

GALENA SHORES

DISCLOSURE STATEMENT

Real Estate Development Marketing Act

Name of Developer: ALDL GALENA BAY LIMITED PARTNERSHIP

Address for Service: c/o Davidson Lawyers LLP
4th Floor, 3205 - 32 Street
Vernon, British Columbia V1T 2M4

Business Address of Developer: c/o 220 Edenwold Drive NW
Calgary, AB T3A 3S3

Real Estate Agent: The Developer intends to use its own employees to market the strata lots. The Developer's employees are not licenced under the *Real Estate Services Act* and are not acting on behalf of the purchaser. The Developer may elect to engage the services of a realtor of its own choice to market the strata lots at some point in the future.

Date of Disclosure Statement: June _____, 2009

DISCLAIMER

This Disclosure Statement has been filed with the Superintendent of Real Estate, but neither the Superintendent, nor any other authority of the government of the Province of British Columbia, has determined the merits of any statement contained in the Disclosure Statement, or whether the Disclosure Statement contains a misrepresentation or otherwise fails to comply with the requirements of the *Real Estate Development Marketing Act*. It is the responsibility of the developer to disclose plainly all material facts, without misrepresentation.

This Disclosure Statement relates to a development property that is not yet completed. Please refer to section 7.2 for information on the purchase agreement. That information has been drawn to the attention of _____, who has confirmed that fact by initialling in the space provided here: _____

RIGHT OF RESCISSION

Under section 21 of the *Real Estate Development Marketing Act*, the purchaser or lessee of a development unit may rescind (cancel) the contract of purchase and sale or contract to lease by serving written notice on the developer or the developer's brokerage, within 7 days after the later of the date the contract was entered into or the date the purchaser or lessee received a copy of this Disclosure Statement.

A purchaser may serve a notice of rescission by delivering a signed copy of the notice in person or by registered mail to

- (a) the Developer at the address shown in the disclosure statement received by the purchaser,**
- (b) the Developer at the address shown in the purchaser's purchase agreement,**
- (c) the Developer's brokerage, if any, at the address shown in the Disclosure Statement received by the purchaser, or**
- (d) the Developer's brokerage, if any, at the address shown in the purchaser's purchase agreement.**

The Developer must promptly place purchasers' deposits with a brokerage, lawyer or notary public who must place the deposits in a trust account in a savings institution in British Columbia. If a purchaser rescinds their purchase agreement in accordance with the Act and regulations, the Developer or the Developer's trustee must promptly return the deposit to the purchaser.

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1 THE DEVELOPER

- 1.1 ALDL Galena Bay Limited Partnership (the "Developer") was registered in the Province of Alberta on February 16, 2007.
- 1.2 The Developer was specifically created for developing the strata lots. The Developer has no other assets in addition to the development property.
- 1.3 Arrow Lakes Developments Ltd. (the "General Partner") is the general partner of the Developer and was incorporated in the Province of Alberta on September 29, 2006 under Incorporation Number 2012716847 and was registered extra-provincially in British Columbia on May 1, 2007 under number A0071036.
- 1.4 The General Partner was not incorporated specifically for developing the strata lots to be marketed under this Disclosure Statement. The General Partner has assets other than the development property.
- 1.5 The Developer's office for delivery in British Columbia is located at c/o Gowling Lafleur Henderson LLP, 2300 – 1055 Dunsmuir Street, P.O. Box 49122, Vancouver, British Columbia V7X 1J1 Attention: Irene M. Stewart
- 1.6 The General Partner's registered and records office is located at c/o Gowling Lafleur Henderson LLP, 1200 Scotia Center, 700 2nd Street SW, Calgary, Alberta T2P 4V5 Attention: Bob Hagerman. The attorney for service of the General Partner is Robert Hagerman, Gowlings Lafleur.
- 1.7 The only directors of the General Partner are Lindsay Moir and Gordon Moir.
- 1.8 The directors of the General Partner have combined experience of approximately 35 years in real estate and real estate development in Alberta and Texas, including fee simple subdivisions, strata developments and single family and multi-family residential construction.

