

ENCUMBRANCE
("FACILITIES")

RESORT DEVELOPMENT FUNDING CORPORATION., of Spruce View, Alberta, as Encumbrancer (hereinafter called the "Owner") being registered an owner of an estate in fee simple in possession, subject however, to such encumbrances, liens and interests as are notified by memorandum endorsed hereon or expressed or implied in the existing certificate(s) of title of that land situate in the Province of Alberta and Dominion of Canada being composed of:

All that portion of Descriptive Plan 0222219
Block 1
Lot 5
Excepting Thereout All Mines and Minerals
Lying within Bareland Condominium Plan # 032 _____

which will subsequently be divided into one hundred and seven (107) condominium units, (each unit being hereinafter called a "Unit" and collectively called the "Units") and desiring to render each of the Units available for the purpose of securing the rent charge hereinafter mentioned to and for the benefit of **Resort Development Funding Corporation.**, as Encumbrancee, who is owner of the clubhouse/community centre constructed on lands legally described as Plan 8321122, Block 1, Lot 5, and a swimming pool complex located on a portion of Descriptive Plan 0222219, Block 1, Lot 5 (hereinafter called "the Facilities"), and who will hold such Facilities partially for the benefit of the Units, do hereby encumber each Unit for the benefit of the Encumbrancee and to secure the payment of the amounts hereinafter set forth.

The Owner covenants to pay to the Encumbrancee his proportionate share (determined by unit factor apportionment) of all taxes, levies, fees, expenses and charges incurred by or for the account of the Encumbrancee in respect of the operation, maintenance, repair and replacement of the Facilities and surrounding areas, including without limitation, utilities, landscaping, snow removal and insurance for each twelve (12) consecutive months commencing the 1st day of May, 2003, in lawful money of Canada, at the Encumbrancee's office at Spruce View, Alberta (or such other place as the Encumbrancee may from time to time designate in writing) on or before the 1st day of May in each and every year thereafter.

And in consideration of the Owner's covenants hereinafter set out, the Encumbrancee hereby covenants and agrees with the Owner and with any Mortgagees registered against the certificate of title to the Units:

- (a) that this encumbrance and rent charge secured hereby are, subject to delivery of the matters set out in paragraph (b) below, subordinate to and are hereby postponed to any first specific mortgage charge granted to a Mortgagee in respect of the Units or a Unit, whenever and however granted, and to each and every advance made thereunder, so that such mortgage or other security will take precedence and priority in all respects as to principal, interest, rights and remedies; and
- (b) as a true condition precedent to the operation of the postponement referred to in paragraph (a) above, a Mortgagee shall deliver or cause to be delivered to the Encumbrancee, at the address given above, an agreement, in form satisfactory to the solicitors for the Encumbrancee that:
 - (i) in the event that the Mortgagee shall, for any reason whatsoever, succeed to the interest of the Owner or its successor in title in any of the Units, the right and benefit of the Encumbrancee under this Encumbrance shall not be diminished by reason thereof and further, the Mortgagee shall be bound to the Encumbrancee under all the terms, covenants and conditions of this Encumbrance, and the Encumbrancee shall from and after such event have the same remedies against the Mortgagee for the breach on the part of the Mortgagee occurring in respect of the Units from and after such event that the Encumbrancee might have had under such Mortgage against the Owner if the Mortgagee had not succeeded to the interest of the Owner;

- (ii) if the interest of the Owner in the Unit(s) under the Mortgage shall be transferred to the Mortgagee by reason of foreclosure or other proceedings for enforcement of the Mortgage, the Mortgagee shall be bound to the Encumbrancee, notwithstanding the delivery of the postponement, under all the terms, covenants and conditions of this Encumbrance, with the same force and effect as if the Mortgagee were the Owner named in this Encumbrance, and the Mortgagee does hereby attorn to the Encumbrancee, said attornment to be effective and self operative without the execution of any further instruments upon the Mortgagee succeeding to the interests of the Owner in the Unit(s). Upon the transfer to the Mortgagee, as aforesaid, the Mortgagee shall not cause this Encumbrance to be discharged from the title(s) of the Units or any of them.

