

Disclosure Statement dated July 17, 2006.

First Amendment to Disclosure Statement dated March 31, 2007.

**DISCLOSURE STATEMENT**  
**OF**  
**PAINTED BOAT DEVELOPMENTS LTD.**  
**(Developer)**  
  
**FOR**  
**"PAINTED BOAT RESORT SPA AND MARINA"**

Mailing Address of Developer:  
303 Mountain Highway, North Vancouver,  
*British Columbia V7J 2K7*

Address for Service:  
SHANDRO DIXON EDGSON  
Barristers & Solicitors  
400 - 999 West Hastings Street  
Vancouver, British Columbia, V6C 2W2

*Real Estate Agent Retained by the Developer:*  
*Multiple Realty Ltd.,*  
*2298 Kingsway, Vancouver, BC, V5N 5M9*

**This Disclosure Statement has been filed with the Superintendent of Real Estate, but neither the Superintendent, nor any other authority of the government of the Province of British Columbia, has determined the merits of any statement contained in the Disclosure Statement, or whether the Disclosure Statement contains a misrepresentation or otherwise fails to comply with the requirements of the *Real Estate Development Marketing Act*. It is the responsibility of the developer to disclose plainly all material facts, without misrepresentation.**

**NOTICE RE RIGHTS OF RESCISSION AND COMMENCEMENT OF MARKETING**

Under section 21 of the *Real Estate Development Marketing Act*, the purchaser or lessee of a development unit may rescind (cancel) the contract of purchase and sale or contract to lease by serving written notice on the developer or the developer's brokerage, within seven (7) days after the later of the date the contract was entered into or the date the purchaser or lessee received a copy of this Disclosure Statement.

A purchaser may serve a notice of rescission by delivering or sending by registered mail a signed copy of the notice to:

- (a) the developer at the address shown in the disclosure statement received by the purchaser;
- (b) the developer at the address shown in the purchaser's purchase agreement;
- (c) the developer's brokerage, if any, at the address shown in the disclosure statement received by the purchaser; or
- (d) the developer's brokerage, if any, at the address shown in the purchaser's purchase agreement.

The developer must promptly place the purchasers' deposits with a brokerage, lawyer or notary public who must place the deposits in a trust account in a savings institution in British Columbia. If a purchaser rescinds their purchase agreement in accordance with the Act and regulations, the developer or the developer's trustee must promptly return the deposit to the purchaser.

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FIRST AMENDMENT to an original Disclosure Statement dated July 17, 2006, with respect to an offering by PAINTED BOAT DEVELOPMENTS LTD. for the sale of certain strata lots to be located at 12849 Lagoon Road, in the community of Madeira Park, Pender Harbour, British Columbia, in the development to be known as “PAINTED BOAT RESORT SPA AND MARINA”.

1. Amend pages ii and iii of the Disclosure Statement dated July 17, 2006 by deleting the entirety of the sections commencing with the words “Pursuant to Policy Statement 5” and “Pursuant to Policy Statement 6”.

2. Amend Subparagraph 2.2 (b) (i) on page 4 of the Disclosure Statement dated July 17, 2006 (the “Disclosure Statement”) by deleting the existing wording and replacing it with the following:

“ a Quarter Interest Owner is entitled to Private Rentals (as defined in the Rental Management Agreement) of his or her Resort Strata Lot during the Owner’s Period of Use without the payment of a fee to a Rental Agency;”

3. Amend Subparagraph 3.8 (c) (i) on page 10 of the Disclosure Statement by deleting the word “budget” in the penultimate line of the second paragraph and replacing it with “budget”.

4. Amend Subparagraph 3.9 (b) on page 12 of the Disclosure Statement by adding a period in the third line, between the words “Lands” and “The”.

5. Amend Subparagraph 3.9 (d) on page 13 of the Disclosure Statement by adding the following at the end of the existing paragraph:

“The outdoor leisure pool and hot pool located on common property will be serviced by propane and will be separately metered and paid for exclusively by the Owners of the Resort Strata Lots. The Commercial Strata Lot will be serviced by propane and will be separately metered and paid for exclusively by the owners of the Commercial Strata Lot.”

6. Amend Subparagraph 4.1 (b) headed “Period of Permitted Use of Unit by Owner” on page 16 of the Disclosure Statement by adding the words “or bonus room” between the words “den” and “units” in the penultimate line of this paragraph.

7. Amend Subparagraph 4.8 (a) headed “Identity” on page 19 of the Disclosure Statement by deleting the words “or may do so privately if they do not use the service of a Rental Agency (as defined in the Rental Management Agreement)” at the end of the penultimate sentence of this paragraph.

8. Amend Subparagraph 8.1 headed “Development Approval” on pages 27 and 28 of the Disclosure Statement dated July 17, 2006 by adding the following at the end of Subparagraph 8.1:

“The Sunshine Coast Regional District issued Building Permits for the Development under permit numbers 9860 (Building A) on January 24, 2007, 9858 (Building B) on December 20, 2006, 9406 (Building C) on August 2, 2006, 9859 (Building D) on December 1, 2006.”

9. Amend Subparagraph 8.2 headed “Construction Financing” on page 28 of the Disclosure Statement dated July 17, 2006 by adding the following at the end of Subparagraph 8.2:

“The Developer has obtained a satisfactory financing commitment dated December 28, 2006 from HSBC Bank Canada, and is deemed to have made adequate arrangements for the purpose of installing utilities and services and which will enable full completion of all facets associated with the development units.”

10. Amend Subparagraph 9.4 (c) headed “The Offering” on page 30 of the Disclosure Statement by changing the referenced date from “September 15, 2006” to “September 15, 2007”.

11. Amend Exhibit “A” “Preliminary Strata Plan” attached to the Disclosure Statement by deleting out pages A A-12, A A-13, D A-11, D A-12 and Spa Building and replacing them with the replacement pages so numbered attached hereto as Exhibit “A”.

12. Amend Exhibit “B” “Proposed Unit Entitlement and Interest Upon Destruction and Schedule of Voting Rights” attached to the Disclosure Statement by deleting out the existing Exhibit “B” and replacing it with the attached Exhibit “B”.

