

GEOTECHNICAL COVENANT

MINISTER OF TRANSPORTATION

TECHNICAL MEMORANDUM RE COVENANT LINES

DATE May 4, 2010

PROJECT No. 09-1476-5026/1000

TO Mr. Don Gatley
Centre Stage Holdings

FROM T. Rollerson, M. Goldbach

EMAIL trollerson@golder.com

GEOLOGICAL HAZARD COVENANT LINES GABRIOLA ISLAND

1.0 INTRODUCTION

As requested, Golder Associates Ltd. (Golder) has carried out a field assessment to review the location of the geological hazard covenant lines posts and steel survey pins on your subdivision located on the Southwest ¼ section of Section 8 of the Gabriola Island Nanaimo District.

This technical memorandum is intended to be read in conjunction with "Important Information and Limitations of This Report" which is appended following the text of this technical memorandum. The reader's attention is specifically drawn to this information, as it is essential that it is followed for the proper use and interpretation of this technical memorandum.

2.0 LOCATION

The subject subdivision is located on a generally south-facing slope on the southwest side of Gabriola Island above False Narrows. The area is accessible from Seymour Road at the west end of the property.

3.0 WORK CARRIED OUT

We combined an examination of the covenant line survey drawing (appended to this memorandum), which indicates the surveyed location of the original hazard lines (rock fall hazard and top of bluff or top of steep slope lines) defined in the field by Golder and the steel survey pin and covenant post location survey, with a field review of the site. The geologic hazard lines are dashed on the appended drawing and the covenant lines are solid.

4.0 BACKGROUND

The original intention as outlined in our report of October 20, 2006 and discussed with you in the field in 2006 was that steel pins would be placed along the surveyed geological hazard lines at the intersection with each respective property line. Our 2006 report identifies specific setback distances from the geological hazard lines



that define locations for a "safe" building envelope boundary (Golder 2006, pp 1, 8, 10 and 20). The intention was that construction would not occur closer to the geological hazard lines than the recommended setback distance, unless further geotechnical investigation determined otherwise. Our 2006 report, page 7, states that steel survey pins identify the intersection of the minimum rockfall shadow (hazard) line with each respective property line. Similarly, on page 9 we state that steel survey pins identify the intersection of the top of bluff or top of steep slope line with each respective property line.

5.0 FIELD OBSERVATIONS AND CONCLUSIONS

What we found in the field was that the surveyed lines and steel survey pins are not located along the geological hazard lines, but rather they are located at locations defined by the recommended setback distance from the geological hazard lines. We understand that the covenants governing the subdivision development state that setbacks should be made from the steel survey pins and covenant posts. This is clearly not the case. The covenant posts and steel survey pins, as actually located, include the setback distances from the original geological hazard lines recommended by Golder and are not located on the field defined geological hazard lines. Consequently, there is no need for a further setback from these covenant posts and/or survey pins as recommended in our 2006 report.

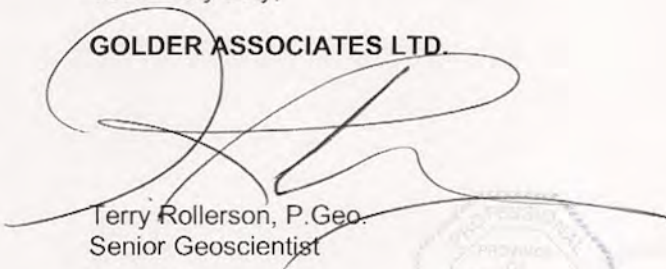
We also noted on the drawing and confirmed in the field that the location of the most easterly portion of the setback line within lot 7 exhibits a jog to the north that is unnecessarily far back from the actual top of steep slope in this area. It would be more appropriate for the setback to follow a straight line between the pin in the center of lot 7 and the pin at the property line between lot 7 and lot 8.

6.0 CLOSURE

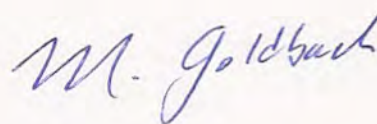
We trust that the information provided in this memorandum is adequate for your immediate requirements. If you have any questions concerning this memorandum, please contact us.

Yours very truly,

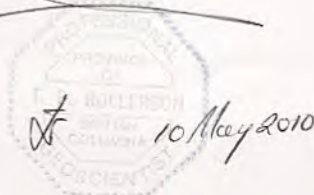
GOLDER ASSOCIATES LTD.


Terry Rollerson, P.Geol.
Senior Geoscientist

TR/MG/kar



Mark Goldbach, P.Eng.
Managing Principal / Senior Geotechnical Engineer



Attachment: Important Information and Limitations of this Report



IMPORTANT INFORMATION AND LIMITATIONS OF THIS REPORT

Standard of Care: Golder Associates Ltd. (Golder) has prepared this report in a manner consistent with that level of care and skill ordinarily exercised by members of the engineering and science professions currently practicing under similar conditions in the jurisdiction in which the services are provided, subject to the time limits and physical constraints applicable to this report. No other warranty, expressed or implied is made.

Basis and Use of the Report: This report has been prepared for the specific site, design objective, development and purpose described to Golder by the Client. The factual data, interpretations and recommendations pertain to a specific project as described in this report and are not applicable to any other project or site location. Any change of site conditions, purpose, development plans or if the project is not initiated within eighteen months of the date of the report may alter the validity of the report. Golder can not be responsible for use of this report, or portions thereof, unless Golder is requested to review and, if necessary, revise the report.

