

**DEVELOPMENT AGREEMENT
and PROTECTIVE COVENANTS**

GRANITE HILLS ESTATES

THIS AGREEMENT made in duplicate this

day of

BETWEEN:

4553994 MANITOBA LTD.,

(Hereinafter called "the Grantor")

- and -

(Hereinafter called "the Grantee" or the "Purchaser")

WHEREAS it is the intention of 4553994 Manitoba Ltd., operating as Granite Hills Estates and Granite Hills Golf Course, to establish in the R.M. of Lac du Bonnet, in the Province of Manitoba, a residential community which is in harmony with its wilderness setting and to ensure that the natural beauty and resources of this community are protected for the use and enjoyment of all current and future residents.

AND WHEREAS the Grantor is registered owner of the lot hereinafter described and has sold said lot to the Grantee. The legal description of the said lot is as follows:

Lot [redacted] Block [redacted] Plan 42740 WLTO
exc all mines and minerals and other matters
as set forth in The Crown Lands Act
in Frac 26-16-12 EPM

AND WHEREAS the burden of this covenant shall run with the land hereinbefore described and be in force for a period of fifty (50) years from January 01, 2003. The Grantor and the Grantee do hereby respectively covenant and agree with each other, and, as to the Grantee, with the owner or owners from time to time of any other building lot to which the benefit and burden of the following stipulations, restrictions and provisions is attached and their, his, her, or its respective representatives, successors, assigns, to observe, perform and comply with the following building and other restrictions.

NOW THEREFORE the Grantor and the Grantee agree as follows:

1. The Grantee agrees to become part of a neighborhood association for the purpose of maintaining the interests of the majority of lot owners in the subdivision as it applies to the operation and maintenance of the subdivision, boat launch/beach area and domestic potable water supply system. This neighborhood association shall have no authority in any way over the operation of the business of the Grantor where it applies to the golf course or any other business or ventures the Grantor may see fit to establish or operate outside of the subdivision, boat launch/beach area and the domestic potable water supply system. The neighborhood association will be operated through a "not-for-profit" limited company which will be established by the Grantor with the intention of turning the not for profit company over to the control of the neighborhood association. Once 85 lots are sold, the neighborhood association shall elect an executive, one member shall be a representative assigned by the Grantor, and other members as it sees fit from the lot owners within the Granite Hills subdivision, and form a constitution or charter and appropriate by-laws to govern the neighborhood association. Together with the Grantor, the neighborhood association will make all decisions regarding these covenants and the use of the land set aside for a boat launch and beach area at the west end of Blocks 1 and 6 and the domestic potable water supply system. Changes to be made to any covenant must have 70% of the votes cast on the basis of one vote per lot. The Grantor's representative will have veto rights over any changes that may be viewed by the Grantor to negatively effect the Grantor's

business. The neighborhood association will not come into effect until the Grantor has sold at least 85 lots. Until such time as 85 lots have been sold, the Grantor reserves the exclusive rights to amend this Agreement from time to time as required.

2. The Grantor shall have the right to assign any or all powers, covenants and rights hereunder to the neighborhood association and in the event of such assignment, the term "Grantor" herein shall be deemed to refer to the neighborhood association in regard to the specific covenant or covenants assigned.

3. Construction - All residences and structures including garages, sheds, fences, etc on the building lot must meet local building codes and be constructed and pass inspection under the authorization of a building permit. Ready to move (RTM) homes are allowed provided they were constructed in Manitoba and meet the other requirements of this Agreement. Relocation of an existing home will require inspection and approval of the Municipal Inspector prior to moving and must meet the other requirements of this agreement. Mobile homes (trailers) are not allowed. The R.M. of Lac du Bonnet has building code standards and regulations, which must be adhered to as a *minimum*. Within this Development Agreement there are also standards and regulations. In the event of a conflict, the more stringent regulation shall apply.

4. All one-storey residences must have an interior floor area of at least 1,000 square feet; all two-storey homes must be a minimum of 1,800 square feet on two floors, excluding garages, carports, breeze ways, patios, and the like.

5. No more than one driveway or approach is permitted to each building lot and no driveway or approach may have more than one access to the roadway. All driveways will require a permit from the R.M. of Lac du Bonnet and a metal culvert and placement as outlined in the Municipal Standards and this cost is the responsibility of the lot owner. The approved culverts and crossings shall be installed by May 30, 2007 for all lots sold prior to that time.

6. Each driveway where it enters the roadway shall have a permanent marker indicating the lot number of the property. The R.M. of Lac du Bonnet may require additional numbering with reference to the local 911 numbering scheme.

7. All buildings are to be constructed with new materials. The only exception to this requirement is that reclaimed brick will be allowed for veneer.

8. All residences must be designed and constructed in such a way as to form an attractive and integral part of their environment. It is strongly desired that exterior finishes be a natural material, preferably from a renewable resource such as stucco, brick, wood and of a color complementary with a natural environment (earth tones). However, due to its popularity vinyl siding, will be allowed providing the colors are complementary of the natural environment, based on earth tones.