13. Amend Exhibit “C” “Form of Agreement of Purchase and Sale” attached to the Disclosure Statement by deleting out the entirety of the sections commencing with the words “Pursuant to Policy Statement 5” and “Pursuant to Policy Statement 6” in Subparagraph 15 (headed “Rights of Rescission”).

14. Amend Exhibit “E” “Strata Corporation Bylaws” attached to the Disclosure Statement by deleting out the text of the existing bylaw headed “Restrictions on Rental of Resort Strata Lots” and replacing it with the following:

“A Resort Strata Lot may not be rented for periods of less than 7 days to persons, or a person, as an overnight accommodation for more than 49% of the time during any 12-month period ending on October 31.

A Resort Strata Lot may not be rented by the Quarter Interest Owner except as provided by the Rental Management Agreement.”

15. Amend Exhibit “G” “Initial Strata and Owners Corporation Budgets” attached to the Disclosure Statement by deleting out the existing Exhibit “G” and replacing it with the attached Exhibit “G”.

16. Amend Exhibit “H” “Monthly Strata and Corporation Assessments and Operating Costs” attached to the Disclosure Statement by deleting out the existing Exhibit “H” and replacing it with the attached Exhibit “H”.
17. Amend Exhibit “I” “Strata Management Agreement” attached to the Disclosure Statement by replacing the words “ADDRESS British Columbia V\_\_\_” in paragraph 21(b) with “PO Box 153, Madeira Park, B.C. V0N 2H0”.
18. Amend Exhibit “J” “Tax Considerations” attached to the Disclosure Statement by adding the attached letter dated November 8, 2006 after the existing Exhibit “J”.
19. Amend Exhibit “L” “Quarter Use Sublease” attached to the Disclosure Statement by replacing the references to “Lowes Resort Marine Community Ltd.” on page 2 under the definition for “Headlease” and on page 4 under the definition for “Rental Manager” with “Painted Boat Developments Ltd.”.
20. Amend Exhibit “L” “Quarter Use Sublease” attached to the Disclosure Statement by deleting the text of the definition for “Private Rental” on page 3 and replacing it with the following:
 

“means when the Owner rents the use of his or her Resort Strata Lot to non-arms length parties, including family and friends, during the Owner’s Period of Use without the payment of a fee to a Rental Agency”.
21. Amend Exhibit “L” “Quarter Use Sublease” attached to the Disclosure Statement by inserting the words “or bonus room” between the words “den” and “units” in the fourth line of the definition of “Turnover Fee” on page 6.
22. Amend Schedule “D” (“Security Holder’s Non-Disturbance Agreement”) on page 23 of Exhibit “L” “Quarter Use Sublease” attached to the Disclosure Statement by deleting out the existing paragraph C and replacing it with the following:
 

“The Owner (directly or by assignment) and the Owners Corporation are parties to a sublease (the “Sublease”) and title to the Resort Strata Lot is or will be subject to three additional subleases in favour of the registered owners of undivided one quarter fee simple interests in the Resort Strata Lot respectively (the Sublease and such other subleases are collectively referred to as the “Subleases”), in respect of the use of the Resort Strata Lot and the operation of Painted Boat Resort Spa and Marina (the “Development”);”
23. Amend Exhibit “N” “Articles of Painted Boat Owners Corporation” attached to the Disclosure Statement by replacing the date shown in the definition of “Disclosure Statement” contained in paragraph 1.1 (e) on page 3 with “July 17, 2006”.
24. Amend Exhibit “N” “Articles of Painted Boat Owners Corporation” attached to the Disclosure Statement by replacing the definition of “Quarter Interest Manager” in paragraph 1.1 (n)

on page 4 with “means Painted Boat Management Ltd. and its successors and assigns;”.

25. Amend Exhibit “O” “Form of Owners Corporation Management Agreement between Painted Boat Management Ltd. and Painted Boat Owners Corporation” attached to the Disclosure Statement by replacing the words “ADDRESS British Columbia V\_\_\_” in paragraph 23(b) on page 10 with “PO Box 153, Madeira Park, B.C. V0N 2H0”.

26. Amend Exhibit “R” “Rental Covenant” attached to the Disclosure Statement by replacing the address shown for Painted Boat Developments Ltd. with “PO Box 153, Madeira Park, B.C. V0N 2H0”.

27. Amend Exhibit “R” “Rental Covenant” attached to the Disclosure Statement by inserting the words “under the terms of the Rental Management Agreement” into the third line of the definition of “Personal Use” shown in Subparagraph 1.4, immediately following the words “Registered Owner”.

28. Amend Exhibit “S” “Rental Management Agreement” attached to the Disclosure Statement by deleting the definition of “Private Rental” shown in Subparagraph 1.1 (p) and replacing it with:

““Private Rental” means when the Owner rents the use of his or her Resort Strata Lot to non-arms length parties, including family and friends, during the Owner’s Period of Use without the payment of a fee to a Rental Agency;”

29. Amend Exhibit “S” “Rental Management Agreement” attached to the Disclosure Statement by removing the underlining of the word “means” in the definition of “Turnover Fee” shown in Subparagraph 1.1 (v).

30. Amend Exhibit “S” “Rental Management Agreement” attached to the Disclosure Statement by inserting the words “and advertise” following the word “rent” in the third line of Subparagraph 2.1 (b).

31. Amend Exhibit “S” “Rental Management Agreement” attached to the Disclosure Statement by replacing the words “in the Gulf Islands” in Subparagraph 5.1 (c) with the words “on the Sunshine Coast”.

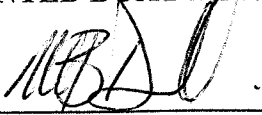
### DEEMED RELIANCE

Section 22 of the *Real Estate Development Marketing Act* provides that every purchaser who is entitled to receive this Disclosure Statement is deemed to have relied on any false or misleading statement of material fact contained in this Disclosure Statement, if any, and any omission to state a material fact. The Developer, and its directors, and any person who has signed or authorized the filing of this Disclosure Statement, are liable to compensate the purchaser for any misrepresentation, subject to any defences available under section 22 of the Act.

