

AGATE BAY RESORTS LTD.

OPERATING RULES

The following shall constitute the bylaws of Agate Bay Resorts Ltd., hereafter referred to as the "Company". The bylaws may be amended at an annual general meeting of the Company provided:

- That notice of motion to amend the bylaws, including the proposed amendment, be provided to each shareholder of the Company at least thirty (30) days prior to the annual general meeting, and
- That the proposed amendment is passed by a seventy-five percent (75%) majority.

1. Meetings

1.1 Annual General Meeting

The annual general meeting (AGM) shall be held on Sunday of the Victoria Day weekend each year, at a time and place to be determined by the directors. Shareholders shall be provided with a copy of the proposed agenda, including any notices of motion, at least thirty (30) days prior to the AGM. A quorum of fifty percent (50%) of the shareholders, either present or by signed proxy, is required to convene the AGM. Should there fail to be a quorum, the AGM shall be postponed to a date and time as determine by the directors. The order of business at the AGM shall be as follows:

- Introductions and opening remarks
- Adoption of Minutes from the previous meeting
- Business arising from the Minutes
- Correspondence
- Directors' Reports
- Financial Report and proposed Budget
- New Business
- Election of Directors
- Good and Welfare
- Adjournment

1.2 General Meetings

Additional general meetings may be held at the discretion of the directors. Whenever possible, these meetings will be held at a time convenient to the shareholders, preferably on a long weekend. The notice of the meeting and proposed agenda, require quorum and order of business, with the exception of election of directors and proposed budget, shall be the same as that of the AGM.

1.3 Directors' Meetings

The newly elected directors shall meet within seven (7) days of the adjournment of the AGM to elect the officers of the Company. Thereafter, the directors shall meet as required to conduct the business of the Company.

2. Directors

2.1 Elections

Nominations and elections of five (5) directors for the next one (1) year term shall occur at the AGM. Unless acclaimed, election of the directors shall be on the basis of one (1) vote per owner unless a poll vote is called for. The newly elected directors shall, amongst themselves, elect a president, a vice president, a secretary and a treasurer. The remaining director shall be a director at large.

2.2 Responsibilities

In addition to conducting the day to day business of the Company, the directors shall have the following specific responsibilities:

- President Chair all meetings, act as a financial signing officer
- Vice President Carry out the functions of the President in his or her absence
- Secretary Record minutes of all meetings, send out required correspondence, act as a signing officer for share transfer and documents and act as a financial signing officer if required
- Treasurer Receive and pay out all funds on behalf of the Company, maintain financial records and an annual financial statement, prepare a budget, act as a financial signing officer

2.3 Spending Authority

The directors are authorized to disburse funds for the following liabilities without first obtaining approval from the shareholders:

- Maintenance and emergency repairs of company assets such as sewage and water works, roads and common property (areas)
- Public liability and Director's liability insurance
- Taxes and permit or license fees
- Site security
- Required administration expenses

All other expenditures must be approved by the shareholders.

3. Voting

3.1 Methods of Voting

Votes shall be conducted in one of two ways; by poll vote (one vote per share held in the Company) or by a simple vote (one vote per member present) depending on the issue being voted on. The following table will determine the type of vote and the majority required to carry the vote:

Issue	Type	Majority	Comments
Amendment of Bylaws	Simple	75%	30 day notice required
Election of Directors	Simple	50% + 1	Secret ballot
Expenditure of Funds >\$5800	Poll	50% + 1	Verbal declaration
Expenditure of Funds <\$5800	Simple	50% + 1	Show of hands
All other issues	Simple	50% + 1	Show of hands

In accordance with the Company's Articles, a shareholder may request that a simple vote be changed to a poll vote provided that the request is made prior to the vote commencing.

Proxy votes are allowed provided that a proxy form (see Appendix A) has been completed and signed by the shareholder and has been registered with the Secretary at the start of the meeting.

Only shareholders in good standing (refer to Subsection 5.7) shall be entitled to vote or be elected to the position of director.

4. Shares

4.1 Share Distribution

The Company has a total of ninety-five (95) available registered shares. As of September 1, 1995, fifty-eight (58) shares have been issued on the basis of one (1) share per one (1) undivided interest in the land and premises legally described as:

Lot 1, Section 29, Township 24, Range 13, West of the 6th Meridian,
Kamloops Division Yale District, Plan 35344 Except Plan 37595.

The remaining thirty-seven (37) shares are held by the Company. The fifty-eight (58) shares have been issued as follows:

Parcels A through L inclusive	2 shares each
Parcels M1, M2 and M3	1 share each
Parcels N1 and N2	1 share each
Parcel N3	3 shares
Parcel O	1 share
Parcels 1 through 25 inclusive	1 share each

4.2 Transfer of Shares

A shareholder may sell their shares in the Company along with any improvements on their designated parcel subject to the "Right of First Refusal" provisions outlined in the Shareholders Agreement. However, a share transfer shall not be executed unless all taxes and assessments

owing are paid in full. The Secretary of the Company and one other director shall be responsible for the transfer of shares.

