 April 3rd, 1978

STRATA PLAN Vr. 551



NORTHERLY ELEVATION
SCALE: 1 INCH = 20 FEET



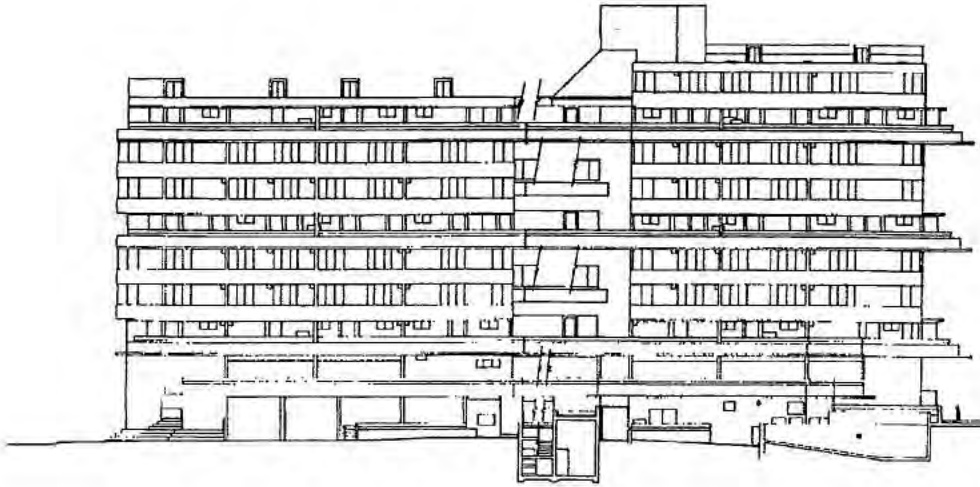
EASTERLY ELEVATION
SCALE: 1 INCH = 20 FEET

W-91 *ACR*
April 3rd, 1978

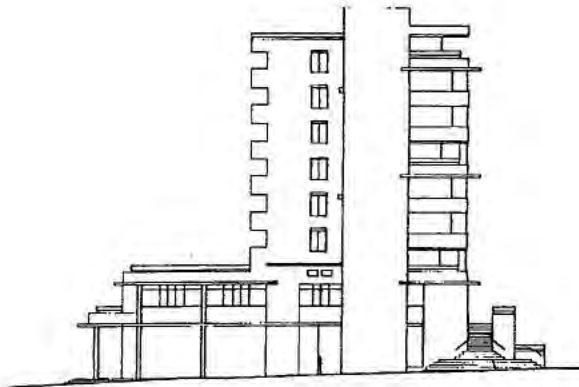
SDC 1-29

J-7112

"STRATA PLAN Vr. 551"



SOUTHERLY ELEVATION
SCALE 1 INCH = 20 FEET



WESTERLY ELEVATION
SCALE 1 INCH = 20 FEET

WGA *ACLS*
April 3rd, 1978

ST. 1-29

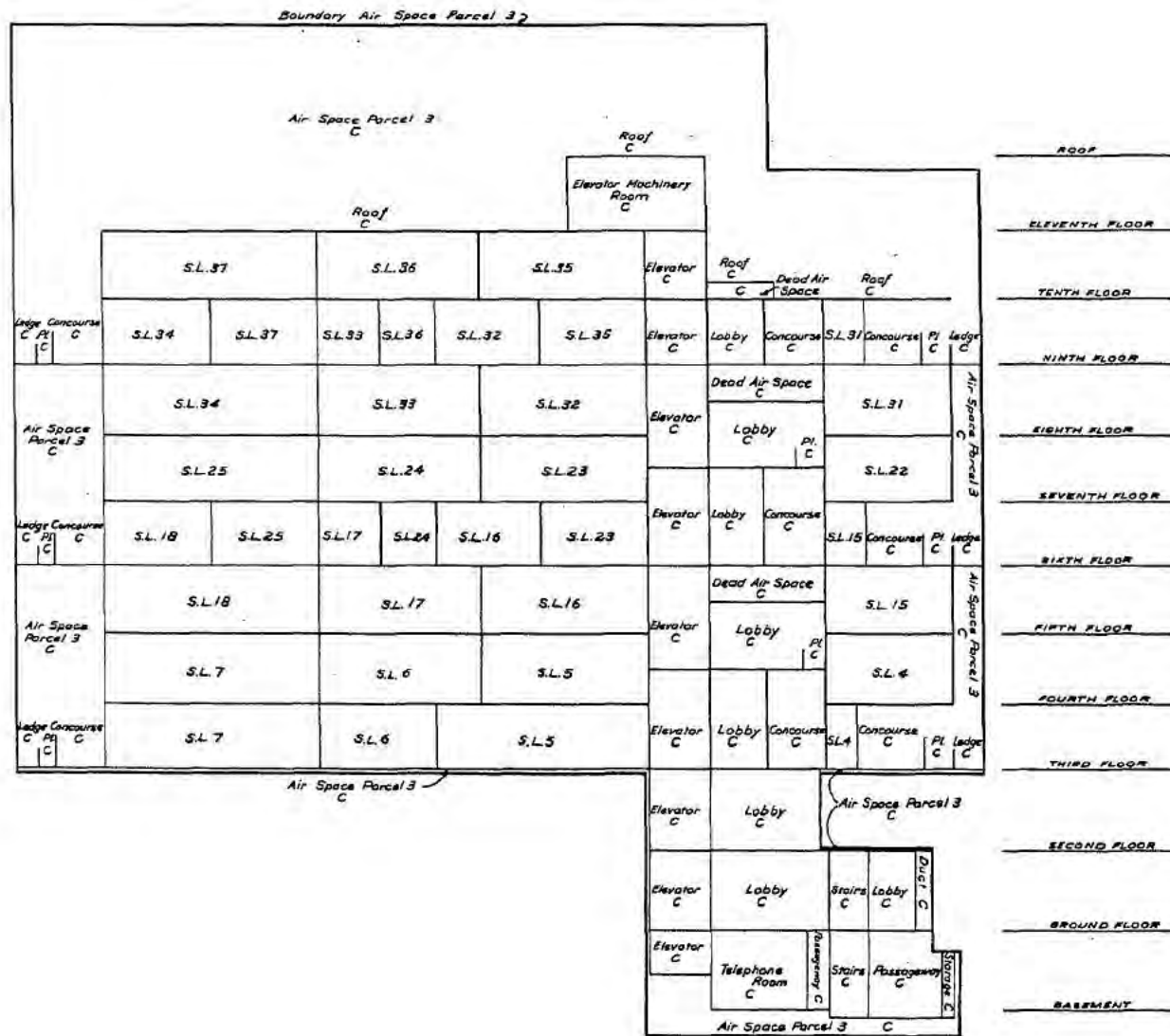
J-7712

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FILED

ST. 1-83

SL
PL
C
Elevators
Staircase
Lobby
Common Property



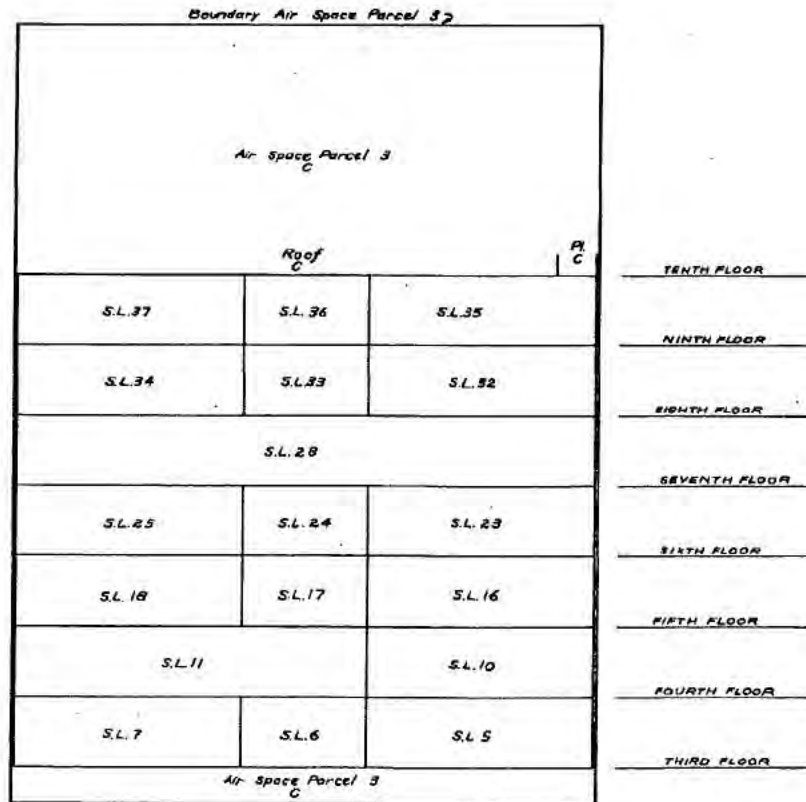
SECTION A-A
SCALE: 1 INCH = 10 FEET

Air Space Parcel 3
Boundary Air Space Parcel 3

STRATA PLAN V. 551

SHEET 5 OF 24 SHEETS

"STRATA PLAN Vr. 551"

FILED
MAY 15 2005-09-30 11:46:46 EDT 15

SECTION B-B
SCALE: 1 INCH = 10 FEET

denotes
Strata Lot
Planter
Common Property

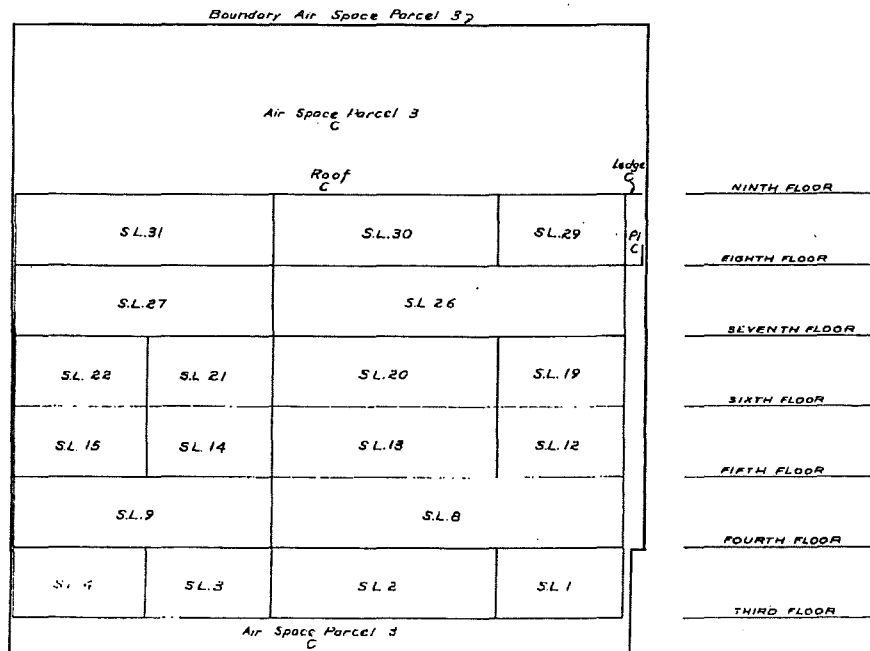
W91
April 3rd, 1978

[illegible][illegible]

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070398Z MAR 66 00 00 00 00 00 00

STRATA PLAN Vn.551

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R20385 2005-09-30-11:46:46, 570276

