

SCHEDULE A

**THE PROPERTIES OF DONSDALE
MANAGEMENT AGREEMENT**

THIS AGREEMENT MADE THE 16TH DAY OF MARCH, 1998.

BETWEEN:

ALLDRITT DEVELOPMENT LIMITED., a body corporate incorporated pursuant to the laws of the Province of Alberta (hereinafter called "Alldritt")

OF THE FIRST PART

- and -

THE PROPERTIES OF DONSDALE RESIDENTS ASSOCIATION, a body corporate incorporated pursuant to the laws of the Province of Alberta (hereinafter called the "Association")

OF THE SECOND PART

WHEREAS:

- A. Alldritt is the owner of lands situated within a larger area situated in the southwest part of the City of Edmonton, Alberta as shown outlined on Exhibit 1 hereto being the Neighbourhood Structure Plan as amended and approved by The City of Edmonton, as may be amended from time to time by Alldritt (such larger area lands being hereafter referred to as "NSP Area");
- B. Alldritt may chose in its sole discretion, to add to its lands situated within the NSP Area, such lands and additional lands (hereafter collectively referred to as the "Donsdale Lands");
- C. Alldritt proposes to create residential lots and possibly commercial sites on the Donsdale Lands and to benefit such residential lots and commercial sites by creating certain amenities to be determined solely by Alldritt (the "Donsdale Amenities") on certain portions of the Approved Land Use Area (and possibly other portions of the Donsdale Lands) to be owned by the Association, by The City of Edmonton (the "City") or by others. The final acreage and boundaries of the Donsdale Amenities are subject to the approval of the City and other regulatory authorities;
- D. Alldritt has determined to create and develop the Donsdale Amenities with the intention that they be public, non-profit facilities for the benefit of the residents of the Approved Land Use Area and possibly of other future residents of the Donsdale Lands;

E. The complete development of the Donsdale Lands is expected to take a number of years;

F. The Association is desirous that Alldritt fully complete the development of the Approved Land Use Area, the Donsdale Lands and the Donsdale Amenities;

G. The Association acknowledges that it has had no part in the planning or the development of the Donsdale Amenities, the Approved Land Use Area or the Donsdale Lands, that all the planning has been done by Alldritt and that the responsibility for developing the Approved Land Use Area and the Donsdale Amenities is Alldritt's;

H. Alldritt will attempt to have each of its purchasers sign a copy of The Properties of Donsdale Brochure ("Brochure") setting out the rights and responsibilities of the members of the Association. Attached to and forming part of the Brochure (as Schedule A thereto) is this Agreement and the following additional Schedules:

Schedule B The Properties of Donsdale Residents Association
Memorandum of Association

Schedule C The Properties of Donsdale Residents Association
Articles of Association

Schedule D Encumbrance

Schedule E Restrictive Covenant

which additional Schedules are incorporated in this Agreement and form a part hereof.

H. Alldritt has caused the Association to be incorporated pursuant to the *Companies Act* (Alberta) and the Association has been organized pursuant to its Memorandum of Association and Articles of Association for the purposes of the Association ultimately owning (where applicable) and managing the Donsdale Amenities, and for such other purposes which are for the common benefit of the Association's members;

I. The parties acknowledge and agree that it is their common intention that the Association will initially be managed by Alldritt (or its agents) and that the Donsdale Amenities will initially be wholly designed, engineered, developed and managed by Alldritt (or its agents), and that it is the intention of both parties that the Association will have no responsibility for such items, nor have any authority regarding such management of the Association or such design, engineering, development, operation and management of the Donsdale Amenities, until the date that the management of the Association and of the Donsdale Amenities is formally transferred to the Association, all in accordance with the terms of this Agreement.

NOW THEREFORE THIS AGREEMENT WITNESSETH that in consideration of the premises and mutual covenants herein contained, the parties hereto covenant and agree as follows:

1. Alldritt will construct the Donsdale Amenities and will equip same with such signs, facilities, lighting, equipment and landscaping as are in Alldritt's opinion reasonably necessary for the operation of same, all at Alldritt's cost.