Neither the Developer, the General Partner nor any of their respective directors, officers or principals, has within 10 years prior to the date of the Developer's Declaration attached to this Disclosure Statement, been subject to any penalties or sanctions imposed by a court or regulatory authority relating to the sale, lease, promotion or management of real estate or securities, or to lending money secured by a mortgage of land, or to arranging, administering or dealing in mortgages of land, or to theft or fraud.

Neither the Developer, the General Partner nor any of their respective directors, officers or principals, has five years prior to the date of the Developer's Declaration attached to this Disclosure Statement, been declared bankrupt or made a voluntary assignment into bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency or has been subject to or instituted any proceedings, arrangements or compromise with creditors or had a receiver, receiver/manager or trustee appointed to hold the assets of that person.

Neither the Developer, the General Partner nor any of their respective directors, officers or principals, has within the five years prior to the date of the Developer's Declaration attached to this Disclosure Statement, been a director, officer or principal holder of any other developer, while that person was acting in that capacity, that:

- (a) was subject to any penalties or sanctions imposed by a court or regulatory authority relating to the sale, lease, promotion, or management of real estate or securities, or to lending money secured by a mortgage of land, or to arranging, administering or dealing in mortgages of land, or to theft or fraud, and describe any penalties or sanctions imposed, or
- (b) was declared bankrupt or made a voluntary assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency or been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

- 1.9 The Developer is not aware of any existing or potential conflicts of interest between the Developer, manager, any directors, officers or limited partners of a of the Developer and manager, any directors and officers of the principal holders, and any person providing goods or services to the Developer, manager or holders of the development units in connection with the Development which could reasonably be expected to affect the purchaser's purchase decision.

2 GENERAL DESCRIPTION

2.1 General Description of the Development

The Development is a bare land strata development that will consist of 60 bare land and strata lots. The general layout of the development is shown on the Proposed Phase 1 Strata Plan attached as Exhibit A.

The Development will contain common facilities as described in section 3.3.

The Development's street address is 750 Ward Road, Galena Bay, British Columbia V0G 1R0. The Development is located on Upper Arrow Lake, British Columbia in Galena Bay off of Ward Road on the east side of Upper Arrow Lake. Access to the Development is by way of provincial Highway 23 onto Hill Creek Road.

2.2 Permitted Use

Use of each of the strata lots is also subject to the bylaws of the strata corporation which will be created by registration of the Strata Plan creating the strata lots (for further information concerning the Strata bylaws, please see Part 3).

Use of each of the strata lots is also subject to the restrictions contained in the Zoning Bylaw and Building Bylaw of the Columbia Shuswap Regional District (the "Regional District") within whose jurisdiction the Development is located. The Development is currently not zoned.

The Regional District has issued the Developer a Development Permit allowing for the Development as contemplated by this Disclosure Statement. Specifically, the Development Permit contemplates a Residential Cluster Development permitting single detached housing with accessory suites. A copy of the development permit is attached as Exhibit B.

The strata lots are intended for single family residential use.

2.3 **Building Construction**

The purchaser of a strata lot is responsible for the construction of improvements on the Strata Lot, which shall be in accordance with the terms and conditions of the Design Guidelines attached as Exhibit G and which will form part of the Purchase Contract (please see section 7.2). The Design Guidelines require approval of building plans by the Developer prior to the commencement of any construction on a strata lot. To ensure purchasers comply with the Design Guidelines, the Developer may re-purchase the Strata Lot in accordance with the Option to Purchase attached as Exhibit H and which will be registered on title to the Strata Lot at the closing of the purchase transaction.

Presently, building permits are not required prior to the commencement of construction of a housing unit on a Strata Lot. However, the Regional District may, in the next 1 to 2 years, change its policy and impose a requirement for building permits.

2.4 **Phasing**

The Development is not part of a phased strata plan. (A phased strata plan is a development which is constructed and completed in parts called phases. As a strata plan for each phase is registered in the Land Title Office, all phases become one strata corporation.) However, the Developer reserves the right to proceed by way of a phased strata plan. In such event, the Developer will be required to obtain the approval of the Provincial Approving Officer, as evidenced by the signature of the approving officer on a Form P Phasing Declaration, and will then file an amendment to this Disclosure Statement.