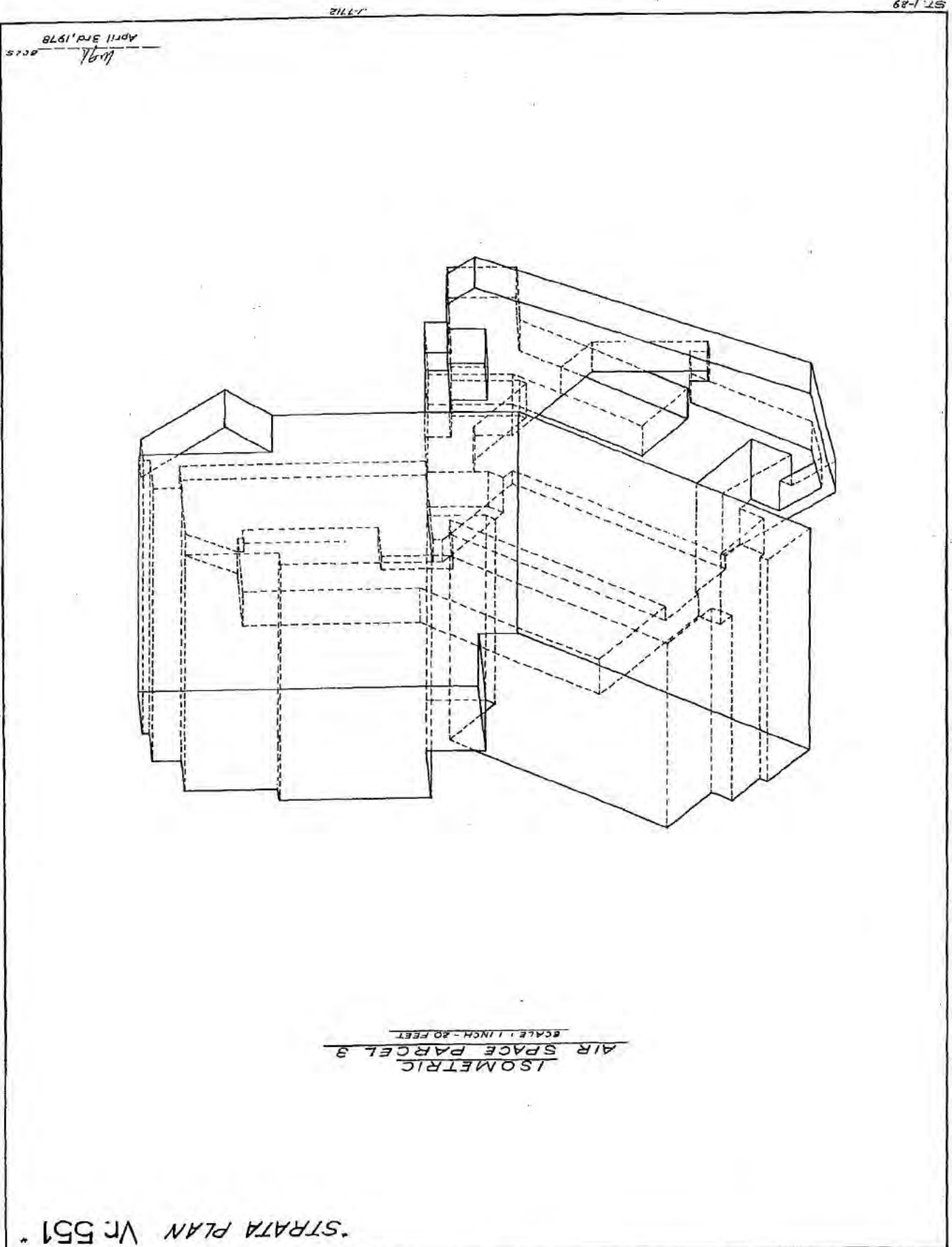
SECTION D-D
SCALE 1/4" = 10 FEET

SL. denotes Strata Lot
 PL. Planter
 C. Common Property

W. H.
 April 3rd, 1978

ST. 1-29

J-7712



ISOMETRIC
AIR SPACE PARCEL 3
SCALE: 1/4" = 10 FEET

STRATA PLAN Vc 551 *

SHEET 9 OF 24 SHEETS

1091
April 3rd, 1978
B.C.S.

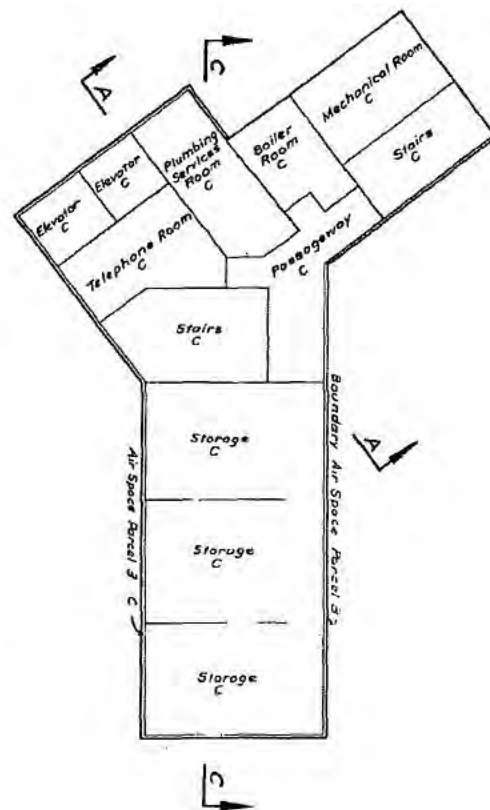
1.7712

ST-1-29

FILED
RT03AS 2005-05-26-11:46:46 070376

STRATA PLAN Vr. 551

BASEMENT
SCALE: 1 INCH = 10 FEET



C denotes Common Property

hgh S.C.S.
April 3rd, 1978

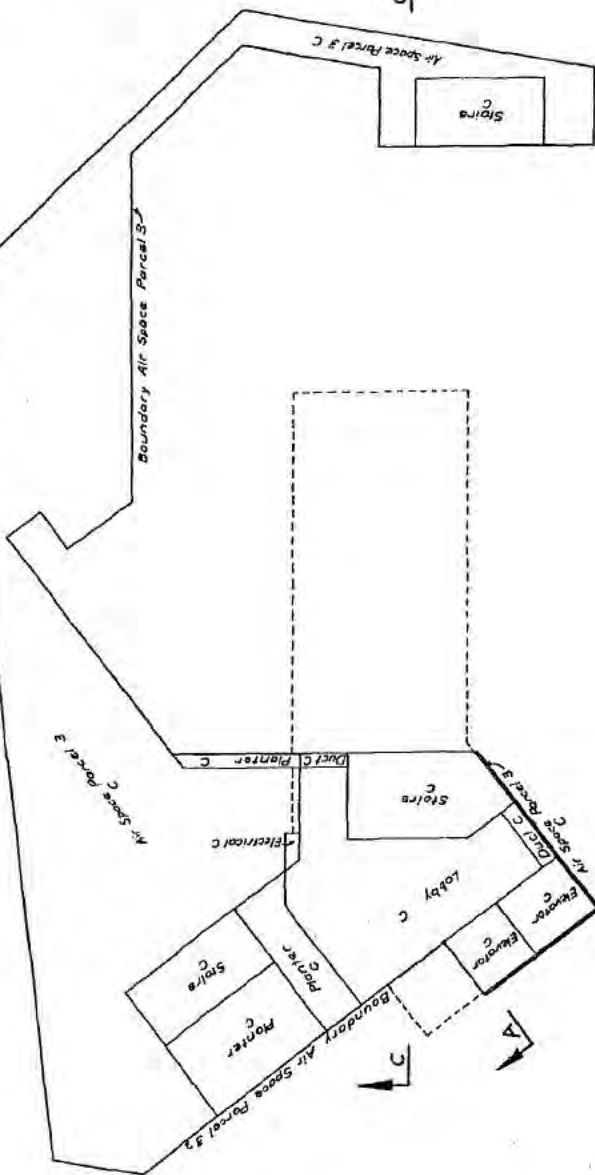
ST. 1-29

J-7712

STRATA PLAN Vr551

GROUND FLOOR
SCALE: 1/4" = 10 FEET

SHEET 11 OF 24 SHEETS



Common Property

SRT 1-B-9

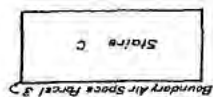
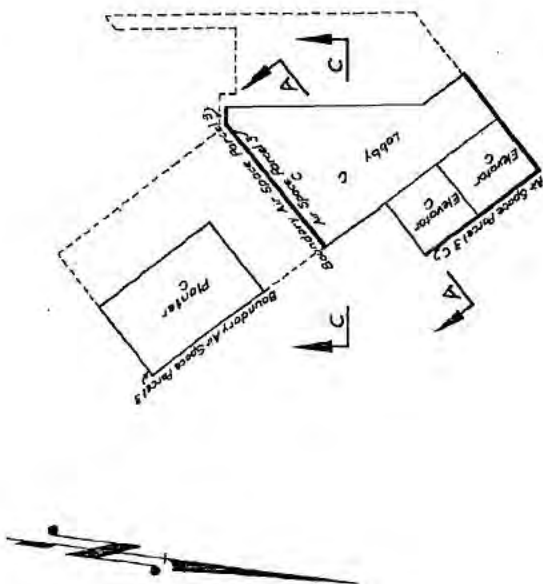
April 3rd, 1976

STRATA PLAN Vr 551

SHEET 12 OF 24 SHEETS

SECOND FLOOR

SCALE: 1/8" = 10 FEET



C denotes Common Property

APR 11 3RD 1978

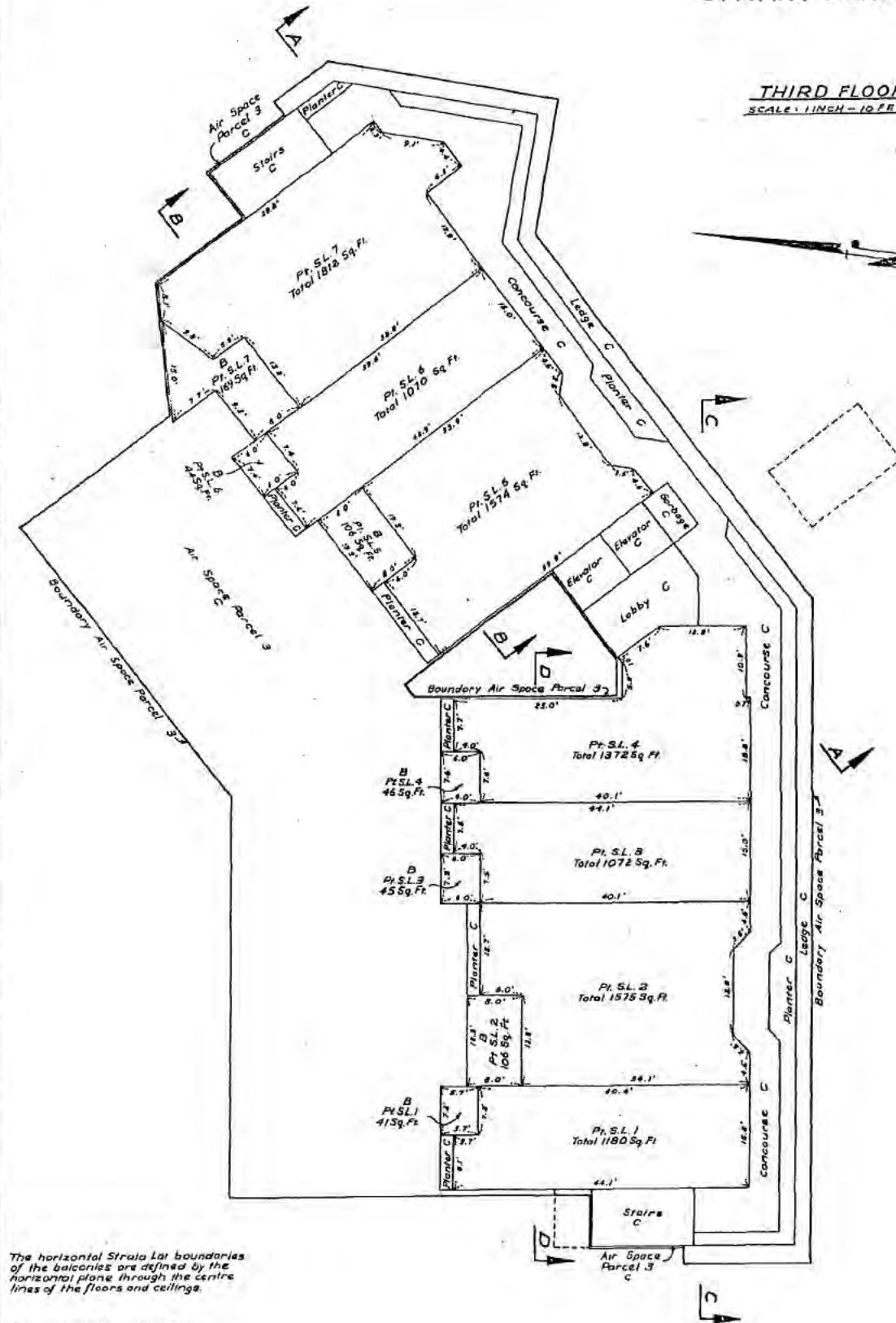
1071

J-7712

ST. 1-25

"STRATA PLAN Vr. 551"

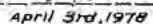
THIRD FLOOR
SCALE: 1 INCH = 10 FEET



The horizontal Strata Lot boundaries of the balconies are defined by the horizontal plane through the centre lines of the floors and ceilings.

B denotes Balcony
SL denotes Strata Lot
Sq. Ft. denotes Square Feet
C denotes Common Property

