

City of Nanaimo
REPORT TO COUNCIL

DATE OF MEETING: 2013-JUL-22

AUTHORED BY: BILL CORSAN, MANAGER, REAL ESTATE

RE: DISPOSITION OF 100 GORDON STREET FOR CONFERENCE CENTRE HOTEL

STAFF RECOMMENDATION:

That Council:

1. accept the Offer to Purchase, dated for reference June 19, 2013 (the "Offer"), from SSS Manhao International Tourism Group (Canada) Co. Ltd. ("Manhao");
2. authorize the Mayor and Corporate Officer to execute the Offer and deliver it to Manhao;
3. authorize staff to do all such acts as are necessary to give effect to the Offer; and
4. authorize all further steps and proceedings contemplated by the Offer and authorizes the execution and delivery of the Closing Documents (as defined in the Offer), in the form acceptable to the City Manager.

PURPOSE:

The purpose of this Staff report is to obtain Council approval to dispose of City-owned land at 100 Gordon Street for the development of a conference centre hotel to SSS Manhao International Tourism Group (Canada) Co. Ltd. for \$565,000.

BACKGROUND:

At the Council meeting of 2013-JUL-08, the following resolutions were passed:

That Council:

1. approve in principle the disposition of 100 Gordon Street to SSS Manhao International Tourism Group (Canada) Co. Ltd.; and
2. direct Staff to publish a Notice of Disposition as required under Section 26 and 94 of the *Community Charter*.

Staff are returning to this open Council meeting following the publication of the Notice of Disposition (Attachment A) for two consecutive weeks in a local paper. Council is now in a position to provide approval for the final Offer to Purchase (Attachment B) negotiated with SSS Manhao International Tourism Group (Canada) Co. Ltd.

DISCUSSION:**About the Site**

The subject property is located at 100 Gordon Street, in downtown Nanaimo, directly across the street from the Vancouver Island Conference Centre. Great Canadian Casino and Port Place Mall are to the south across Cameron Road. The Port Theatre, Library and Diana Krall Plaza are to the north across Museum Way.

The subject property is pan handle shaped, 0.17 ha (0.42 acre) size, is level graded and backs onto Piper Park which has a steep, upward sloping cliff. The property has frontage to Gordon Street of approximately 32 m (105 ft), frontage to Museum Way of approximately 43 m (141 ft) and frontage on Cameron Road of 30 m (98 ft). Full municipal and private utility services are available to the property.

The OCP identifies the property as 'Urban Node'. The Downtown Plan identifies the site in Area 7 – Core. The property is zoned Port Place (DT6) which permits a wide range of uses including a hotel. The maximum height allowed is 87 m. The property is also subject to Development Permit Area 9 – Downtown Urban Design Plan and Guidelines.

About the Project

The architects for the project met with staff on 2013-JUL-11 to discuss the development permit application. The revised proposal is for a 20- storey building, comprising 174,505 sq ft of gross floor area with 240 hotel units. The previous proposal was for a 17- storey building with 197 hotel units. The revised building will also include a swimming pool, retail shops, gym and spa. The top floor will contain two restaurants – one western and one Chinese. The project contains no stand-alone residential units. All of the hotel units would be part of a central reservation system. The hotel would be a 4 diamond hotel under the AAA (or CAA) rating system.

About the Purchaser

SSS Manhao International Tourism Group (Canada) Co. Ltd. (SSS Manhao) is owned by Junhao Chen. Mr. Chen is the principal of Suzhou Youth Travel Services Co. Ltd. (SYTSC), which was incorporated in 1984. SYTSC is one of the first international travel service providers approved by the Chinese State Tourism Administration. It is a highly respected company ranking 13th of the top 100 Chinese international travel service providers, and ranked first in the Jiangsu Province.

SSS International Consultant Group (Canada) Co. Ltd. was incorporated in 2002 in Canada. The company is in the process of formulating a business plan with respect to development of a new tour route from Vancouver to Vancouver Island including an overnight stay at the proposed Nanaimo hotel.

Representatives from SSS Manhao have stated that they plan to invest \$50,000,000 in the development of the hotel project. Once the project is complete, it expects to attract 70,000 tourists each year. The estimated annual revenue would be approximately \$35,000,000 with more than 500 jobs created.

SSS Manhao also intends to cooperate with Vancouver Island University to establish a tourism program.

Purchase and Sale Agreement

The Offer to purchase is contained in Attachment A. The key elements of the agreement include the following:

Property: 100 Gordon Street (PID 026-459-027)

Sale Price: \$565,000

Initial Deposit: \$100,000

Purchaser: SSS Manhao International Tourism Group (Canada) Co. Ltd.

Purchaser's Conditions Precedent:

First Subject Removal Date (30 days after acceptance of offer by City)

- Satisfaction with title; and
- Review of documents associated with property.

Second Subject Removal Date (90 days after acceptance of offer by City)

- Due diligence of property including zoning, development matters and servicing;
- Environmental investigations to determine suitability of the soils;
- Confirmation of strata subdivision potential;
- Satisfaction of ability to apply for a revitalization tax exemption under Bylaw 2011 No. 7143; and
- Right of First Negotiation to enter into a management agreement for the VICC should the existing manager be terminated.

Third Subject Removal Date (150 days after acceptance of offer by City)

- A Development Permit for the property will have been obtained by SSS Manhao.

Mutual Conditions Precedent (90 days after acceptance of offer by City)

The City and SSS Manhao will complete the following additional agreements:

Parking Agreement – 190 non-designated parking spaces in the underground garage at the VICC will be set aside for the hotel. Rates will be based on the Parking Bylaw rate which is currently \$95 per month.

Option to Purchase – the City will have an option to buy the property back should SSS Manhao not obtain a foundation permit and construct the foundation within 18 months of acceptance of the offer.

Development Covenant – the City will register a Section 219 Covenant against title that will include restrictions on the property:

- the hotel is to be constructed within 3 years;
- the property can only be used as a hotel;
- the hotel must be rated as a 4 diamond (or better) hotel;
- if stratified, the owners are entitled to reside in their unit for no longer than 2 weeks per year without paying hotel rates;
- strata units are to be booked through a central reservation system;
- a block of rooms must be set aside for conferences; and
- an overhead walkway between the hotel and VICC is to be built at the purchasers cost.

Consolidation of Closed Road – the road closure plan will be consolidated with the parent parcel.

Walkway Easement to VICC – the City will grant an easement to SSS Manhao to construct an overhead walkway.

Easement to Piper Park – the City will grant an easement to SSS Manhao to construct and maintain a walkway from the hotel to Piper Park.