9. If metal chimneys are considered for use, they shall be enclosed or encased in the same material as the exterior finish if permissible by code.

10. Exterior structures, such as any detached building (garage or shed) must be constructed with the same exterior finish material and the same roofing materials as the primary residence using earth tone colors.

11. Portable or instant type sprung structures (vinyl, plastic, cloth material stretched over ridged metal pipe or wood) are not allowed on the building lot. (These types of structures are often referred to as instant garages, or instant storage units).

12. All building lots must be hand cleared of trees and vegetation. Clearing of building lots by mechanical means (caterpillar, loader, and the like) will not be allowed. All undergrowth, small bushes, branches and twigs must be hauled to the local landfill or may be burned only under the permission of a burning permit during the period of time when snow is present on the ground. See note #1 on Schedule "A" attached hereto.

13. Mature trees that have been cleared for building lot development can be piled and stored for firewood. The materials shall be neatly piled in such a manner that it is not easily viewed from the roadway or adjoining lots. This material shall be cut and split as required and shall be consumed within 3 years of the original clearing. See note #2 on Schedule "A" attached hereto.

14. The elevation of the building lot shall not be changed so as to materially affect the surrounding lots with regards to drainage and aesthetics. Perching and drainage slope angles around the residence must conform to the Municipal Standards.

15. All landscaping will be completed within one year of completion of the exterior of the residence. Lot owners will be responsible for the regular cutting and keeping neat the drainage ditch on their frontage. This includes grass cutting and weed removal. For unsold lots, the Grantor will maintain the drainage ditch.

16. The dwelling and property are to be kept in a neat and tidy condition at all times to the reasonable satisfaction of the Grantor.

17. All residences must have holding tanks for sanitary sewage. Septic fields are not allowed. Grey water fields will be allowed providing they are permissible by the municipal regulations at the time of construction.

18. No signs, billboards or other advertising matter of any kind (except the ordinary signs offering for sale or rent the lands and the buildings thereon) shall be placed on any part of the said lands or upon any buildings or on any fence, tree or other structure on said lands.

19. Water wells are allowed but are not practical in the area. The Grantor is in the process of applying for potable water distribution system supplied from the nearby lake, under the authority of the Province of Manitoba. If the Grantor is successful in this application, a distribution system will be installed along the right of way of the roadway.

All lot owners will be required to connect to this system at a pro-rated cost recoverable basis for the capital installation costs of the main and pump house (estimated at \$2000+/- per lot) plus the monthly operating costs (estimated at \$20 month +/-) and will be responsible for further purification of this water supply for their own use if they so desire. The water line and installation from the residence or cottage to the main line will be at the responsibility and cost of the lot owner. The lot owners will be required to coordinate the connection of their water supply line to the water main with the Grantor. The Grantor will have no responsibility and will not accept any liability for this potable water supply. The potable water has received the absolute minimum treatment (chlorination/filtration) allowed to achieve a "potable" standard. It is strongly recommended that lot owners should further treat and test this supply to ensure the water meets an acceptable standard for human consumption.

20. The Grantor will arrange for the installation of primary telephone and hydro service along the roadway and will recover the cost of this service from the Grantee at the time of purchase. Certain rebates are available from both Manitoba Hydro and Manitoba Telephone System for the provision of this service, however, the rebates are pro-rated and are time sensitive over a period of one to ten years in the case of Manitoba Hydro and one to five years in the case of Manitoba Telephone System. The Grantee should make inquiries as to the amount of rebate (if any) that may be available to them from the service providers (MTS & Manitoba Hydro).

21. No trailers, mobile homes, tents or other portable or temporary housing accommodation may be placed on a building lot for the purpose of storage or as a temporary or permanent residence, except for a two-year period during the time that a permanent residence is being constructed, starting from the date of the commencement of construction. No secondary/detached buildings will be allowed for accommodation including guest, summer homes, and the like.

22. Following the commencement of construction of a residence, the exterior and the exterior finish must be completed within two years. This includes outbuildings such as, but not limited to garages, sheds, and the like.

23. No portion of a residence (home) may be constructed within 50 feet of the golf course and no buildings shall be closer than 20 feet to the golf course property line.

24. The R.M. of Lac du Bonnet has requirements for clearances from property lines, building sizes, etc and must be conformed to.

25. Trees may be cleared to the golf course property, however the majority of larger trees exceeding 20 feet in height and birch/evergreen trees must be left in place to provide a natural screen between the residence and the golf course. Evergreens may have the lower branches trimmed up to allow a view.

26. The Grantor or its assigns or successors are not responsible for damage occurring to homes, garages, sheds or any other property or persons caused from golf balls, golf clubs or any other equipment normally used on a golf course. The Grantee is aware and accepts the liability of such items that may from time to time be caused to enter the building lot from the adjoining golf course.

27. No unlicensed motor vehicles, including but not limited to cars, trucks, vans, buses, motorcycles, snowmobiles, etc, shall be stored outside. All vehicles of these types shall be stored indoors. Abandoned and/or derelict vehicles are not allowed.

