

CONFERENCE CENTRE OPERATIONS – RIGHT OF FIRST NEGOTIATION

THIS AGREEMENT dated for reference October 21, 2013,

BETWEEN:

SSS MANHAO INTERNATIONAL TOURISM GROUP (CANADA) CO. LTD.,
a company duly incorporated under Incorporation Number BC0953560
pursuant to the provisions of the *Business Corporations Act*, SBC 2002,
c 57, having its registered office at Suite 270, 10711 Cambie Road,
Richmond, British Columbia V6X 3G5

(“Manhao”)

AND:

CITY OF NANAIMO, a British Columbia local government, having its
administrative offices at 455 Wallace Street, Nanaimo, British
Columbia V9R 5J6

(the “City”)

GIVEN THAT:

- A. Pursuant to an Offer to Purchase between Manhao and the City dated for reference June 19, 2013 (the “Offer to Purchase”), Manhao agreed to purchase from the City for the purpose of developing and operating a hotel (the “Hotel”) certain land situated at 100 Gordon Street, Nanaimo, British Columbia, and legally described as:

Parcel Identifier: 029-126-002
Lot A Section 1 Nanaimo District and of the Bed of the Public Harbour of
Nanaimo Plan EPP30518

(the “Land”);

- B. The City is the owner of the Vancouver Island Conference Centre, situated across Gordon Street from the Land, which is legally described as:

Parcel Identifier: 026-458-942
Lot A Section 1 Nanaimo District and of the Bed of the Public Harbour of Nanaimo
Plan VIP79754 Except that part in Plan VIP85148

(the “Conference Centre”);

- C. When the existing agreement with respect to operation of the Conference Centre between the City and the Manager as hereinafter defined (the “Current Operating Agreement”) expires or is otherwise terminated, Manhao wishes to have the first right to negotiate with the City an agreement to operate the Conference Centre in conjunction with Manhao’s operation of the Hotel;

- D. Pursuant to the Offer to Purchase, the City's sale of the Land and Manhao's purchase of the Land is subject to the parties agreeing to and entering into this Right of First Negotiation (as hereinafter defined);

NOW THEREFORE in consideration of the premises and promises herein, the sum of \$1.00 paid by Manhao to the City, and other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged by the parties), the City and Manhao covenant and agree as follows:

Definitions

1. In this Agreement, "Business Day" means a day that is not a Saturday, Sunday or statutory holiday in British Columbia.
2. Unless this Agreement specifies time in Business Days, time is to be calculated as calendar days.

Right of First Negotiation

3. The City hereby grants to Manhao the first right to negotiate an agreement to operate the Conference Centre ("Right of First Negotiation").

Current Operating Agreement

4. The City hereby represents and warrants to Manhao that the Current Operating Agreement will expire on March 18, 2017 and there is no right of extension or renewal of same. Furthermore, the Current Operating Agreement may be terminated, inter alia, as follows:
 - (a) by the City, in the case of gross negligence or wilful misconduct of the current manager ("Manager");
 - (b) by the City in the case of a breach of the Current Operating Agreement by the Manager that is not cured upon receipt of sixty (60) days' written notice from the City;
 - (c) upon the City's election to terminate in the event the Conference Centre is destroyed and not rebuilt;
 - (d) upon six (6) months' prior written notice by either party to the other;
 - (e) in the event of the failure of the Conference Centre to meet certain performance criteria; and
 - (f) in the event the Manager files for bankruptcy or becomes insolvent.

Amendment of Operating Agreement

5. The City agrees with Manhao that the City will not amend the Current Operating Agreement in any way that would extend the expiry date or that would grant the Manager any right of extension or renewal.

End of Current Operating Agreement

6. The City must give notice to Manhao of the termination, or upcoming termination, of the Current Operating Agreement no earlier than one year before termination of the Current Operating Agreement and no later than nine (9) months before the termination of the Current Operating Agreement.

Meaning of Termination

7. For the purposes of section 6, the Current Operating Agreement will be considered to terminate if it expires or is terminated by the City according to its terms as set forth in section 4 of this Agreement, or if it is terminated by mutual consent.

Manhao Response to City Notice

8. If Manhao wishes to exercise its Right of First Negotiation, it must notify the City within twenty (20) Business Days of receiving the City's notice under section 6 hereof.

Negotiation Period

9. If Manhao exercises its Right of First Negotiation under section 8 hereof, the City and Manhao will enter into exclusive good faith negotiations for a 90 day period commencing the day after the City has received Manhao's exercise of its Right of First Negotiation (the "Negotiation Period").

Good Faith Negotiations

10. The City and Manhao agree that during the Negotiation Period, they will conduct, in good faith, negotiations at mutually convenient times and locations in order to attempt to negotiate an agreement for the operation of the Conference Centre in conjunction with Manhao's operation of the Hotel.

Time Extension

11. Nothing in this Agreement prevents the parties, if they both agree in writing, from extending the Negotiation Period.

Exclusive Negotiations

12. During the Negotiation Period, the City agrees that it will not negotiate the operation of the Conference Centre with any other entity.

Scope of Negotiations

13. The City and Manhao agree that should they enter into negotiations for the operation of the Conference Centre, the scope of negotiations will include the term of the operating agreement (with or without renewals), the payments from the City to Manhao, cash flow, payment of expenses, reserve funds, the marketing of conferences, conference bookings and administration, staffing, standards of service, hours of operations, contracts for services, food operations, parking lot operations, co-ordination between Conference Centre and Hotel operations, cleaning, maintenance and repairs, furnishings and improvements, security, insurance (property and liability), accounting and record-keeping, termination in the event of damage or destruction, consequences of defaults, representations and warranties, releases, indemnities, and transitional matters, in addition to other matters to be negotiated as may be required by the parties.