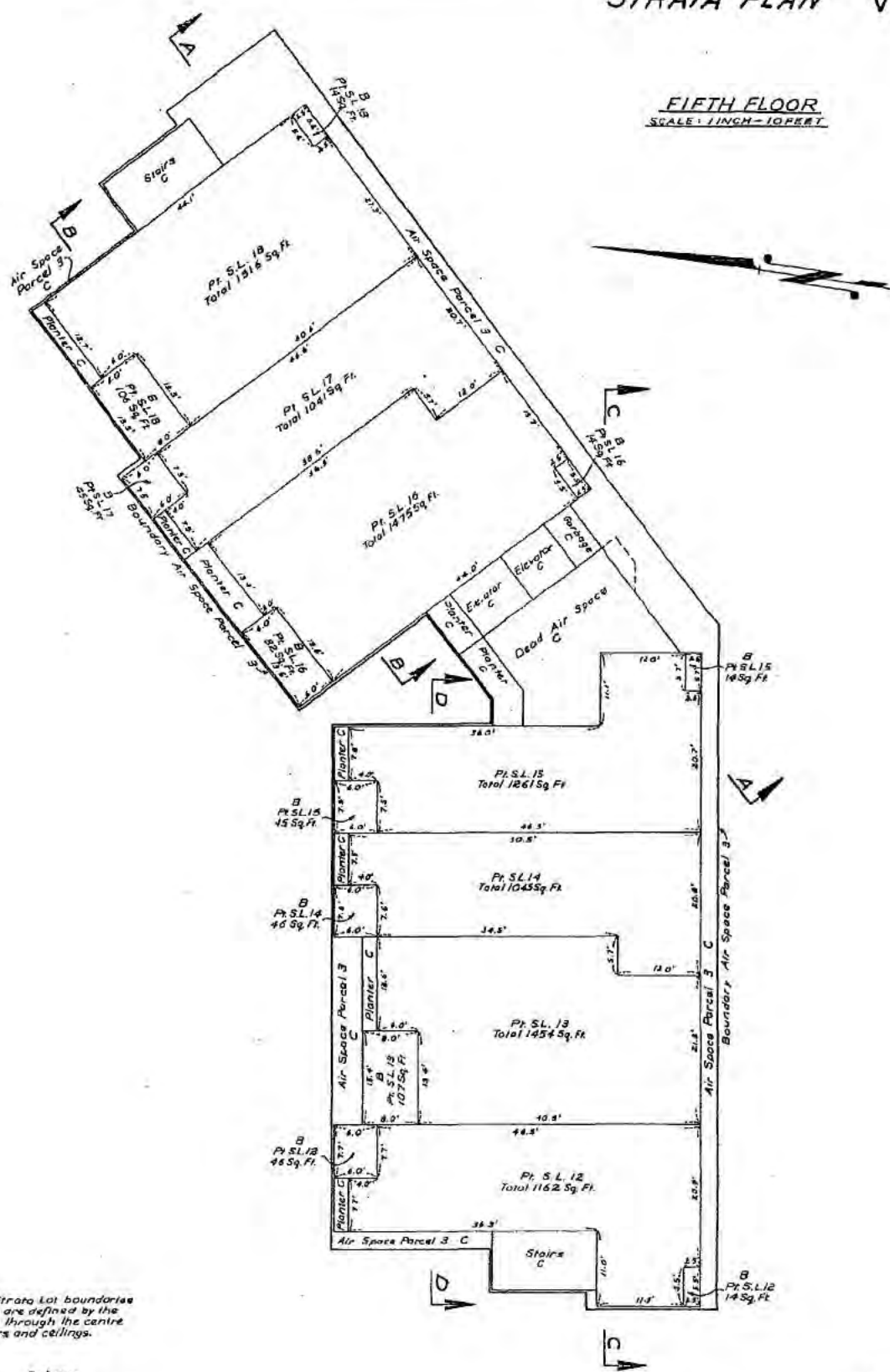
1/29/78
April 3rd, 1978



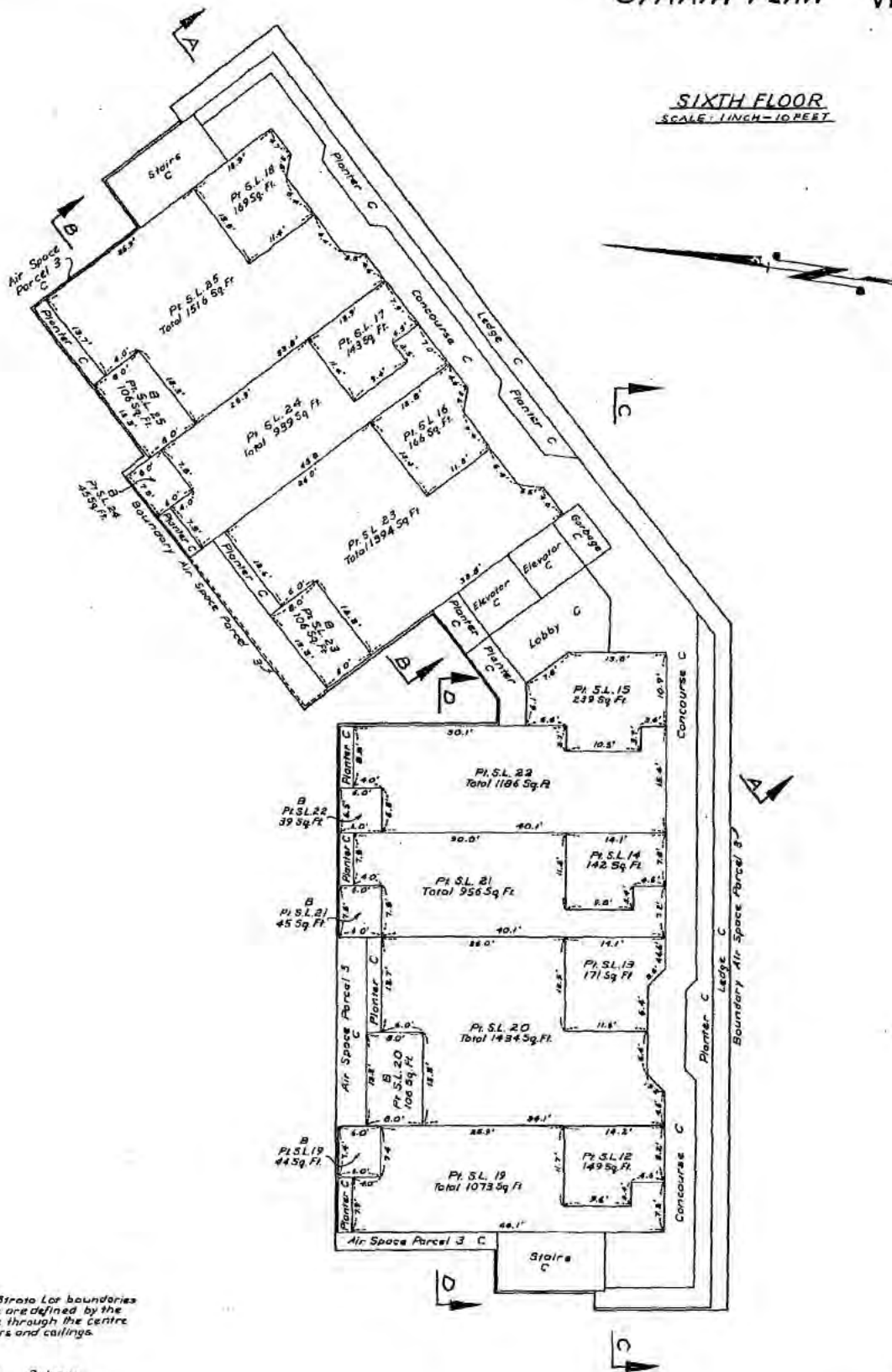
The horizontal Strata Lot boundaries of the balconies are defined by the horizontal planes through the centre lines of the floors and ceilings.

B	balconies	Balcony
SL	*	Strata Lot
Sq. Ft	*	Square Feet
C	*	Common Property

W911
April 3rd, 1978



STRATA PLAN Vr. 551

SIXTH FLOOR
SCALE: 1 INCH = 10 FEET

The horizontal Strata Lot boundaries of the balconies are defined by the horizontal plane through the centre lines of the floors and ceilings.

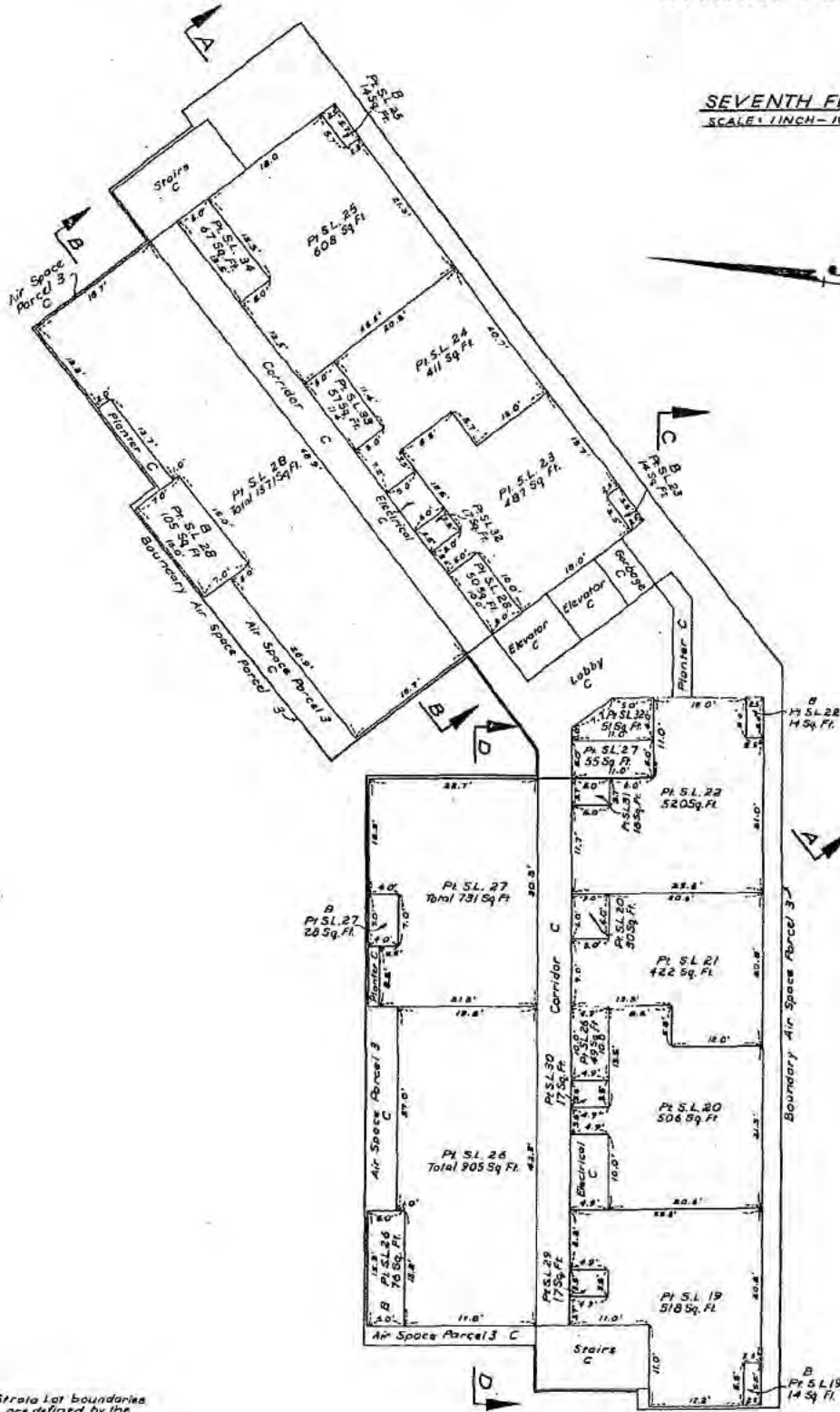
B denotes Balcony
S.L. denotes Strata lot
Sq. Ft. denotes Square Feet
C denotes Common Property

April 3rd, 1978

ST. 1-R9

J-77/2

STRATA PLAN Vr.551

SEVENTH FLOOR
SCALE: 1 INCH = 10 FEET

The horizontal Strata Lot boundaries of the balconies are defined by the horizontal plane through the centre lines of the floors and ceilings.

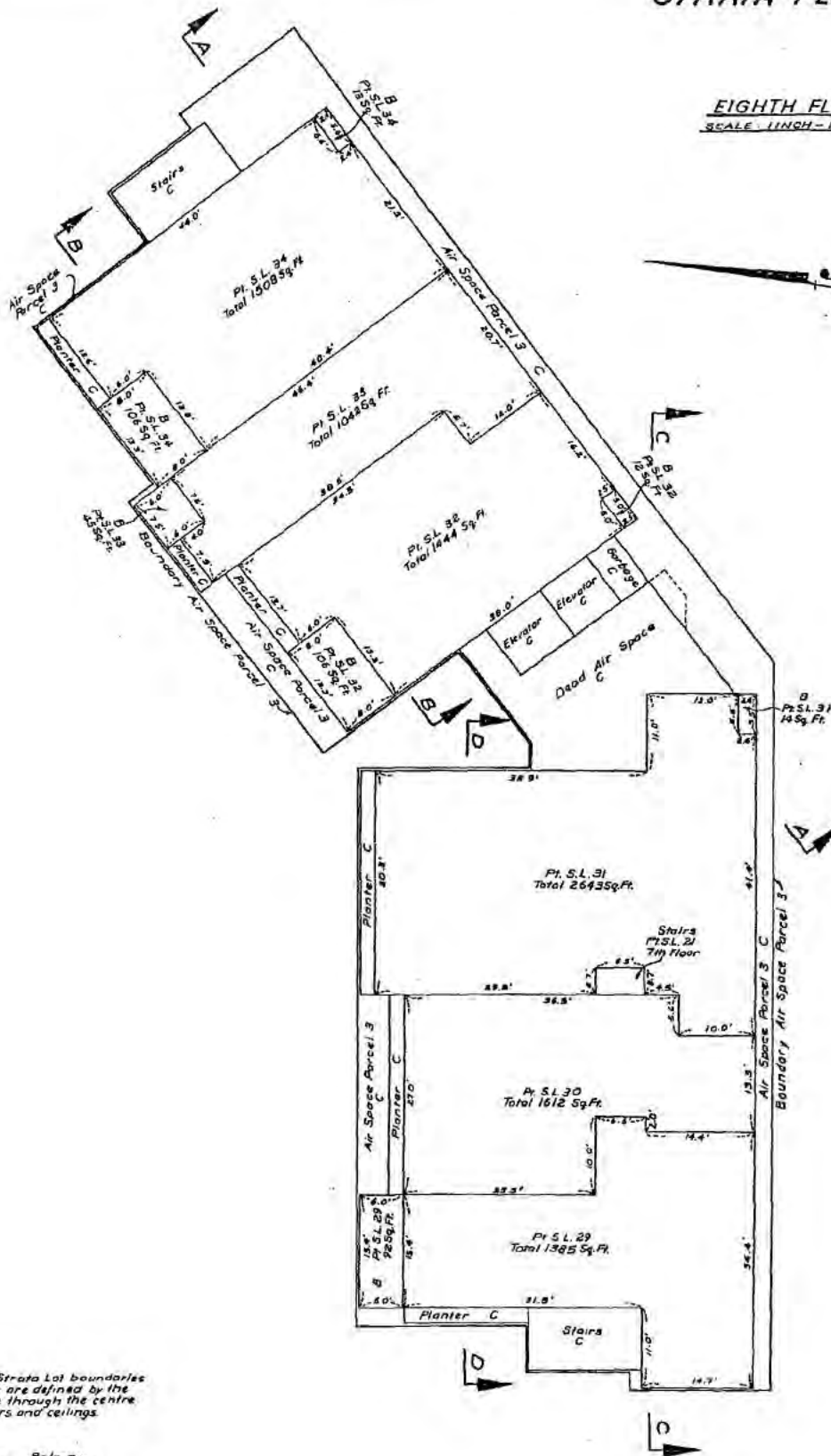
B denotes Balcony
S.L. denotes Strata Lot
Sq. Ft. denotes Square Feet
C denotes Common Property

11.7A
April 3rd, 1978

ST. 1-29

J-7112

"STRATA PLAN" Vr. 551"

EIGHTH FLOOR
SCALE 1/16" = 10 FEET

The horizontal Strata Lot boundaries of the balconies are defined by the horizontal plane through the centre lines of the floors and ceilings.

B denotes Balcony
S.L. denotes Strata lot
Sq. Ft. denotes Square Feet
C denotes Common Property

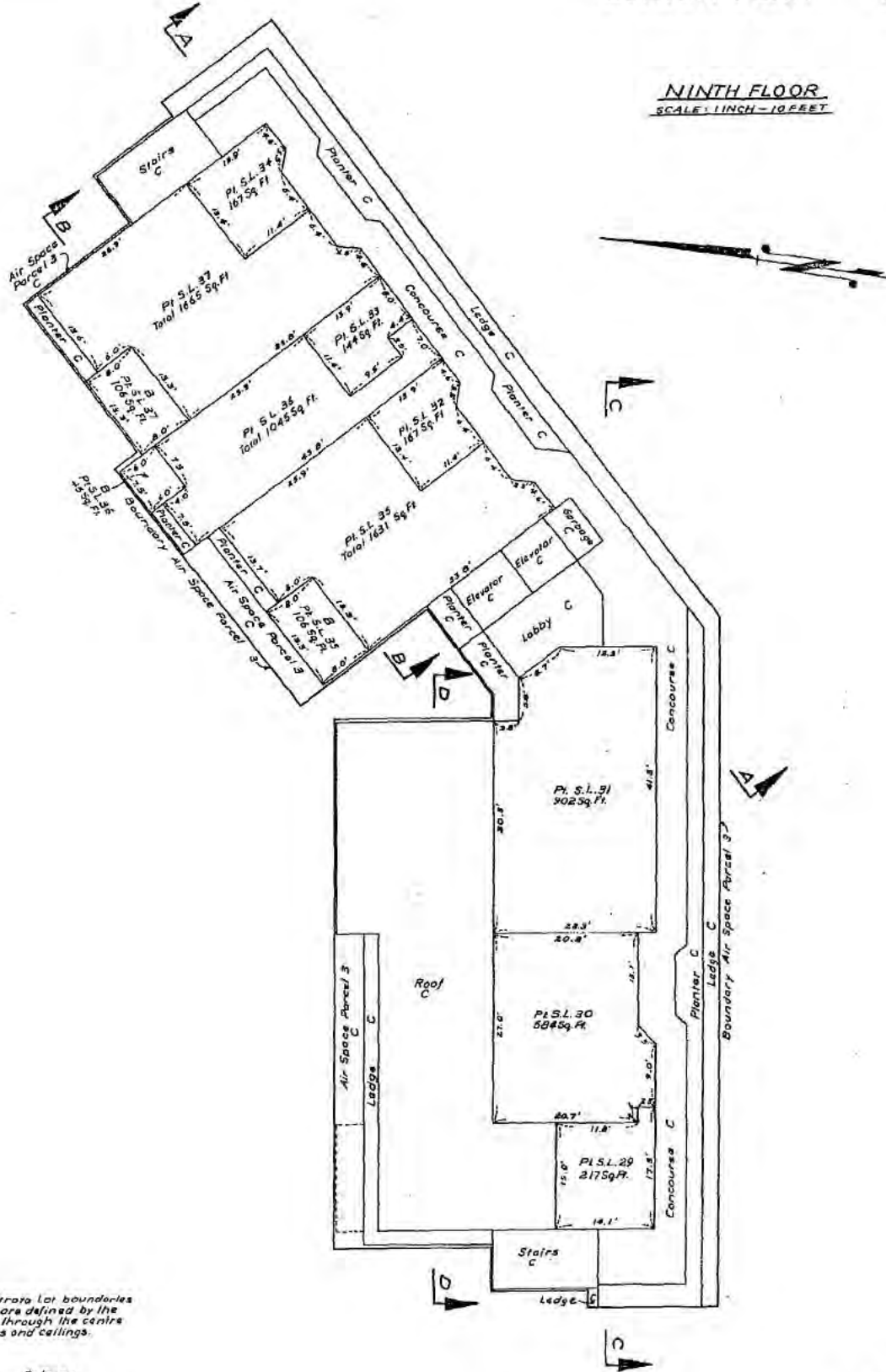
April 3rd, 1978

ST. 1-29

J-7712

STRATA PLAN Vr 551

NINTH FLOOR
SCALE: 1 INCH = 10 FEET



The horizontal Strata lot boundaries of the balconies are defined by the horizontal plane through the centre lines of the floors and ceilings.