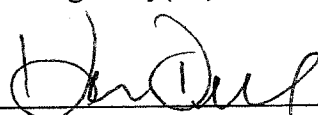
### DECLARATION

The foregoing statements disclose, without misrepresentation, all material facts relating to the Development referred to above, and proposed to be sold, as required by the *Real Estate Development Marketing Act* of British Columbia as of March 31, 2007.

PAINTED BOAT DEVELOPMENTS LTD by its authorized signatory(ies):



MICHAEL B. DONALD

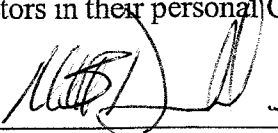


KEN W. DELF

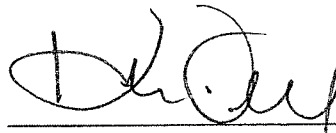


ALISON DELF


Directors in their personal Capacity:



MICHAEL B. DONALD



KEN W. DELF

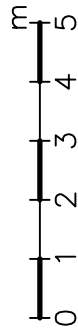
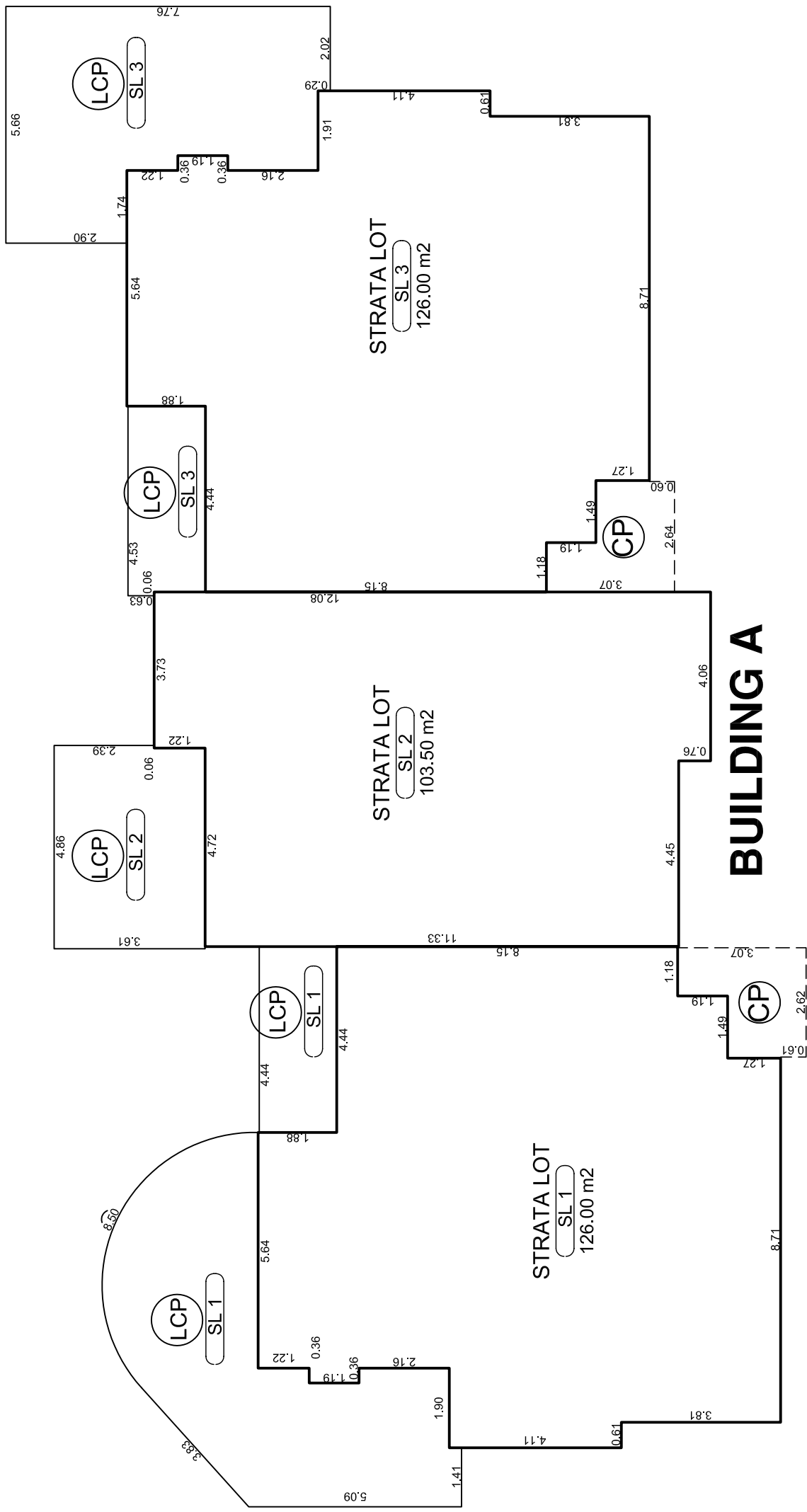