Strategic Plan Considerations

The disposition of this parcel of land meets a number of the key priorities identified in the 2012-2015 Strategic Plan, including;

Strategy	
Taking Responsibility	Potential Strategies and/or Initiatives <ul style="list-style-type: none">Continuing to facilitate change and overall development consistent with vision and plans; taking action steps to be a catalyst or investment in the City's future.
Community Building Partnerships	Successful City Initiative <ul style="list-style-type: none">Commitment to collaborate with organizations and groups to explore how the City can become one of the BC's most successful cities.
4 Sustainability Pillars – Ongoing Commitments to Policy, Goals and Action Plans	Economic Health <ul style="list-style-type: none">Support for Nanaimo Downtown PlanCompletion of Vancouver Island Conference Centre and incentives to conference hotel developmentHotel Revitalization Tax Exemption

Respectfully submitted,


Bill Corsan
MANAGER,
REAL ESTATE


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ACTING GENERAL MANAGER
CORPORATE SERVICES

CITY MANAGER COMMENT:

I concur with the Staff recommendation.

2013-JUL-11
LD001167
WC/ll

ATTACHMENT A

A10 | DAILY NEWS | THURSDAY, JULY 11, 2013



NOTICE OF INTENTION TO DISPOSE OF REAL PROPERTY

Public Notice is hereby given pursuant to Section 26 of the *Community Charter* that the City of Nanaimo intends to dispose of fee simple properties located at 100 Gordon Street, Nanaimo legally described as:

Parcel Identifier: 026-459-027, Lot 1 Section 1 Nanaimo District and of the Bed of the Public Harbour of Nanaimo Plan VIP79756

plus

That adjoining property shown as Closed Road, Section 1, Nanaimo District on Plan EPP30517,

which properties will be consolidated and which are together shown shaded on the plan below.

To SSS Manhao International Tourism Group (Canada) Co. Ltd. (Inc. No. BC0953560) for the sum of \$565,000.

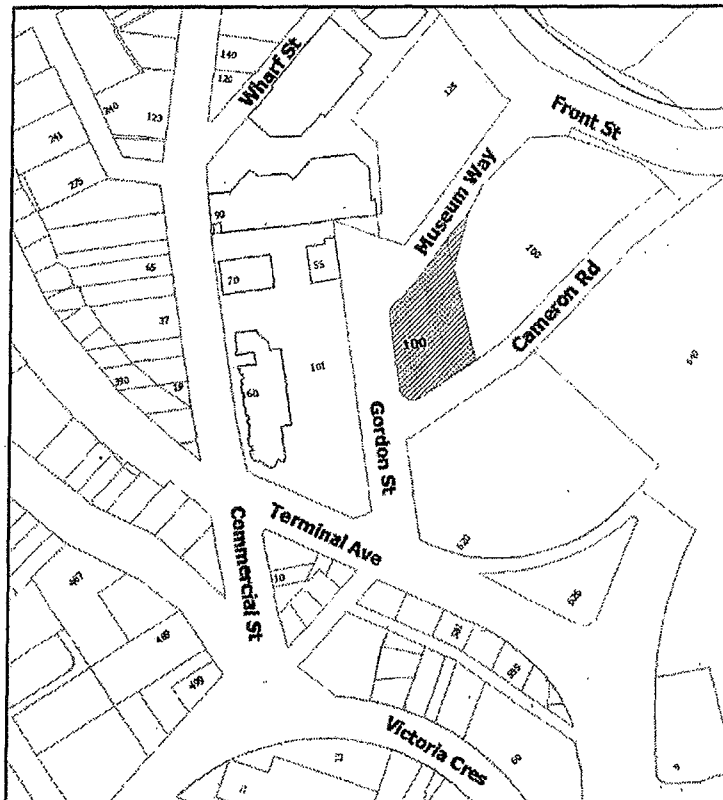
A copy of the Offer to Purchase is available on the City of Nanaimo website – www.nanaimo.ca

Further information may be obtained by contacting:

Real Estate Section, Community Safety & Development Division

Telephone: 250-755-4426

File: LD002491



ATTACHMENT B

OFFER TO PURCHASE

DATED for reference the 19th day of June, 2013.

TO:

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

(the "**Vendor**")

FROM:

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

(the "**Purchaser**")

The Purchaser hereby offers to purchase from the Vendor the Purchased Property (as defined herein) at the Purchase Price (as defined herein) on the following terms and conditions:

ARTICLE 1 - PURCHASE AND SALE

1.1 The Purchased Property

- (a) The Purchaser hereby offers to purchase from the Vendor on the terms and conditions contained herein those certain lands (the "**Property**"), situate in the City of Nanaimo, British Columbia, and which are more particularly described in Schedule "A" attached hereto, together with certain other lands (the "**Road Closure Lands**") shown outlined on the plan in Schedule "A1" attached hereto (the "**Road Closure Plan**"), free and clear of all liens, charges, and encumbrances, except for the charges and encumbrances listed in Schedule "B" attached hereto (the "**Permitted Encumbrances**").
- (b) Prior to the Closing Date, the Vendor at its sole cost and expense shall consolidate the Property and the Road Closure Lands by registration of a consolidation plan at the Land Title Office.
- (c) The Property and the Road Closure Lands shall be collectively referred to as the "**Purchased Property**".

1.2 The Purchase Price

The purchase price payable by the Purchaser to the Vendor for the Purchased Property shall be \$565,000.00 (the "**Purchase Price**"), plus goods and services tax ("**GST**").

1.3 Payment of the Purchase Price

The Purchase Price shall be payable by the Purchaser as follows:

- (a) by payment of \$100,000.00 (the "**Deposit**") by cheque payable to Kahn Zack Ehrlich Lithwick LLP, in trust (the "**Purchaser's Solicitors**") within two (2) days of the Vendor's acceptance of this Offer, to be placed by the Purchaser's Solicitors in an interest bearing trust account with interest accruing in accordance with sections 1.3(b), 1.4(a) and (b);
- (b) the Deposit shall:
 - (i) upon completion, be credited (together with interest accruing thereon up to the Closing Date) on account of the Purchase Price; or
 - (ii) on termination under section 4.8, be paid to the Purchaser (together with accrued interest) in accordance with section 4.8; or
- (c) by payment of the balance of the Purchase Price, by delivery on the Closing Date of a solicitor's trust cheque for the amount thereof payable to the Vendor to be disbursed under Article 6.