2. Alldritt shall design, construct, develop and maintain on the Approved Land Use Area and, possibly, other portions of the Donsdale Lands, such improvements as Alldritt in its sole discretion shall determine and such improvements shall constitute the Donsdale Amenities and, subject to the terms hereof, Alldritt shall manage and operate the Association and the Donsdale Amenities until that date (the "Effective Date") which is the later of:

(a) the date upon which Alldritt has sold its last lands within the Donsdale Lands; or

(b) the date upon which all monies owed to Alldritt by the Association have been fully repaid to Alldritt;

or such earlier date as Alldritt in its sole discretion may determine.

3. Alldritt may determine, in its sole discretion, prior to the Effective Date:

(a) to transfer management and/or ownership all or a portion of the Donsdale Amenities to the Association. It is understood and agreed that Alldritt's rights in respect of the Donsdale Amenities as herein contained shall continue unabated until the Effective Date, notwithstanding its prior transfer of management and/or ownership of part of the Donsdale Amenities to the Association;

(b) cause the Association to enter into agreements with the City for the maintenance and operation of part of the Donsdale Amenities; and

(c) to transfer certain aspects of the overall management of the Association to the Association.

4. On such date(s) as Alldritt determines, but in any event by no later than the Effective Date, Alldritt shall, pursuant to assignment agreements acceptable to Alldritt, assign to the Association Alldritt's interest in any or all agreements entered into between Alldritt and the City relating to the Donsdale Amenities and the maintenance thereof and responsibility therefor, and pursuant to which the Association will assume from Alldritt any or all of its obligations and liabilities under such agreements and will indemnify Alldritt in respect of same.

5. The registration and organization of the Association has been done at the sole expense of Alldritt.

6. Alldritt as the initial owner of all the residential building lots; any condominium units and any commercial sites in the Donsdale Lands will, upon the initial sale by Alldritt of each such residential building lot, condominium unit and commercial site attempt to cause the same to be encumbered by the Encumbrance substantially in the form of Schedule D to the Brochure.

7. Until the Effective Date, Alldritt will either prepare or approve the operating budget for the Association, so as to allow for the proper operation of the Association and maintenance and operation of the Donsdale Amenities as determined in the sole opinion of Alldritt acting reasonably. Such budget shall be considered in determining the Association's annual membership fees.

8. If such operating budget is not fully funded by the Association's income derived from the Encumbrances or other sources, then Alldritt agrees to loan sufficient funds to the Association in order to meet such budgeted expenses, such loans to be repayable on demand and to bear interest from time to time at the rate of Prime Rate plus one percent (1%). "Prime Rate" shall mean the prime rate of interest charged by Canadian Imperial Bank of Commerce, being a variable per annum reference rate of interest (as announced by the said bank from time to time) for Canadian dollar loans made by the said bank in Canada. Any income received by the Association (whether by collection of assessments through the Encumbrances or otherwise) in excess of actual operating expenses shall forthwith be used by it to repay any outstanding Alldritt loans in priority to any other obligations.

9. It is understood and agreed that either Alldritt or the Association may refuse membership, or may terminate the membership of those owners of residential building lots, any condominium units and any commercial sites within the Donsdale Lands whose title does not have registered against it the Encumbrance and may require the registration of any such Encumbrance which has been removed from the title to their lot or lands.

10. If by the Effective Date all the residential lots or other lands owned by Alldritt and located in the Donsdale Lands have not been sold by Alldritt, Alldritt will be entitled to sell such lots or lands subject to the right of membership in the Association and the Association and shall at that time attempt to obtain the execution and registration of the appropriate Encumbrance as may be determined by Alldritt.

11. On or prior to the Effective Date, Alldritt will, for a total nominal consideration of \$1.00, deliver to the Association a bill of sale of all chattels owned by Alldritt and specifically used to maintain or benefit the Donsdale Amenities, and such other documents as Alldritt requires to effect the transfer of the Donsdale Amenities to the Association, which may be encumbered -by restrictive covenants restricting alterations of the Donsdale Amenities.

