

NO. _____
VANCOUVER REGISTRY

IN THE SUPREME COURT OF BRITISH COLUMBIA

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. C-36, AS AMENDED**

AND

IN THE MATTER OF THE *BUSINESS CORPORATIONS ACT*, S.B.C. 2002, c. 57

AND

**IN THE MATTER OF OKANAGAN HILLS DEVELOPMENT CORPORATION,
VINEYARD HOMES AT THE RISE LTD., THE GOLF CLUB AT THE RISE LTD. and
Y-K PROJECTS LTD.**

PETITIONERS

AFFIDAVIT

I, LEONA SNIDER, of 364 Cordon Lane, in the City of Vernon, in the Province of British Columbia, MAKE OATH AND SAY AS FOLLOWS:

1. I am a Director and Officer of each of the Petitioners, and as such have personal knowledge of the facts and matters hereinafter deposed to by me except where stated to be made upon information and belief and where so stated I verily believe the same to be true. I am authorized to make this Affidavit on behalf of the Petitioners.

2. I have read the facts set out in the Petition to be filed in these proceedings and the facts to the best of my knowledge are true and correct.

3. Toward the end of the golf season this past year, it became clear that steps would have to be taken to sell a part or all of the assets of the Petitioners in an orderly way. As a result of my putting all of my excess cash over the last many years into the business, I have no available resources remaining at this time. The estimated cash flow for the Petitioners attached to the

Petition herein amounts to a detailed forecast of the anticipated needs over the course of the next several months. Through the efforts of the proposed Monitor, Abakhan & Associates Inc., the Petitioners have been able to obtain an offer for Debtor in Possession financing in the total amount of \$2,500,000. Now shown to me and attached as **Exhibit “A”** to this my affidavit is a true copy of the Proposed Terms of such a loan from Regal RV Resorts, Inc. dated December 12, 2008.

4. It is imperative that the business, the development and particularly the golf course continue to be maintained and operated through the coming months as the assets are worth many more millions in an *en bloc* going concern sale than they would be if liquidated and sold on any sort of piecemeal basis. The object of the CCAA proceedings herein is to hold all of the assets together and then move forward with a sale process for part or all of the assets in an orderly and constructive way.

5. Over the last couple of months I have been engaged in discussions with our major lender, Arres Capital Inc. (“Arres”). Throughout the course of those months, we have worked to see whether a solution could be found which could avoid the Petitioners filing for protection under the CCAA. Unfortunately, we have been unable to come up with a solution and I have advised Arres of the proposed filing on December 15, 2008. In addition, I am advised by counsel, John R. Sandrelli, and verily believe that he telephoned Arres’ counsel on Friday, December 12, 2008 to advise of the filing. While Arres has not consented to the relief to be sought at this stage, I am optimistic that they will be supportive of the process which we have no choice but to engage in.

6. Finally, as set out in the Petition, the Business Development Bank of Canada (“BDC”) has a first mortgage on the golf course property which is integral to the overall development. By letter dated December 2, 2008, The Golf Club At The Rise Ltd. received a demand of the indebtedness owing to BDC together with a Notice of Intention to Enforce Security pursuant to the *Bankruptcy and Insolvency Act*. Now shown to me and attached as **Exhibit “B”** to this my affidavit is a true copy of the letter as well as a letter dated the same date addressed to Y-K Projects Ltd. Given the demand, there is immediate risk that BDC of Canada will attempt to enforce its security and realize on the golf course lands. Such an action would be very detrimental to the overall development and would prejudice the stakeholders generally from maximizing the realization from the assets.

. I am fully confident that if the Petitioners are given time to continue with its sale efforts in an orderly way, the Petitioners will be in a position to file a Plan of Arrangement which will provide for the stakeholders receiving an amount which will potentially be significantly greater than in the event of a piecemeal liquidation of the assets. In the event the secured creditors are permitted to proceed with their remedies under their security, it is my belief that the creditors at large as well as the other stakeholders will be highly prejudiced and some creditors will receive a zero return on their indebtedness.

8. I make this affidavit in support of the proposed Initial Order attached to the Petition to be filed in these proceedings.

SWORN BEFORE ME at the City of
Vernon, in the Province of British
Columbia, this 15th day of December, 2008.

A Commissioner for taking Affidavits
within British Columbia

LEONA SNIDER

This is Exhibit " A " referred to in the affidavit of ...LEONA SNIDER... sworn before me at ...VERNON BC... this day of ...DECEMBER, 2008

December 12, 2008

A Commissioner for taking Affidavits for British Columbia

LOAN AGREEMENT

Between: Debtor in Possession Financing Proposal (DIP) For Okanagan Hills Development Corporation In respect of the Rise: Proposed CCAA Proceedings and Contemplated Monitor: Abakhan & Associates Inc. (MONITOR)

And: Regal RV Resorts Inc. (Regal), or assignee as Lender Regal is a private company based in Vancouver, BC

The Rise is a multi faceted development near Vernon, BC that is expected to be in a CCAA Proceeding in which the Monitor will be appointed. The core of the Rise is land zoned for 1210 units and an 18 hole completed golf course designed by Fred Couples.

