

Springborough Phase 1

THE SPRINGBOROUGH RESIDENTS ASSOCIATION
ENCUMBRANCE

To Secure Annual Rent Charge of \$100.00

PURSUANT TO THE "LAND TITLES ACT"

United Acquisition II Corp. carrying on business at Suite 200, 808 – 4th Avenue S.W., Calgary, Alberta, T2P 3E8, as encumbrancer (hereinafter called the "Owner") being registered as Owner(s) 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 being composed of those certain parcels of land situate in the City of Calgary, in the Province of Alberta, as more particularly described in Schedule "A" attached hereto and forming part hereof (where the context requires individually a parcel is hereinafter called a "Lot" and collectively the "Lands").

EXCEPTING AND RESERVING such exceptions and reservations as are expressed in the existing Certificate(s) of Title or may be implied in connection therewith and desiring to render the Lands available for the purpose of securing the rent charge hereinafter mentioned to and for the benefit of The Springborough Residents Association, carrying on business at Suite 200, 808 – 4th Avenue S.W., Calgary, Alberta, T2P 3E8 (hereinafter called the "Encumbrancee"), for itself, its successors and assigns and successors-in-title **DOES HEREBY ENCUMBER** the Lands for the benefit of the Encumbrancee with the annual rent charge of \$100.00 Dollars for each single detached dwelling unit constructed or to be subsequently constructed upon a Lot (hereinafter referred to as a 'Unit') plus applicable Goods and Services Tax together with annual increases thereto as hereinafter provided (if authorized by the Encumbrancee) for each 12 consecutive months commencing the 1st day of January, 2003 to be paid to the Encumbrancee in lawful money of Canada, at the Encumbrancee's office in the City of Calgary, as aforesaid (or such other place in said City as the Encumbrancee may from time to time or at any time designate in writing) on or before the 29th day of June in each and every year during the currency hereof until and including the year 2099 and to pay in addition thereto at or before the execution hereof a portion of such annual rent charge, calculated on a per diem basis for the unexpired portion of the current fiscal year.

And in consideration of the Owner's covenants hereinafter set out the Encumbrancee **DOTH HEREBY COVENANT AND AGREE** with the Owner and with the mortgagees registered on the Lands as hereinafter mentioned:

- (a) that with respect to each Unit the obligation to pay the rent charge secured hereby shall be and is hereby suspended and the amount thereof shall abate until the day upon which the first occupant has taken possession thereof.;

- (b) that this Encumbrance and the rent charge secured hereby are subordinate to and are hereby postponed to each and every mortgage charging a Unit and every other security and to each and every advance made thereunder, whenever and however granted, where such mortgagee or the holder of other security was at the time of granting or making thereof, or at any time prior thereto, a security was granted or made pursuant to the *National Housing Act (Canada)* or any Act passed or enacted in amendment thereof or substitution therefor or otherwise and whenever requested so to do the Encumbrancee shall, without delay, execute and deliver to such mortgagee a postponement of this Encumbrance to such mortgage or other security in the form prescribed by the *Land Titles Act (Alberta)* or any Act passed or enacted in amendment thereof or substitution therefor; and
- (c) that the obligation to pay the rent charge secured hereby shall be and is hereby suspended and the amount thereof shall abate for such period or periods as a Unit may be owned by such lender or by such approved lender or by Canada Mortgage and Housing Corporation pursuant to a claim against it under a mortgage insurance policy issued under the *National Housing Act (Canada)* or any Act passed or enacted in amendment thereto or in substitution therefore.

AND THE OWNER DOETH 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 benefit to the Owner of having the Encumbrancee assuming responsibility for the additional operational, maintenance and replacement services at a level of service over and above the standard service provided by The City of Calgary, to the extent legally permissible, for the public utility lots, environmental reserves, municipal reserves, public walkways, road boulevards, road medians, entrance features and associated community and related signage within the residential community developed by United Inc. of which the Lands form a part thereof (the "Amenities") and the payment by the Encumbrancee to the Owner of the sum of Ten (\$10.00) Dollars and other good and valuable consideration (the receipt or sufficiency of which by the Owner being hereby acknowledged);
2. The Owner shall pay rent charge secured hereby 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 eighteen (18%) percent per annum, calculated half-yearly not in advance, and payment of such rent and such interest is secured by these presents;
3. The Encumbrancee may, at its option, increase the amount secured hereby, if necessary, for its purposes provided that any such increase shall be limited to the increase in the Consumer Price Index, as it applies to the City of Calgary for the proceeding calendar year (the "CPI Increase"). Such increase shall be notified to the Owner with the annual billing. The Encumbrancee shall not be allowed to accumulate any of the CPI Increase which has not been

previously applied, such that the maximum increase in any given year shall be no greater than the CPI increase for the previous calendar year;