28. Storage of motor homes, 5th wheel trailers, travel trailers, boats are allowed on the building lot. However, these items should be stored in an inconspicuous location and shall be subject to paragraph 21 herein.

29. No horses, cattle, sheep or other stock animals other than household pets normally permitted in private homes shall be kept upon the said lands and no breeding of pets for sale shall be carried out upon the said lands. Household pets shall be confined within the building lot or shall be on a leash. Free roaming of pets will not be allowed.

30. All garbage, rubbish, refuse and waste materials shall be properly stored in a sanitary manner in order and so as not to be accessible to pets, rodents or wildlife and in an enclosure large enough so that no garbage, rubbish, refuse and waste materials are visible. Removal of said garbage, rubbish, refuse and waste shall occur on a frequency to prevent odors, smell or the attraction of insects.

31. No incinerator, garbage burning barrel or other devices will be allowed on the building lot, with the exception of properly contracted and maintained composting units, or an EPA certified wood burning appliance/heating device contained within the residence. Exterior wood burning devices intended for uses such as barbeques, wiener roasts, and contained bonfires are allowed provided that they are properly constructed and approved by the local fire department and are operated under the permission of a permit if required. Regular domestic propane/charcoal barbeques are allowed.

32. Any business conducted within the building lot must be wholly contained within the buildings on the site. No parking or storing of vehicles, materials, parts, etc. external to the buildings will be allowed and must conform to paragraph 18 herein.

33. Legal Survey – Monuments. The Grantor has performed a legal survey on the subdivision in block plan form and a copy of the plan of survey will be registered at the land titles office for Manitoba. All building lot property boundary markers installed by the Grantor are approximate in location and are not legal property line survey pegs/bars. The Grantee will likely require a legal survey or certificate of survey for their lot, the responsibility and cost for such survey will be borne by the Grantee. It is highly recommended that the Grantee have a legal survey completed prior to erecting any

structures near property lines to ensure they maintain proper clearances and offsets. Any conflicts arising out of impingements on property lines or offsets are the responsibility of the Grantee. All survey work must be performed by a Manitoba land surveyor that is properly and duly registered in the Province of Manitoba to perform such work.

34. Golf Memberships - The parties hereto understand that it is the intention of Granite Hills Golf Course to limit the amount of golf memberships available for the golf course. The exact limitations are yet to be determined however the Grantor will guarantee, at a minimum, that the owner of a lot(s) in Granite Hills Estates will be eligible to purchase (2) two golf memberships annually for a price to be determined by Granite Hills Golf Course on an annual basis, for each lot owned. This limitation and pricing is the sole right of the Grantor, operating as Granite Hills Golf Course, and only appears in this Development Agreement as information. The neighborhood association, once formed, will not have any jurisdiction regarding the amount of golf memberships available to Granite Hills Golf Course or the price of the said memberships.

35. The preamble hereto shall and does form an integral part of this Agreement.

36. The Agreement and covenants herein contained shall run with all of the lands hereinbefore described.

37. The covenants herein contained are severable and the invalidity or unenforceability of any restrictions shall not affect the validity or enforceability of any other restrictions.

38. Should the Grantee break any of the covenants contained herein, the Grantor may serve written notice to the Grantee requiring compliance within fourteen (14) days. After service of such notice, the Grantor may enter the lands and perform the covenants and may recover the cost of such performance from the Grantee.

39. Provided always that, notwithstanding anything contained herein, the Grantor and its successors shall have power by instrument or instruments in writing from time to time waive, alter or modify the above covenants and restrictions in their application to any lot or lots or to any part thereof without notice having to be given to the owner of any other lot in the said subdivision.

40. It is hereby declared and agreed that this indenture and everything contained herein shall endure to the benefit of and be binding upon the parties hereto, their heirs, executors, administrators, successors, and assigns, respectively.

IN WITNESS WHEREOF the parties have executed this Agreement as of the date first above written.

4553994 MANITOBA LTD.

President

Secretary

SIGNED, SEALED AND DELIVERED
in the presence of:

Witness

Witness

SCHEDULE "A"

Note #1 Hand Clearing of lots. The intention of this requirement is to prevent owners from using machinery such as bulldozers, trackhoes, backhoes, etc from pushing down standing trees in the lot. This type of clearing endangers adjacent properties, utilities and is unsightly at best. Trees/brush that have been felled can be moved or loaded using mechanical means such as tractors, bobcats, backhoe's etc. but all trees/brush must be cut by hand. Due to the danger of fire spreading through the subdivision and the golf course, burning of brush piles will only be allowed under the permission of a burning permit and only during times when there is snow present on the ground.

Note #2 Storage of wood from lot clearing. The intention of this requirement is to allow the owners to retain and use materials from the lot clearing activity without allowing the wood to become decayed, unusable or a rodent attractant while sitting in a pile on the lot. Proper splitting, piling and storage is essential.