B denotes Balcony
SL denotes Strata lot
Sq Ft denotes Square Feet
C denotes Common Property

WGR
April 3rd, 1978

ST. 1-29

J. 7112

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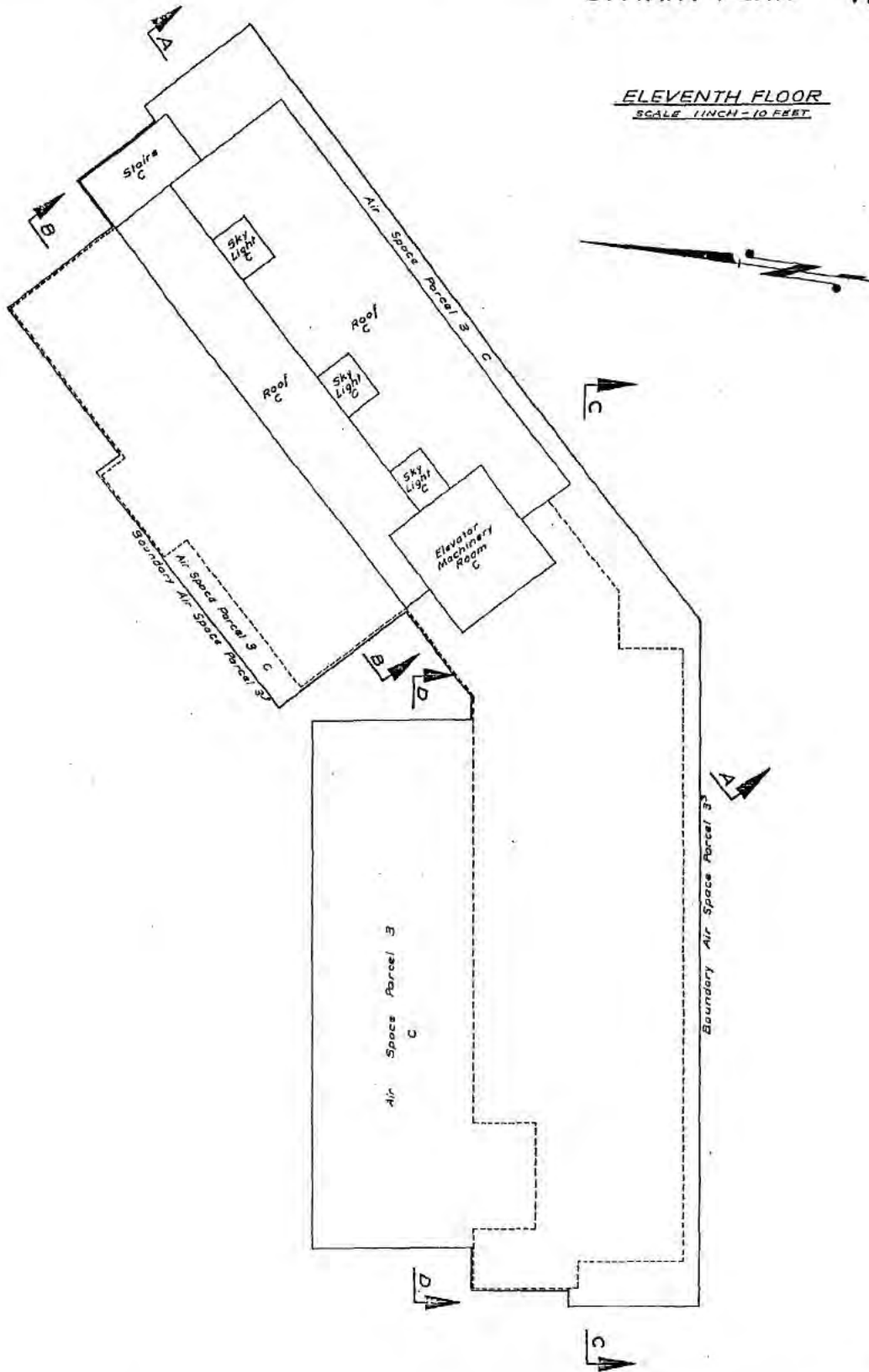
The horizontal Strata Lot boundaries of the balconies are defined by the horizontal plane through the centre lines of the floors and ceilings.

B denotes Balcony
S.L. " Strata Lot
Sq. Ft. " Square Feet
C " Common Property

April 3rd, 1978

"STRATA PLAN Vr. 551"

ELEVENTH FLOOR
SCALE 1 INCH = 10 FEET



C denotes Common Property

logh
April 3rd, 1978

ST. 1-29

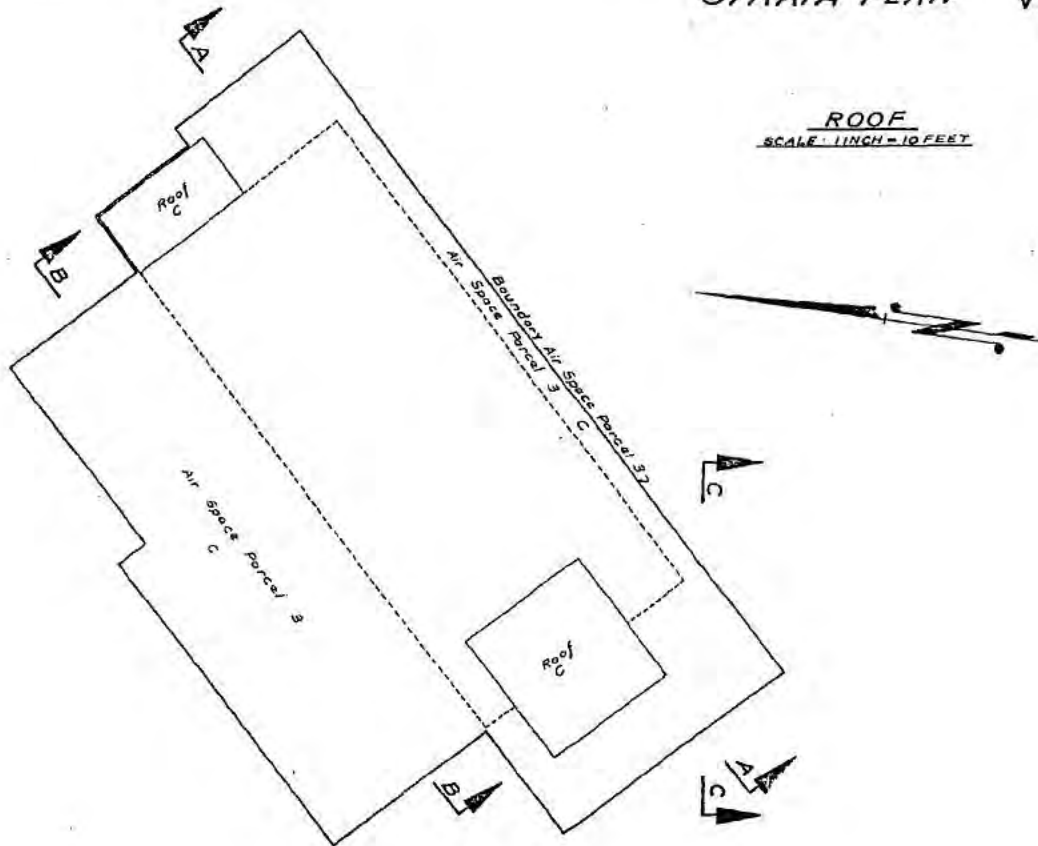
J-7712

FILED 2018 09-10-11 46 670375

FILED

"STRATA PLAN Vr. 551"

ROOF
SCALE: 1 INCH = 10 FEET



C denotes Common Property

W9A 2045
April 3rd, 1978

J-7713

ST. 1-29

WGA cc: S
April 3rd, 1978

Common Property Sheet Closed 03/12/95

Search ALTOS2 or BC OnLine for
Current Information, BC Reg. 7423

"STRATA PLAN Vr. 551"

DEALINGS AFFECTING THE COMMON PROPERTY

REGISTRATION			DOCUMENT		REGISTRATION			DOCUMENT	
NUMBER	DATE	DATE	NATURE AND PARTICULARS		NUMBER	DATE	DATE	NATURE AND PARTICULARS	
1001	10/1/80	30/1/87	FIDUCIARY DECLARATION LIMITED WARRANTY ASSOCIATE PURSUANT TO SFL 23(2)(a) AND SECTIONS ENHANCED WFL NUMBER 23(2)(a) AND SECTIONS ENHANCED WFL NUMBER 23(2)(a) AND SECTIONS ENHANCED WFL NUMBER 23(2)(a) AND SECTIONS						
HER237	10/2/80	32/8/80	EASEMENT AND INDEMNITY AGREEMENT IN FAVOUR OF THE CITY OF VANCOUVER ENHANCED WFL NUMBER 23(2)(a) AND SECTIONS ENHANCED WFL NUMBER 23(2)(a) AND SECTIONS						
HERETO IS ANNEXED EASEMENT R29 OVER THE COMMON PROPERTY OF STRATA PLAN NO. Vr. 916.									
HERETO IS ANNEXED EASEMENT R29B OVER THE COMMON PROPERTY OF STRATA PLAN NO. Vr. 916.									
R400	5/1/87		LEASE OVER PART IN FAVOUR OF THE OWNERS STRATA PLAN NO. Vr. 916.						
R401	5/1/87		EASEMENT APPURTENANT TO THE COMMON PROPERTY OF STRATA PLAN NO. Vr. 916.						
HERETO IS ANNEXED EASEMENT R402 OVER THE COMMON PROPERTY OF STRATA PLAN NO. Vr. 552.									
HERETO IS ANNEXED RESTRICTIVE COVENANT R403 OVER THE COMMON PROPERTY OF STRATA PLAN NO. Vr. 552.									
HERETO IS ANNEXED EASEMENT R404 OVER THE COMMON PROPERTY OF STRATA PLAN NO. Vr. 916.									
HERETO IS ANNEXED RESTRICTIVE COVENANT R405 OVER THE COMMON PROPERTY OF STRATA PLAN NO. Vr. 916.									
R406	5/1/87		EASEMENT APPURTENANT TO THE COMMON PROPERTY OF STRATA PLAN NO. Vr. 552 AND THE COMMON PROPERTY OF STRATA PLAN NO. Vr. 916.						
R407	5/1/87		RESTRICTIVE COVENANT APPURTENANT TO THE COMMON PROPERTY OF STRATA PLAN NO. Vr. 552 AND THE COMMON PROPERTY OF STRATA PLAN NO. Vr. 916.						
OF 133912	14/4/92		LEASE IN FAVOUR OF WILLIAM ROBERT MCKAY, PART IN EXPLANATORY PLAN LMP 4265						

691
April 3rd, 1979

ST. 1-29

- 7712

Date August 23 1978 Nature of Interest GROUND LEASE
Declared value \$ 485,000 Disposition of LRD
RESIDENTIAL
Please merge GROUND LEASE 57442
Telephone number 688-3411 Solicitor/Agent F 57442
Russell & DuMoulin,
1076 West Georgia Street,
Vancouver, B. C.

THIS INDENTURE made as of the 1st day of July, 1976,

BETWEEN:

CITY OF VANCOUVER

(herein called the "LESSOR")

OF THE FIRST PART

AND:

FRANK STANZI, CONSTRUCTION LTD.
a company incorporated under the laws
of the Province of British Columbia
and having an office at 6625 Fraser
Street in the City of Vancouver,
Province of British Columbia,
Certificate of Incorporation No. 44348

(herein called the "LESSEE")

OF THE SECOND PART

WHEREAS the LESSOR is the owner of the SAID LANDS
(herein defined), together with all improvements presently
standing thereon;

AND WHEREAS the LESSOR has agreed to lease to the
LESSEE the SAID LANDS for the TERM (herein defined) in
order that the LESSEE may erect the BUILDINGS (herein defined)
on the SAID LANDS and convert this lease under section 53(2)
of the STRATA TITLES ACT and use, occupy and enjoy the SAID
LANDS and the BUILDINGS erected thereon for the term of this
lease, all upon the terms and conditions and subject to the
provisos herein contained;

8172 1485.00
I CERTIFY that this document was prepared by me or
under my supervision, that this is the original or duplicate
original and that no typed VANCOUVER has been executed.
"R.G." B.C.
Solicitor

VANCOUVER
1485.00
Amount Paid (\$)

GROUND LEASE AGREEMENT

Appendix 5

154.

NOW THIS INDENTURE WITNESSES that in consideration of the rents, covenants and agreements hereinafter reserved and contained and on the part of the LESSEE to be paid, observed and performed, the LESSOR has demised and leased and by these presents does demise and lease unto the LESSEE and the LESSEE does hereby take and rent upon and subject to the conditions hereinafter expressed the SAID LANDS.

TO HAVE AND TO HOLD the SAID LANDS for and during the TERM;

YIELDING AND PAYING to the LESSOR in each and every of the years during the TERM rent as hereinafter provided.

This lease is made upon and subject to the following covenants and conditions which each of the LESSOR and the LESSEE respectively covenants and agrees to keep, observe and perform to the extent that the same are binding or expressed to be binding upon it.