4. The Encumbrancee shall be entitled to further increase the amount hereby secured and being the sum of \$100.00 per year, or to levy from time to time, any special assessments passed by special resolution of the Encumbrancee as may be required in order that the Encumbrancee may carry out its objects;

5. The Association shall be entitled to apply to the City of Calgary, on behalf of the Members of the Association, for the City of Calgary to collect all Annual Rent Charge owing to the Association by way of a special tax or local improvement tax, or both, in an amount equivalent to the difference between the City of Calgary standard landscape assessment and the enhanced landscape assessment, which is the additional operational, maintenance and replacement services for the Amenities, at a level of service over and above the standard level of service provided by the City of Calgary for the Amenities;

6. The Association shall be entitled to negotiate and enter into an agreement or contract with the City of Calgary for the purpose of providing additional operational, maintenance and replacement services for the Amenities, at a level of service over and above the standard level of service provided by the City of Calgary for the Amenities;

7. The Encumbrancee shall be entitled to and is hereby granted the right of distress together with all powers and remedies of an encumbrancee under the *Land Titles Act* (Alberta). Without restricting the generality of the foregoing, any monies due and owing to the Encumbrancee shall be deemed to be an equitable mortgage, and subject to the same rights of enforcement, including the right of foreclosure (as well as the right to collect solicitor and client fees) as with any mortgage;

8. Any discretion, option, decision or opinion hereunder on the part of the Encumbrancee shall be sufficiently exercised or formed if exercised or formed by or subsequently ratified by the manager, acting manager or an executive officer of the Encumbrancee or any officer or agent appointed by the Encumbrancee for such purpose;

9. 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 civic address of his 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, in a post office or letter box;

10. If any provision of this 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;

11. All legal costs, as between solicitor and client, and taxable court costs, incurred in respect to the enforcement of this Encumbrance are secured hereby, and shall constitute a charge on the Lands;

12. The words in the hereinbefore contained covenants, provisos, conditions and agreements referring to the Owner which import the singular number shall be 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 construed and held to be several as well as joint; and

13. These presents shall enure to the benefit of the Encumbrancee, its successors and assigns and shall be binding upon the Owner and its successors, assigns and successors in title to the Lands.

IN WITNESS WHEREOF the Owner has executed these presents the 13 day of February, 2003.

SIGNED, SEALED AND DELIVERED

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UNITED ACQUISITION II CORP.

Per: _____

Seal

Per: _____

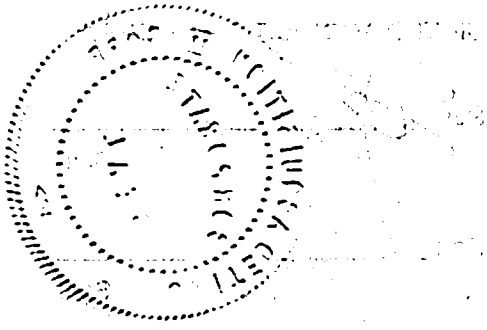
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SCHEDULE "A"

**PLAN 0310421
BLOCK 1
LOTS 2 TO 74 INCLUSIVE
EXCEPTING THEREOUT ALL MINES AND MINERALS**

**PLAN 0310421
BLOCK 2
LOTS 1 TO 11 INCLUSIVE
EXCEPTING THEREOUT ALL MINES AND MINERALS**

**PLAN 0310421
BLOCK 3
LOTS 1 TO 8 AND 10 TO 15 INCLUSIVE
EXCEPTING THEREOUT ALL MINES AND MINERALS**

**PLAN 0310421
BLOCK 4
LOTS 2 TO 36 INCLUSIVE
EXCEPTING THEREOUT ALL MINES AND MINERALS**

**PLAN 0310421
BLOCK 5
LOTS 4 TO 45 INCLUSIVE
EXCEPTING THEREOUT ALL MINES AND MINERALS**

COPY OF INSTRUMENT

Registered as _____

0310645338
LAND TITLES OFFICE
CALGARY