3 **STRATA INFORMATION**

3.1 **Unit Entitlement**

The Unit Entitlement for each strata lot is a whole number that is equal for all strata lots. A copy of the *Strata Property Act* Form V Schedule of Unit Entitlement (showing unit entitlement for all strata lots in all phases in the Development) is attached as Exhibit C. The Unit Entitlement of a strata lot is a number that is used in calculations to determine

the strata lot's share of the common property and common assets, as well as the strata lot's share of the common expenses and liabilities of the Strata Corporation.

3.2 **Voting Rights**

Each strata lot will have one vote at annual or special general meetings of the Strata Corporation. However, the bylaws of the Strata Corporation provide that a vote for a strata lot may not be exercised except on matters requiring a unanimous vote if the Strata Corporation is entitled to register a lien against the strata lot under Section 116(1) of the *Strata Property Act* by reason of the owner's failure to pay the Strata Corporation strata fees, a special levy, a reimbursement of the cost of work referred to in Section 85 of the *Strata Property Act* or the strata lot's share of a judgement against the Strata Corporation.

3.3 **Common Property and Facilities**

The common property of the Strata Corporation will consist of the roads, utilities infrastructure and landscaped areas within the Development. The common facilities of the Development will include an Activity Centre, three parks and a water feature that carries spring water and other water off of the Development property and into Arrow Lake. Use of the common property and the common facilities will be governed by the bylaws and rules of the Strata Corporation.

3.4 **Limited Common Property**

No limited common property will be designated on the strata plan. Designations of limited common property (areas within the common property of the strata plan designated for the exclusive use of one or more strata lot owners) may be made hereafter by an amendment to the Strata plan under Sections 257 or 258 of the *Strata Property Act* or by a resolution passed at an annual or special general meeting by a three-quarter (3/4) vote under Section 74 of the *Strata Property Act*.

3.5 **Bylaws**

The Bylaws of the Strata Corporation are attached as Exhibit D.

The Bylaws restrict pets to not more than 3 cats or 3 dogs (or a combination of each totalling not more than three). The Bylaws also limits the ability of an owner to carry-on a trade or business from a Strata Lot. The Bylaws require the construction and use of all residential dwellings to comply with the Design Guidelines which are attached as Exhibit G.

All of the Strata Lots are residential strata lots and none of them have been designated as different types of strata lots. Therefore the bylaws of the strata corporation do not provide for separate sections.

3.6 **Parking**

The Developer will provide for a total of 20 guest parking stalls within the common property of the Development, which will be located primarily at the Activity Centre and at the beach. Parking in these areas will be restricted to those times when the occupants of the vehicle are using the Activity Centre or the beach. Additionally, a limited number of parking will be made available along Boat Launch Way. The parking along Boat Launch Way is only to be used while a boat is being launched, after which all vehicles and trailers are to be moved to a designated parking area.

No other parking privileges have been allocated by the Developer to any individual owner on common property other than the driveways for the strata lots which form part of the strata lots or within any garage forming part of a dwelling unit constructed on a strata lot. Parking on a strata lot will be subject to the provisions of the Statutory Building Scheme.

Following registration of the Strata Plan, the Strata Corporation may give an owner or tenant permission to exclusively use, or a special privilege in relation to, common assets or common property that is not designated as limited common property. However, such permission or privilege may be given for a period not exceeding one year and may be subject to conditions.

3.7 **Furnishings and Equipment**

No furnishings or equipment will be included in the purchase price of a strata lot.

3.8 **Budget**

A copy of the interim budget for the Strata Corporation for the 12 month period beginning the first day of the month following the month in which the first conveyance of a strata lot to a purchaser occurs is attached as Exhibit E and provides particulars of how common expenses will be allocated among the individual strata lot owners. The budget gives particulars of estimated operating expenses of the Strata Corporation for all of the strata lots in all phases for the 12 month period, as well as the contribution to the contingency reserve fund for that period. At the time of the first conveyance of a strata lot to a purchaser the Developer will pay into the contingency reserve fund an amount not less than 5% of the annual operating expenses of the Strata Corporation as shown in the interim budget. The Developer must pay the Strata Corporation's expenses up to the end of the month in which the first conveyance of a strata lot to a purchaser occurs.