ARTICLE 1

57442

DEFINITIONS

Section 1.01

The terms defined in this section 1.01 for all purposes of this lease unless otherwise specifically provided herein, have the meanings hereinafter specified. The terms here defined are:

- (a) "ADDITIONAL RENT" means the amounts, if any, payable by the LESSEE pursuant to sections 3.02, 3.04, 3.05 and 8.12;
- (b) "ARCHITECT" means Thompson Berwick Pratt & Partners, architects, of 1553 Robson Street, in the City of Vancouver, Province of British Columbia, or such other architects as the LESSEE may appoint from time to time.
- (c) "BASIC RENT" as of any particular time means the net basic rental provided for in this lease as specified in Article II of this lease during the TERM, together with any other and additional amounts which are herein expressed to be added to and made part of BASIC RENT, other than ADDITIONAL RENT;
- (d) "BUILDINGS" means all structures and buildings constructed upon the SAID LANDS or any part thereof by or for the LESSEE pursuant to the provisions of this lease, together with all replacements, alterations, additions, changes, substitutions, improvements or repairs thereto and all other improvements from time to time constructed upon or affixed or appurtenant to the SAID LANDS;
- (e) "COMMERCIAL DEVELOPMENT" means the structures from time to time erected upon and in Air Space Parcel 2 of Lot 39, False Creek, Air Space Plan 4 in the City of Vancouver, Province of British Columbia, in accordance with the DEVELOPMENT PERMIT;
- (f) "COMMON FACILITY" means a facility that is available for the use of all the OWNERS, and, without limiting the generality of the foregoing, may include a laundry

room, playground, swimming pool, recreation centre, clubhouse, tennis court, or any other facility;

- (g) "COMMON PROPERTY" means so much of the SAID LANDS and BUILDINGS for the time being comprised in the LEASEHOLD STRATA PLAN that is not comprised in a STRATA LOT shown in the LEASEHOLD STRATA PLAN as more particularly defined in the STRATA TITLES ACT;
- (h) "DEVELOPMENT PERMIT" means the development permit issued by the City of Vancouver to Thompson, Berwick, Pratt & Partners, architects, of 1553 Robson Street, in the City of Vancouver, Province of British Columbia, and given number 72021;
- (i) "LEASEHOLD STRATA PLAN" means a strata plan deposited in the Vancouver Land Registry Office pursuant to the STRATA TITLES ACT in which the land included in the strata plan is subject to this lease;
- (j) "MORTGAGE" means a mortgage or mortgages upon or in respect of the leasehold interest of the LESSEE in the SAID LANDS and the BUILDINGS or any part thereof and includes any debenture or deed of trust and mortgage to secure any bonds or debentures issued thereunder;
- (k) "MORTGAGEE" means a mortgagee or mortgagees under a MORTGAGE and includes any debenture holder or any trustee for bondholders or debenture holders or any debenture holder under a deed of trust and mortgage to secure any bonds or debentures issued thereunder;
- (l) "OWNER" means a person registered in the register of the Vancouver Land Registry Office as a lessee pursuant to a lease of a leasehold interest from the LESSOR in a STRATA LOT whether entitled thereto in the right of the OWNER or in a representative capacity or otherwise and includes a purchaser as that term is defined in the STRATA TITLES ACT;
- (m) "PARCEL ONE EASEMENT AGREEMENT" means the agreement dated as of July 1, 1978, and made between the LESSEE as the company, the LESSOR as the City and as the Grantee, and the Bank of Montreal as the Mortgagee wherein certain easements are granted to the Grantee over Air Space Parcel 1 of Lot 39, False Creek, Air Space Plan 4 in the City of Vancouver,

Province of British Columbia and registered in the Vancouver Land Registry Office;

- (n) "PARCEL TWO EASEMENT AGREEMENT" means the agreement dated as of July 1, 1978, and made between the LESSEE as the company, the LESSOR as the City and as the Grantee, and the Bank of Montreal as the Mortgagee wherein certain easements are granted to the Grantee over Air Space Parcel 2 of Lot 39, False Creek, Air Space Plan 4 in the City of Vancouver, Province of British Columbia and registered in the Vancouver Land Registry Office;
- (o) "RESIDENTIAL DEVELOPMENT" means the structures from time to time erected upon and in Air Space Parcel 1 of Lot 39, False Creek, Air Space Plan 4 in the City of Vancouver, Province of British Columbia, in accordance with the DEVELOPMENT PERMIT;
- (p) "SAID LANDS" means those lands in the City of Vancouver in the Province of British Columbia, more particularly known and described as Air Space Parcel 3 of Lot 39, False Creek, Air Space Plan 4, and owned by the LESSOR;
- (q) "SPECIAL RESOLUTION" means a special resolution passed by the STRATA CORPORATION in accordance with the provisions of the STRATA TITLES ACT;
- (r) "STRATA CORPORATION" means the corporation created by the provisions of the STRATA TITLES ACT, the lessee or lessees of the STRATA LOTS included in the LEASEHOLD STRATA PLAN and his or their successors constituting and being the members for the time being of the corporation;
- (s) "STRATA LOT" means a strata lot shown as such on the LEASEHOLD STRATA PLAN, together with any structure erected therein or thereon and including its share in the COMMON PROPERTY and COMMON FACILITIES;
- (t) "STRATA TITLES ACT" means the Strata Titles Act, S.B.C. 1974, Chapter 89, as amended from time to time;
- (u) "TERM" means the period of sixty (60) years and ninety-two (92) days beginning on 1 July, 1976, and ending on 30 September, 2036;

- (v) "TRUSTEE" means The Royal Trust Corporation of Canada or such other trust company duly authorized to carry on business in the Province of British Columbia appointed by the LESSOR for the purposes of section 8.07;
- (w) "UNIT ENTITLEMENT" means the unit entitlement of a STRATA LOT and indicates the share of an OWNER in the COMMON PROPERTY, COMMON FACILITIES, and other assets of the STRATA CORPORATION and is the figure by reference to which the OWNER'S contribution to the common expenses of a STRATA CORPORATION is calculated.

Section 1.02

All the provisions of this lease shall be deemed and construed to be conditions as well as covenants as though the words specifically expressing or importing covenants or conditions were used in each separate provision hereof.

Section 1.03

The words "herein", "hereby", "hereunder" and words of similar import refer to this lease as a whole and not to any particular article, section or subsection hereof.

ARTICLE II

PAYMENT OF RENT

Section 2.01 Annual Rent

The LESSEE covenants and agrees to pay to the LESSOR as rent BASIC RENT for and during each year of the TERM commencing on 1 July, 1976 the annual sums set forth in or to be determined in accordance with Schedule "A" attached hereto.

Section 2.02 Determination of Market Rental Value

In determining the market rental value of the SAID LANDS pursuant to this Article II the arbitrators shall exclude from such determination the value of the BUILDINGS and all other structures and improvements in and upon the SAID LANDS (as if the SAID LANDS were unimproved) and shall determine such market rental value on the basis that the SAID LANDS may only be used for the purposes set forth in section 5.01 of this lease.

Section 2.03 Adjustment of BASIC RENT

If the BASIC RENT at any time payable hereunder is subject to a revision which is dependent upon a determination to be made pursuant to the provisions of this Article II but which has not then been made, and if consequently the amount of the revision of the BASIC RENT cannot then be ascertained, the LESSEE shall, pending such determination, continue to pay monthly instalments of the BASIC RENT equal to the monthly instalments payable in the year immediately preceding the period of the TERM for which such revision of the BASIC RENT is to be determined or such larger instalments as the LESSEE may elect and when the revised BASIC RENT has been ascertained, the LESSEE shall pay to the LESSOR the amount, if any, by which the monthly instalments of the revised BASIC RENT payable prior to the date thereof exceeds the amount actually paid between the termination of the said immediately preceding year and the final determination of the revised BASIC RENT together with interest at the rate of

one per centum (1%) per annum above the average prime lending rate of the main branches of the chartered banks of Canada carrying on business in the City of Vancouver on such excess amount or the LESSOR shall credit the LESSEE against future instalments of BASIC RENT with any overpayment together with interest at the rate of one per centum (1%) per annum above the average prime lending rate of the main branches of the chartered banks of Canada carrying on business in the City of Vancouver on such overpayment.

Section 2.04 Net Lease

Unless otherwise expressly provided for herein, all rent required to be paid by the LESSEE hereunder shall be paid without any deduction, abatement or setoff whatsoever, it being the intention of this lease that all expenses, costs, payments and outgoings incurred in respect of the SAID LANDS, the BUILDINGS and any other improvements on the SAID LANDS or for any other matter or thing affecting the SAID LANDS, shall be borne by the LESSEE, that the rent herein provided shall be absolutely net to the LESSOR and free of all abatements, setoff or deduction of real property taxes, charges, rates, assessments, expenses, costs, payments or outgoings of every nature arising from or related to the SAID LANDS, the BUILDINGS, or any other improvements on the SAID LANDS, and that the LESSEE shall pay or cause to be paid all such taxes, charges, rates, assessments, expenses, costs, payments and outgoings.

Section 2.05 Collection of other amounts due

Any sums, costs, expenses or other amounts from time to time due and payable by the LESSEE to the LESSOR under the provisions of this lease, including sums payable by way of indemnity and whether expressed to be rent or not in this lease, may at the option of the LESSOR be treated as and deemed to be BASIC RENT, in which event the LESSOR shall have all the remedies for the collection of such sums, costs, expenses or other amounts, when in arrears, as are available to the LESSOR for the collection of rent in arrears.

Section 2.06 Interest on amounts in arrears

When the BASIC RENT, ADDITIONAL RENT or any other

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amounts payable hereunder by the LESSEE to the LESSOR shall be in arrears, such amount shall bear interest at the rate of three per centum (3%) per annum above the average prime lending rate of the main branches of the chartered banks of Canada carrying on business in the City of Vancouver until paid, and the LESSOR shall have all the remedies for the collection of such interest, if unpaid after demand, as in the case of rent in arrears, but this stipulation for interest shall not prejudice or affect any other remedy of the LESSOR under this lease.

ARTICLE III

PAYMENT OF TAXES

Section 3.01 Payment of Taxes if LESSOR
is not exempt therefrom

Save as otherwise provided in section 3.02, the LESSEE will in each and every year during the TERM not later than the day immediately preceding the date or dates on which real-property taxes and other charges imposed upon real property within the City of Vancouver become due and payable whether monthly, quarterly, twice-yearly or otherwise, pay and discharge or cause to be paid and discharged all taxes, rates, duties, charges and assessments, including school taxes, local improvement rates and other charges which now are or shall or may be levied, rated, charged or assessed against the SAID LANDS, the BUILDINGS, all other structures, all machinery, equipment, facilities and other property of any nature whatsoever thereon and therein, whether such taxes, rates, duties, charges and assessments are charged by any municipal, parliamentary, legislative, regional, school or other authority during the TERM and will indemnify and keep indemnified the LESSOR from and against payment of all losses, costs, charges and expenses occasioned by or arising from any and all such taxes, rates, duties, charges and assessments; and any such losses, costs, charges and expenses suffered by the LESSOR may be collected by the LESSOR as BASIC RENT with all rights of distress and otherwise as reserved to the LESSOR in respect of rent in arrears. The LESSEE further covenants and agrees that during the TERM, it will deliver to the LESSOR for inspection receipts for payments of all taxes, rates, duties, charges, assessments, including school taxes, local improvement rates and other charges in respect of the SAID LANDS, the BUILDINGS, all other structures, all machinery, equipment, facilities and other property of any nature whatsoever thereon and therein which were due and payable during the TERM within fourteen (14) days following receipt by the LESSEE of each of such receipts for payment. The LESSOR shall, not later than fourteen (14) days following receipt of any assessment notices delivered to the LESSOR by any taxing authority,

relating to the SAID LANDS, the BUILDINGS, or any other structures, any machinery, equipment, facilities and other property of any nature whatsoever thereon and therein, forward a copy thereof to the LESSEE. The LESSEE shall have the right from time to time to appeal any assessment of the SAID LANDS or the BUILDINGS or any other tax, rate, duty, charge or amount referred to in this section 3.01 provided that such appeal shall be at the sole cost and expense of the LESSEE. The LESSEE shall have the further right from time to time to apply for the cancellation, reduction or refund of taxes, rates, duties, charges or amounts levied, rated, charged or assessed in any year in respect of any structure or building on the SAID LANDS that was razed by fire, demolition or otherwise or in respect of an overcharge of taxes levied or such other charges imposed on the SAID LANDS, the BUILDINGS, or any other structure, any machinery, equipment, facilities and other property of any nature whatsoever thereon or therein by reason of any error, provided that any such application shall be at the sole cost and expense of the LESSEE; and any such refund of taxes, rates, duties, assessments or such other charges shall belong to the party which has, at the date of such refund, borne the expense of such taxes, rates, duties, assessments or charges. If in the future the LESSEE is unable to appeal any assessment of the SAID LANDS or the BUILDINGS, or any other tax, rate, duty, charge or amount referred to in this section 3.01 except in the name of the LESSOR, then the LESSEE shall have the right to appeal in the name of the LESSOR.

Notwithstanding anything herein contained, the LESSEE shall be responsible only for the payments referred to in this section 3.01 from 1 October, 1976 and such payments as to the first and last years of this lease shall be reduced proportionately.

Section 3.02 Payment of Taxes if LESSOR
is exempt therefrom

The LESSEE covenants and agrees with the LESSOR that if during the TERM, the SAID LANDS, the BUILDINGS, all other structures, all machinery, equipment and facilities

and other property of any nature whatsoever thereon and therein are by the provisions of the Vancouver Charter, S.B.C. 1953, Chapter 55, as amended from time to time, or any other municipal, parliamentary, legislative or regional enactment exempt from taxation in whole or in part by reason of the LESSOR'S ownership of the SAID LANDS and they would otherwise have been subject to taxation, then the LESSEE shall in each and every year during the TERM that such exemption occurs pay to the LESSOR as ADDITIONAL RENT, in like manner and time as taxes are to be paid pursuant to section 3.01, an amount equal to the amount that but for such exemption would have been paid by the LESSEE pursuant to section 3.01 for taxes, rates, duties, charges, assessments, including school taxes and local improvement rates, and other charges. For such purpose in each year during the TERM the following provisions shall apply:

- (i) if the City of Vancouver or any municipal, parliamentary, legislative, regional or other authority having the authority so to do passes a by-law or by-laws in advance of the passing of a rating by-law or preparation of the real-property tax roll for the current year providing for the payment of real-property taxes and other charges imposed or to be imposed upon real property within the City of Vancouver by monthly, quarterly or twice-yearly instalments and providing that the amounts of such instalments shall be a percentage of the amount of real-property taxes payable on the real-property roll for the immediately preceding year, the LESSOR shall deliver to the LESSEE an advance tax statement or statements of the amount or amounts owing under such by-law or by-laws from time to time in respect of the SAID LANDS, the BUILDINGS and all other structures, all machinery and equipment and facilities and other property of any nature whatsoever thereon and therein; and

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(ii) after the passing of a rating by-law or rating by-laws (as the case may be) by the City of Vancouver or any municipal, parliamentary, legislative, regional or other authority having the authority so to do, establishing the rate or rates to be levied on real property within the City of Vancouver, for the current year, the LESSOR shall determine the ADDITIONAL RENT by applying the rate or rates of levy established by such rating by-law or rating by-laws (as the case may be) to all, or such portion of the assessed value of the SAID LANDS, the BUILDINGS and all other structures, all machinery, equipment and facilities and other property of any nature whatsoever thereon and therein as the said rate or rates of levy are applied to other taxpayers in the City of Vancouver in like case, and the LESSOR shall deliver to the LESSEE a statement of the amount payable under this section 3.02 after deducting all real-property taxes and other charges paid in advance for the current year.

