

EXHIBIT "E"

INCOME TAX MATTERS

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The following discussion is for the benefit of purchasers of Hotel Units who will be required to assume the obligations as a Hotel Unit owner under the Hotel Management and Rental Pool Agreement. This information is of a general nature only. It is not intended to be exhaustive or to constitute legal or tax advice and should not be considered a substitute for careful tax planning. Accordingly, purchasers of Hotel Units are urged to consult their own tax advisors with respect to the income tax and goods and services tax considerations applicable to them in their own particular circumstances.

The comments below are based upon the current provisions of the *Income Tax Act* ("Tax Act") and the *Excise Tax Act* and regulations thereunder as well as the proposals that have been announced publicly to amend the *Income Tax Act* and *Excise Tax Act*. Readers are cautioned that amendments to the Tax Act or the *Excise Tax Act* may significantly affect its contents.

General

There will be income tax and goods and services tax ("GST") consequences to purchasers of the Hotel Units. The tax consequences to any particular purchaser of acquiring, holding and disposing of a Hotel Unit will vary depending on a number of factors such as the purchaser's country of residence and whether the purchaser is an individual, corporation or trust. The following commentary assumes that the purchaser is an individual and a resident of Canada for income tax purposes unless otherwise noted.

Rental Pool Income (Loss)

The revenue and expenses generated from the operation of the hotel will be allocated to the owners of the Hotel Units based on the Hotel Management and Rental Pool Agreement. These allocations will be a starting point for each Hotel Unit owner to determine the income or loss to be reported by them for income tax purposes in connection with the ownership of the Hotel Unit. The net income or loss as allocated from the Rental Pool may be subject to adjustments for interest expense, capital cost allowances, financing and other expenses incurred by the owners of the Hotel Units.

Interest Expense

Reasonable interest costs incurred by purchasers on money borrowed in connection with the acquisition of a Hotel Unit would be deductible in determining the income or loss from the Rental Pool for income tax purposes. No deduction is allowed for the repayment of the principal portion.

Capital Cost Allowance

Owners whose Hotel Units are treated as capital property for income tax purposes may be able to claim capital cost allowance to reduce income from the Rental Pool operations. The purchase price of the Hotel Unit is to be allocated reasonably between the cost of non-depreciable capital property, such as land, and depreciable capital properties, including buildings, furniture, fixtures and equipment. Deductions of capital cost allowance may be claimed at the discretion of the owner of each Hotel Unit to the extent permitted under the Tax Act. Generally speaking, capital cost allowances cannot be claimed if the result is to create or increase the amount of a loss (after taking into account all other deductions relating to the Rental Pool that may have been incurred by the Hotel Unit owner) from the Rental Pool. Maximum annual deductions are calculated on a declining balance basis on the undepreciated capital cost at the rate of 4% per annum for buildings and 20% for furniture and equipment. For most capital cost classes, the maximum amount deductible in the year of acquisition is

one-half that normally allowed. No capital cost allowance is available on land or on property that is not capital property.

Financing Costs

Reasonable costs incurred by purchasers in the course of arranging financing such as legal and appraisal fees are deductible in determining the income or loss from the Rental Pool over five years on a straight-line basis (pro-rated for short fiscal periods).

Tax Reporting

Owners of Hotel Units will be required to report their Rental Pool related income or loss and, subject to any specific arrangements with the Manager, GST to Revenue Canada on a timely basis, depending on the filing requirements in their particular circumstances. Failure to do so may cause penalties and interest to be assessed. Corporations acquiring Hotel Units may become liable for British Columbia Corporation Capital Tax and if so a separate tax return is required to be filed.

Owners' Personal Usage

The income tax treatment of a Hotel Unit and the income or loss from the Rental Pool may be altered to the extent to which a Hotel Unit is not "In the Rental Pool" as permitted under the Hotel Management and Rental Pool Agreement. If the Hotel Unit is used personally, any loss (after taking into account the various deductible expenses that may have been incurred by the Hotel Unit owner) from the Rental Pool arising while the Hotel Unit was "In the Rental Pool", may or may not be deductible for income tax purposes.

Non-Resident Owners

Owners of Hotel Units who are not residents of Canada for income tax purposes may be subject to withholding taxes.

Disposition of Hotel Units

Owners whose Hotel Units are treated as capital property must allocate the net proceeds on disposition between land, buildings and equipment on a reasonable basis.

A capital gain will result to the extent that the net proceeds exceed the original cost for each class of property.

Recapture of capital cost allowance previously claimed may result if the net proceeds allocated to the capital cost class exceed the undepreciated capital cost. Any such recapture would be fully included in computing the income or loss from the Rental Pool. If net proceeds are less than the undepreciated capital cost for that class and all property of that class has been disposed of, subject to the comment below, the difference would be a terminal loss which would be fully deductible in computing the income or loss from the Rental Pool.

If the disposition of a Hotel Unit results in a capital gain on the land and a terminal loss on the buildings, a portion of the net proceeds allocated to land may be deemed by the Tax Act to be reallocated to the building thereby reducing the terminal loss to zero and the capital gain by an equivalent amount.

A capital loss will be realized if net proceeds are less than the adjusted cost base of the land.

For owners whose Hotel Units are not capital property, the difference between the net proceeds and the carrying costs of the Hotel Units would be an income gain or loss in the year of disposition.

Goods and Services Tax (GST)

The developer will charge GST to purchasers of Hotel Units based on the sales price. However, provided that purchasers are properly registered for GST and appropriate forms are filed, GST will not need to be collected at the time of completing the transaction. It is important that purchasers who are not already registered for GST do so before completing the purchase.

Generally, the GST payable by the purchaser would be offset by a resulting input tax credit so that no net GST would be payable provided that the purchaser is registered and provided that the Hotel Unit is used in the Rental Pool. The owner would generally have to charge GST on the re-sale of the Hotel Unit.

GST must be charged on the revenue of the Rental Pool. GST incurred on the expenses of the Rental Pool operations may be recovered as an input tax credit. The mechanics of how GST returns are filed in respect of the Rental Pool operations will depend upon the arrangements made between the Hotel Unit owners and the Manager of the Rental Pool, as well as the Canada Revenue Agency's administrative policy regarding this type of investment.