

RIVER

LAC DU BONNET

NE 1/4 SEC 27 - TWP 16 - RGE 12E

RESERVE

POUR

WINNIPEG RIVER

This is Schedule "A" to A LEASE
with 4553994 Manitoba Ltd.

Dated, 20...

Manitoba Hydro per
4553994 Manitoba Ltd. per

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SHORELINE FROM AERIAL PHOTOGRAPHY

MANITOBA HYDRO SEVERENCE LINE

PLAN No. 7762 V.L.I.O.

LEASE
COUNTRY CLUB INC.

19
LINE

Manitoba Hydro

P.o. Box 815. Winnipeg Manitoba Canada .R3C2P4 Telephone /1-." de telephone : (204)474-4043 .Fax / N" de telecopieur : (204)453-6236 kcarswell@hydro.mb.ca

2003 07 25

Our File No. 317C4-174

Granite Hills Golf Course

Attn: Gary Richardson 4-66 Paddington Rd
Winnipeg, MB R2N 1 P7

Dear Mr. Richardson:

RE: LEASE OF WATER STORAGE LANDS -NE 27-16-12 EPM

Further to your letter dated July 7, 2003 and our subsequent meetings I have now had the opportunity to discuss your concerns with our law department and offer the following responses to your concerns. I have numbered my comments to correspond with the numbering in your letter of July 7, 2003.

1. We have agreed to delay the payments on the lease until April, 2004.
2. In order to alleviate your concerns regarding the length of term we have added wording that will allow the parties to enter into a new lease agreement at the end of the renewal period provided that both parties are still interested in extending the lease.
3. We have deleted the wording as requested and the lease is now auto-renewable.
4. The wording for the four (5) year periods will remain the same as that seemed to be a misunderstanding. As to rate increases we have added wording that will provide you with some assurance as to how rate increases will be derived.
5. As indicated we will defer payments until April 1, 2004 this will provide you with one rent free year. Also we have added wording that will allow your company to pay the annual rental in two equal instalments -April and October 1 of each year in order to accommodate your cash flow.
6. The same comments apply as in point #4.
7. We have added a Schedule to the agreement which outlines the items that will be allowed on the leased property. We have used the list of items you provided to create this list. Prior to the addition of any other items on Manitoba Hydro property there will need to be a request submitted for approval.
8. Same comments as in #7
9. The municipal taxes will be the responsibility of the lessee
10. We have reworded the paragraph to accommodate your concerns
11. As we have now agreed on a list of items allowed on the golf course the need for arbitration is not required.

12. We have added wording that will accommodate your concerns.
13. We have added wording to page 5 paragraphs 2,3, and 4, which should set out the parameters you require.
14. The clause will remain as is -Manitoba Hydro will expect that at the expiration or termination of the lease the property be returned to the original state.

Please review the changes and provided you are now in agreement with the terms and conditions have the agreements signed and sealed on behalf of Granite Hills. Once the documents have been executed please return them to my attention for execution on behalf of Manitoba Hydro.

Yours truly,

Karen Carswell
Land Agent
Property Department
Transmission & Distribution

KLC/klc/ltr2003 0725k1 c

THIS LEASE made this day of, 2003 in pursuance of "The Short Forms Act",

BETWEEN:

THE MANITOBA HYDRO-ELECTRIC BOARD (hereinafter called the "Lessor")
OF THE FIRST PART,

and

4553994 MANITOBA LTD.
(hereinafter called the "Lessee")
OF THE SECOND PART

WITNESSETH that in consideration of the rents, covenants and agreements hereinafter reserved and contained on the part of the Lessee, to be paid, kept, observed and performed, the Lessor hath demised and leased and by these presents doth demise and lease unto the Lessee the following water storage land located on the Winnipeg River.

All that portion of the NE 1/427-16-12 EPM required for Water Storage purposes as same is shown on a plan of survey registered in the Winnipeg Land Titles Office as No.7762 as same is shown bordered yellow on Manitoba Hydro Drawing No. 1-00108-DE-11000-0001 attached hereto as Schedule "A".