The LESSEE shall have the right from time to time to appeal any assessment of the SAID LANDS or the BUILDINGS or any other tax, rate, duty, charge or amount referred to in this section 3.02, provided that such appeal shall be at the sole cost and expense of the LESSEE. If in the future, the LESSEE is unable to appeal any assessment of the SAID LANDS or the BUILDINGS, or any other tax, rate, duty, charge or amount referred to in this section 3.02 except in the name of the LESSOR, then the LESSEE shall have the right to appeal in the name of the LESSOR.

Notwithstanding anything herein contained, the LESSEE shall be responsible only for the payments referred to in this section 3.02 from 1 October, 1976 and such payments

as to the first and last years of this lease shall be reduced proportionately.

Section 3.03 Delinquent Taxes

If the LESSEE shall in any year during the TERM fail to pay the taxes under section 3.01 when due, the LESSEE shall thereupon pay interest at the percentage rate or rates established by the City of Vancouver by by-law under the Vancouver Charter, S.B.C. 1953, Chapter 55, as amended from time to time or any other taxing authority, for unpaid real property taxes in the City of Vancouver, and in addition thereto, if such be the case, the interest fixed by the Vancouver Charter, S.B.C. 1953, Chapter 55 as amended from time to time or any other taxing authority, for delinquent taxes, but so that the LESSEE shall only be obligated to pay such interest as would be payable by other taxpayers in the City of Vancouver in like case.

Section 3.04 Payment for Utility Services

The LESSEE covenants with the LESSOR to pay for or cause to be paid when due all charges for gas, electricity, light, heat, power, telephone, water and other utilities and services used in or supplied to the SAID LANDS and the BUILDINGS throughout the TERM and will indemnify and keep indemnified the LESSOR from and against payment of all losses, costs, charges and expenses occasioned by or arising from any and all such charges, and any such loss, costs, charges and expenses which relate to such charges suffered by the LESSOR may be collected by the LESSOR as ADDITIONAL RENT with all rights of distress and otherwise as reserved to the LESSOR in respect of rent in arrears.

Section 3.05 Business Tax and License Fees

The LESSEE covenants with the LESSOR to pay for or cause to be paid when due every tax and permit and license fee in respect of any and every business carried on, upon in the SAID LANDS, and the BUILDINGS, in respect of the use or occupancy thereof by the LESSEE (and any and every sublessee,

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permittee and licensee) other than such taxes as corporate
income, profits or excess profit taxes assessed upon the
income of the LESSEE (or such sublessee, permittee and
licensee) whether such taxes or permit and license fees are
charged by any municipal, parliamentary, legislative, regional
or other authority during the TERM and will indemnify and
keep indemnified the LESSOR from and against payment of all
losses, costs, charges and expenses occasioned by or arising
from any and all such taxes and permit and license fees, and
any such loss, costs, charges and expenses which relate to
such charges suffered by the LESSOR may be collected by the
LESSOR as ADDITIONAL RENT with all rights of distress and
otherwise as reserved to the LESSOR in respect of rent in
arrears.

ARTICLE IV

CONSTRUCTION OF BUILDINGS

Section 4.01 LESSEE to construct BUILDINGS

As part of the consideration for this lease the LESSEE covenants and agrees with the LESSOR to construct and complete the BUILDINGS expeditiously and in a good and workmanlike manner and in accordance with the drawings, elevations, specifications (including materials to be used), location, and exterior decoration and design as approved by the LESSOR and no changes shall be made by the LESSEE in the drawings, elevations, specifications (including materials to be used), location or exterior decoration and design as approved by the LESSOR or the use of the SAID LANDS as in this lease provided without the approval in writing of the LESSOR.

Section 4.02 Substantial completion of BUILDINGS

For the purposes of this Article IV the BUILDINGS shall be deemed to have been substantially completed when the ARCHITECT of the LESSEE has certified to the LESSOR that with respect to the BUILDINGS:

- (i) all work of a structural nature has been properly completed;
- (ii) all building equipment and services, including elevators (if any), heating systems and air-conditioning systems (if any), and utilities have been completed and are operating properly and available for use by tenants; all lobbies, stair wells and other areas intended for the common use of tenants are completed except for work of a superficial nature, which is both minor in character and of a type which, owing to the likelihood of damage, is reasonably to be deferred until the BUILDINGS are partially or substantially occupied by tenants;
- (iii) all building by-laws and regulations of the City of Vancouver have been complied with by the LESSEE;

- (iv) all areas are clean and all surplus building material and rubbish removed;
- (v) the BUILDINGS have been completed and are in a condition in which they can be occupied by tenants, and any work that is still unfinished is such as can be completed promptly and is work to whose incompleteness a reasonable tenant would not object unless agreement has been reached between a purchaser of a STRATA LOT or proposed STRATA LOT and the LESSEE whereby the interior of the premises constructed or to be constructed in or on such STRATA LOT or proposed STRATA LOT is to be completed by the purchaser, in which event such premises need not be in a condition in which they can be occupied by a tenant;
- (vi) the BUILDINGS have been constructed in all respects in a good and workmanlike manner and in accordance with the drawings, elevations and specifications (including materials to be used), location and the exterior decoration and design as approved by the LESSOR.

Section 4.03 Fire and Liability Insurance
during construction of BUILDINGS

- (a) The LESSEE shall effect or shall cause its contractor or contractors to effect prior to the commencement of construction of the BUILDINGS, or any of them, and shall maintain and keep in force until the insurance required under Article VIII shall have been effected, insurance:
 - (i) protecting both the LESSEE and the LESSOR (without any rights of cross claim or subrogation against the LESSOR) against claims for personal injury, death or property damage or other third party or public liability claims arising from any accident or occurrence upon, in or about the SAID LANDS and from any cause, including the risks occasioned by the construction of the BUILDINGS, and to an amount reasonably satisfactory

to the LESSOR for any personal injury, death, property or other claims in respect of any one accident or occurrence; and

- (ii) protecting both the LESSEE and the LESSOR from loss or damage (without any rights of cross claim or subrogation against the LESSOR) to the BUILDINGS and all fixtures, equipment, improvements and building materials on the SAID LANDS from time to time both during and after construction (but which may be by policies effected from time to time covering the risk during different phases of construction of the BUILDINGS) against fire, earthquake and all other perils from time to time customarily included in the usual all risks builders' risk form of policy applicable to similar properties during construction and effected in the Province of British Columbia by prudent owners, and such other perils as the LESSOR may reasonably require to be insured against to the full insurable value thereof at all times and in any event in the amount sufficient to prevent the LESSOR or the LESSEE being deemed a co-insurer.
- (b) The proceeds of insurance which may become payable under any policy of insurance effected pursuant to this section 4.03 shall be payable to a trustee acceptable to the LESSOR and shall be available to finance repair and reconstruction.
- (c) All the provisions of Article VIII respecting insurance which are of general application shall apply to the insurance during construction of the BUILDINGS required by this section 4.03.

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ARTICLE V

USE OF BUILDINGS

Section 5.01 Use of BUILDINGS

The LESSEE covenants and agrees with the LESSOR that neither the SAID LANDS nor the BUILDINGS nor any part of the SAID LANDS or the BUILDINGS shall be used for any purposes except that of self-contained residential accommodation together with other facilities ancillary thereto and connected therewith as set forth in the DEVELOPMENT PERMIT, subject always to By-law No. 3575, being the Zoning and Development By-Law of the City of Vancouver, By-Law No. 4783, being a Zoning Amendment By-Law, By-Law No. 4812, being an Official Development Plan By-Law and By-Law No. 4815, being a by-law to adopt a Local Area Development Plan and any and all subsequent amendments to such by-laws and any development permits, building permits and other permits issued in respect of the SAID LANDS and BUILDINGS from time to time pursuant to the Vancouver Charter or any other statutory authority or any by-laws, resolutions or regulations of the City of Vancouver.

ARTICLE VI

PROVISION OF ADDITIONAL PUBLIC VEHICULAR
TRANSPORTATION

Section 6.01 Provision of additional public
vehicular transportation

The LESSEE covenants and agrees with the LESSOR that if in the reasonable opinion of the LESSOR the public transit system in the City of Vancouver does not from time to time during the TERM adequately serve those persons who occupy that area (in this section 6.01 referred to as the "Area") of the City of Vancouver bounded on the west by the northerly projection of the easterly boundary of Birch Street, on the south by the northerly boundary of Sixth Avenue, on the east by the northerly projection of the westerly boundary of Ash Street and on the north by False Creek and as a result, the LESSOR deems it necessary to provide or cause the provision of additional public vehicular transportation to connect with the then existing transit system in order to more adequately serve such persons, then a fair and equitable portion of any and all costs and expenses incurred by the LESSOR in providing or causing the provision of such additional public vehicular transportation as determined by the City of Vancouver shall be reimbursed to the LESSOR by the LESSEE. It is understood and agreed between the parties that the portion of the costs and expenses of such additional public vehicular transportation assessed against the LESSEE under this section 6.01 shall be no greater than the portion of the costs and expenses therefor assessed against any other like organization with similar accommodation in the Area. If the LESSOR and the LESSEE are unable to agree on the portion of such costs and expenses to be assessed against the LESSEE, the LESSEE may appeal the matter to the City Council and the decision of the City Council as to the portion of such costs and expenses to be assessed against the LESSEE shall be final and binding upon the parties. If the LESSEE shall, following the final determination of the LESSEE's portion of the costs and expenses of such additional public vehicular transportation fail to reimburse or pay to the LESSOR the LESSEE's portion of such costs and expenses within thirty (30) days

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after receipt from the LESSOR of a written account therefor, then the LESSEE's portion of such costs and expenses may be collected by the LESSOR as BASIC RENT with all rights of distress and otherwise as reserved to the LESSOR in respect of rent in arrears.

ARTICLE VII

OPERATION OF BUILDINGS

Section 7.01 Operation of BUILDINGS

The LESSEE shall operate, manage and maintain the BUILDINGS or shall cause the BUILDINGS to be operated, managed and maintained in a good, efficient and businesslike manner and (in addition to performing all its other covenants under this lease) shall properly and adequately supervise the BUILDINGS, shall supply or cause to be supplied heat and other necessary building services to lessees and occupants whenever reasonably required, shall keep the BUILDINGS and the adjacent landscaping and all other improvements upon the SAID LANDS neat and clean, shall maintain the general appearance and standard of the BUILDINGS, shall generally manage the BUILDINGS as would a prudent owner, and shall provide all necessary security services.

ARTICLE VIII

INSURANCE

Section 8.01 Insurance

At all times during the TERM immediately following the substantial completion of construction of the BUILDINGS, in accordance with the provisions of section 4.02, the LESSEE shall at no expense to the LESSOR insure and keep insured or cause to be insured the BUILDINGS in one or more companies entitled to do business in the Province of British Columbia against loss or damage by fire and other perils now or hereafter from time to time embraced by or defined in the commercial building form of insurance coverage applicable to similar properties as the SAID LANDS and the BUILDINGS and effected in the Province of British Columbia by prudent owners from time to time during the TERM including, without restricting the generality of the foregoing, the hazards of lightning, earthquake, explosion, wind storm, cyclone, tornado, hail, riot, civil commotion, malicious damage, aircraft, smoke and vehicle damage to the extent that insurance against such risk or perils, or any of them, may be obtained in an amount equal to the full replacement value thereof and in addition thereto the LESSEE shall at no expense to the LESSOR insure and keep insured the BUILDINGS against all other risks required to be insured against under the provisions of any MORTGAGE to the extent that insurance against such risk or perils or any of them may be obtained.

Section 8.02 Pressure Vessel Insurance

At all times during the TERM immediately following the substantial completion of the construction of the BUILDINGS, in accordance with the provisions of section 4.02, the LESSEE shall at no expense to the LESSOR maintain in respect of the BUILDINGS pressure vessel insurance with one or more companies entitled to do business in the Province of British Columbia protecting the LESSOR and the LESSEE in respect of all boilers and such other pressure vessels as the LESSEE may from time to time deem it necessary to insure in amounts to be designated by the LESSEE and approved by the LESSOR,

such approval not to be unreasonably withheld; such insurance shall also cover loss or damage caused by rupture of steam pipes.

Section 8.03 Deductible Amounts

Any of the policies of insurance referred to in Section 4.03, 8.01 or 8.02 hereof may, with the approval of the LESSOR, which approval shall not be unreasonably withheld, provide that the amount payable in the event of any loss shall be reduced by a deductible amount, such amount to be designated by the LESSEE and approved by the LESSOR, such approval not to be unreasonably withheld, and the LESSEE shall be a co-insurer to the extent of the amount so deducted from the insurance monies paid in the event of any loss, and the said amount shall, for the purpose of section 8.07 hereof, be included as part of the insurance monies payable and paid.

Section 8.04 Co-insurance Clauses

If any of the policies of insurance referred to in section 4.03, 8.01 or 8.02 hereof shall contain any co-insurance clauses, the LESSEE shall maintain at all times a sufficient amount of insurance to meet the requirements of such co-insurance clause so as to prevent the LESSOR or the LESSEE from becoming a co-insurer under the terms of such policy or policies and to permit full recovery in the event of loss.

Section 8.05 Identity of Insured

Any and all policies of insurance referred to in section 4.03, 8.01 or 8.02 hereof shall be written in the name of the LESSEE and the LESSOR as the insureds with loss payable to the LESSOR, the LESSEE and the MORTGAGEE, if any, as their respective interests may appear, and shall contain a waiver of subrogation clause to the effect that any release from liability entered into by the LESSEE prior to any loss, shall not affect the right of the LESSEE or the LESSOR to recover. Each policy of insurance referred to in sections

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4.03, 8.01 and 8.02 hereof shall contain a provision or shall bear an endorsement that the insurer will not cancel such policy without first giving the LESSOR at least fifteen (15) days' notice in writing of its intention to cancel.