Ownership of Hotel

14. Notwithstanding anything else in this Agreement, the Right of First Negotiation does not apply and the City is not required to send Manhao the notice under section 6 unless at the time the City would send the notice under section 6 Manhao is the sole owner and operator of the Hotel unless Manhao has assigned this Right of First Negotiation under section 15 in which case the City shall send notice to such assignee.

Assignment by Manhao

15. Manhao may not assign this Right of First Negotiation except to an entity who becomes the sole owner or operator of the Hotel, and in that case:
- (a) Manhao and the assignee must promptly provide the City with a copy of the assignment agreement;
 - (b) Manhao must release the City from all obligations under this Agreement; and
 - (c) the assignee must enter into an assumption agreement with the City agreeing to assume all of Manhao's obligations under this Agreement.

Assignment by City

16. The City agrees not to sell, transfer, or otherwise convey or offer to sell, transfer, or otherwise convey the Conference Centre unless the City first assigns this Right of First Negotiation to the purchaser and in that case:
- (a) the City and the purchaser must promptly provide Manhao with a copy of the assignment agreement;
 - (b) Manhao must release the City from all obligations under this Agreement; and
 - (c) the purchaser must enter into an assumption agreement with Manhao agreeing to assume all of the City's obligations under this Agreement.

Effect of Right of First Negotiation

17. For certainty, this Right of First Negotiation does not require the City and Manhao to enter into an agreement for the operation of the Conference Centre, or entitle Manhao to such a contract, and instead, this Right of First Negotiation merely confers on Manhao a first and exclusive right to attempt to negotiate such an agreement.

City Ability to Negotiate

18. If, by the end of the Negotiation Period, no agreement has been reached between the City and Manhao for the operation of the Conference Centre, or if at any time during the Negotiation Period, Manhao gives the City notice that it is declining to negotiate or continue to negotiate an agreement for the operation of the Conference Centre, then the City shall be free to negotiate, offer and enter into offers and agreements with other parties with respect to the operation of the Conference Centre on such terms and conditions as it may see fit, and with any party or parties, and this Right of First Negotiation shall no longer be of any force and effect, whether or not any such agreement to operate the Conference Centre is entered into. Notwithstanding the foregoing, if by the end of the Negotiation Period no agreement has been reached between the City and Manhao for the operation of the Conference Centre, the City shall utilize a public process including, without limitation, tendering or request for proposals with respect to operation of the Conference Centre, in which case Manhao shall be entitled to participate in such process and submit a bid or proposal, as the case may be.

Negotiation by City Staff

19. For certainty, this Right of First Negotiation does not entitle Manhao to enter into negotiations with Council of the City, and instead, Manhao agrees that negotiations on behalf of the City may be conducted by the City Manager or any other senior City staff person or persons.

Notice

20. Any notice which may be given pursuant to this Agreement must be in writing and delivered by hand and addressed to the applicable party at its address set out above, or to such other address as the party may specify by notice in writing to the other in accordance with this section. A notice will be deemed to be given on the day of delivery.

All notices to the City must be addressed to the attention of the City's Corporate Officer.

Time of Essence

21. Time is of essence of this Agreement.

No Other Agreements

22. This Agreement is the entire agreement between the parties regarding its particular subject matter and there are no representations or warranties, express or implied, statutory or otherwise, and no collateral agreements other than as expressly set forth or referred to in this Agreement.

Non-Registration

23. The parties hereto agree and acknowledge that this Agreement may not be registered against title to the Land or the Conference Centre.

Benefit

24. This Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, successors, administrators and permitted assigns.

Modification

25. This Agreement may not be modified except by an instrument in writing signed by the parties.

Interpretation

26. Wherever the singular is used or neuter is used in this Agreement, it includes the plural, the feminine, the masculine or body corporate where the context or the parties so required.

Governing Law

27. This Agreement will be governed by and construed in accordance with the laws of British Columbia.

Arbitration

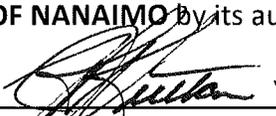
28. All disputes arising out of or in connection with this Agreement, or in respect of any defined legal relationship associated therewith or derived therefrom, shall be referred to and finally resolved by arbitration in accordance with the *Commercial Arbitration Act* of British Columbia under the rules of the British Columbia International Commercial Arbitration Centre. The appointing authority shall be the British Columbia International Commercial Arbitration Centre. The case shall be administered by the British Columbia International Commercial Arbitration Centre in accordance with its "Procedures for Cases under the BCICAC Rules". The place of arbitration shall be Nanaimo, British Columbia.

Execution in Counterparts

29. This Agreement may be executed in one or more facsimile or PDF counterparts, each of which will be deemed to be an original of this Agreement and all of which, when taken together, will be deemed to constitute one and the same Agreement.

IN WITNESS WHEREOF the City and Manhao have executed this Agreement as of the day and year written below.

CITY OF NANAIMO by its authorized signatories:

Per: 
Name and Title: John Ruttan, Mayor

Per: 
Name and Title: Kristin King, Corporate Officer

DATE: October 30, 2013

**SSS MANHAO INTERNATIONAL TOURISM GROUP
(CANADA) CO. LTD.** by its authorized signatories:



Signature

CHEN JUNHAO

Name

President

Title

October 21, 2013

DATE: _____