ALISON DELF

**EXHIBIT “A”**

**Preliminary Strata Plan**





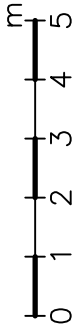
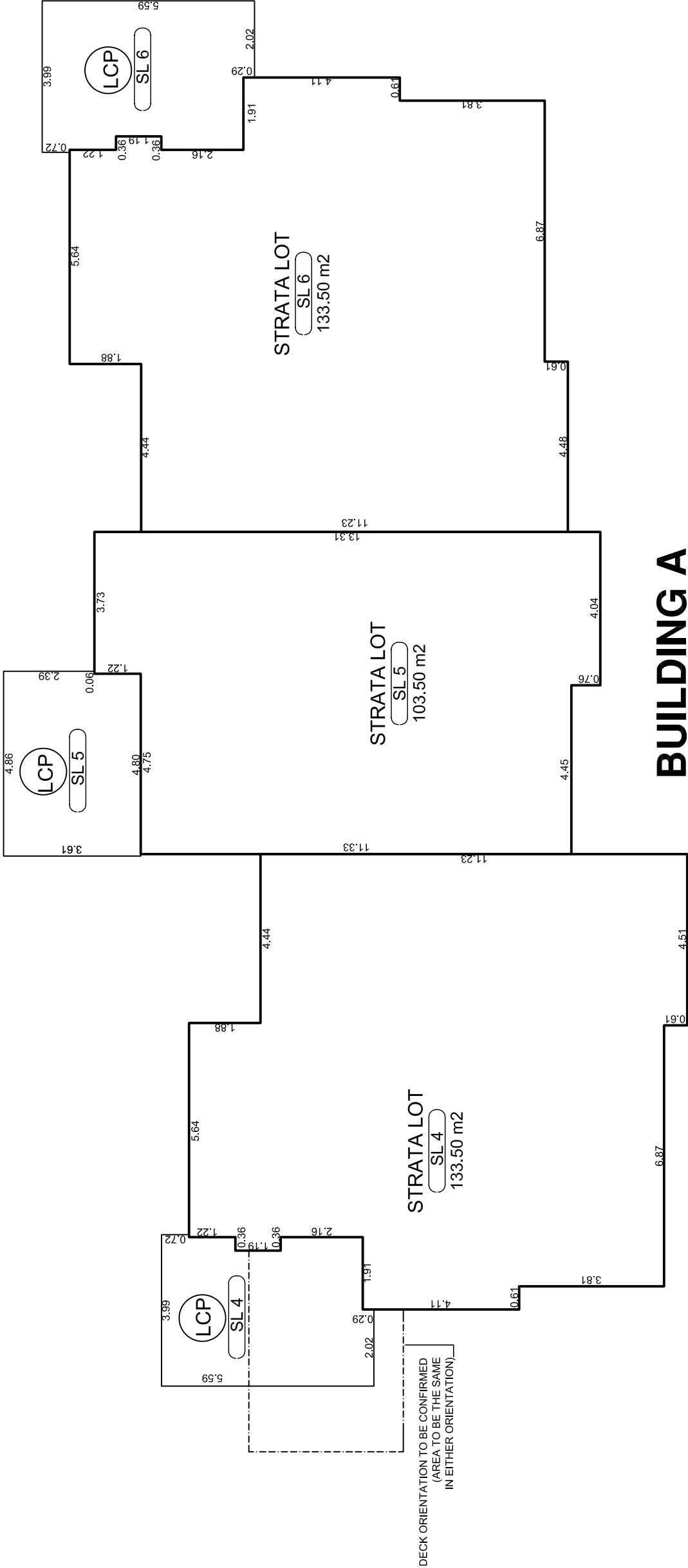
AREAm2		
STRATA LOT	AREA m2	LCP
SL 1	126.00	46.50
SL 2	103.50	17.50
SL 3	126.00	42.50