Section 8.06 Release of LESSOR from liability
for insured loss or damage

The LESSEE hereby releases the LESSOR, its successors and assigns, from any and all liability for loss or damage caused by any of the perils against which the LESSEE shall have insured or pursuant to the terms of this lease is obligated to insure the BUILDINGS, or any part or parts thereof, and whether or not such loss or damage may have arisen out of the negligence of the LESSOR and the LESSEE hereby covenants to indemnify and save harmless the LESSOR from and against all manner of actions, causes of action, suits, damages, loss, costs, claims and demands of any nature whatsoever relating to such insured loss or damage.

Section 8.07 Payment of Loss under the Insurance Policies
referred to in sections 8.01 and 8.02

The insurance monies payable under any or all of the policies of insurance referred to in section 8.01, 8.02 or 8.12 hereof, shall, if the total of such insurance monies exceeds \$10,000.00 and, notwithstanding the terms of the policy or policies, be paid to the TRUSTEE on behalf of the LESSOR, the LESSEE and the MORTGAGEE, if any.

The LESSOR and the LESSEE agree that the TRUSTEE shall use such insurance monies for the restoration, reconstruction or replacement of the loss or damage in respect of which such insurance monies are payable hereunder against certificates of the architect engaged by the LESSEE or such other person as the LESSOR and the LESSEE may agree upon who is in charge of such restoration, reconstruction or replacement. Should the LESSEE fail to effect the restoration, reconstruction or replacement of the loss or damage in respect of which the insurance monies are payable, without unreasonable delay, the LESSOR shall be entitled to effect such restoration,

reconstruction or replacement and the TRUSTEE to whom such insurance monies are payable shall pay or cause to be paid to the LESSOR such insurance monies in the same manner the TRUSTEE would have done had the LESSEE effected such restoration, reconstruction or replacement.

Section 8.08 Workers' Compensation Coverage

At all times during the TERM, the LESSEE shall at its own expense procure and carry or cause to be procured and carried and paid for full workers' compensation coverage in respect of all workmen, employees, servants and others engaged in or upon any work, non-payment of which would create a lien on the SAID LANDS or the BUILDINGS.

Section 8.09 Comprehensive General Liability

At all times during the TERM, the LESSEE shall at the expense of the LESSEE maintain in one or more companies duly authorized to carry on business within the Province of British Columbia, comprehensive general liability insurance against claims for personal injury, death or property damage or loss arising out of the use and occupation of the premises demised by this lease, indemnifying and protecting the LESSOR and the LESSEE to limits from time to time on a reasonable basis which is approved by the LESSOR, such approval not to be unreasonably withheld.

Section 8.10 Payment of Insurance Premiums

The LESSEE shall pay or cause to be paid all the premiums under the policies of insurance referred to in this Article VIII as they become due and payable and in default of payment by the LESSEE, the LESSOR may pay the same and add the amount so paid to the BASIC RENT with all rights of distress and otherwise as reserved to the LESSOR in respect of BASIC RENT as rent in arrears.

Section 8.11 Copies of Insurance Policies

The LESSEE shall deliver or cause to be delivered to the LESSOR certified copies of all policies of insurance referred to in this Article VIII and obtained and maintained by the LESSEE hereunder, accompanied by evidence satisfactory to the LESSOR that the premiums thereon have been paid.

Section 8.12 Insurance may be maintained by LESSOR

The LESSOR and the LESSEE agree that should the LESSEE at any time during the TERM fail to insure or keep insured the BUILDING against loss or damage by fire and other perils as required under section 8.01 or fail to maintain in respect of the BUILDINGS, pressure vessel insurance as required under section 8.02, or fail to maintain insurance against claims for personal injury, death or property damage or loss as required under section 8.09, then in any of such events, the LESSOR, although not obliged to do so, may obtain and maintain such insurance in such amount or amounts with such deductible amounts and for such period or periods of time as the LESSOR deems advisable; and the LESSEE shall pay to the LESSOR as ADDITIONAL RENT upon the LESSOR obtaining any of such insurance and thereafter annually during the TERM within thirty (30) days after receipt of any invoice from the LESSOR such amount as, at the rates charged by the insurance companies with whom the LESSOR has placed such insurance, will pay all premiums therefor. The LESSOR shall submit to the LESSEE annually a statement of the amount or amounts payable by the LESSEE under this section 8.12 as the cost of such insurance for the next ensuing year and upon receipt of payment therefor shall apply the same on account of the premiums of such insurance with the loss, if any, thereunder payable to the LESSOR, the LESSEE and any MORTGAGEE as their interests may appear.

ARTICLE IX

REPAIRS AND MAINTENANCE

Section 9.01 LESSOR not obliged to repair

The LESSOR shall not be obliged to furnish any services or facilities or to make repairs or alterations in or to the SAID LANDS or the BUILDINGS, the LESSEE hereby assuming the full and sole responsibility for the condition, operation, repair, replacement, maintenance and management of the SAID LANDS and the BUILDINGS.

Section 9.02 Repair to BUILDINGS

The LESSEE at the LESSEE's cost and expense shall during the TERM, put and keep in good order and condition or shall cause to be put and kept in good order and condition the SAID LANDS and the BUILDINGS, and the appurtenances and equipment thereof, both inside and outside, including, but not limited to fixtures, walls, foundations, roofs, vaults, elevators, if any, and similar devices, heating and air conditioning equipment, sidewalks, yards and other like area, water and sewer mains and connections, water, steam, and gas pipes and electric wires, ducts and conduits, and all other fixtures in and appurtenances to the SAID LANDS and the BUILDINGS and machinery and equipment used or required in the operation thereof, whether or not enumerated herein, and shall, in the same manner and to the same extent as a prudent owner, make any and all necessary repairs, replacements, alterations, additions, changes, substitutions and improvements, ordinary or extraordinary, foreseen or unforeseen, structural or otherwise, and keep the BUILDINGS and aforesaid fixtures, appurtenances and equipment fully usable for all the purposes for which the BUILDINGS were erected and constructed and the aforesaid fixtures, appurtenances and equipment were supplied and installed reasonable wear and tear excepted so long as the reasonable wear and tear does not affect the exterior appearance of the BUILDINGS or the foundation or structure of the BUILDINGS. Such repairs shall be in all respects to a standard at least substantially equal in quality of

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material and workmanship to the original work and material in the BUILDINGS and shall meet the requirements of municipal, provincial, federal, regional, school and other governmental authorities. The LESSEE shall not commit or suffer waste or injury to the SAID LANDS or the BUILDINGS or any part thereof, and shall not use or occupy or permit to be used or occupied the SAID LANDS or the BUILDINGS or any part thereof for any illegal or unlawful purpose, or in any manner which will result in the cancellation of any insurance, or in the refusal of any insurer to issue any insurance as requested. The LESSEE shall at all times at the LESSEE's expense except to the extent that it may be relieved therefrom by municipal by-laws or regulations, keep the sidewalks, curbs, areaways and rights-of-way forming part of or adjacent to the SAID LANDS in good condition and repair and reasonably clean from rubbish, ice and snow and shall not encumber or obstruct the same or allow the same to be encumbered or obstructed in any manner; and shall not injure or disfigure the SAID LANDS or the BUILDINGS or permit the same to be injured or disfigured in any way; and at the expiration or other termination of this lease, the LESSEE shall, except as otherwise expressly provided herein, surrender and deliver up the SAID LANDS with the BUILDINGS, and the aforesaid fixtures, appurtenances and equipment thereof, or any replacements thereof or substitutions therefor, in good order and condition save as aforesaid. The LESSEE agrees not to call upon the LESSOR at any time during the TERM to make any repairs or replacements of any part of the BUILDINGS, or any alteration, addition, change, substitution or improvement thereof or thereto, whether structural or otherwise, this being a net lease. The LESSEE accepts the SAID LANDS "as is", knowing the condition thereof, and agreeing that the LESSOR has made no representation, warranty or agreement with respect thereto.

Section 9.03 Repair to BUILDINGS by LESSOR

The LESSOR covenants and agrees with the LESSEE that if the LESSEE does not put and keep in good order and condition or cause to be put and kept in good order and condition the SAID LANDS and the BUILDINGS and the appurtenances and equipment thereof, both inside and outside, all as more particularly required by the provisions of section 9.02, the

LESSOR through its agents, servants, contractors and sub-contractors, although not obliged to do so, may enter upon those parts of the SAID LANDS and the BUILDINGS required for the purpose of making any and all necessary repairs, replacements, alterations, additions, changes, substitutions and improvements to the same in order to comply with section 9.02; provided that the LESSOR will make such repairs, replacements, alterations, additions, changes, substitutions and improvements to the BUILDINGS or part or parts thereof only after giving the LESSEE sixty (60) days' written notice of its intention so to do, except in the case of an emergency. Any amount paid by the LESSOR in making such repairs, replacements, alterations, additions, changes, substitutions or improvements to the SAID LANDS and BUILDINGS or any part or parts thereof, together with all costs and expenses of the LESSOR shall be reimbursed to the LESSOR by the LESSEE on demand together with interest at the rate of three per cent (3%) above the average prime lending rate of the main branches of the chartered banks of Canada carrying on business in the City of Vancouver per annum from the date incurred until paid and may be recovered by the LESSOR as BASIC RENT.

Section 9.04 Removal of Ice and Snow from Sidewalks

The LESSEE covenants and agrees with the LESSOR that if the LESSEE at any time during the TERM fails to keep the public sidewalk adjacent to the SAID LANDS reasonably clean from ice and snow in accordance with section 9.02 during the times and to the extent required of an owner under the provisions of the City of Vancouver Street and Traffic By-law and amendments thereto, the LESSOR through its agents, servants, contractors and subcontractors may remove such ice and snow and the LESSOR shall not be required to give the LESSEE any notice of its intention so to do. Any costs and expenses incurred by the LESSOR in removing such ice and snow shall be reimbursed to the LESSOR by the LESSEE on demand together with interest at the rate of three per cent (3%) per annum above the average prime lending rate of the main branches of the chartered banks of Canada carrying on business in the City of Vancouver from the date incurred until paid and may be recovered by the LESSOR as BASIC RENT.

Section 9.05 Repairs to BUILDINGS which may adversely affect COMMERCIAL DEVELOPMENT or RESIDENTIAL DEVELOPMENT 57442

Notwithstanding anything contained in this lease, other than in circumstances which in the reasonable opinion of the LESSEE require emergency action the LESSEE covenants and agrees with the LESSOR that before commencing any repairs or alterations to the BUILDINGS which adversely affect or could adversely affect the COMMERCIAL DEVELOPMENT or the RESIDENTIAL DEVELOPMENT or any part of either of them or could materially adversely affect the operation of the COMMERCIAL DEVELOPMENT or the RESIDENTIAL DEVELOPMENT or any part of either of them, the LESSEE shall obtain the written approval thereto of the LESSOR, such approval of the LESSOR not to be unreasonably withheld and for such purpose the LESSEE will at its own expense prepare and file with the LESSOR a reasonably detailed statement of the repairs or alterations to be undertaken by the LESSEE sufficient to enable the LESSOR to assess the extent of the adverse or potentially adverse effect of such repairs or alterations upon the COMMERCIAL DEVELOPMENT or the RESIDENTIAL DEVELOPMENT or any part of either of them or upon the operation of the COMMERCIAL DEVELOPMENT or the RESIDENTIAL DEVELOPMENT.

ARTICLE X

DAMAGE OR DESTRUCTION

Section 10.01 Rent not to abate

The partial destruction or damage or complete destruction by fire or other casualty of the BUILDINGS shall not terminate this lease or entitle the LESSEE to surrender possession of the SAID LANDS or the BUILDINGS or to demand any abatement or reduction of the BASIC RENT or ADDITIONAL RENT or other charges payable under this lease, any law or statute now or in the future to the contrary notwithstanding.

Section 10.02 LESSEE's obligations when BUILDINGS damaged or partially destroyed

The LESSEE covenants and agrees with the LESSOR that in the event of damage to or partial destruction of the BUILDINGS the LESSEE shall either (a) replace any part of the BUILDINGS destroyed with a new structure in accordance with any agreement which may be made by the LESSEE with the LESSOR, or (b) repair or replace such damage or destruction, in the absence of any such agreement.

Section 10.03 LESSEE's obligations when BUILDINGS completely or substantially destroyed

The LESSEE covenants and agrees with the LESSOR that in the event of complete or substantially complete destruction of the BUILDINGS the LESSEE shall either (a) reconstruct or replace the BUILDINGS with a new structure or structures in accordance with any agreement which may be made by the LESSEE with the LESSOR, or (b) in the absence of any such agreement, replace the BUILDINGS with a new structure or structures comparable to the structure or structures being replaced.

Section 10.04 Replacement, repair or reconstruction under section 10.02 or 10.03 to be carried out in compliance with sections 9.02 and 11.01

Any replacement, repair or reconstruction of the

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BUILDINGS or any part thereof pursuant to the provisions of section 10.02 or 10.03 hereof shall be made or done in compliance with the provisions of sections 9.02 and 11.01 hereof.

ARTICLE XI

REPLACEMENTS, CHANGES, ALTERATIONS
AND SUBSTITUTIONS

Section 11.01

Except as hereinafter expressly provided and subject to section 9.05, apart from the initial erection and construction of the BUILDINGS and minor repairs, the LESSEE shall not make or permit to be made any repairs, replacements, changes, alterations, substitutions or improvements affecting the structure of the BUILDINGS or the exterior appearance of the BUILDINGS without first obtaining the written approval of the LESSOR thereto, which approval the LESSOR agrees not to withhold unreasonably, provided that the LESSEE has fully complied with the terms, covenants and conditions of this lease. Before requesting the LESSOR's approval, the LESSEE shall submit or cause to be submitted to the LESSOR drawings, elevations (where applicable) specifications (including the materials to be used), locations (where applicable) and exterior decoration and design of the proposed repairs, replacements, changes, alterations, substitutions or improvements.

The LESSEE covenants and agrees with the LESSOR that, subject to Article XII, all repairs, replacements, changes, alterations, substitutions or improvements undertaken by or for the LESSEE once begun shall be prosecuted with due diligence to completion, free and clear of any and all mechanics' liens, or other liens, conditional sales contracts, chattel mortgages or similar claims or encumbrances against the SAID LANDS, the BUILDINGS or the LESSOR and be performed in all respects in accordance with the law. All repairs, replacements, changes, alterations, substitutions or improvements shall meet the requirements of all municipal, provincial, federal, regional, school and other governmental authorities.