1.4 Payment of Deposit on Default

- (a) The Deposit, together with interest earned on the Deposit, will be paid to the Vendor upon the default of the Purchaser, if the Purchaser is in default under this Agreement, unless such default is waived in writing by the Vendor and the Deposit so paid to the Vendor will be absolutely forfeited to the Vendor as liquidated damages as the Vendor's sole and exclusive remedy and this Agreement will terminate forthwith upon such payment being made and the Vendor shall not have any other remedies available to it.
- (b) In the event that the Vendor fails to complete the sale as contemplated herein, unless the default is waived in writing by the Purchaser, the Deposit (together with accrued interest) shall be returned to the Purchaser without prejudice to any other remedies which may be available to the Purchaser.

1.5 Adjustments

Adjustments with respect to items normally adjusted between a vendor and purchaser on the sale of similar property shall not be made with respect to the Purchased Property as of the Closing Date.

1.6 Goods and Services Tax

The Purchaser shall become registered for GST-purposes and advise the Vendor of the Purchaser's GST registration number at least seven (7) days before the Closing Date, and before the Closing Date the Purchaser shall deliver to the Vendor the Purchaser's Certificate in the form attached as Schedule "C" confirming the Purchaser shall remit directly to the Canada Revenue Agency all GST payable by it in respect of its purchase of the Purchased Property (the "**Purchaser's GST Certificate**").

ARTICLE 2 - REPRESENTATIONS AND WARRANTIES

2.1 Representations and Warranties of the Vendor

The Vendor represents and warrants to the Purchaser, with the intent that the Purchaser shall rely thereon in entering into the agreement created by the acceptance of this offer (the "**Agreement**") and in concluding the purchase and sale contemplated in this Agreement, that as of the date hereof (unless otherwise specified) and the Closing Date (unless this Agreement is earlier terminated):

(a) Status of the Vendor. The status of the Vendor is that:

- (i) the Vendor is a British Columbia local government;
- (ii) the Vendor has the power and authority to accept this offer and to carry out the transactions contemplated hereby, all of which have been or by the Closing Date will have been duly and validly authorized by all requisite proceedings and that the Agreement constitutes a legal, valid and binding obligation of the Vendor in accordance with its terms;
- (iii) on the Closing Date, the Vendor shall not have any indebtedness to any person, business, company, or governmental authority that by operation of law or otherwise then constitutes a lien, charge, or encumbrance on the Purchased Property or which could affect the right of the Purchaser to own and occupy the Purchased Property except for the Permitted Encumbrances;
- (iv) there is no claim or litigation pending or, to the knowledge of the Vendor, threatened with respect to the Vendor, the Purchased Property or the

occupancy or use of the Purchased Property by the Vendor which could affect the right of the Purchaser to own and occupy the Purchased Property or the ability of the Vendor to perform its obligations under this Agreement; and

- (v) neither the acceptance of this offer nor its performance by the Vendor shall result in a breach by the Vendor of any term or provision or constitute a default under any applicable legislation, indenture, mortgage, deed of trust, or any other agreement to which it is bound.

(b) The Purchased Property. In respect to the Purchased Property:

- (i) the Vendor is the registered and beneficial owner of the Purchased Property and has good and marketable title to the Purchased Property, free and clear of all liens, charges, and encumbrances except for the Permitted Encumbrances;
- (ii) no lien under the *Builders Lien Act* exists or is claimed with respect to the Purchased Property nor any part thereof;
- (iii) to the best of the Vendor's knowledge, the Purchased Property is free of all substances, pollutants, wastes and special wastes which are presently defined as hazardous, toxic or a threat to public health or to the environment under applicable environmental laws, including without limitation, any radioactive materials, urea formaldehyde foam insulation, asbestos or PCBs ("**Contaminants**"), but if any such Contaminants existing on the Closing Date are later discovered by the Purchaser on the Purchased Property, the Vendor shall be solely responsible, at its sole cost and expense, for removal of those Contaminants and consequential remediation of the Purchased Property and the Vendor hereby indemnifies the Purchaser against all losses, expenses, harm, and other costs associated with the presence of or its removal of any Contaminants existing on the Closing Date; and
- (iv) there are no improvements on any adjoining lands, whether public or private, that encroach on the Purchased Property.

(c) Property Taxes and Other Fees. In respect of the Purchased Property:

- (i) there are no local improvement charges or special levies against the Purchased Property nor has the Vendor received any notice of any proposed local improvement charges or special levies, EXCEPT THAT a Business Improvement Area levy is applicable to the Purchased Property; and

- (ii) all other taxes, rates, levies and assessments with respect to the Purchased Property are paid in full (or shall be paid on closing) and there is no pending appeal or other proceedings in existence in respect of these other taxes, rates, levies and assessments.
- (iii) at the time of the entering into of this Agreement, the Vendor's various development cost charge bylaws do not levy development cost charges against the "Nanaimo City Area", which includes the Purchased Property, but the Purchaser acknowledges that nothing in this Agreement fetters the discretion of Council of the Vendor to amend or replace its bylaws or adopt new bylaws at any time, but if any of these bylaws should be amended or any new bylaws adopted prior to the Closing Date so as to impose development cost charges under Division 10 of Part 26 of the *Local Government Act*, then the Purchase Price shall be adjusted so as to be reduced by the amount of the development cost charges, based on the gross floor area of the Hotel (as defined in section 4.1(b)(i)) being approximately 16,000 square metres.

(d) General. In addition:

- (i) neither the Purchased Property, nor any part thereof, has been expropriated or condemned, nor has the Vendor received any notice of any proposed expropriation or condemnation;
- (ii) there are no collective agreements or proceedings under the Labour Code of British Columbia involving the Vendor or its employees which would become an obligation of or be binding upon the Purchaser; and
- (iii) there are no agreements affecting the maintenance or operation of the Purchased Property.

2.2 Vendor Indemnity

Except as set out in this Agreement, the Vendor shall indemnify and save the Purchaser harmless from any and all costs, expenses, damages, claims or liabilities which may be incurred by the Purchaser as a result of a breach by the Vendor of any of its representations, warranties or covenants contained herein. This indemnity shall survive the Closing Date.

2.3 Representations and Warranties of the Purchaser

The Purchaser represents and warrants to the Vendor, with the intent that the Vendor shall rely thereon in entering into the Agreement and in concluding the purchase and

sale contemplated in this Agreement, that as of the date hereof (unless otherwise specified) and the Closing Date (unless this Agreement is earlier terminated):

- (a) the Purchaser has the power and authority to enter into the Agreement and to carry out the transactions contemplated hereby, all of which have been or by the Closing Date will have been duly and validly authorized by all requisite proceedings and that the Agreement constitutes a legal, valid and binding obligation of the Purchaser in accordance with its terms;
- (b) there is no claim or litigation pending or, to the knowledge of the Purchaser, threatened with respect to the Purchaser, or the occupancy or use of the Purchased Property by the Purchaser which could affect the right of the Purchaser to own and occupy the Purchased Property or the ability of the Purchaser to perform its obligations under this Agreement; and
- (c) neither the making of this offer nor its performance by the Purchaser shall result in a breach by the Purchaser of any term or provision or constitute a default under any applicable legislation, indenture, mortgage, deed of trust, or any other agreement to which it is bound.