## Painted Boat Resort Spa and Marina

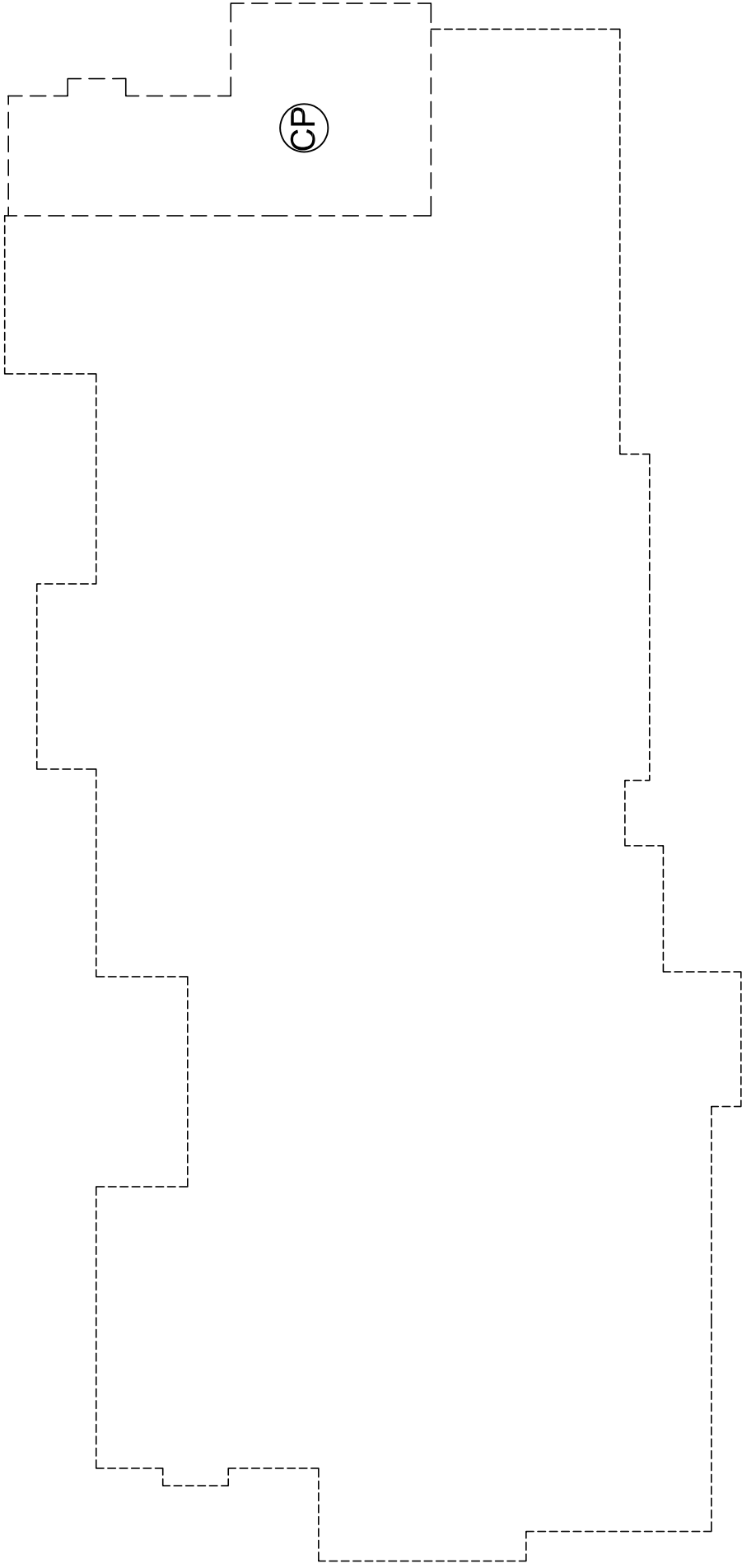
# **PROPOSED STRATA PLAN**

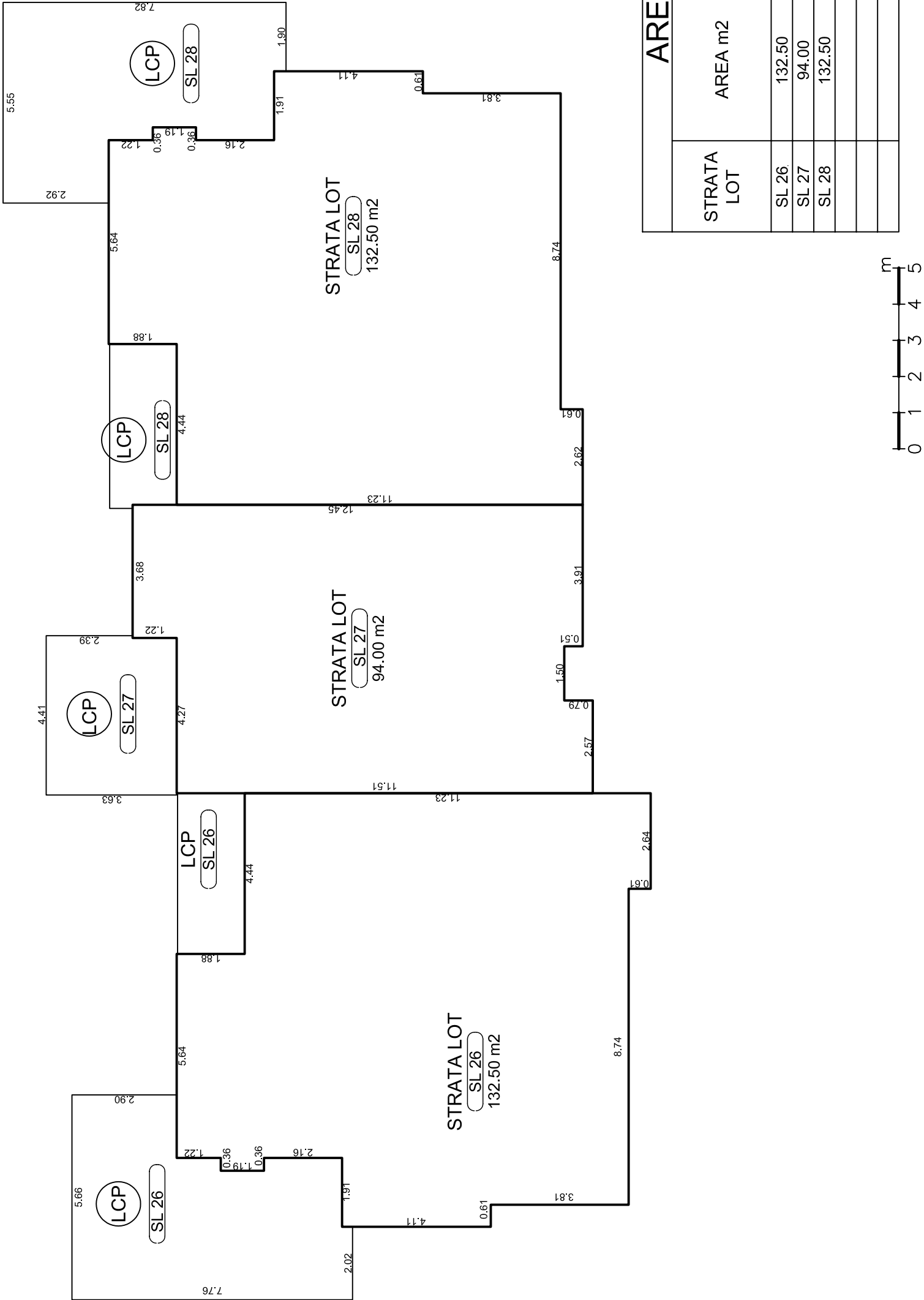
## **BUILDING A: Main Floor**

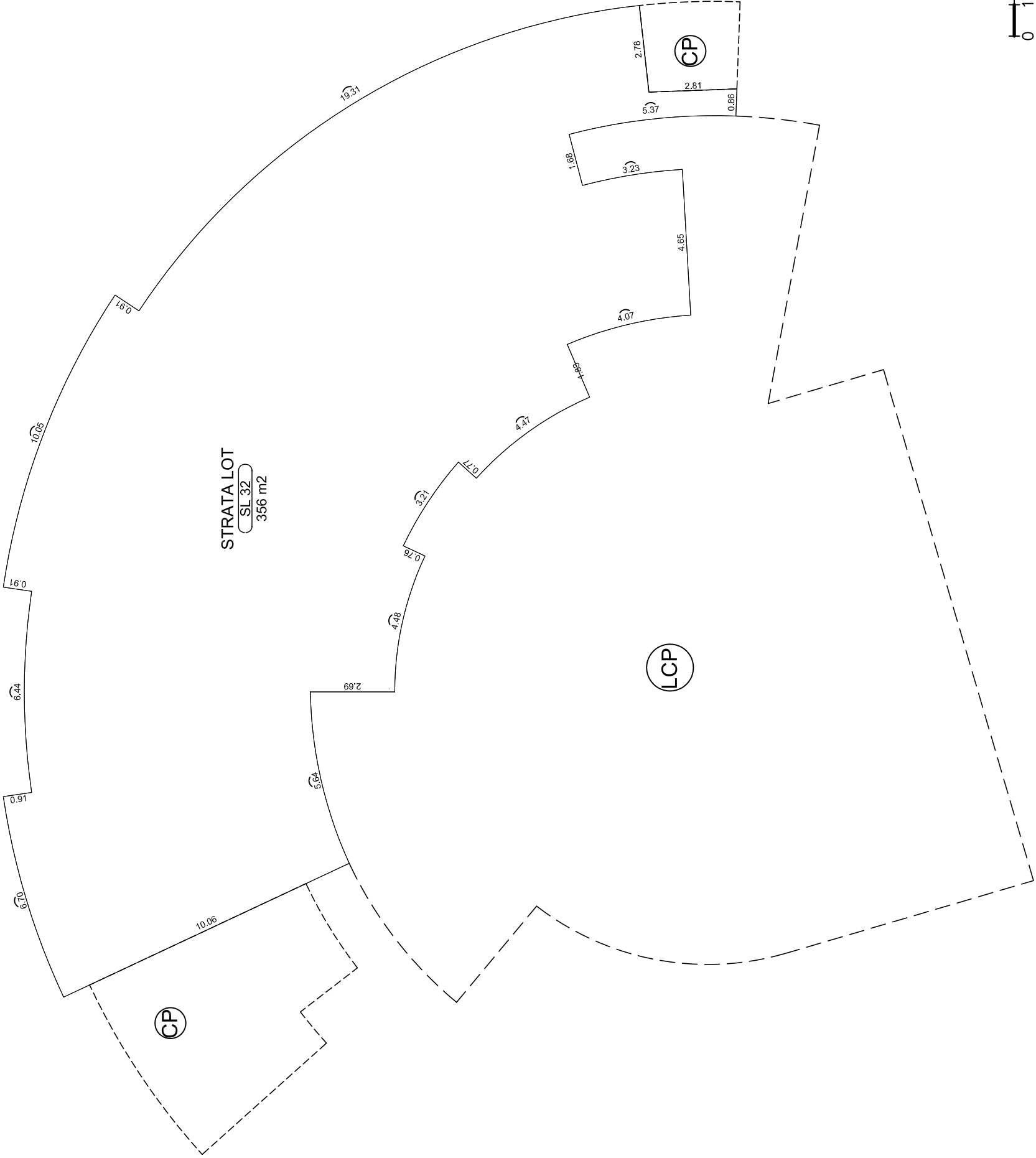
# A A-12



AREAm <sup>2</sup>		
STRATA LOT	AREA m <sup>2</sup>	LCP
SL 4	133.50	21.00
SL 5	103.50	17.50
SL 6	133.50	21.00







**EXHIBIT “B”**

**Proposed Unit Entitlement and Interest Upon Destruction and Schedule of Voting Rights**

## EXHIBIT B

*Strata Property Act*  
**FORM V**  
**SCHEDULE OF UNIT ENTITLEMENTS**  
(Sections 245 (a), 246, 264)

Re: Preliminary Strata Plan being a strata lot of Parcel H, District Lot 1023, Group 1, NWD Plan BCP24781

**STRATA PLAN CONSISTING OF BOTH RESIDENTIAL AND NONRESIDENTIAL STRATA LOTS**

The unit entitlement of each residential strata lot is one of the following, as set out in the following table:

- ☒ (a) the habitable area of the strata lot, in square metres, rounded to the nearest whole number as determined by a British Columbia land surveyor as set out in section 246 (3) (a) (i) of the *Strata Property Act*.
- OR
- ☐ (b) a whole number that is the same for all of the residential strata lots as set out in section 246 (3) (a) (ii) of the *Strata Property Act*.
- OR
- ☐ (c) a number that is approved by the Superintendent of Real Estate in accordance with section 246 (3) (a) (iii) of the *Strata Property Act*.

\_\_\_\_\_  
Signature of Superintendent of Real Estate

Strata Lot Number	Sheet Number	Habitable Area in square meters	Unit Entitlement	% of Total Unit Entitlement of Residential Strata Lots	% of Total Unit Entitlement of All Strata Lots