3.9 **Utilities and Services**

(a) **Electricity**

It is anticipated electrical services will be provided to the Development by BC Hydro. It is the responsibility of each purchaser to apply to BC Hydro to connect to the services and to pay all connection and user fees and charges.

(b) **Telephone**

It is anticipated telephone services will be provided to the Development by Telus. It will be the responsibility of each purchaser to apply to Telus to connect to the services and to pay all connection and user fees and charges.

(c) **Water**

Domestic water service is provided to the Development by way of a community water system based on two drilled wells along the eastern boundary of the development property, and which is to be constructed by the Developer. Ownership and control of the water system will be transferred by the Developer to the Regional District on completion of the subdivision. The Strata Corporation to be created by the deposit of the Strata Plan and each strata lot within the Strata Plan will be required to obtain its water from this community water system. Each strata lot owner will be responsible for the payment of standard user fees and charges, which will be directly billed by the Regional District to each strata lot owner.

(d) **Sewerage**

It is anticipated a sewage disposal system will be provided by way of a community sewage system to be constructed within the development and consisting of a separate sewer system for each strata lot connected to a sewer system of pipes, valves and other pertinent works of services to convey sewage from the strata lot to a common sewage effluent disposal field to be located within the common property of the Development. The owners of each strata lot will be responsible for the costs to maintain, repair and operate the community's sewer system, which will be included in the monthly strata fees payable by each owner.

(e) **Natural Gas**

It is not expected for natural gas service to be provided to the Development.

(f) **Fire Protection**

It is anticipated fire protection service will be the responsibility of the Strata Corporation. This means fire protection will be a collective effort on the part of all owners of strata lots within the Development.

(g) **Cablevision**

It is not expected for cable vision service to be provided to the Development. However, satellite services are available for Internet and television in the area surrounding the Development. If such services desired, each strata lot owner will be responsible for purchasing and installing necessary equipment on and in the dwelling unit constructed on their strata lot. Installation of such equipment must comply with the relevant provisions of the Design Guidelines.

(h) Access

Access to the Development is gained from Ward Road, which connects to provincial Highway 23 via Hill Creek Road.

3.10 Strata Management Contracts

The Developer intends to enter into a strata management contracts with the General Partner, for a two-year term, whereby the General Partner will provide strata management, landscape maintenance and snow removal services on a fee-for-service basis.

3.11 Insurance

As there is limited construction on the Development as of the date of this Disclosure Statement, the Developer has taken out a policy of liability insurance for the Development through ING Insurance Company of Canada, in the amount of \$2,000,000.00. This policy will be updated from time to time to account for development activities, such as the installation of works and services on the Development. After the Phase 1 subdivision plan is filed, appropriate insurance will be taken out in favour of the Strata Corporation.

3.12 Rental Disclosure Statement

There are no restrictions on the rental of any of the strata lots. Rentals of any dwelling on a strata lot will be subject to the Bylaws and to the provisions of the Strata Property Act of British Columbia.

4 TITLE AND LEGAL MATTERS**4.1 Legal Description**

The legal description of the property on which the Development will be constructed is currently the following:

Parcel Identifier: 011-096-543

District Lot 8682, Kootenay District, except (1) Parcel A (Sketch Plan 41801) and (2) Parts included in Plans 7630 and 10512

In order to follow the bare land strata plan, an interim subdivision plan must first be filed in order to create a single parcel of land as required by the Strata Property Act. This single parcel will include all of the land shown on the proposed subdivision plan attached as Exhibit A.

4.2 Ownership

The General Partner, as the General partner of the Developer, is the registered owner in fee simple of the Development property.

4.3 **Existing Encumbrances and Legal Notations**

The legal notations and existing encumbrances to which the purchaser's title will be subject are set out and summarized in Exhibit I.

