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Concept Only

October 23, 2012

Board of Directors
Royal Cape Breton Yacht Club
& Ben Eoin Marina

Subject: Integrated RCBYC / BEM Operations

I have been asked to articulate just exactly what ECBC would be prepared to consider in respect to moving this concept forward. Attached, you will find an outline of steps and actions that we believe are supportive and enabling of this initiative.

As you know, we have had discussions with both groups and have received feedback and proposals. We have reviewed same and the attached represents the position of ECBC. That said, we want to be clear we are okay with either the RCBYC or BEM saying no to this initiative, notwithstanding our strong belief it is the right thing to do when one considers all of the related facts and circumstances. Our proposal is presented in its entirety and should be accepted or rejected in its entirety.

This is a good faith, proactive proposal to resolve operating issues which will not go away while proposing a creative solution to the optimization of recreational marine infrastructure between the two operations.

My suggestion is that the respective Boards review this concept and advise us accordingly.

Sincerely,

A handwritten signature in black ink, appearing to read "John K. Lynn".

John K. Lynn
Chief Executive Officer

Attachment

cc: Gerard Shaw, ECBC
Tom Plumridge, ECBC

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Board of Directors Ben Eoin Marina
Board of Directors Royal Cape Breton Yacht Club

The Boards of the two above organizations are being asked to consider the following as the basis for the integration of the two organizations. The following subject to Board(s) approval will form the basis of a binding letter of intent on both organizations to integrate.

1. The Royal Cape Breton Yacht Club (RCBYC) and Ben Eoin Marina (BEM) would be integrated as of Jan 1, 2013, both for purposes of operations and membership.
2. The charter for the RCBYC would continue to reside in Sydney so long as the Sydney location continues to operate.
3. The BEM location of the RCBYC would become the head quarters for the operation of the RCBYC with accounting and administrative functions located at BEM.
4. The actual marina of the RCBYC in Sydney would continue to be an asset of the RCBYC along with one PID of property upon which will reside the boathouse.
5. The integrated club will assume no legacy debts of the former RCBYC.
6. The RCBYC is required to present a financial statement up to Dec 31, 2012, prepared by an external accountant and presented to ECBC within 30 days of year end 2012.
7. A study to determine the ongoing operational needs for the RCBYC will be completed and ECBC will assist in funding this study, but assume no future financial obligation of the RCBYC.

8. ECBC will purchase the balance of the property of the RCBYC in Sydney (PIDS 15092576, 15064827, 15064843, 15064850, and 15185978), exclusive again of the piece of property (PID 15068262) which houses the boathouse and the marina itself as well as a right of way, for a price up to \$250,000, the proceeds of which will address the debt of the former RCBYC. ECBC will also be responsible for the demolition, bank stabilization, and survey fees associated with this property.
9. ECBC also will retain a first right of refusal, at fair market value, for PID 15668262 should it ever be considered for sale.
10. The current clubhouse of the RCBYC in Sydney will continue to operate until calendar year end and maximize revenue from all planned social events.
11. Commencing in the new calendar year 2013, the operations of Sydney and Ben Eoin will be fully integrated.
12. The Board of Directors of the integrated organization shall have the responsibility to determine by-laws, membership, privileges and fee structures of the newly integrated organization in a manner that maximizes membership and participation in the legacy RCBYC.
13. ECBC would entertain an application, consistent with its non commercial programs, for improvements to the actual marina and boathouse in Sydney and advocate for specified operating relief from CBRM as part of a broader waterfront development project.
14. ECBC believes that this approach will address the significant problems which currently exist with the RCBYC while optimizing the value proposition for recreational marina traffic both within the Bras d'Or Lakes and Sydney Harbour.

ECBC requires confirmation of the position of the Board of Directors of the RCBYC and BEM in respect to this approach by November 9, 2012.