And the Owner does hereby covenant, acknowledge and agree that:

1. The true consideration for the granting of this Encumbrance and for the covenant to pay the rent charge hereby secured is the sale by the previous registered owner of the Unit(s) to the Owner or the payment by the Encumbrancee of the sum of one (\$1.00) dollar and other good and valuable consideration (the receipt and sufficiency of which is hereby acknowledged), and the construction of the facilities for the benefit of, *inter alia*, the Owner.
2. The Owner shall pay the said rent charged to the Encumbrancee at the times and place hereinbefore set forth without deduction or defalcation; and that any amount in default shall bear interest at the rate of five (5%) percent per annum above the prime rate of interest charged by the Province of Alberta Treasury Branches at its main branch in Calgary, Alberta, calculated and compounded monthly, and the payment of the said rent charge and such interest is secured by these presents.
3. The Encumbrancee or its successors in title as owner or owners of the said rent charge, shall be entitled to and are hereby granted the right of distress together with all the powers and remedies of an encumbrancee under the *Land Titles Act* (Alberta).
4. For the purpose of realizing the security hereby granted by the Owner to the Encumbrancee, the Encumbrancee shall be deemed to be a mortgagee enjoying all the rights and privileges of a mortgagee as provided under the laws of the Province of Alberta and the Encumbrancee shall be entitled without restricting the generality hereof, to take any proceedings for sale and/or foreclosure concurrently or otherwise with any other step or proceeding available to it in law and equity.
5. The Owner shall pay all legal costs incurred by the Encumbrancee in respect to the enforcement of this Encumbrance, as between a solicitor and his own client together with taxable court costs, all of which costs are secured hereby and shall constitute a charge on the Units.
6. Any notice to be given by the Encumbrancee to the Owner may either be delivered to the Owner's address or be forwarded by ordinary mail addressed to the Owner at the municipal address of the Unit or to the last post office address of the Owner known to the Encumbrancee and shall be deemed to have been received by the Owner when delivered or three (3) business days following the letter being deposited, postage prepaid, at the post office.
7. If any provision of the Encumbrance shall be determined by a Court of competent jurisdiction to be invalid or unenforceable to any extent, the remainder of this Encumbrance shall not be affected thereby and each provision hereof shall be enforced to the fullest extent permitted by law.
8. The waiver of any one or more defaults under this Encumbrance shall not be construed as a waiver of any subsequent or other default.
9. These benefits shall enure to the benefit of the Encumbrancee, its successors and assigns and shall be binding upon the Owner and the Owner's executors, administrators, successors and assigns and successors in the title, PROVIDED HOWEVER that on conveyance of its interest in

any of the Units, provided it is not in default of these presents with regard to any such Unit, the Owner without any further written agreement, shall be freed and released of liability under its covenants and obligations contained therein.

10. The words in the hereinbefore contained covenants, provisos, conditions and agreements referring to the Owner which import the singular number shall read and construed as applied to each and every Owner, male or female and to his or her executors, administrators and assigns, and in the case of a corporation, to such corporation and its successors and assigns, and that in case of more than one Owner, the said covenants, provisos, conditions and agreements shall be held to be several as well as joint.
11. Notwithstanding anything to the contrary contained herein, nothing obligates Resort Development Funding Corporation to pay the Rent Charge with respect to any Unit for so long as it or any of its associates or affiliates are the beneficial owner of that Unit.
12. This Encumbrance shall be construed by and governed by the laws of the Province of Alberta.

IN WITNESS WHEREOF the Owner has subscribed, affixed the Owner's seal and delivered these presents as the Owner's deed as of the 1st day of August, 2003.

Resort Development Funding Corporation

Per : _____

Internet

COPY

ENCUMBRANCE

("FACILITIES")

MILLER, LEHANE & WILD
Barristers & Solicitors
5035 49 Street
Innisfail, AB T4G 1V3

File: RE-11310 (A)-M