2.4 Purchaser Indemnity

Except as set out in this Agreement, the Purchaser shall indemnify and save the Vendor harmless from any and all costs, expenses, damages, claims or liabilities which may be incurred by the Vendor as a result of a breach by the Purchaser of any of its representations, warranties or covenants contained herein. This indemnity shall survive the Closing Date.

2.5 Survival of Representations and Warranties

The representations and warranties contained in sections 2.1 and 2.3 shall survive the Closing Date and shall continue in full force and effect for the benefit of the Purchaser and Vendor respectively thereafter notwithstanding any independent inquiry or investigation by the them or the waiver by them of any condition set out in section 4.1, the subject matter of which is contained in a representation or warranty herein.

ARTICLE 3 - COVENANTS

3.1 Covenants of the Vendor

The Vendor hereby covenants and agrees with the Purchaser:

- (a) to permit the Purchaser and its agents, contractors and representatives to enter onto the Purchased Property and to carry out such inspections, tests, studies, appraisals, surveys and investigations of the Purchased Property as the

Purchaser may reasonably require. The Purchaser shall repair any damage to the Purchased Property resulting from its inspections and to indemnify the Vendor against any and all liabilities, actions, damages, liens (including builders' liens), expenses, losses and costs arising from such inspections by or on behalf of the Purchaser;

- (b) to maintain insurance coverage in respect of the Purchased Property in full force and effect until completion of the closing under Article 6, in the amounts and on the terms as would a prudent owner of similar property;
- (c) the Vendor has already provided the following documents and materials to the Purchaser:
 - (i) Appraisal dated December 4, 2007 prepared by Cunningham & Rivard Appraisals (Nanaimo) Ltd.;
 - (ii) Geotechnical Report dated April 13, 2006 prepared by Golder Associates;
 - (iii) Appraisal dated October 24, 2012 prepared by Cunningham & Rivard Appraisals (Nanaimo) Ltd.;
 - (iv) 2012 Financial Statements for the Conference Centre;
 - (v) Market Feasibility Study dated September 30, 2004 prepared by Grant Thornton;
 - (vi) Site servicing drawings of utilities supplied to the Purchased Property; and
 - (vii) the consolidation plan consolidating the Property with the Road Closure Lands into the Purchased Property.

and the Vendor will also deliver to the Purchaser any new documents pertaining to the Purchased Property that come into the possession of the Vendor after the date of execution of this Offer and prior to the Closing Date;

- (d) to not enter into any contract in respect of the Purchased Property including but without limitation, leases or service contracts, prior to the Closing Date without the prior written approval of the Purchaser such approval not to be unreasonably withheld or delayed;
- (e) to grant authorizations reasonably required by the Purchaser to authorize municipal and statutory authorities to release information confirming compliance with laws, bylaws and other statutory and governmental regulations and with respect to potential statutory liens;

- (f) to not modify, amend, or cancel any of the Permitted Encumbrances without the prior written approval of the Purchaser;
- (g) prior to the Closing Date, the Vendor at its sole cost and expense shall provide to the Purchaser registrable discharges of the following legal notations and charges from title to the Purchased Property, which are collectively referred to as the "**Discharges**":
 - (i) Notice of Interest, Builders Lien Act (S. 3(2)), See EX100485 Filed 2005-08-12;
 - (ii) This title may be affected by a Permit under Part 26 of the Local Government Act, See FA95700; and
 - (iii) Covenant FB161510 in favour of the City of Nanaimo.

3.2 Survival of Covenants

The covenants and agreements contained in section 3.1 shall survive the Closing Date and shall continue in full force and effect for the benefit of the Purchaser.

ARTICLE 4 - CONDITIONS PRECEDENT

4.1 Purchaser's Conditions Precedent

- (a) The Purchaser's obligation to carry out the transactions contemplated herein is subject to fulfilment of each of the following conditions precedent on or before that date which is Thirty (30) days after the date of execution and acceptance by the Vendor of this offer (the "**First Subject Removal Date**"), unless and to the extent waived in writing by the Purchaser in its sole and absolute discretion:
 - (i) Title - the Purchaser shall be satisfied with the state of title to the Purchased Property, including the Permitted Encumbrances; and
 - (ii) Review of Documents - the Purchaser shall have reviewed and satisfied itself with respect to the documents and materials already provided by the Vendor in accordance with section 3.1(c).
- (b) The Purchaser's obligation to carry out the transactions contemplated herein is also subject to fulfilment of each of the following conditions precedent on or before that date which is Ninety (90) days after the date of execution and acceptance by the Vendor of this offer (the "**Second Subject Removal Date**"), unless and to the extent waived in writing by the Purchaser in its sole and absolute discretion:

- (i) Due Diligence - the Purchaser shall be satisfied with the condition of the Purchased Property after obtaining and reviewing the results of any due diligence searches which it may undertake with respect to the Purchased Property including, without limitation, zoning and development matters, inspections of the Purchased Property, compliance with applicable laws and regulations, availability of adequate services to the Purchased Property including water, sewer, gas, telecommunications and electrical connections and the Purchaser shall have received written evidence satisfactory to the Purchaser that it will be able to obtain all governmental approvals and permits necessary or desirable to permit the Purchaser to develop, construct and operate a hotel (the “Hotel”) on the Purchased Property.
- (ii) Environmental - the Purchaser shall have satisfied itself as to the suitability of the soils condition of the Purchased Property and shall have satisfied itself as to the environmental condition of the Purchased Property after conducting such environmental studies or audits of the Purchased Property as may be required by the Purchaser;
- (iii) Strata Subdivision - the Purchaser shall be satisfied that after the Closing Date it can subdivide the Purchased Property by registration of a subdivision plan at the Land Title Office to create strata lots and further that it can sell such strata lots after evaluation of all applicable laws and procedures including those relating to the filing of a Disclosure Statement;
- (iv) Tax Exemption Agreement - the Purchaser shall have satisfied itself that upon purchasing the Purchased Property, or before, it will be entitled to enter into a Revitalization Tax Exemption Agreement with the Vendor pursuant to the Vendor’s Revitalization Tax Exemption Bylaw 2011 No. 7143, and the Purchaser specifically acknowledges that such a tax exemption would not exempt it from all fees, charges, taxes and other impositions on the Purchased Property, and specifically would not exempt from school taxes;
- (v) Right of First Negotiation - the Purchaser shall have entered into an unregistered right of first negotiation agreement with the Vendor (the “Right of First Negotiation”), on terms acceptable to the Purchaser, in its sole and absolute discretion, by which the Vendor grants to the Purchaser a right of first negotiation of an agreement with the Vendor to operate the Vendor’s Conference Centre (as defined in section 4.3(i)) in the event the Vendor’s management agreement with its existing manager is terminated.