1	A A-12	126.0	126	3.050	2.806
2	A A-12	103.5	104	2.505	2.305
3	A A-12	126.0	126	3.050	2.806
4	A A-13 & A A-14	155.0	155	3.752	3.452
5	A A-13 & A A-14	122.0	122	2.953	2.717
6	A A-13 & A A-14	155.0	155	3.752	3.452
7	B A-11 & B A-12a	163.5	164	3.958	3.641
8	B A-12a	138.5	139	3.353	3.085
9	B A-12b	107.0	107	2.590	2.383
10	B A-12b	107.0	107	2.590	2.383
11	B A-12b	132.5	133	3.207	2.951
12	B A-13a & B A-14a	155.0	155	3.752	3.452
13	B A-13a & B A-14a	157.0	157	3.801	3.497
14	B A-13b & B A-14b	125.5	126	3.038	2.795
15	B A-13b & B A-14b	125.5	126	3.038	2.795
16	B A-13b & B A-14b	155.0	155	3.752	3.452
17	C A-11	125.5	126	3.038	2.795
18	C A-12	132.5	133	3.207	2.951
19	C A-12	107.0	107	2.590	2.383
20	C A-12	107.0	107	2.590	2.383
21	C A-12	132.5	133	3.207	2.951
22	C A-13 & C A-14	155.0	155	3.752	3.452
23	C A-13 & C A-14	125.5	126	3.038	2.795
24	C A-13 & C A-14	125.5	126	3.038	2.795
25	C A-13 & C A-14	155.0	155	3.752	3.452
26	D A-11 & D A-12	132.5	133	3.207	2.951
27	D A-12	94.0	94	2.275	2.094
28	D A-12	132.5	133	3.207	2.951
29	D A-13 & D A-14	155.0	155	3.752	3.452
30	D A-13 & D A-14	111.5	112	2.699	2.483
31	D A-13 & D A-14	155.0	155	3.752	3.452
total number of residential strata lots is 31			total unit entitlement of residential strata lots is 4100		

The unit entitlement of each nonresidential strata lot is one of the following, as set out in the following table:

- ☒ (a) the habitable area of the strata lot, in square metres, rounded to the nearest whole number as determined by a British Columbia land surveyor as set out in section 246 (3) (a) (i) of the *Strata Property Act*.