(hereinafter called the "leased lands")

TO HAVE AND TO HOLD the leased lands for and during the term of 20 years to be computed from the last day of April, 2003 and from thenceforth next ensuing and fully to be completed and ended on the 31st day of March, 2023 (the "Term") .

The Lessor hereby grants to the Lessee the option to automatically renew this lease for one (1) additional term of twenty (20) years provided that the Lessor does not require the land for the Lessor's purposes and that the Lessee has duly and regularly paid the rent and performed all of the provisions and agreements contained herein on the part of the Lessee to be performed. The renewal pursuant to this proviso shall be on the same terms and conditions as are contained in this lease subject to determination of the rent then applicable and except that there shall be no additional right of

the Lessor, the Lessor shall take ten (10) percent of the Current Market Value per year as rent for the next ensuing five year period.

AND THE LESSEE COVENANTS WITH THE Lessor:

TO use that portion of the leased lands shown bordered yellow on Schedule "A" hereto as part of the Granite Hills Golf Course to be used for "fairways" and "greens" only (the "Purpose") and for no other purpose whatsoever. For the purposes of this Agreement, the term "fairway" is defined as the closely mown area between the tee and green and the term "green" is defined as the most closely mown and smooth area on the course, which is specifically prepared for putting and on which the hole is placed.

THAT the Lessor shall be under no obligation to improve the leased land or to ready it in any manner for use and occupation by the Lessee. The Lessor may authorize the Lessee to make modifications and improvements to the leased lands solely in accordance with Schedule "B" attached hereto and forming part of this Lease, and no other modification or improvement or structure shall be made or added to the leased lands without the prior written consent of the Lessor. The Lessee shall not cause any habitual or permanent structures of any nature or kind to be placed on the leased lands.

AND to pay rent in the amount of Three Thousand Dollars (\$3,000.00), payable in two equal installments of One Thousand Five Hundred dollars (\$1,500.00) each, due on the 1st day of April and the 1st day of October of each and every year during the said Period 1, without any deduction, defalcation or abatement whatsoever. The first payment shall be made by the Lessee on the 1st day of April, 2004.

AND to pay yearly and every year during the said Term hereby granted, unto the Lessor, the rental rate set and adjusted by the Lessor for each Period 2, Period 3 and Period 4, to be payable in two equal installments, due on the 1st day of April and the 1st day of October of each and every year during the said Term, without any deduction, defalcation or abatement whatsoever.

AND to pay annually to the Rural Municipality of Lac Du Bonnet all realty taxes, business taxes, and local improvement levies that are or may be levied against the leased lands.

AND that the Lessee shall remit to the Lessor, when due, any Goods and Services Tax or like Federal Sales Tax that the Lessor becomes obliged to collect from the Lessee with respect to rents payable

hereunder.

AND to keep down noxious weeds which shall grow on the leased lands.

AND to maintain the leased lands in a good and proper manner.

AND also, that if the Term hereby granted shall be at any time seized or taken in execution by any creditor of the Lessee, or if the Lessee shall make any assignment for the benefit of creditors, or becoming bankrupt or insolvent, shall take the benefit of any Act that may be in force for bankrupt or insolvent debtors, then the next year's rent shall immediately become due and payable and the said Term shall immediately become forfeited and void.

AND all matters in dispute between the parties arising under the provisions of this Agreement which cannot be resolved by the parties shall be referred to arbitration. The reference shall be to a single arbitrator, if the parties agree upon one, otherwise to three arbitrators, one to be appointed by each party and the two thus selected to designate a third. The decision of the single arbitrator or of a majority of the three, as the case may be, shall be final and binding upon the parties hereto. The expense of the arbitration shall be paid as the arbitrator (s) determine. The arbitrator(s) shall not have any authority to alter or change any of the provisions of this Lease, nor to make any award contrary to the provision of this Lease. In all matters relating to arbitration, the provisions of The Arbitration Act of Manitoba, as amended from time to time, shall govern.

AND to permit any person or persons authorized by the Lessor to enter upon the leased lands at any reasonable time to inspect the same.