(c) The Purchaser's obligation to carry out the transactions contemplated herein is also subject to fulfilment of each of the following conditions precedent on or before that date which is One Hundred Fifty (150) days after the date of execution and acceptance by the Vendor of this offer (the "**Third Subject Removal Date**"), unless and to the extent waived in writing by the Purchaser in its sole and absolute discretion, that:

- (i) Development Permit - the Purchaser shall have obtained (or written evidence satisfactory to the Purchaser that it will obtain immediately following the Closing Date) a development permit from the Vendor under section 920 of the *Local Government Act* (the "**Development Permit**") so that the Purchaser may develop and construct the Hotel on the Purchased Property.

The Purchaser acknowledges that in addition to the Development Permit, it will also need a building permit and other permits and approvals from the Vendor for the construction and operation of the Hotel.

The Purchaser further acknowledges that pursuant to section 920 of the *Local Government Act*, the Development Permit may include requirements, restrictions and other matters imposed by Council of the Vendor.

The Purchaser further acknowledges that the Vendor requires a 60 day time period to evaluate completed applications for development permits, and the Purchaser covenants and agrees with the Vendor to submit to the Vendor a fully-completed application for the Development Permit within 90 days after the date of execution and acceptance by the Vendor of this Offer.

4.2 Effect of Purchaser's Conditions

All of the conditions in section 4.1 are for the sole benefit of the Purchaser, and may be waived by the Purchaser by notice in writing to the Vendor on or before the date specified for removal of each condition.

4.3 Mutual Conditions Precedent

The Purchaser's obligation and Vendor's obligation to carry out the transactions contemplated herein are subject to fulfilment of each of the following conditions precedent on or before the Second Subject Removal Date:

- (i) Parking Agreement - the Purchaser and Vendor shall have entered into a parking agreement (the "**Parking Agreement**"), on terms mutually

acceptable to them, for the use by the Purchaser of up to Two Hundred and Fifty-Five (255) non-designated parking spaces (the "**Parking Spaces**") in the Vendor's Vancouver Island Conference Centre (the "**Conference Centre**") underground parking garage (the "**Parking Garage**") located at Gordon Street and Museum Way in Nanaimo, British Columbia, which terms shall include but not be limited to the following:

- (A) an initial five (5) year term, which shall commence when the Hotel opens for business;
 - (B) upon the expiry of the initial five (5) year term, the Purchaser to have the sole and exclusive option to automatically renew the Parking Agreement for an unlimited number of additional terms of five (5) years each on the same terms and conditions, EXCEPT THAT the initial term and any renewal terms of the Parking Agreement will be automatically terminated if the Purchased Property should at any time cease to be used as a hotel in compliance with the Development Covenant (as defined in subparagraph (iii)) and for certainty, the Purchased Property shall be deemed to be used as a hotel during times that it is closed for renovations, closed for sale to a new buyer, or closed for other legitimate purposes;
 - (C) the Purchaser to pay a parking fee to the Vendor in the amount of \$3.17 per Parking Space per day, or portion of a day, or such other rates as may be set from time to time by bylaw or resolution of the Vendor, for each Parking Space used in relation to the Hotel;
 - (D) the Purchaser to purchase passes from the Vendor from time to time for the Parking Spaces in the form of single-day passes for each Parking Space used, with the Vendor to provide such single-day passes;
 - (E) the Vendor to be responsible for any and all costs related to the operation of the Parking Garage, including but not limited to, maintenance, repair, security, insurance, signage and taxes;
- (ii) Option to Purchase - the Purchaser and Vendor shall have entered into an option to purchase (the "**Option Agreement**"), on terms mutually acceptable to them, by which the Purchaser grants to the Vendor an option to purchase the Purchased Property for the Purchase Price in the event that the Purchaser shall not have obtained a foundation permit from the Vendor for the Hotel, and constructed the foundations for the Hotel and obtained a final inspection of the foundations from the Vendor

within eighteen (18) months of the Closing Date which period may be extended only by reason of force majeure. For the purposes of the Option Agreement, the expression “**force majeure**” shall mean labour disruption, act of God, power failure, inability to obtain materials or services, riot, insurrection, war, acts of terrorism, or other similar casualty or contingency beyond the reasonable control and not the fault of the party delayed and not avoidable by the exercise of reasonable diligence or foresight, but excluding insolvency or other inability to pay.

- (iii) Development Covenant - the Purchaser and Vendor shall have entered into a covenant under section 219 of the *Land Title Act* (the “**Development Covenant**”), on terms mutually acceptable to them, to be registered at the Land Title Office against the Purchased Property either before or on the Closing Date, which terms shall include but not be limited to the following:
- (A) despite permitted uses for the Purchased Property under the Vendor’s zoning bylaw from time to time, the Purchased Property may be used only for the purposes of a full-service hotel as defined in the Development Covenant;
 - (B) the Purchaser shall construct the Hotel on the Purchased Property within three (3) years from the date of issuance by the Vendor to the Purchaser of the foundation permit for the Hotel;
 - (C) the Purchaser shall construct the Hotel in general accordance with design plans referenced in the Development Covenant prepared by GBL Architects;
 - (D) the Purchaser shall operate the Hotel as at least a four-diamond hotel under the CAA/AAA (Canadian Automobile Association/American Automobile Association) diamond rating system;
 - (E) if the Purchased Property is subdivided and strata lots sold to individual purchasers, such purchasers, although bound by this Covenant, shall be entitled to reside in a strata lot within the Hotel for a period not exceeding two (2) weeks each year, without further payment;
 - (F) the Purchaser and any subsequent purchasers of the Hotel, or the strata lots comprising the Hotel, must permit occupancy of the Hotel rooms or suites only through a centralized booking agency;