12. It is understood and agreed that none of the building lots contained in the Donsdale Lands shall be subject to an annual rent charge until a residential unit (or- units in the case of a multi-family project) has been constructed thereon and until the first occupant of such residential home, condominium unit or rental project, as the case may be, has taken possession thereof, or in the case of a commercial site, until the substantial completion of a commercial development thereon.

13. On or before the Effective Date, Alldritt will turn over to the Association all plans, specifications and operating manuals in Alldritt's possession relating to the management of the Association and the design, engineering, construction, maintenance, operation and management of the Donsdale Amenities.

14. Either on the Effective Date or immediately thereafter, Alldritt will cause all of the officers and directors of the Association which are Alldritt's nominees to tender their resignations.

15. Alldritt when and as requested will during a reasonable period after the Effective Date make available to the directors and officers of the Association any relevant information in its possession relating to the management of the Association and the operation of the Donsdale Amenities, which information shall be provided without any requirement for Alldritt to determine the accuracy or relevance of such information, and Alldritt shall not be liable for the results of the inaccuracy or irrelevancy of such information nor for any damages suffered by the Association in using such information.

16. Until the Effective Date, Alldritt shall have full and absolute control of the overall management of the Association, including the sole right and obligation to design, engineer, construct, develop, manage and operate the Donsdale Amenities, and the Association, and its members, officers and directors shall have no right or entitlement to do or share in any of these functions.

17. The following management provisions shall take effect until the Effective Date:

(a) the Association hereby employs Alldritt as the Association's exclusive agent to manage the Association and to operate and maintain the Donsdale Amenities to and including the Effective Date without any right in the Association to cancel such management arrangement;

(b) Alldritt agrees to perform the management functions set out below in the name of and on behalf of the Association, subject to the terms of this Agreement, and the Association shall not give any direction to Alldritt, make any investigations or exercise any control of Alldritt's actions as manager and hereby grants to Alldritt such complete and absolute authority and power as in Alldritt's sole opinion may be required by Alldritt to perform or effect performance of such management function;

(c) If Alldritt assists the Association in the collection and receipt of assessments, levies, contributions and any other charges due to the Association from the members of the Association, Alldritt shall not be responsible for collection of delinquent assessments or other charges;

(d) Subject to *the* provisions of and any restrictions contained in this Agreement, Alldritt shall (until the Effective Date only) cause the Donsdale Amenities to be designed, constructed, operated, managed and maintained according to reasonable standards of design, construction, operation, management and maintenance consistent with the character, size and location of the Donsdale Amenities;

(e) Alldritt shall negotiate and may execute on behalf of the Association contracts for such services as may be necessary or desirable. Alldritt shall also either rent or purchase, as it determines is best in its sole discretion on behalf of the Association, such equipment, tools, appliances, materials and supplies as in its sole opinion are necessary for the management of the Association and the operation and

maintenance of the Donsdale Amenities. All such purchases and contracts may be in the name of Alldritt or the Association and in any event shall be assumed by the Association as at the Effective Date;

(f) Alldritt shall ensure that appropriate corporate and other legal filings and records in respect of the Association and its operations, including financial statements and accounting records, are prepared and maintained;

(g) Alldritt and the Association shall cooperate in maintaining liability and property damage insurance relative to the Association in force as provided for in paragraph 18 hereof; PROVIDED that the Association will indemnify and hold harmless Alldritt from any loss, costs or damages arising out of any claim, suit or action made by any of its members or their guests whomsoever, relating to either claims greater than such insurance or to claims where there is inadequate insurance coverage;

(h) Alldritt shall, based on the information and documents made available to it, assist the Association in keeping an up-to-date record of the names and addresses of all members of the Association of which it has knowledge;

(i) subject to the provisions of this Agreement, the Association shall not pay any fee to Alldritt as compensation to it for the services to be rendered by Alldritt in accordance with this Agreement, but any charges for employees or professional managers employed by Alldritt to assist in its management function hereunder shall be paid for by the Association to Alldritt on demand, and this may include persons whose firms or groups are also employed by Alldritt regarding the Donsdale Lands; and

(j) Alldritt may engage or use any person, firm or company including any which is associated, affiliated or otherwise connected with it, to perform any work or services for Alldritt within the scope of Alldritt's duties pursuant to the terms and conditions of this Agreement, without being in breach of a fiduciary or contractual relationship with the Association.

