

SCHEDULE "C"

(Regulations 1-42)

DESERT COVE ESTATES Rules and Regulations

ADULT COMMUNITY/FACILITIES

1. Desert Cove Estates ("**Desert Cove**") is an exclusively adult residential community owned and operated by Desert Cove Estates Ltd. (the "**Sub-Lessor**") on the lands located on the Okanagan Indian Reserve No. 1, Osoyoos District Yale Division, Province of British Columbia and legally described as:
 - (a) Lot 26 Block 2, CLSR Plan 68254
 - (b) Lot 27 Block 2, CLSR Plan 68254
 - (c) Lot 28-1, Block 2, Plan RSBC 3887R

(the "**Lands**"). "**Residents**" means all owners of Sub-Leases on the Lands and any other person who resides at Desert Cove for 45 days or more in any calendar year.
2. Residents will be 40 years of age or older except with the consent of the Sub-lessor.
3. The residential dwelling on any lot in Desert Cove will be permanently occupied by no more than 4 persons. All such persons will be members of one family unit. Rental of your home is limited also to one family unit. All Sub-Leases and rental agreements are to be approved by the Sub-Lessor. Residents are required to ensure that renters meet the age restrictions. Renters must be supplied with a copy of current Regulations and must provide an initialled copy to the Sub-Lessor as indication that they have received and are prepared to comply with these Regulations.
4. No person under the age of 16 years will use Desert Cove facilities without the direct personal supervision of the Resident whose guest the person is. Children are not permitted to play on the streets. Desert Cove facilities are restricted to the use of bona fide Residents and their guests.
5. The Sub-Lessor is not responsible for damage, injury or loss, by accident, theft or fire, to either the property or person of Residents or their guests. This will be considered full notification that you are using the facilities at your own risk. Residents will be held liable for any and all damage caused by them, their guests, servants or others, and the Resident assumes all such responsibility.
6. Recreation centre and facilities are for the use and enjoyment of all Residents. All private activities in recreation centre must be approved by the Sub-Lessor. Note that permission to utilize the recreation centre for private functions does NOT include use of the swimming pool which is for Residents only.

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7. The Sub-Lessor is not responsible or liable for mishaps, accidents or injuries which may occur at or in the swimming pool and jacuzzi, recreation hall or common area. The Resident acknowledges that the Sub-Lessor provides no supervision whatsoever in these areas.
8. The Resident is responsible for ensuring that their guests using any of Desert Cove's facilities abide by the rules as posted for the use of that particular facility.

RECREATIONAL VEHICLES

9. Space permitting, the Sub-Lessor will provide one (1) parking spot per household only, for either, a boat on a trailer, a holiday trailer or a recreational vehicle. The item must be owned by the Resident of the house to which the parking spot is allotted. Owners of units stored in the RV compound are required to provide the Sub-Lessor with annual proof of valid liability insurance. As these lots are intended to provide RV parking and not long term storage, RVs that remain unmoved for extended periods in the lots may be given notice to be removed from the lot. Residents are required to advise the Sub-Lessor of the sale of any units to ensure that a new unit will fit in the same space as previously assigned. If no replacement unit is purchased the space is automatically surrendered. Residents who have been assigned additional parking spots may be asked to surrender one of the spaces due to space restrictions or may be required to pay an annual fee for the additional spot(s). All repairs to motor vehicles, trailers, or recreational vehicles must be done in the RV compound. No wood is to be stored in RV sites other than as is required to block tires and jacks or to cover wheels. No passenger vehicles are to be parked in RV stalls at any time.
10. Motor homes, campers mounted on vehicles, un-mounted campers, camper vans, boats or any other RV type vehicles will not be permitted to remain in Desert Cove unless they are "stored"* in a proper designated area. On street, on driveway or on lot parking is allowed for short term visitor parking; for a period not to exceed 72 hours. Likewise, Residents are allowed to park their units on the street, on driveways or on their lot, as described below, to load or unload for a period not to exceed 48 hours. RVs may only be parked on the landscaped portions of any lot if parked PARALLEL to the street and only into the lot a maximum of the RV's width and for the above specified time frames. No RVs are to be parked on any part of a lot other than as described previously. RV slides or extensions may only be opened when the unit is parked on your driveway and perpendicular to the street. No vehicles of any kind are to be parked on "Green Space" areas; however, access lanes behind the property may be used for RV parking for the same 48 hour period for Residents and 72 hours for visitors. NO PARKING of any type of vehicle for any duration is allowed ON THE GAS PIPELINE.
** The term "stored" refers to the authorized RVs parked in Desert Cove's designated RV storage lots.*

RESIDENCES

11. Residential buildings in Desert Cove are to be constructed by the Sub-Lessor or under its licence and will conform to size, style, construction type and materials, and sitting as determined by the Sub-Lessor. Renovation of residential buildings will not be permitted without written consent of the Sub-Lessor.
12. No out buildings, carports, awnings, fences, sheds or other structures will be permitted on any lot without the expressed written consent of the Sub-Lessor and construction will be started

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within ninety (90) days of such written consent and must be completed within ninety (90) days of the commencement of construction. (Note: Chain link fencing must be approved and must meet certain standards as established by the Sub-Lessor.)