5. Taxes and Assessments

5.1 Property Tax – Land

Each shareholder shall be assessed an amount equal to one fifty-eighth (1/58) of the land tax owing times the number of shares held in the Company.

5.2 Property Tax – Improvements

Where applicable, each shareholder shall be assessed a percentage of the improvement tax owing. The percentage shall be calculated as follows:

$$\frac{\text{Value of improvements on a shareholders designated parcel}}{\text{Value of total improvements}} \times 100$$

The value of the improvements shall be based on the latest assessment as provided by the BC Assessment Authority. Between assessments the value of major improvements shall be determined by the Company or by an independent third party.

5.3 Property Tax – Home Owners Grant

If the Company or any individual shareholder is eligible to receive a home owners grant, it shall benefit all the shareholders equally.

5.4 Assessments for Operating Expenses

Once per annum, in May of each year, there will be an assessment to cover the operating expenses of the Company for the following year. Each shareholder shall be assessed an amount equal to one fifty-eighth (1/58) of the proposed operating budget times the number of shares held in the Company. In determining the budget, the cost of the following liabilities shall be considered:

- Maintenance of sewage and water works, roads and common areas
- General liability and Directors liability insurance
- Annual permit and license fees
- Required administration fees
- A contingency fund of approximately 10 (10) percent of the budget

Additional assessments may be made from time to time to cover extraordinary expenses or special projects approved by the shareholders.

5.5 Contingency Fund

The Company shall establish and maintain, prior to December 31, 2000, a contingency fund in the amount of five thousand dollars (\$5,000.00). The fund shall be accrued and maintained through annual assessments as in Subsection 5.4. The fund shall be used for emergency expenditures as determined by the Directors.

5.6 Payment of Taxes and Assessment

Taxes and annual assessments shall be paid in full on or before June 15th of each year. Additional assessments shall be paid in full on or before a date as determined by the Directors. Cheques shall be made payable to "Agate Bay Resorts Ltd." and sent to the Treasurer.

A penalty of Five Hundred Dollars (\$500.00) shall be assessed if full payment is not received on or before June 15th of each year. A further penalty of Five Hundred Dollars (\$500.00) shall be assessed if full payment (including the initial penalty) is not received on or before July 15th of each year. Such penalties to apply unless it is agreed by the shareholders at the Annual General Meeting that such penalties (or a part thereof) shall be deferred. Such proposal for deferral to be submitted to the Secretary of Agate Bay Resort in writing by April 30th of each year and voted on at the Annual General Meeting.

5.7 Arrears

A shareholder with overdue tax and/or assessment accounts lose their status of "shareholder in good standing" until all overdue accounts are paid in full including any penalties assessed as a result of these Bylaws. A shareholder who is not in good standing shall:

- a) be notified of the amount of money owing and be given opportunity to reinstate their status of "shareholder in good standing",
- b) lose their right to speak to or vote on any Company issue,
- c) not be elected to the position of director,
- d) not erect signs or start/continue any improvements. Existing signs shall be removed by the shareholder or by the Company at the shareholder's expense,
- e) not be permitted to use of, or the rental of, any properties (including common areas) of Agate Bay Resort, until all overdue accounts are paid in full, including any penalties and legal or other costs incurred,
- f) not rent or otherwise allow use of their designated parcel(s), and
- g) be subject to legal actions as may be determined by the Company.

The financial report (refer to Subsection 1.1) shall identify all shareholders that are in arrears including the amount of money owing and the parcel(s) affected.

6. Land Use and Occupancy

6.1 Designated Parcels (as shown on Appendix B)

A shareholder is entitled to the use and occupancy of their designated parcel and has the right to own assets and improvements placed or maintained on that parcel whether affixed to the land or not in accordance with the following:

6.1.1. Cabin Parcels A through L

The use of Parcels A through L is restricted to the placement of one (1) permanent structure and one (1) separate shed in accordance with Section 6.1.5. This does not preclude additional short-term guest accommodation such as RV's and/or tents.

6.1.2. Recreational Vehicle Parcels 1 through 25, M1, M2 and M3

The use of Parcels 1 through 25, M1, M2 and M3 is restricted to the placement one (1) permanent self-contained recreational vehicle, which shall be connected to the site water, sewer and hydro, and one (1) separate shed in accordance with Section 6.1.5. This does not preclude additional short-term guest accommodation such as RV's and/or tents. For the purposes of these Bylaws, a recreational vehicle includes "BC Government approved Park Models" but does not include "Mobile Homes".