4.4 **Proposed Encumbrances**

The particular of proposed encumbrances to which the purchaser's title will be subject are set out in summarized in Exhibit J.

4.5 **Outstanding or Contingent Litigation or Liabilities**

There are no outstanding or contingent liabilities relating to or affecting the Development.

4.6 **Environmental Matters**

It is expected a restrictive covenant in favour of the provincial government will be registered against title to those strata lots adjacent to Arrow Lake requiring any construction be at least 30 m from the natural boundary of Arrow Lake in order to mitigate potential flooding hazards and to protect and preserve natural vegetation. As except as described in Exhibit I, BC Hydro is the owner of a Statutory Right of Way permitting flooding of the Development Property below the "safe line" described in registered Statutory Right of Way V3342.

Other than the foregoing, there are no known dangers nor any requirements imposed by the Regional District or other government authorities, relating to flooding of or to the condition of the soil and subsoil of the Development.

5 **CONSTRUCTION AND WARRANTIES**

5.1 **Construction Commencement Dates**

Commencement of construction of the subdivision works and the creation of the strata lots is expected to commence by fall 2009.

5.2 **Warranties**

There are no warranties given with respect to the strata lots.

5.3 **Previously Occupied Building**

The Development is a bare land strata development and does not involve the conversion of any existing building into strata lots.

6 **APPROVALS AND FINANCES**

6.1 **Development Approval**

The creation of the proposed strata lots for the Development has been approved by the Regional District by the issuance of the Development Permit.

6.2 Building Permits

As noted in section 2.3, Building Permits are not presently required prior to the commencement of construction of a dwelling unit on any strata lot, though this may change in the future.

6.3 Construction Financing

The Developer has sufficient financial reserves to complete construction of the utilities and roads associated with the strata lots. The Developer reserves the right to arrange financing and grant such security as may be necessary.

7 MISCELLANEOUS

7.1 Deposits

All monies received by the Developer from a purchaser of a strata lot within the Development will be held in trust by a lawyer or licensed realtor in the manner required by the *Real Estate Development Marketing Act* until the occurrence of all of the following circumstances:

- (i) the proposed Strata Plan is deposited in the Kamloops Land Title Office;
- (ii) the strata lot is capable of being occupied as a bare land strata lot; and
- (iii) an instrument evidencing the interest of the purchaser in the Strata Lot has been submitted for registration in the Kamloops Land Title Office.

7.2 Purchase Agreement

- (a) A copy of the Developer's standard form of Purchase Agreement (the "Contract") is attached as Exhibit J. The Developer reserves the right at any time to amend or replace this form of the Contract or agree on other terms and conditions with any purchaser, in the Developer's sole discretion.
- (b) If the strata lot is not ready to be occupied by the Completion Date, the Contract allows the Developer to, in its sole discretion, extend the Completion Date from time to time, until the strata lot is ready to be occupied.
- (c) The Contract allows the Developer to terminate the Contract if the Purchaser fails to pay a deposit when due or if the strata lot is not ready to be occupied by December 31, 2010.
- (d) A purchaser may not assign the Contract without the prior written consent of the Developer, who must not withhold such consent unreasonably. However, there must be a form of assignment agreement satisfactory to the Developer and an assignment fee of \$5,000 must be paid to the Developer.
- (e) The Purchase Agreement does not provide for the payment of interest on any deposit monies paid by the Purchaser.

7.3 Developer's Commitments

There are no other commitments made by the Developer that will be met after the completion of the sale of a unit in the Development.