AND that if the Lessee breaches or fails to perform any of the Lessee's covenants or agreements herein contained or if the leased land is used for a purpose other than the Purpose stated in this lease, the Lessor, at its option subject to first giving the Lessee thirty (30) days' notice to remedy the breach or failure and the Lessee fails to remedy the breach or failure within the said 30 day period may terminate the lease in accordance with the termination provisions in this agreement, and upon the termination provisions in this agreement, and upon the termination date, the Lessor may forthwith reenter and take possession of the leased land and remove the Lessee's property and effects therefrom and deal with the leased land as if this lease had not been made. Alternatively the Lessor may, in its sole discretion remedy the breach in which case

the cost of remedying the breach shall become immediately due and payable as rent and all remedies available to the Lessor for the collection of rent shall apply to such sums.

AND that this lease shall not be assignable or transferable in whole or in part without the prior written consent of the Lessor. The Lessee shall not assign, sublet, or part with the possession of the leased land or any part thereof without the prior written consent of the Lessor, which consent shall not be unreasonably withheld. Any assignment or sublease consented to by the Lessor shall not operate so as to relieve the Lessee from any obligation under this Lease.

AND the Lessee acknowledges that it has been advised and agrees that the leased lands are subject to varying water levels and may be subject to flooding as a result of a natural occurrence, such as heavy rainfall, or as a result of the Lessor's exclusive right to regulate the water levels on the Winnipeg River system. The Lessee recognizes and acknowledges the Lessor's right to flood the leased lands from time to time for a period of time deemed appropriate by the Lessor.

AND the Lessee further acknowledges and agrees that such varying of water levels and/or any flooding that may occur as a result of a natural occurrence or the varying of the water levels may result in damage to the leased lands and/or to any modification or improvement made to, or structure placed upon, the leased lands by the Lessee.

AND that the Lessee shall not make any claim against the Lessor, nor shall the Lessor be liable, for any direct or indirect damages, including third party claims, including without limitation any general, specific, consequential, special, incidental or punitive damages or for loss of expectancy of profit or lost profits, costs, expenses and/or losses suffered by the Lessee arising from the varying of water levels and/or from any flooding that may occur as a result of a natural occurrence or the varying of the water levels by the Lessor.

AND the Lessee shall, at the expiration or termination of this lease, cease and desist from using the leased lands as fairways and greens, remove the Lessee's property and shall make good any damage, injury, alteration or modification caused to the leased lands that may have resulted from placement or removal of the Lessee's property and/or any alteration or modification made to the leased lands. The Lessee acknowledges that should it

continue to use the leased lands after expiry or termination of this lease that Manitoba Hydro shall be entitled, in addition to any other remedies available to it, to interlocutory and permanent injunction relief to restrain any anticipated, present or continuing breach of this provision.

AND the property placed on the leased lands by the Lessee shall become the property of the Lessor if the Lessee does not remove its property within sixty (60) days of the expiration or termination of this lease.

AND the Lessee shall be solely responsible for the development, operation, and maintenance of the leased land in accordance with the terms contained herein and for the Purpose defined herein, and for no other purpose whatsoever.

AND the Lessee shall obtain all necessary permits and approvals required in connection with the intended use of the leased land, and shall conform to all by-laws, rules and regulations affecting the operation and use of the leased lands, and all applicable zoning requirements.

AND the Lessee shall not register or cause to be registered any caveats or encumbrances against the leased land.

The Lessee shall, at the Lessee's expense, maintain public liability and property damage insurance with such companies as are acceptable to the Lessor having a limit of liability of not less than \$2,000,000.00 per occurrence to indemnify the Lessor and the Lessee for claims for loss or damage to property belonging to or under the control of the Lessor and/or third parties and claims for damages for personal injury, including death, not covered by The Workers Compensation Act, which may be caused by or result from the Lessee's use or occupation of the leased land.

The Lessee shall supply the Lessor with a certified copy of the policy of insurance obtained, and all renewals thereof, in a form acceptable to the Lessor, which shall name the Lessor as an additional insured with respect to the leased land and which shall contain a cross-liability clause specifying that the insurance shall apply to any action brought against one insured by the other insured in the same manner as though separate policies were issued to each.