- (G) the Purchaser must guarantee a block of guest rooms at the Hotel for conferences provided that sufficient advance notice is given and that full payment is made and will be forfeited if the guest(s) attempt(s) to cancel within a specified number of days before each conference;
 - (H) the Development Covenant shall specifically provide for its enforcement by way of a rent charge; and
 - (I) the Purchaser must, at its sole cost and expense, construct an overhead walkway between the Hotel and the Conference Centre (the "Walkway") and a connection between the Hotel and the adjacent Vendor-owned property known as Piper Park (the "Connection").
- (iv) Consolidation of Road Closure Lands – the Property and the Road Closure Lands have been consolidated as the Purchased Property by full registration in the Land Title Office of a consolidation plan approved by the Vendor and the Purchaser;
 - (v) Walkway Easement –the Council of the Vendor has passed the necessary bylaws or resolutions necessary to grant to the Purchaser a blanket easement for the Walkway (the "**Walkway Easement**"), with the Purchaser to be responsible for the associated survey plan to reduce the easement area to a volumetric easement once the Walkway is constructed, and the Vendor and Purchaser have shall have entered into the Walkway Easement, on terms mutually acceptable to them, but for certainty, the Walkway shall be solely owned by the Purchaser and the Purchaser shall be solely responsible for all aspects of the Walkway, including repair, maintenance, safety, security, utilities, insurance and liability, unless liability is caused by the deliberate wrongful acts of the Vendor or its employees or similar others for whom the Vendor is responsible in law; and
 - (vi) Connection Easement –the Vendor and Purchaser have shall have entered into an easement agreement (the "**Connection Easement**"), on terms mutually acceptable to them, by which the Vendor, as owner of Piper Park, grants a blanket easement for the Purchaser to construct and operate the Connection within Piper Park, with the Purchaser to be responsible for the associated survey plan to reduce the easement area to a defined easement once the Connection is constructed, and for certainty, the Connection shall be solely owned by the Purchaser and the Purchaser shall be solely responsible for all aspects of the Connection,

including repair, maintenance, safety, security, utilities, insurance and liability, unless liability is caused by the deliberate wrongful acts of the Vendor or its employees or similar others for whom the Vendor is responsible in law.

4.4 Effect of Mutual Conditions Precedent

All of the conditions precedent in section 4.3 are for the mutual benefit of the Purchaser and Vendor.

Conditions precedent (i) Parking Agreement, (ii) Option to Purchase, (iii) Development Covenant, and (iv) Consolidation of Road Closure Lands, cannot be waived.

Conditions precedent (v) Walkway Easement and (vi) Connection Easement may be waived by the mutual agreement of the Vendor and the Purchaser on or before the date specified for removal of these conditions.

4.5 Conditions to Closing

The Purchaser's obligation to carry out the transactions contemplated herein is subject to fulfilment of each of the following conditions precedent on or before the Closing Date, unless and to the extent waived in writing by the Purchaser in its sole and absolute discretion:

- (a) all documents required to be executed and delivered to the Purchaser as set out in Article 6 hereunder shall have been so executed and delivered;
- (b) all of the terms, covenants, and conditions of this offer to be complied with or performed by the Vendor at or prior to the Closing Date shall have been complied with or performed;
- (c) the Vendor has provided written evidence that the Property and the Road Closure Lands have been consolidated to create the Purchased Property by final registration of a consolidation plan at the Land Title Office;
- (d) title to the Purchased Property shall be free and clear of all liens, charges, and encumbrances except for the Permitted Encumbrances and those encumbrances being discharged in conjunction with closing and which are the subject of solicitors' undertakings;
- (e) the representations and warranties set out in section 2.1 shall be true and accurate with the same effect as if made on and as of the Closing Date; and
- (f) the performance by the Vendor of the covenants set out in section 3.1 prior to the Closing Date.

4.6 Purchaser's Condition Fee

The Purchaser shall pay to the Vendor the non-refundable sum of \$10.00 (the "Condition Fee") in consideration of the Vendor agreeing to the Purchaser's conditions precedents set forth in sections 4.1 and 4.3. The Vendor hereby acknowledges that such sum of \$10.00 represents good, valuable and sufficient consideration and the Vendor hereby agrees that in consideration thereof, it shall not withdraw or revoke its acceptance of this offer prior to the Subject Removal Date and the Closing Date. The Condition Fee shall not be applied to the Purchase Price.

4.7 Vendor's Condition Fee

The Vendor shall pay to the Purchaser the non-refundable sum of \$10.00 (the "Condition Fee") in consideration of the Purchaser agreeing to the Vendor's conditions precedent set forth in section 4.3. The Purchaser hereby acknowledges that such sum of \$10.00 represents good, valuable and sufficient consideration and the Purchaser hereby agrees that in consideration thereof, it shall not withdraw or revoke its offer prior to the Subject Removal Date and the Closing Date. The Condition Fee shall not be applied to the Purchase Price.

4.8 Waiver and Termination

If the conditions precedent in this Agreement are not satisfied or waived (if waiver is permitted) within the respective times herein provided, this Agreement shall be null and void automatically in which event the Deposit together with accrued interest shall be promptly paid to the Purchaser and neither party shall be under any further obligation to the other except to the extent the Purchaser has unfulfilled obligations under section 3.1(a).

4.9 Written Waiver

Any waiver given hereunder shall be in writing.

ARTICLE 5 - RISK

5.1 The Passing of Risk

The Purchased Property shall be at the risk of the Vendor until completion of the closing under Article 6.

ARTICLE 6 - CLOSING ARRANGEMENTS

6.1 The Closing

The closing of the purchase and sale of the Purchased Property shall take place on that date which is thirty (30) days after the satisfaction or waiver of the last Condition Precedent (the "**Closing Date**").

6.2 Closing Documents

The "**Closing Documents**" are all of the documents referred to in this Article 6.

6.3 Preparation and Execution of Closing Documents

The Closing Documents shall be prepared by the respective counsel for the Vendor and Purchaser, as agreed between them, and the Closing Documents shall be executed by the Vendor and/or Purchaser, as required.

Where a Closing Document is to be executed by both the Vendor and the Purchaser, the Vendor shall execute the Closing Documents after they are executed by the Purchaser.

6.4 Delivery of Closing Documents

The Purchaser shall deliver the following documents to the Vendor before the Closing Date, executed by the Purchaser:

- (a) the Purchaser's GST Certificate; and
- (b) a certified copy of a resolution of the Purchaser confirming that the Purchaser is authorized to enter into this Agreement and to complete the transactions contemplated herein.

On or before the Closing Date, the Vendor shall deliver to the Purchaser the following documents in a form executed by the Vendor:

- (a) a duly executed registrable Form A - Freehold Transfer (the "**Transfer**") transferring the Purchased Property to the Purchaser free and clear of all liens, charges and encumbrances except for the Permitted Encumbrances;
- (b) the Parking Agreement;
- (c) the Option Agreement,
- (d) the Development Covenant,

- (e) the Right of First Negotiation ();
- (f) the Walkway Easement;
- (g) the Connection Easement; and
- (h) any other documents and assurances that may be reasonably required by the Purchaser to give full effect to the intent and meaning of this Agreement,

together with:

- (i) the Discharges; and
- (j) a certified copy of a resolution of the City Council of the Vendor confirming that the Vendor is authorized to enter into this Agreement and to complete the transactions contemplated herein;

all on appropriate undertakings of the Purchaser's Solicitors, including the undertaking that the Closing Documents will be registered in priority to the Mortgage, as defined in section 6.5 (if any).