The information, recommendations and opinions expressed in this report are for the sole benefit of the Client. No other party may use or rely on this report or any portion thereof without Golder's express written consent. If the report was prepared to be included for a specific permit application process, then upon the reasonable request of the client, Golder may authorize in writing the use of this report by the regulatory agency as an Approved User for the specific and identified purpose of the applicable permit review process. Any other use of this report by others is prohibited and is without responsibility to Golder. The report, all plans, data, drawings and other documents as well as all electronic media prepared by Golder are considered its professional work product and shall remain the copyright property of Golder, who authorizes only the Client and Approved Users to make copies of the report, but only in such quantities as are reasonably necessary for the use of the report by those parties. The Client and Approved Users may not give, lend, sell, or otherwise make available the report or any portion thereof to any other party without the express written permission of Golder. The Client acknowledges that electronic media is susceptible to unauthorized modification, deterioration and incompatibility and therefore the Client can not rely upon the electronic media versions of Golder's report or other work products.

The report is of a summary nature and is not intended to stand alone without reference to the instructions given to Golder by the Client, communications between Golder and the Client, and to any other reports prepared by Golder for the Client relative to the specific site described in the report. In order to properly understand the suggestions, recommendations and opinions expressed in this report, reference must be made to the whole of the report. Golder can not be responsible for use of portions of the report without reference to the entire report.

Unless otherwise stated, the suggestions, recommendations and opinions given in this report are intended only for the guidance of the Client in the design of the specific project. The extent and detail of investigations, including the number of test holes, necessary to determine all of the relevant conditions which may affect construction costs would normally be greater than has been carried out for design purposes. Contractors bidding on, or undertaking the work, should rely on their own investigations, as well as their own interpretations of the factual data presented in the report, as to how subsurface conditions may affect their work, including but not limited to proposed construction techniques, schedule, safety and equipment capabilities.



IMPORTANT INFORMATION AND LIMITATIONS OF THIS REPORT (CON'T)

Soil, Rock and Groundwater Conditions: Classification and identification of soils, rocks, and geologic units have been based on commonly accepted methods employed in the practice of geotechnical engineering and related disciplines. Classification and identification of the type and condition of these materials or units involves judgment, and boundaries between different soil, rock or geologic types or units may be transitional rather than abrupt. Accordingly, Golder does not warrant or guarantee the exactness of the descriptions.

Special risks occur whenever engineering or related disciplines are applied to identify subsurface conditions and even a comprehensive investigation, sampling and testing program may fail to detect all or certain subsurface conditions. The environmental, geologic, geotechnical, geochemical and hydrogeologic conditions that Golder interprets to exist between and beyond sampling points may differ from those that actually exist. In addition to soil variability, fill of variable physical and chemical composition can be present over portions of the site or on adjacent properties. **The professional services retained for this project include only the geotechnical aspects of the subsurface conditions at the site, unless otherwise specifically stated and identified in the report.** The presence or implication(s) of possible surface and/or subsurface contamination resulting from previous activities or uses of the site and/or resulting from the introduction onto the site of materials from off-site sources are outside the terms of reference for this project and have not been investigated or addressed.

Soil and groundwater conditions shown in the factual data and described in the report are the observed conditions at the time of their determination or measurement. Unless otherwise noted, those conditions form the basis of the recommendations in the report. Groundwater conditions may vary between and beyond reported locations and can be affected by annual, seasonal and meteorological conditions. The condition of the soil, rock and groundwater may be significantly altered by construction activities (traffic, excavation, groundwater level lowering, pile driving, blasting, etc.) on the site or on adjacent sites. Excavation may expose the soils to changes due to wetting, drying or frost. Unless otherwise indicated the soil must be protected from these changes during construction.

Sample Disposal: Golder will dispose of all uncontaminated soil and/or rock samples 90 days following issue of this report or, upon written request of the Client, will store uncontaminated samples and materials at the Client's expense. In the event that actual contaminated soils, fills or groundwater are encountered or are inferred to be present, all contaminated samples shall remain the property and responsibility of the Client for proper disposal.

Follow-Up and Construction Services: All details of the design were not known at the time of submission of Golder's report. Golder should be retained to review the final design, project plans and documents prior to construction, to confirm that they are consistent with the intent of Golder's report.

During construction, Golder should be retained to perform sufficient and timely observations of encountered conditions to confirm and document that the subsurface conditions do not materially differ from those interpreted conditions considered in the preparation of Golder's report and to confirm and document that construction activities do not adversely affect the suggestions, recommendations and opinions contained in Golder's report. Adequate field review, observation and testing during construction are necessary for Golder to be able to provide letters of assurance, in accordance with the requirements of many regulatory authorities. In cases where this recommendation is not followed, Golder's responsibility is limited to interpreting accurately the information encountered at the borehole locations, at the time of their initial determination or measurement during the preparation of the Report.



IMPORTANT INFORMATION AND LIMITATIONS OF THIS REPORT (CON'T)

Changed Conditions and Drainage: Where conditions encountered at the site differ significantly from those anticipated in this report, either due to natural variability of subsurface conditions or construction activities, it is a condition of this report that Golder be notified of any changes and be provided with an opportunity to review or revise the recommendations within this report. Recognition of changed soil and rock conditions requires experience and it is recommended that Golder be employed to visit the site with sufficient frequency to detect if conditions have changed significantly.

Drainage of subsurface water is commonly required either for temporary or permanent installations for the project. Improper design or construction of drainage or dewatering can have serious consequences. Golder takes no responsibility for the effects of drainage unless specifically involved in the detailed design and construction monitoring of the system.

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