6.1.3 Parcels N1, N2, N3 and O

In accordance with the Thompson-Nicola Regional District (TNRD) zoning bylaw and agreed upon development plan, Parcels N1, N2, N3 and O are restricted as follows:

Parcels N, N2, N3	Storage
Parcel O	Undeveloped

6.1.4. Rentals

A shareholder may permit the use and occupation of their designated parcel by any other person for the pleasure and recreation for such period of time and on such terms as may be arranged between that person and the shareholder, provided the shareholder is in good standing.

A shareholder shall not permit their designated parcel to be used in a manner or for purposes that would harm the Company and its' shareholders or violate these Bylaws. The shareholder shall be held responsible for the actions of their renters. A copy of these Bylaws shall be made available to the shareholder's renters. For the purposes of these Bylaws the shareholder's renters are considered to be their invitees.

6.1.5. Storage Sheds

Storage sheds shall conform to the following:

- the shed shall be detached and moveable
- the shed shall not exceed two hundred (200) square feet in area
- the shed shall not exceed one (1) story, maximum twelve (12) feet in height
- the shed shall be used for storage purposes only
- the exterior of the shed shall be finished in a manner in keeping with the general environment of the resort.

Effective May 19, 2013, sheds that do not conform to the above noted criteria shall be grandfathered. However, should the non-conforming shed need to be replaced or altered in size, then the subject shed shall conform to the above noted criteria.

6.1.6. Commercial Operations

There shall be no commercial operations on Company property with the exception of rentals in accordance with Section 6.1.4.

6.1.7 Redevelopment

The Thompson-Nicola Regional District (TNRD) must approve any changes to the current development plan, which designates the use of parcels of land within the Company.

Notwithstanding, a shareholder may request, in writing to the directors, that the designated use of their parcel be amended. The request will be dealt with at the next Annual General Meeting. Should the majority of shareholders support the request, then the Company, or a shareholder appointed by the Company, will apply to the TNRD to amend the development plan. All costs associated with the application is the responsibility of the shareholder making the request.

6.2 Common Property (as shown on Appendix B)

6.2.1. Identification and Usage

The common property and designated use is listed in the following table:

Area	Designated Use
Abutting Parcels L and 2	Operation of water works and pump house
Abutting Parcels N3 and 21	Operation of sewage works and septic tank
Abutting Parcels Land M1	Operation of sewage works and septic tank
Abutting Parcel I	General Use
Abutting Parcel 1	General use and parking
Abutting Parcel 22	General use and parking
Easement on Parcels L and M1	Construction and maintenance of sewer lines

Internal access roads and the boar launch are also considered to be common property.

6.2.2. Internal Access Roads

The internal access roads shall be maintained by the Company. Maintenance shall include grading, gravelling and dust control but not ploughing or snow removal. The speed limit on said roads is restricted to ten (10) kilometers per hour.

6.2.3. Site Security and Maintenance

The Company shall award annual contracts for site security and site maintenance at an amount recommended by the Directors and supported by the shareholders, preference will be given to shareholders, who in the opinion of the Directors are capable to carry out the needed services.

The main gate controlling access to the Resort shall be kept closed at all times.

6.2.4. Parking

No Shareholder or their invitees shall park vehicles or place any obstructions upon common property, other than those designated on Appendix B, which hinders the use by other shareholders or their invitees.

The Company shall have the right to remove the above referenced vehicles or obstructions at the discretion of the Directors. The cost of such removal shall be levied as an assessment against the shareholder responsible.

6.2.5. Marina and Boat Launch

The majority of the marina is privately owned by a group of shareholders and six (6) Cassius Creek residents. The Company owns the first eighty (80) feet of the main wharf and is available for use by shareholders of the Company and owners of the marina. Permanent moorage along this portion of the marina is prohibited.

In general a shareholders boat slip is sold along with the shareholders shares in the Company. However, should an owner wish to sell their boat slip separately, it must be sold through the Company in a timely manner.

The use of the boat launch shall be restricted to shareholders, their invitees and owners of the marina.

7. Company Responsibilities

The Company shall be responsible for the following activities:

- Maintain internal access roads and other common property
- Maintain and repair sewage and water works on common property
- Test drinking water quality as required
- Maintain public liability and Directors liability insurance policies in the amount not less than One Million Dollars (\$1,000,000.00) each
- Payment of all accounts in a timely fashion
- Maintain Company records and financial statements
- Maintain a list of current shareholders. The list shall be distributed to the shareholders along with the minutes of the AGM
- Communicate and correspond with government agencies
- Apply for building permits on behalf of the shareholders
- Obtain an annual report

8. Shareholder Responsibilities

8.1. Improvements

All improvements placed and/or constructed on the shareholder's designated parcel shall be done in accordance with the applicable legislation of the Province of British Columbia and bylaws of the TNRD. In accordance with TNRD policy all building permits must be applied for by the Company on behalf of the shareholder. All costs associated with the building permit shall be the responsibility of the shareholder. Furthermore, each shareholder shall be responsible for all improvements on their designated parcel.