OR

- ☐ (b) a whole number that is the same for all of the residential strata lots as set out in section 246 (3) (a) (ii) of the *Strata Property Act*.

OR

- ☐ (c) a number that is approved by the Superintendent of Real Estate in accordance with section 246 (3) (a) (iii) of the *Strata Property Act*.

\_\_\_\_\_  
Signature of Superintendent of Real Estate

Strata Lot Number	Sheet Number	Total Area in square meters	Unit Entitlement	% of Total Unit Entitlement of Residential Strata Lots	% of Total Unit Entitlement of All Strata Lots
32	Spa Building	<b>356.0</b>	356	8.683	7.989
total number of nonresidential strata lots is 1		total unit entitlement of nonresidential strata lots is 356			

Schedule of Unit Entitlement approved by the Superintendent of Real Estate in accordance with section 246 (5) of the Strata Property Act.

\_\_\_\_\_  
Signature of Superintendent of Real Estate

Date:

\_\_\_\_\_  
Signature of Owner Developer



**EXHIBIT “G”**

**Initial Strata and Owners Corporation Budgets**

**Exhibit "G"**  
**Initial Strata and Owners Corporation Budgets**

**STRATA OPERATING EXPENSES**

	<u><b>Resort Strata</b></u> <u><b>Lots</b></u>	<u><b>Commercial</b></u> <u><b>Strata Lot</b></u>	<u><b>Total</b></u>
<b>Administration</b>			
Legal and Accounting	4,601	399	5,000
Office and Miscellaneous Expenses	4,601	399	5,000
Insurance on resort strata lots and carports	30,000	0	30,000
liability Insurance	15,182	1,318	16,500
Insurance on common buildings	2,500	0	2,500
Insurance on infrastructure, roads, landscaping, lighting	4,601	399	5,000
WCB	2,116	184	2,300
Strata Management Fee	11,904	384	12,288
<b>Repairs and Maintenance</b>			
Garbage Removal / Recycling	3,864	336	4,200
Eaves Cleanout (resort strata lots only)	2,000	0	2,000
Landscaping and grounds maintenance	32,204	2,796	35,000
Window washing (resort strata lots only)	8,000	0	8,000
Building Exterior (resort strata lots only)	20,000	0	20,000
Building Exterior (common buildings)	2,000	0	2,000
Common Area Cleaning	10,000	0	10,000
Pool and Fitness Centre Supplies	10,000	0	10,000
<b>Common Area Utilities</b>			
Hydro - Electricity - site lighting	1,472	128	1,600
Hydro - Electricity - common buildings	2,000	0	2,000
Propane - Pool and hot tub *	11,600	0	11,600
Water - pool and common buildings	500	0	500
<b>subtotal</b>	<u>179,144</u>	<u>6,344</u>	<u>185,488</u>
<b>Contingency Reserve (10% of total budget)</b>	<u>17,914</u>	<u>634</u>	<u>18,549</u>
<b>total</b>	<u><b>197,059</b></u>	<u><b>6,978</b></u>	<u><b>204,037</b></u>

**OWNERS CORPORATION OPERATING EXPENSES**

<b>Administration</b>	
Legal and Accounting	5,000
Office and Miscellaneous Expenses	5,000
Insurance on contents	4,800
Quarter Interest Managers Fee	110,000
Website	1,000
<b>Repairs and Maintenance</b>	
Annual Deep clean	20,000
In-suite repairs and maintenance	20,000
<b>Unit Utilities and Services</b>	
Telephone	4,800
High Speed Internet	4,000
Cable TV	3,500
Hydro - Electricity	24,800
Sewer	13,330
Water	5,400
<b>Replacement Reserve</b>	31,000
<b>Estimated Property Taxes**</b>	<u>140,000</u>
<b>total</b>	<u><b>392,630</b></u>

\* the estimate for propane costs for the pool and hot tub assume the hot tub is heated year round and the pool is heated May 1 to September 31

\*\* the estimate for property taxes assumes that the resort strata lots will be assessed as a Class 1 property as this is currently defined by the BC Assessment Authority

**EXHIBIT “H”**

**Monthly Strata and Owners Corporation Assessments and Operating Costs**

**Exhibit "H"**  
**Monthly Strata and Owners Corporation Assessments and Operating Costs**

Strata Lot Number	Habitable Area in square meters	Unit Entitlement	% of Total Unit Entitlement of Residential Strata Lots	Strata Fee per Quarter Interest per Month	Owners Corporation Fee per Quarter Interest per Month	Total Fees for each Quarter Interest per Month
1	126.0	126	0.031	\$126.17	\$251.38	\$377.54
2	103.5	104	0.025	\$103.64	\$206.49	\$310.13
3	126.0	126	0.031	\$126.17	\$251.38	\$377.54
4	155.0	155	0.038	\$155.20	\$309.24	\$464.44
5	122.0	122	0.030	\$122.16	\$243.40	\$365.56
6	155.0	155	0.038	\$155.20	\$309.24	\$464.44
7	163.5	164	0.040	\$163.72	\$326.19	\$489.91
8	138.5	139	0.034	\$138.68	\$276.32	\$415.00
9	107.0	107	0.026	\$107.14	\$213.47	\$320.61
10	107.0	107	0.026	\$107.14	\$213.47	\$320.61
11	132.5	133	0.032	\$132.67	\$264.35	\$397.02
12	155.0	155	0.038	\$155.20	\$309.24	\$464.44
13	157.0	157	0.038	\$157.21	\$313.23	\$470.43
14	125.5	126	0.031	\$125.67	\$250.38	\$376.05
15	125.5	126	0.031	\$125.67	\$250.38	\$376.05
16	155.0	155	0.038	\$155.20	\$309.24	\$464.44
17	125.5	126	0.031	\$125.67	\$250.38	\$376.05
18	132.5	133	0.032	\$132.67	\$264.35	\$397.02
19	107.0	107	0.026	\$107.14	\$213.47	\$320.61
20	107.0	107	0.026	\$107.14	\$213.47	\$320.61
21	132.5	133	0.032	\$132.67	\$264.35	\$397.02
22	155.0	155	0.038	\$155.20	\$309.24	\$464.44
23	125.5	126	0.031	\$125.67	\$250.38	\$376.05
24	125.5	126	0.031	\$125.67	\$250.38	\$376.05
25	155.0	155	0.038	\$155.20	\$309.24	\$464.44
26	132.5	133	0.032	\$132.67	\$264.35	\$397.02
27	94.0	94	0.023	\$94.12	\$187.54	\$281.66
28	132.5	133	0.032	\$132.67	\$264.35	\$397.02
29	155.0	155	0.038	\$155.20	\$309.24	\$464.44
30	111.5	112	0.027	\$111.65	\$222.45	\$334.10
31	155.0	155	0.038	\$155.20	\$309.24	\$464.44