6.5 Purchaser Financing

If the Purchaser is relying upon a new mortgage to finance the Purchase Price, the Purchaser, while still required to pay the adjusted Purchase Price to the Vendor on the Closing Day, may wait to pay the adjusted Purchase Price to the Vendor until after the new mortgage documents (the "**Mortgage**") have been lodged for registration in the appropriate Land Title Office but only if, before such lodging, the Purchaser has:

- (a) Fulfilled all of the new mortgagee's conditions for funding except lodging the Mortgage for registration; and
- (b) Made available to the Vendor the undertaking of the Purchaser's Solicitors to pay the adjusted Purchase Price upon the lodging of the Mortgage and the advance by the mortgagee of the proceeds of the Mortgage.

6.6 Closing Procedure

On or before the Closing Date, the Purchaser shall pay to the Purchaser's Solicitors in trust the balance of the Purchase Price payable under section 1.3(c), subject to section 6.5. Immediately following receipt of such payment and the documents listed in section 6.4, the Purchaser shall cause the Purchaser's Solicitors to file the following documents in the Victoria Land Title Office as a concurrent all-or-nothing package:

- (a) the Discharges;

- (b) the Transfer, together with the Purchaser's Property Transfer Tax Form and cheque;
- (c) the Option Agreement,
- (d) the Development Covenant,
- (e) the Walkway Easement;
- (f) the Connection Easement; and
- (g) the Mortgage (if applicable).

Immediately following such filing and upon the Purchaser's Solicitors being satisfied with the Purchaser's title after conducting a post-filing for registration check of the Purchased Property in the Victoria Land Title Office, confirming that in the normal course of Land Title Office procedure the Purchaser will be the registered owner of the Purchased Property subject only to the Permitted Encumbrances and those additional encumbrances set out in sub-paragraphs (c), (d), (e) and (f), the Purchaser shall cause the Purchaser's Solicitors to deliver to the Vendor a solicitor's trust cheque made payable to "CITY OF NANAIMO" for the Purchase Price.

6.7 Purchaser's Election

If on the Closing Date any of the representations or warranties made by the Vendor are untrue in any material respect or the Vendor is in default in any material respect under any of the covenants and agreements to be observed or performed by the Vendor under this Agreement, the Purchaser may elect to complete or not to complete the purchase of the Purchased Property under this Agreement, in either case without prejudice to any rights or remedies the Purchaser may have in respect of the Vendor's breach or default.

6.8 Vendor's Election

If on the Closing Date any of the representations or warranties made by the Purchaser are untrue in any material respect or the Purchaser is in default in any material respect under any of the covenants and agreements to be observed or performed by the Purchaser under this Agreement, the Vendor may elect to complete or not to complete the sale of the Purchased Property under this Agreement, in either case without prejudice to any rights or remedies the Vendor may have in respect of the Purchaser's breach or default.

6.9 Payment of Fees

Each party shall pay its own legal fees.

6.10 Possession

The Vendor shall deliver vacant possession of the Purchased Property to the Purchaser on the Closing Date subject only to the Permitted Encumbrances.

ARTICLE 7 - MISCELLANEOUS

7.1 No Fetter on Council

For certainty, nothing in this Agreement contractually requires the Vendor to issue permits or grant approvals, or pass resolutions or bylaws, or take any other steps beyond those expressly required in this Agreement to enable the Purchaser to purchase the Purchased Property or develop, construct or operate the Hotel on the Purchased Property.

7.2 No Obligation to Contract

Where this Agreement contemplates that the Vendor and the Purchaser may enter into any further agreement, nothing in this Agreement commits or obligates the Vendor or the Purchaser to enter into any further agreement, and both parties may bargain and negotiate in their sole and absolute discretions.

7.3 Appointment as Agent

The Vendor hereby appoints the Purchaser as its agent for the purpose of applying for the Development Permit under section 4.1(c)(i) and for the purpose of applying for a Revitalization Tax Exemption Agreement under section 4.1(b)(iv).

7.4 Time

Time shall be of the essence of the Agreement and the transactions contemplated herein.

7.5 Tender

Any tender of documents or money may be made upon the party being tendered or upon its solicitors and money may be tendered by certified cheque, solicitor's trust cheque, or banker's draft.

7.6 Exclusive Agreement

The Vendor shall not negotiate with third parties with a view to entering into a contract of purchase and sale of the Purchased Property, whether as a back-up offer or otherwise, unless this Agreement is terminated and becomes null and void in the event all of the conditions precedent are not waived or satisfied by the First Subject Removal

Date, Second Subject Removal Date, or Third Subject Removal Date, as applicable, or the Closing Date.

7.7 Relationship of the Parties

Nothing herein shall be construed so as to make the Purchaser a partner of the Vendor, or the Vendor a partner of the Purchaser.

7.8 Notice

Any notice to be given under this Agreement shall be in writing and shall be validly given if delivered by hand or courier, transmitted by facsimile or emailed to the parties as follows:

To the Purchaser:

c/o Kahn Zack Ehrlich Lithwick LLP
Suite 270, 10711 Cambie Road
Richmond, British Columbia
V6X 3G5

Attention: Perry S. Ehrlich
Fax No. (604) 270-8282
Email: ehrlich@kzellaw.com

To the Vendor:

455 Wallace Street
Nanaimo, British Columbia
V9R 5J6

Attention: City Manager or Designate
Fax No. 250-755-4421

Email: al.kenning@nanaimo.ca

Notices delivered by hand or courier, are deemed given when delivered. Notices transmitted by facsimile are deemed given when transmitted. Notices emailed are deemed given when receipt of delivery is confirmed.

7.9 Further Assurances

Each of the parties shall, at the cost and expense of the other party, execute and deliver all further documents and do further acts and things that the other party may reasonably request from time to time to give full effect to the Agreement.

7.10 Assignment

The Purchaser shall not be entitled to assign its interest in this Agreement in whole or in part.

7.11 Non-Merger

None of the provisions of this offer shall merge in the transfer of the Purchased Property or any other document delivered on the Closing Date and the provisions of this offer shall survive the Closing Date.

7.12 Commission

The Vendor and the Purchaser confirm that no real estate commission is payable with respect to this transaction. The Purchaser represents that it has not retained, used or dealt with any realtor in respect of this transaction.

7.13 Binding Effect

The Agreement shall enure to the benefit of and be binding upon the parties hereto, their respective successors.