ARTICLE XII

UNAVOIDABLE DELAYS

Section 12.01

If, by reason of strike, lock-out or other labour dispute, material or labour shortage not within the control of the LESSEE, fire or explosion, flood, wind, water, earthquake, act of God or other similar circumstances beyond the reasonable control of the LESSEE and not avoidable by the exercise of reasonable effort or foresight by the LESSEE, the LESSEE is, in good faith and without default or neglect on its part, prevented or delayed in the substantial completion of the BUILDINGS or repair of the BUILDINGS or any part or parts of them which under the terms of this lease the LESSEE is required to do by a specified date or within a specified time, the date or period of time within which the work was to have been completed shall be extended by the LESSOR by a reasonable period of time at least equal to that of such delay or prevention and the LESSEE shall not be deemed to be in default if it performs and completes the work in the manner required by the terms of this lease within such extended period of time, or within such further extended period of time as may be agreed upon from time to time between the LESSOR and the LESSEE.

ARTICLE XIII

MECHANICS' LIENS

Section 13.01

The LESSEE shall, throughout the TERM at its own cost and expense, cause any and all mechanics' liens and other liens for labour, services or materials alleged to have been furnished with respect to the SAID LANDS or the BUILDINGS which may be registered against or otherwise affect the SAID LANDS or the BUILDINGS to be paid, satisfied, released or vacated within forty-two (42) days after the LESSOR shall send to the LESSEE written notice by registered mail of any claim for any such lien, PROVIDED HOWEVER, that in the event of a bona fide dispute by the LESSEE of the validity or correctness of any claim for any such lien, the LESSEE shall not be bound by the foregoing but shall be entitled to defend against the same in any proceedings brought in respect thereof after first paying into Court the amount claimed or sufficient security therefor and such costs as the Court may direct and registering all such documents as may be necessary to cancel such lien, or providing such other security in respect of such claim as the LESSOR may in writing approve.

ARTICLE XIV

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INSPECTION AND EXHIBITION BY LESSOR

Section 14.01 Inspection by LESSOR

The LESSOR and the LESSEE agree that it shall be lawful for a representative of the LESSOR at all reasonable times during the TERM to enter the SAID LANDS and the BUILDINGS, or any of them, and to examine the condition thereof; and, further, that all wants of reparation as required by section 9.02 which upon such views shall be found, and for the amendment of which notice shall be delivered or given by the LESSOR to the LESSEE, the LESSEE shall within sixty (60) days after every such notice or such longer period as provided in subsection (a) of section 21.02 well and sufficiently repair and make good accordingly.

Section 14.02 Exhibition by LESSOR

During the final twelve (12) months of the TERM, the LESSOR shall be entitled to display upon the SAID LANDS the usual signs advertising the SAID LANDS and BUILDINGS as being available for purchase or letting, provided such signs are displayed in such a manner as not to interfere unreasonably with the LESSEE's use and enjoyment of the SAID LANDS and the BUILDINGS.

ARTICLE XV

OBSERVANCE OF GOVERNMENTAL
REGULATIONS ETC.

Section 15.01

The LESSEE covenants with the LESSOR that throughout the TERM the LESSEE will comply with all provisions of law including without limitation, municipal, regional, provincial and federal legislative enactments, zoning and building by-laws, and any municipal, regional, provincial, federal or other governmental regulations which relate to the construction and erection of the BUILDINGS, to the equipment, maintenance, operation and use of the BUILDINGS, and to the making of any repairs, replacements, alterations, additions, changes, substitutions or improvements of or to the BUILDINGS or any part thereof. The LESSEE covenants to comply with all police, fire and sanitary regulations imposed by any municipal, regional, provincial, federal or other governmental authorities and to observe and obey all municipal, regional, provincial, federal and other governmental regulations and other legal requirements governing the use and occupation of the SAID LANDS or the BUILDINGS.

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ARTICLE XVI

RIGHTS OF LESSOR AND LESSEE

Section 16.01

All rights and benefits and all obligations of the LESSOR and the LESSEE under this lease shall be rights, benefits and obligations of the LESSOR and the LESSEE respectively in their capacities as lessor and lessee respectively under this lease.

ARTICLE XVII

INDEMNITY

Section 17.01 Breach, Violation or Non-performance
of covenants by LESSEE

The LESSEE shall indemnify and save harmless the LESSOR from any and all manner of actions, causes of action, suits, damages, loss, costs, claims and demands of any nature whatsoever relating to and arising during the TERM out of any breach, violation or non-performance of any covenant, condition or agreement in this lease set forth and contained on the part of the LESSEE to be fulfilled, kept, observed or performed.

Section 17.02 Injury, damage or loss of property

Notwithstanding the provisions of Article VIII hereof, the LESSEE shall indemnify and save harmless the LESSOR from any and all manner of actions, causes of action, suits, damages, loss, costs, claims and demands of any nature whatsoever relating to and arising during the TERM out of:

- (a) any injury to person or persons, including death resulting at any time therefrom, occurring in or about the SAID LANDS or the BUILDINGS; and
- (b) any damage to or loss of property occasioned by the use and occupation of the SAID LANDS or the BUILDINGS.

PROVIDED HOWEVER, that except as otherwise provided in section 8.06 nothing contained herein shall require the LESSEE to indemnify the LESSOR against any action, causes of action, suits, claims or demands for damages arising out of the wilful or negligent acts or omissions of the LESSOR, its servants, agents or contractors.

Section 17.03 Indemnification survives
termination of lease

The obligations of the LESSEE to indemnify the LESSOR

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under the provisions of sections 3.01, 3.04, 3.05, 8.06,
17.01 and 17.02 hereof with respect to liability by reason
of any matter arising during the TERM shall survive any
termination of this lease, anything in this lease to the
contrary notwithstanding.

ARTICLE XVIII

SUBLETTING AND ASSIGNING

Section 18.01 Subletting by LESSEE

Save as expressly provided in section 18.03, the LESSEE shall not, nor will during the TERM, sublease the SAID LANDS, or any part thereof or any structure or any part of any structure erected thereon, to any person, persons or corporation whatsoever, without the consent in writing of the LESSOR, which consent the LESSOR shall not unreasonably withhold; PROVIDED HOWEVER that:

- (i) the LESSEE may from time to time without the consent of the LESSOR enter into subleases with lessees or occupants of the dwelling units in the BUILDINGS comprising in every case part or parts (but not the whole) of the BUILDINGS, such dwelling units to be used by the lessees or occupants for residential purposes only;
- (ii) if requested by the LESSOR, a copy of any or all subleases shall be forwarded to the LESSOR within thirty (30) days of the conclusion of each transaction together with particulars of registration (if any) in the Vancouver Land Registry Office.

Section 18.02 Assignment by LESSEE

Save as expressly provided in section 18.03, the LESSEE shall not, nor will during the TERM, assign, transfer or sell or otherwise, by any act or deed, procure the SAID LANDS or BUILDINGS, or any of them, or this lease, to be assigned, transferred or sold to any person, persons or corporation whatsoever without the consent in writing of the LESSOR first had and obtained, which consent the LESSOR shall not unreasonably withhold. If requested by the LESSOR, a copy of any or all assignments, transfers or sales shall be furnished to the LESSOR within thirty (30) days of the conclusion of each transaction together with particulars of registration in the Vancouver Land Registry Office.

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Section 18.03 Mortgaging by LESSEE

The LESSEE may mortgage its leasehold interest under this lease and its interest in the SAID LANDS and the BUILDINGS (for which purpose the LESSEE may assign or sublet by way of MORTGAGE) without the consent of the LESSOR for the purpose of financing and refinancing the cost of constructing the BUILDINGS but not otherwise, subject always to Article XIX.

Section 18.04 LESSEE to comply with all its obligations in respect of assignments, subleases, tenancies and MORTGAGES

The LESSEE shall observe and perform all its obligations incurred in respect of assignments, subleases, agreements for lease and MORTGAGE of its leasehold interest in the BUILDINGS, and shall not suffer or allow any such obligations to be in default, and if any such default shall occur the LESSOR may, but shall not be obliged to, rectify such default for the account of the LESSEE, and any amount paid by the LESSOR in so doing, together with all costs and expenses of the LESSOR, shall be reimbursed to the LESSOR by the LESSEE on demand together with interest at the rate of three percent (3%) per annum above the average prime lending rate of the main branches of the chartered banks of Canada carrying on business in the City of Vancouver from the date incurred until paid, and may be recovered as if it were rent in arrears.

ARTICLE XIX

MORTGAGE

Section 19.01 LESSEE shall be liable for rent and
taxes notwithstanding MORTGAGE

Nothing herein contained shall be construed to prevent or prohibit the assignment or subletting by the LESSEE of this lease or the leasehold interest of the LESSEE in any portion of the SAID LANDS and the BUILDINGS by way of MORTGAGE as provided in section 18.03 hereof, provided however that in the event of and notwithstanding any such assignment or subletting the LESSEE shall be and remain liable for the payment of all BASIC RENT, ADDITIONAL RENT and taxes and the performance of all the terms, covenants and conditions of this lease.

Section 19.02 MORTGAGE subject to LESSOR's
rights under lease

Subject to the provisions of section 21.02, every MORTGAGE shall be made expressly subject to the rights of the LESSOR under this lease.

ARTICLE XX

BANKRUPTCY OF LESSEE

Section 20.01

The parties agree, subject to the provisions of section 21.03, that:

- (a) if the LESSEE shall make a general assignment for the benefit of creditors; or
- (b) if the LESSEE shall institute proceedings to subject itself to the Winding-up Act or to be adjudicated bankrupt or insolvent or shall consent to the institution of bankruptcy or insolvency proceedings against the LESSEE or shall file an application or petition or answer or consent, seeking re-organization or re-adjustment of the indebtedness of the LESSEE under the Bankruptcy Act or the Companies' Creditors Arrangement Act or any law of Canada or any province thereof relating to bankruptcy or insolvency or shall consent to the filing of any such application or petition or shall consent to the appointment of a receiver; or
- (c) if a receiver, interim receiver, trustee or liquidator of all or substantially all the property of the LESSEE shall be appointed or applied for by the LESSEE; or
- (d) if a judgment, decree or order shall be entered by a court of competent jurisdiction adjudging the LESSEE a bankrupt or insolvent or subject to the provisions of the Winding-Up Act or Bankruptcy Act or determining that proceedings for re-organization, arrangement, adjustment, composition, liquidation, dissolution or winding-up or any similar relief under the Bankruptcy Act or the Companies' Creditors Arrangement Act or any law of Canada or any province thereof relating to bankruptcy or insolvency have been properly instituted otherwise than by the LESSEE, provided that such judgment, decree or order is not in good faith contested by the LESSEE;

then the liquidator, custodian or trustee shall have the right to disclaim this lease or to hold and retain the SAID LANDS and the BUILDINGS for a period not exceeding six (6) months from the effective date of any such receiving order, assignment, judgment, decree, order or the commencement of dissolution or winding-up, as the case may be, or until the expiration of the TERM, whichever first happens on the same terms and conditions as the LESSEE might have held the SAID LANDS and the BUILDINGS had no such receiving order, assignment, judgment, decree or order been made or dissolution or winding-up commenced and if he holds and retains the SAID LANDS and the BUILDINGS as aforesaid the liquidator, custodian or trustee shall during the said period either:

- (i) surrender possession at any time and the TERM shall thereupon terminate; or
- (ii) upon approval of the Court as hereinafter provided, sell, transfer or otherwise dispose of all the interest of the LESSEE in this lease and the SAID LANDS and the BUILDINGS for the remainder of the TERM or any part thereof and all the rights of the LESSEE hereunder to as full an extent as could have been done by the LESSEE had no such receiving order, assignment, judgment, decree or order been made or dissolution or winding-up commenced notwithstanding anything to the contrary in Article XVIII contained and the provisions of all terms, covenants and conditions in Article XVIII hereof contained shall be of no force or effect in the case of any such sale, transfer or disposal if the Supreme Court of British Columbia upon the application of such liquidator, custodian or trustee and after fourteen (14) days' written notice of such application to the LESSOR, approves such sale, transfer or disposition, but before the person to whom all interest of the LESSEE in this lease and the SAID LANDS and the BUILDINGS are sold, transferred or disposed is permitted to go into occupation or to take the benefit of the LESSEE's interest in this lease and the SAID LANDS and the BUILDINGS, he shall deposit with the LESSOR a sum equal to three (3) months' BASIC RENT and ADDITIONAL RENT, if any, as security to the LESSOR that such person will observe and perform the terms hereof; or

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- (iii) continue as tenant for the balance of the TERM remaining provided that such liquidator, custodian or trustee attorns as tenant to the LESSOR and undertakes to be bound by and to perform the covenants and agreements of this lease.

Section 20.02

The LESSOR and LESSEE agree that,

- (a) Should the liquidator, custodian or trustee at any time before or after taking possession, disclaim this lease or surrender possession to the LESSOR, his liability and the liability of the estate of the LESSEE and of the LESSEE for payment of BASIC RENT together with ADDITIONAL RENT is limited to the period of time during which the liquidator, custodian or trustee remains in possession of the SAID LANDS and the BUILDINGS for the purposes of the trust estate, together with BASIC RENT for the three (3) months next ensuing after the date of disclaimer or surrender of possession by such liquidator, custodian or trustee, whichever last occurs. And if the liquidator, custodian or trustee disclaims this lease or surrenders possession the LESSOR or the LESSOR's agents or employees authorized by the LESSOR may immediately or at any time thereafter re-enter the SAID LANDS and the BUILDINGS without being liable for any prosecution or damages therefor, and may repossess and enjoy the SAID LANDS and the BUILDINGS and all fixtures and improvements therein and thereon, except fixtures and improvements which are of the nature of usual tenants' fixtures and normally removable by tenants and which are not part of the BUILDINGS or the SAID LANDS and such liquidator, custodian or trustee shall execute a surrender or assignment to the LESSOR in registrable form.
- (b) Entry into possession of the SAID LANDS and the BUILDINGS by the liquidator, custodian or trustee and its occupation by him while required for the purposes of the performance of his duties in his office shall not be deemed to be

evidence of an intention on his part to retain the SAID LANDS and the BUILDINGS, nor affect his right to disclaim or to surrender possession pursuant to the provisions of item (i) of section 20.01.

- (c) If after occupation of the SAID LANDS and the BUILDINGS, the liquidator, custodian or trustee elects to retain it and thereafter sells, transfers or otherwise disposes of the lease, the SAID LANDS and the BUILDINGS and all interests and rights of the LESSEE therein and hereunder to a person approved by the Court as by item (ii) of section 20.01 provided, his liability and the liability of the LESSEE and his estate for the payment of BASIC RENT together with ADDITIONAL RENT, if any, is limited to the period of time during which he remains in possession of the SAID LANDS and the BUILDINGS.

Section 20.03

The liquidator, custodian or trustee shall pay to the LESSOR for the period during which the liquidator, custodian or trustee actually occupies the SAID LANDS and the BUILDINGS pursuant to section 20.01 hereof the BASIC RENT together with ADDITIONAL RENT calculated on the basis of this lease and payable in accordance with the terms hereof.