13. Prohibited improvements and structures include swimming pools, radio and TV antennas, or any unapproved fencing, landscaping etc. Outdoor clotheslines are permitted only when pre-approved and are required to be folding umbrella style and are to be closed up or removed when not in use.
14. Trespassing through other Resident's property is prohibited.
15. All Desert Cove homes will be equipped with a fire extinguisher which will be kept recharged and current.
16. Each yard is to be kept neat and clean. No storage of cans, bottles, boxes or equipment around homes is permitted. No storage of vehicles around homes except on driveways or in garages (incl. boats, trailers etc.). No vehicles or RVs of any kind are permitted to be parked on the landscaped (rocks, grass, etc.) portion including back and side yards of a lot.

LANDSCAPING

17. The Resident will install landscaping to the Sub-Lessor's standards within one year of the purchase of their home; if they fail to do so, the Sub-Lessor will have the right, but not the obligation, at the sole discretion of the Sub-Lessor, to complete the landscaping and charge the Resident for the landscaping. Residents of new homes will provide the Sub-Lessor with a drawing or schematic of their proposed landscaping for approval prior to installation. The Resident may install a maximum of four hundred (400) square feet of turf with sprinklers. The balance of the landscaping on the lot will be dry-land landscaping. The Resident must obtain approval from the Sub-Lessor prior to the installation of any landscaping on the lot, including approval of installation pursuant to the Resident's Construction Contract.
18. No trees, shrubs, grass or other landscaping materials provided to the common areas by the Sub-Lessor will be removed. No large root spreading trees will be permitted in the septic field areas.
19. The Residents will maintain and care for the landscaped areas in a careful and attractive manner and in particular will keep shrubs, trees and flowers watered, trimmed and sprayed. Small vegetable gardens are permitted. The Residents will keep all painted surfaces clean and in good condition. All Residents will keep lawns properly watered and fertilized.
20. During any period when a Resident is absent, arrangements must be made to supervise, maintain, and care for the landscaped areas properly and the Resident must inform the Sub-Lessor of such arrangements.
21. If the Sub-Lessor is of the opinion that the landscaping or exterior of any building or structure is not being adequately cared for or maintained, the Sub-Lessor may with notice provide the care or maintenance required and the charges for so doing will be added to the fees payable by the Resident.

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SERVICES AND UTILITIES

- 22. As all services in Desert Cove are underground, it is essential that no holes are dug, no improvements sited, or stakes or posts driven into the ground without first obtaining authorization from the Sub-Lessor.
- 23. Garbage receptacles are the responsibility of each Resident, for deposit and pick-up of all household garbage on designated days. In order to avoid attracting wildlife, it is recommended that garbage be either placed out the morning of the designated pick up day or the evening before only if placed in a can with a tightly secured lid.
- 24. All driveways and sidewalks must be cleared within 48 hours of the end of any snowfall. Residents may shovel snow into the roadway only before the roads are ploughed. Once snow ploughing commences and/or is completed no shovelling of snow into the roadway is allowed. Snow plough operators will be unable to clear the area in front of the driveway of any residence where snow has been shovelled into the roadway.
- 25. The Sub-Lessor reserves the right to facilitate water usage or conservation efforts by metering water consumption at individual lots.

OTHER RESTRICTIONS

- 26. No signs or house numbering systems, other than those approved by the Sub-Lessor will be used.
- 27. Noise - No excessive noise which in the opinion of the Sub-Lessor may disturb the comfort of any Resident will be permitted.
- 28. Speed limit in Desert Cove is 30 km. per hour.
- 29. No outdoor burning allowed except as specifically pre-approved by the Sub-Lessor.
- 30. No Resident will use his or her lot or any of the Desert Cove facilities for any activity of an illegal nature. No soliciting by Residents or Non-Residents without the Sub-Lessor's permission. No commercial businesses are allowed except as operated by the Sub-Lessor.
- 31. Pets - New Residents may bring a currently owned house pet that is under 14 inches in height and is subject to the following regulations: (a) must be kept on a leash when off the Resident's property including green belts and on pipeline right of way(s); (b) when walking a pet, all droppings must be picked up immediately; (c) when a pet dies, it may not be replaced without the Sub-Lessor's approval. Residents wishing to acquire a pet after moving into Desert Cove must obtain approval from the Sub-Lessor prior to obtaining the pet.