7.14 Extended Meanings

Words importing the singular number include the plural and vice versa and words importing the masculine gender include the feminine and neuter genders.

7.15 Headings

The headings are for convenience of reference only and shall not affect the construction or interpretation of this offer.

7.16 Applicable Law

This Agreement shall be interpreted in accordance with the laws of British Columbia and the laws of Canada applicable therein.

7.17 Entire Agreement

This offer, once accepted, constitutes the entire agreement between the parties with respect to the subject matter hereof and contains all of the representations, and warranties, covenants, and agreements of the respective parties and may not be amended or modified except by an instrument in writing executed by all parties or their solicitors. This offer, once accepted, supersedes all prior agreements, memoranda and negotiations between the parties.

7.18 Schedules

The schedules attached hereto form part of this offer.

7.19 Counterparts

This offer may be executed in any number of counterparts, with the same effect as if all the parties had signed the same document, and will become effective when one or more counterparts have been signed by all of the parties and delivered to each of the other parties. All counterparts will be construed together and evidence only one agreement, which, notwithstanding the dates of execution of any counterparts, will be deemed to be dated the date first above written, and only one of which need be produced for any purpose.

7.20 Execution by Electronic Means

This offer may be executed by the parties and transmitted by facsimile or other electronic means and if so executed and transmitted this offer will be for all purposes as effective as if the parties had delivered an executed original offer.

ARTICLE 8 - DURATION OF OFFER

This offer may be accepted by the Vendor by delivering a copy of this offer with the Vendor's acceptance completed thereon to the Purchaser by no later than 5:00 p.m. on **August 15, 2013** and upon acceptance by the Vendor, this offer shall become a binding agreement for the purchase and sale of the Purchased Property in accordance with the terms hereof, and the Purchaser adopts and agrees to the representations, warranties, covenants, agreements, conditions, and provisos of the Purchaser contained herein.

The Purchaser has executed this offer by its duly authorized signatories at Vancouver, British Columbia, this 4th day of July, 2013

**SSS MANHAO INTERNATIONAL
TOURISM GROUP (CANADA) CO. LTD**

Per: 

Authorized Signatory

VENDOR'S ACCEPTANCE OF OFFER

In consideration of the payment of the Deposit, the Condition Fee and the covenants and agreements of the Purchaser contained in this offer, the Vendor hereby accepts this offer and adopts and agrees to the representations, warranties, covenants, agreements, conditions, and provisos of the Vendor contained herein.

The Vendor has executed its acceptance of this offer by its duly authorized signatories at _____, British Columbia, this ____ day of July, 2013.

CITY OF NANAIMO

Per:

Authorized Signatory

Authorized Signatory

SCHEDULE "A"

DESCRIPTION OF PROPERTY

Those lands with the civic address of 100 Gordon Street, Nanaimo, British Columbia and legally described as:

Parcel Identifier: 026-459-027

Lot 1 Section 1 Nanaimo District and of the Bed of the Public Harbour of Nanaimo Plan
VIP79756

SCHEDULE "B"

PERMITTED ENCUMBRANCES

A. LEGAL NOTATIONS

Subject to exceptions and reservations contained in Order-in-Council Filed D. D. 3570631 as to those parts shown outlined in red on Plan 610 B.L.

Hereto is annexed Easement EL62151 over Lot 1, Plan VIP65156 except parts in Air Space Plans VIP65336 and VIP65337

Easement EL62151 Modified By EM44694

Hereto is annexed Easement EL62152 over Lot 1, Plan VIP65156 except parts in Air Space Plans VIP65336 and VIP65337;

Easement EL62152 Modified By EM44695;

Hereto is annexed Party Wall Agreement EL62160 over Lot 1, Plan VIP65156 except parts in Air Space Plans VIP65336 and VIP65337

B. CHARGES, LIENS AND INTERESTS

Exceptions and Reservations M76300 registered in favour of Esquimalt and Nanaimo Railway Company

Undersurface Rights M76301 registered in favour of Her Majesty The Queen in Right of the Province of British Columbia

Undersurface Rights and other EXC & RES EJ85580 registered in favour of Her Majesty The Queen in Right of the Province of British Columbia

Exceptions and Reservations EX134762 registered in favour of the Crown in Right of the Province of British Columbia

Statutory Right of Way EX134776 registered in favour of British Columbia Hydro and Power Authority

Statutory Right of Way EX134777 registered in favour of TELUS Communications Inc.

Statutory Right of Way FB155912 registered in favour of Terasen Gas (Vancouver Island) Inc.

Statutory Right of Way FB161509 registered in favour of City of Nanaimo

Covenant FB155911 registered in favour of City of Nanaimo

Statutory Right of Way to be granted to BC Hydro and TELUS, with wording to limit area

Statutory Right of Way to be granted to Shaw Cable, with wording to limit area

Statutory Right of Way to be granted to Vendor for fire hydrant, over part in Plan EPP32181

SCHEDULE "C"
PURCHASER'S GST CERTIFICATE

To: CITY OF NANAIMO ("Vendor")


Re: An agreement between the Vendor and SSS MANHAO INTERNATIONAL TOURISM GROUP (CANADA) CO. LTD. ("Purchaser") being an Offer to Purchase dated for reference June 19, 2013 ("Agreement") in respect of the sale and purchase of the parcel in the City of Nanaimo legally described as Parcel Identifier: 026-459-027 Lot 1 Section 1 Nanaimo District and of the Bed of the Public Harbour of Nanaimo Plan VIP79756, plus the area defined in the Agreement as the Road Closure Lands ("Purchased Property")

The Purchaser hereby agrees with the Vendor that:

1. The Purchaser must indemnify and save harmless the Vendor from any GST, penalty, interest or other amounts which may be payable by or assessed against the Vendor under the *Excise Tax Act* ("ETA") as a result of, or in connection with, the Vendor's failure to collect and remit any GST applicable on the sale, and conveyance of the Property to the Purchaser.
2. The Purchaser is registered under Subdivision d of Division V of Part IX of the ETA for the collection and remittance of goods and services tax ("GST") and its registration number is R 840641641RT0001.
3. The Purchaser will remit directly to the Receiver General of Canada the GST payable, and file the prescribed Form GST 60 pursuant to subsection 228(4) of the ETA in connection with the sale and conveyance of the Property.
4. The Property transferred pursuant to the Agreement:
 - (a) is being purchased by the Purchaser as principal for its own account and is not being purchased by the Purchaser as an agent, trustee, or otherwise on behalf of or for another person; and
 - (b) does not constitute a supply of a residential complex made to an individual for the purposes of paragraph 221(2) of the ETA.

Dated this 4th day of July, 2013.

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



 Authorized Signatory