<b>Total Fees</b>	<b>4100</b>	<b>\$4,105.40</b>	<b>\$8,179.79</b>	<b>\$12,285.19</b>
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Strata Fees	x 4 x 12	\$197,059.00
Owner Fees	x 4 x 12	\$392,630.00

**\$589,689.00**

**EXHIBIT “J”**

**Tax Considerations**

November 8, 2006

Painted Boat Developments Ltd.  
c/o 175 Stonepine Drive SW  
Calgary, Alberta  
T3Z 3B5

**Attention: Mr. Ken Delf, President**

Dear Sirs/Mesdames:

**Re: Painted Boat Resort Spa & Marina ("Painted Boat")**

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We confirm our conversations with respect to the issue of the assessment of Painted Boat for taxation purposes, specifically the present requirements to acquire and maintain Class 1 (Residential) status rather than Class 6 (Business and Other) status. After considerable discussion and review of the existing legislation and policies (including the Assessment Policy entitled "Classification of Strata Short-Term Overnight Commercial Accommodation: s. 1 (a) (iii) of BC Reg. 438/81" updated to October 17, 2006, and BC Reg. 438/81: *Assessment Act* "Prescribed Classes of Property Regulation"), and your discussions with Mr. Grant Macdonald of B.C. Assessment (the acknowledged expert at that office with respect to strata ownership and assessment classes) regarding that office's Short Term Overnight Commercial Accommodation Policy ("STOCAP"), the following are the guidelines that B.C. Assessment recommends be adhered to in order to obtain and maintain Class 1 status:

1. There will need to be two separate and independent management companies, each managing less than 85% of the units in Painted Boat. There can be an agreement between them to share the common area expenses, with one of them charged with the responsibility and authority to expend monies on the common area. Since less than 85% of the units are managed by the same company, Painted Boat would clearly not be meeting the requirements for Class 6 status. One of these two companies would be the existing Painted Boat Management, which would necessarily have a working relationship with the second company.
2. Painted Boat must ensure that, in total, less than 50% of the room nights in a given year are available for rent for less than 7 days at a time. This can be accomplished in one of two ways:
  - (a) prepare a calendar in advance of the taxation year end (October 31) that shows that certain weeks are only available for a rental period of 7 days or more, by unit, so that the total rentals are under the 50%; or

- (b) keep track throughout each year so that when the 50% threshold is approached, further short term stays would be stopped.

Of the two tracking/control options, the first is the preferred method. In practice, we can assume that the preferred rental period is May through September of each year, and that 65% of the rentals during that period would be for 7 days or more. During the balance of the year, you can assume that 70% of the rentals would be short term, i.e., less than 7 days. Doing the math:

Room nights available:  $365 \times 31 \text{ units} = 11,315 \text{ days}$

Maximum allowable STOCAP:  $49\% \times 11,315 = 5,544 \text{ days}$

Maximum days per 1/4 share for daily use:  $5,544 / 124 = 44 \text{ days}$

The optimal blend is achieved by weighing the busy peak season months (May through September) toward weekly rentals and the remaining 7 off-season months toward daily rentals. By way of example, each unit would have 9 weeks out of the May 1 through September 30 period available for STOCAP and 16 weeks out of the October 1 through April 30 period available for short term rentals.  $(25 \text{ weeks} \times 31 \text{ units} \times 7 \text{ days} = 5,425 \text{ days})$

Their policy recommendation is that both the separate management structures and the restrictions on use be in place to ensure a Class 1 assessment for Painted Boat under the existing legislation.

Yours truly,

**SHANDRO DIXON EDGSON**

Per:



Larry S. Blaschuk

LSB/dly

**SOLICITOR'S CERTIFICATE**

**IN THE MATTER OF THE *REAL ESTATE DEVELOPMENT MARKETING ACT* AND  
THE DISCLOSURE STATEMENT FOR THE PROPERTY LEGALLY DESCRIBED AS:**

Parcel Identifier: 026-735-351  
Parcel H  
District Lot 1023  
Group 1  
New Westminster District  
Plan BCP24781

I, **LARRY S. BLASCHUK**, Solicitor, a member of the Law Society of British Columbia, hereby certify that I have read the Disclosure Statement dated July 17, 2006, and the above-described First Amendment to Disclosure Statement dated March 31, 2007, relating to the proposed 32 strata lot development in respect of the above property, made any required investigations in public offices, and reviewed same with the developer herein named, and hereby certify that the facts contained in items 6.1, 6.2 and 6.3 of the Disclosure Statement as amended are correct.

**DATED** at Vancouver, British Columbia, this 31 day of March, 2007.



LARRY S. BLASCHUK  
Barrister and Solicitor  
Shandro Dixon Edgson  
400 – 999 West Hastings Street  
Vancouver, B.C. V6C 2W2  
604.689.0400