Where possible, all improvements, including accessory buildings, trees, shrubs, vehicles and boats, shall be situated in a manner as not to block the view of the lake of other shareholders.

8.2 Parcel Maintenance

Each shareholder shall be responsible for maintaining their designated parcel(s) in a reasonable condition. If, in the opinion of the Directors, a shareholder neglects to maintain their designated parcel and after providing written notice to the shareholder, the Directors are hereby authorized to hire a person, at a maximum rate of Twenty Dollars (\$20.00) per hour, to remedy the situation. Costs shall be levied as an assessment against the shareholder responsible.

8.3 Garbage Removal

Each shareholder shall be responsible for removing household garbage from their designated parcel. Considering the wildlife in the area, this must be done at least once every week during the period of May 1 through October 31.

8.4. Miscellaneous

8.4.1. General Conduct

Neither a shareholder nor their invitees shall use the Resort in a manner or for purposes that would harm the Company and its' shareholders or violate these Bylaws. The shareholder shall be held responsible for their actions and those of their invitees. A copy of these Bylaws shall be made available to the shareholder's invitees in the absence of the shareholder.

8.4.2. Animal Control

A shareholder and their invitees are allowed to keep household pets on their designated parcel, however such pets are to be kept under control and not allowed to roam freely from Spring Break through and including the Thanksgiving weekend. Furthermore, a shareholder and their invitees shall be responsible for the actions of their pets.

Horses may be kept on Parcel O provided it is properly fenced.

8.4.3. Water Usage

The resort has two water supply systems, one treated for potable water and the other for non-potable uses such as irrigation, vehicle washing, etc.

To ensure that there is an adequate treated water supply for all shareholders and their invitees, treated water shall not be used for irrigation or vehicle washing.

8.4.4. Sewage Control

The Company's sewer system utilizes effluent pumps which are incapable of handling diapers, sanitary napkins or other foreign objects. Flushing these items down toilets will cause the sewer pumps to stall and possibly burn out as well as back up the sewer lines.

As a precaution, shareholders shall post a warning sign in each bathroom on their designated parcels. The signs shall be supplied by the Company.

8.4.5. Noise Control

In consideration of all shareholders and their invitees, there shall be a "Quiet Period" from 11:00 pm to 8:00 am. Accordingly, except in the event of an emergency or special occasion (wedding, family reunion, etc.), a shareholder and their invitees shall minimize noise generation between the hours of 11:00 pm to 8:00 am.

In the event of a special occasion, the host shareholder or invitee shall notify the other shareholders and their invitees at least two (2) weeks in advance of the occasion.

8.4.6. Variances

A shareholder may request a variance from a section of these Bylaws. The request must be addressed to the Directors in writing and include a rationale for the request. The request will be dealt with at the next Annual General or Special Meeting. Should the majority of shareholders support the request, then a variance shall be granted for a set period of time.

9. Public Safety

9.1 Campfires

Neither a shareholder nor their invitees shall have a campfire during periods when there is a campfire ban imposed by any provincial, regional or local agency.

9.2 Fireworks

The use of fireworks or similar incendiary devices are prohibited.

10. Bylaw enforcement

Infractions of these Bylaws are to be brought to the attention of the Directors in writing. The Directors will investigate the alleged infraction and unless the Bylaw stipulates a penalty, the Directors shall determine a course of corrective action in a timely manner including but not limited to:

1. the Directors will meet with shareholder and issue a verbal warning,
2. the Directors will issue a written reprimand,
3. the Directors will levy a fine not to exceed Two Thousand Dollars (\$2,000.00). Any fine will be due in thirty (30) days. Overdue fines shall be subject to conditions laid out in Sections 5.6 and 5.7 of these Bylaws.

In general the Directors shall use the above corrective actions in the order listed. The Directors may levy additional fines for continued infractions. For serious offenses and as a last resort, the Directors shall seek legal advice from the Company's solicitor.

Notwithstanding this Section, should a shareholder or invitee feel threatened by the actions of another shareholder or invitee, they should bring the matter to the local detachment of the RCMP.

APPENDIX A

PROXY

AGATE BAY RESORTS LTD.

The undersigned shareholder(s) of Agate Bay Resorts Ltd. hereby appoints _____ as proxy to vote on behalf of the undersigned and in so doing represents _____ shares. This authorization is for the general meeting of the shareholders of Agate Bay Resorts Ltd. to be held on _____ and at any adjournment or adjournments thereof.

Signed: _____

Date: _____

Signed: _____

Date: _____