7.4 Other Material Facts

- (a) The Developer may, concurrent with the deposit of the subdivision plan in respect of the Development, grant an easement for access and services (sewer, water, electrical, etc.) to the owner of Parcel A (Sketch Plan 4180I), District Lot 8682, Kootenay District which lies adjacent to the Development Property to the northwest. In such case, the Developer will enter into a servicing contract with the owner of this property whereby consideration will be paid to and control retained by the Developer with respect to the use of this easement and the construction of services thereon. The Strata Corporation may, if necessary, be a party to such an agreement, though the use and enjoyment of any particular strata lot will not be affected by such an agreement.
- (b) The Developer may also enter into a servicing contract in respect of the servicing of two large parcels of land immediately to the south of the Development Property. The terms and conditions of such a contract would be similar to those referred to in paragraph 7.4(a), including the joining of the Strata Corporation as a party to such an agreement. The use and enjoyment of any particular strata lot will not be affected by such an agreement.
- (c) The Developer will retain an option to purchase from the Strata Corporation those parts of the Development Property described as A3 (the "Option Lands") on the proposed subdivision plan attached as Exhibit A. If the Developer exercises this option it intends to develop the Option Lands for residential use and connect the proposed lots or parcels created from the Option Lands to the sewer, water and other utility and road services of the Development. The purchase price to be paid to the Strata Corporation in the event this option is exercised will be an amount equivalent to 1/3 of the net profit received by the Developer in respect of the Option Lands, which will be defined as the aggregate of amounts received on account of the gross sale price of the lots or parcels into which the Option Lands are subdivided, less development costs (being all costs

associated with the purchase of the Option Lands, site preparation, construction of improvements on the Option Lands, together with financing costs from the purchase of the Option Lands to the completion of construction of the Option Lands), real estate commissions, any adjustment for property taxes, utility costs and other matters customarily the subject of adjustment in British Columbia, and the Developer's legal costs relating to such sales.,

CAUTION

Section 22 of the *Real Estate Development Marketing Act* provides that every purchaser who is entitled to receive this Disclosure Statement is deemed to have relied on any false or misleading statement of a material fact contained in this Disclosure Statement, if any, and any omission to state a material fact. The developer, its directors and any person who has signed or authorized the filing of this Disclosure Statement are liable to compensate the purchaser for any misrepresentation, subject to any defences available under section 22 of the Act.

DECLARATION

The foregoing statements disclose, without misrepresentation, all material facts relating to the Development referred to above, as required by the *Real Estate Development Marketing Act* of British Columbia, as of June _____, 2009.

Lindsay Moir

Director

Arrow Lakes Developments Ltd.

Gordon Moir

Director

Arrow Lakes Developments Ltd.

ALDL Galena Bay Limited Partnership,

by its General Partner

Arrow Lakes Developments LTD.

Per: _____
Authorized Signatory

EXHIBIT A

Proposed Strata Subdivision Plan

(see attached)

EXHIBIT B

Development Permit

(see attached)

EXHIBIT C

Schedule of Unit Entitlement

(see attached)

EXHIBIT D

Bylaws of the Strata Corporation

(see attached)

EXHIBIT E

Interim Budget of the Strata Corporation

(see attached)

Exhibit F

Existing Encumbrances and Legal Notations

Legal Notations

1. LB299493 which confirms the issuance of the Development Permit by the Regional District pursuant to the local Government act of British Columbia. The development permit Set permits the development of the development property as described in this Disclosure Statement.

Encumbrances

1. Statutory Right of Way V3342 in favour of British Columbia Hydro and Power Authority. This Statutory Right of Way relates to various dams constructed by B.C. Hydro along the Columbia River and grants B.C. Hydro a right to flood and restrict development of those portions of the Development Property located below the safe line set on described on a sketch plan of the Development Property attached to this Statutory Right of Way.
2. Mortgage CA431706 in favour of John Lillace . This mortgage has a original principal amount of \$500,000. This Mortgage will be paid out and discharged from the title to each of the strata lots to be created from the Development Property prior to or as they are sold.

EXHIBIT G

Design Guidelines

(see attached)

Exhibit H

Option to Purchase

(see attached)

EXHIBIT I

Proposed Encumbrances

1. The restrictive covenant described in section 4.6.
2. Any easement over a strata lot or the common property of the Strata Corporation required for the construction of utilities and provision of road access to the Development.
3. Such easements, statutory rights-of-way and rent charges as may be required for the provision of utilities to the Development and the strata lots.
4. Such restrictive covenants in favour of the Regional District as the Regional District may require in respect of the provision of parkland.
5. The Option to Purchase.
6. The easements which may be granted in favour of lands adjoining the Development Property as described in section 7.4.

EXHIBIT J

Purchase Agreement

(see attached)