RESALE POLICY

- 32. Any Residents wishing to sell their home will notify the Sub-Lessor.

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33. A Resident who sells their home will pay the Sub-Lessor a transfer (assignment) fee of \$500.00 plus GST as compensation for administrative and legal costs incurred in approving the assignment of the Sub-Lease.
34. All 'for sale' signage must be approved by the Sub-Lessor and must be displayed in accordance with the Sub-Lessor's current requirements for such signs.
35. The Sub-Lessor's approval of assignment of an existing Sub-Lease is required on all resales.
36. Notwithstanding the provisions of Regulation 33, for such period of time as the Sub-Lessor maintains a show home or sales office in the development, a Resident who sells their home will be required to pay the Sub-Lessor an Administration fee equal to 3.5% of the selling price plus GST prior to the Sub-Lessor approving a transfer (assignment) to a purchaser. The Resident hereby covenants to pay the said Administration fee and acknowledges that this provision is not unfair or unconscionable.

RIGHT OF FIRST REFUSAL

37. If during the term of the Sub-Lease a Resident (the "**Selling Resident**") receives a bona fide offer to purchase their interest therein (the "**Demised Premises**") which the Selling Resident is willing to accept (a "**Third Party Offer**"), then:
 - (a) they will deliver to the Sub-Lessor a written notice of the Third Party Offer containing all the terms thereof and the Sub-Lessor will have 48 hours after receipt thereof to accept the offer to purchase the interest of the Selling Resident for the price and upon the terms and conditions contained in the Third Party Offer (except payment of the price by Sub-Lessor will be in cash) (the "**Offer**");
 - (b) if the Sub-Lessor accepts the Offer by written notice to the Selling Resident within the time limit set out in subsection 37(a), then there will be a binding agreement of purchase and sale for the Demised Premises between the Selling Resident and the Sub-Lessor on the terms and conditions of the Offer;
 - (c) if the Sub-Lessor does not accept the Offer by written notice to the Selling Resident within the time limit specified in subsection 37(a), then the Selling Resident may accept the Third Party Offer and may complete the sale and purchase contemplated therein, but not on any better terms than those contained in the Offer; and
 - (d) if the sale and purchase pursuant to the agreement constituted by the acceptance of the Third Party Offer does not complete on the intended closing date, then the right of first refusal contained in this Section 37 will again continue to be binding between the Selling Resident and the Sub-Lessor on the terms and conditions of this Section 37.

FEES AND TAXES

38. Desert Cove is designated as a "specific area" for the purpose of assessment of Provincial and Municipal taxes. The Resident will be responsible for and will pay all such tax fees levied on

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their due dates in accordance with the laws of the Province of British Columbia and By-Laws of the Regional District of North Okanagan or other governing authority.

39. Fees levied by the Sub-Lessor for lot lease, recreational facilities, water, garbage pick-up, street maintenance and street lighting and any other services provided by the Sub-Lessor to the Resident will be assessed from time to time. Any change in these fees will not exceed the Consumer Price Index (all indexes) for British Columbia applicable at that time. Such adjustments will be levied every three (3) years, starting with an anniversary date of January 1, 1989, and are payable on the 1st day of each month. The method of payment will be by way of automatic debit to the Resident's bank account pursuant to the Automatic Debit form with void cheque attached to be signed concurrently with the Sub-Lease or an Assignment of Sub-Lease, as the case may be. The Sub-Lessor has the right to increase and collect such amounts as required to meet the adjusted levies as per this clause.

REMEDIES

40. In addition to any other remedies provided to the Sub-Lessor pursuant to the Sub-Lease and these Rules and Regulations for non-payment of fees and charges, should the Resident fail to pay the monthly fees when due, the Sub-Lessor may discontinue the provision of services to the Resident.
41. The Sub-Lessor reserves and maintains the right to pursue any and all remedies available to it should any Resident violate any rule, regulation or requirement described herein. These remedies will include, but not be limited to, vehicle towing, discontinuing the provision of services, levying fines or charges against the Resident and their Sub-Lease (ie: withholding approval of Sub-Lease assignments until payment of fines or charges).
42. The Sub-Lessor reserves and maintains the right to make such additional rules and regulations as it may consider necessary or desirable from time to time in relation to the preservation, enjoyment, safety, orderliness and cleanliness of the Lands and facilities therein or upon.