AND the Lessor shall not be liable for any loss, damage or injury of any nature whatsoever, including death, that may be suffered

or sustained by the Lessee or any employee, agent, customer or invitee of the Lessee or any other person who may be upon the leased lands, or for any loss, theft, or damage to any property belonging to the Lessee or to an employee, agent, customer or invitee of the Lessee or to any other person while such property is on the leased lands, except to the extent that the same is caused by or results from the negligence of the Lessor or its agents or employees.

AND the Lessee shall indemnify and save harmless the Lessor from and against any and all fines, suits, claims, demands, losses, costs, damages and expenses of every kind and nature which the Lessor shall or may incur or suffer or become liable, by reason of any breach, violation or nonperformance by the Lessee, its employees or agents, of any covenant, term or provision of this Lease or by reason of any injury occasioned to or suffered by any person or persons or any loss of or damage caused to any property by reason of any wrongful act, neglect or default on the part of the Lessee or on the part of any agent, contractor, employee or invitee of the Lessee except of the extent that such fine, suit, claim, demand, loss, cost, damage or expense was caused by or resulted from the negligence of the Lessor, its agents or employees. The Lessee further covenants and agrees to pay and fully indemnify the Lessor against all costs and charges, including without limitation, legal fees on a solicitor and own client basis incurred in obtaining possession of the leased land after default of the Lessee or upon earlier termination or expiration of the Term of this Lease, or in enforcing any covenant or agreement of the Lessee herein contained.

In the event the Lessee does not pay the sum which the Lessee is required to pay pursuant to this lease on the day appointed for payment thereof, the Lessor may immediately distrain for same together with any arrears then unpaid, and the term hereby granted shall immediately, at the option of the Lessor, become forfeited and void, and the Lessor may, without notice or any form of legal process, forthwith re-enter and take possession of the leased land and remove the Lessee's effects therefrom and re-rent or otherwise deal with the premises as if this lease had not been made.

The Lessor covenants with the Lessee for quiet enjoyment.

Any notice which may require to be given or served hereunder upon the Lessor may be given or served by mailing the same in a prepaid envelope addressed to the Lessor at P.O. Box 815, Winnipeg, Manitoba, R3C 2P4, Attention: Property Manager and any

notice which may be required to be given or served upon the Lessee may be given or served by mailing the same in a prepaid envelope addressed to the Lessee c/o Mr. Gary Richardson, 4-66 Paddington Road, Winnipeg, Manitoba R2N 1P7.

IN WITNESS WHEREOF the Parties have hereto executed this agreement under seal the day and year first above written.

THE MANITOBA HYDRO-ELECTRIC BOARD Per:

Authorized Signing Officer W. Bruce MacFarlane
Manager, Property Department

4553994 MANITOBA LTD. Per:

SCHEDULE "8"

The following shall be the pennitted modifications, improvements and structures to be made or added to the leased lands subject to any qualifications indicated. Any other modifications, improvements and structures not listed herein shall require the prior written consent of the Lessor before being perfonned to the leased lands-

- .Greens (described as the target and putting surface of a golf hole); .Tee Boxes (described as the hitting area to start each golfhole); .Fairways (described as the playing surface from tee to green); .Rough (described as the higher cut portion of the fairways);
- .Sand Traps (sand filled hazards located on fairways and around greens);
- .Water hazards (water filled hazards located on fairways and around greens); .Cart Paths (paths for power cart travel leading from tees to greens);
- .Undulations / landscaping in terrain including swales, berm's ditches where required, some areas may be lined with small stones or flowerbeds;
- .Underground Irrigation System (poly water distribution lines and sprinkler heads on fairways, tee boxes and greens for the purpose of watering the grass);
- .Underground Water Supply Lines (poly pipe supplies to the water system);
- .Water Pump House (Small structure used to house water pumps, valves and electrical panels for the pumps);
- .Buries Electrical Cables (pumphouse electrical supply, sprinklers, service and communication) which locations of same shall be provided to the Lessor in writing;
- .Sitting Benches (may be bench seat or picnic table style); .Ball Washers with or without club cleaners; .Yardage markers;
- .Hole Identification Signage (may include advertising on same sign; any advertising not deemed appropriate by the Lessor shall immediately be removed by Lessee);
- .Flagsticks and cups;
- .Drinking water containers with paper cups; and .Garbage Cans