18. Alldritt shall provide and maintain in full force and effect during the term of this Agreement with responsible insurance companies, the following insurance:

(a)- Such general comprehensive liability insurance of such nature and in such amount as Alldritt shall deem advisable protecting Alldritt and the Association relating to the operation of the Association including the development, construction of and initial management and operation of the Donsdale Amenities in respect of liability and/or damage because of bodily injury and injury to or destruction of property arising out of such activities. Such insurance shall contain a cross liability clause;

(b) The Association shall pay to Alldritt to reimburse it for its actual costs in obtaining and maintaining such insurance, and where such insurance is part of Alldritt's overall insurance, then the Association shall pay its fair share of such insurance costs as determined by Alldritt's insurance brokers.

19. At any time before the Effective Date and notwithstanding anything else contained in this Agreement, Alldritt shall be entitled to enter into management agreements in its name or in the name of and on behalf of the Association with any person, firm or company (including any which is associated, affiliated or otherwise connected with Alldritt or the Association) for the administration, operation and management of the Association and the Donsdale Amenities.

20. This Agreement shall be non-assignable by the Association without the prior written consent of Alldritt, which consent may, in Alldritt's sole and unfettered discretion, be withheld.

21. If the Association breaches its obligations as set out herein to not interfere with Alldritt's designing, engineering, planning, developing, constructing and initially managing and operating the Donsdale Amenities and initially managing the Association, it shall pay to Alldritt all of Alldritt's costs resulting therefrom and damages suffered thereby including but not limited to the costs to Alldritt of all additional time spent by its employees, all additional costs of professional advisors, additional design, engineering, planning, development, construction, management and operational costs and the damages suffered by Alldritt resulting from such breach including any delays in completing construction of the Donsdale Amenities and in the sale of its undeveloped building lots and commercial sites as contained in the Donsdale Lands. The Association confirms its understanding that damages at law may be an inadequate remedy for a breach or threatened breach by it of this Agreement and agrees that in the event of a breach or threatened breach of any provision hereof, the respective rights and obligations hereunder shall be enforceable-by an action claiming specific performance, injunction or other equitable remedy, but nothing herein contained is intended to, nor shall it, limit or affect any right or rights at law or by statute or otherwise of Alldritt as against the Association for breach or threatened breach of any provisions hereof, it being the intention of this paragraph to make clear the agreement of the parties that the respective rights and obligations of Alldritt hereunder shall be enforceable in equity as well as at law or otherwise.

22. As the Association has no responsibility or authority with reference to the overall management of the Association and the development and operation of or the Donsdale Amenities until the Effective Date, until the Effective Date the Association has directed its officers and directors to not investigate or otherwise determine whether or not Alldritt is complying with the terms of this Agreement and that the Association has waived any responsibility of its officers or directors to determine whether or not Alldritt is carrying out its obligations pursuant to this Agreement.

23. It is specifically understood that Alldritt is an independent contractor and that all its actions to be performed hereunder shall be carried on by Alldritt under its own direction and superintendents, at its own risk and according to its own methods or procedures.

24. Up to and until the Effective Date, the Association shall take all required steps to maintain its existence and shall execute all documents required-by Alldritt for the organization and management of the Association and for the development, construction, maintenance and operation of the Donsdale Amenities and without any legal responsibilities for its actions in so doing.

25. This Agreement and the Exhibits hereto constitute the entire agreement between the parties and no representations, warranties or promises have been made by Alldritt to the Association save those herein contained.

26. If any provision of this Agreement shall be determined by a court of competent jurisdiction to be invalid or unenforceable to any extent, the remainder of this Agreement shall not be affected thereby and each provision hereof shall be enforced to the fullest extent permitted by law.

27. This Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective successors and permitted assigns.

28. Amendments to this Agreement must be in writing and signed by each party hereto.

29. This Agreement and all amendments, modifications, alterations or exhibits hereto shall be governed by the laws of the Province of Alberta as to the nature, validity and interpretation thereof.

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