The Rise, in consultation with the Proposed Monitor, has determined that up to \$2.5 Million is necessary as working capital to maintain the golf course and continue operation during the next 12 months as the Rise is involved in a CCAA Proceeding.

Regal hereby agrees to provide a loan of up to \$2.5 Million to the DIP on the following terms and conditions:

- 1. Principal of loan: \$2.5 Million with a minimum funding of \$500,000 on closing and a maximum of four (4) additional draws of not less than \$500,000 per draw with 7 business days notice required for each draw once the draw request is made with the consent of the Monitor;
2. Term of the loan: 12 months;
3. Interest rate: 12%, interest paid monthly;
4. Lender's fee: \$75,000, deducted from first advance;
5. Interest Reserve: Interest reserve to be deducted from each advance, such reserve sufficient to service the advanced loan for its term;
6. Security: Court ordered first charge/mortgage/debenture on land zoned for 1210 units plus a first charge on the existing 18 hole golf course known as The Rise;
7. Miscellaneous Terms and Conditions:
a. Time is of the essence and this Agreement is governed by the laws of BC;
b. At the Lender's option, the loan may be extended for a further 12 months except that the interest rate to be increased from 12% to 14% and a further 2% Lender's fee to be paid on the extension;
c. It is agreed that during the first 12 months, should the project provide excess funds by any means to retire the loan the Lender shall have earned a minimum gross interest of \$200,000 exclusive of Lender's fees and closing costs;
d. On acceptance of this Agreement, the Lender to have 5 business days to complete his due diligence, the results of which must be satisfactory to the Lender at his sole discretion;

2

- e. All legal and registration costs to be for the account of the borrower and deducted from the loan proceeds at closing;
- f. Closing to occur 15 working days after Court Approval of this loan or on completion of documentation whichever is the sooner; and
- g. On execution this is a binding Agreement but it is understood that additional documents may be necessary to fully outline this loan. Both parties agree to execute such additional documents on a timely basis.

Signed:
 REGAL RV RESORTS, INC.

AGREED:
 Debtor in Possession Financing Proposal
 For Okanagan Hills Development Corporation



December 2, 2008

The Golf Club at The Rise Ltd.
#8, 2601 – Highway 6
Vernon, BC. V1T 5G4

RECEIVED 05 2008

Attention: Mr. Ian Renton

Dear Sir:

RE: BDC LOAN The Golf Club at The Rise Ltd., ACCOUNT NO: 034733- 02 & 03

You are in DEFAULT under the terms of the security for the subject loan and the Bank hereby invokes the acceleration clause contained in the security and demands the repayment of the loan in full.

The amount due and payable is:

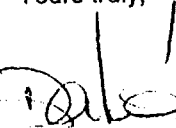
	Loan 02	Loan 03
Principal balance outstanding	\$2,250,000.00	\$2,671,000.00
Interest to and including December 1, 2008	\$52,505.64	\$62,330.03
NSF Fees	\$25.00	\$25.00
Annual Administration Fee		\$750.00
Standby Fee		\$654.02
Total	\$2,302,530.64	\$2,734,759.05

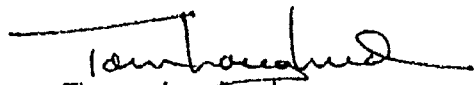
together with additional interest at the Bank's floating base rate plus 2.00% per annum compounded monthly from December 2, 2008 up to and including the date of payment.

If the sum is not received within 10 days from the date of this letter, we shall take such action as may be necessary to enforce our rights as set out in the security.

We enclose the Notice of Intention to Enforce a Security pursuant to Subsection 244(l) of the *Bankruptcy and Insolvency Act*.

Yours truly,


D. A. King
Assistant Vice President,
Special Accounts


Thomas Loughheed
Business Restructuring Specialist,
Special Accounts
Direct Line: 604-666-7858

Enclosure

TL/ag

This is Exhibit " B " referred to in the
affidavit of LEONA SNIDER
sworn before me at VERNON BC
this day of DECEMBER, 2008

.....
A Commissioner for taking Affidavits
for British Columbia

4

Form 86

Bankruptcy & Insolvency Act

Notice of Intention to Enforce a Security
(Paragraph 69(2)(c) and subsection 244(1))

RECEIVED DEC 05 2008

To: The Golf Club at The Rise Ltd., an insolvent person.

Take notice that:

1. Business Development Bank of Canada, a secured creditor, intends to enforce its security on the insolvent person's property described below:

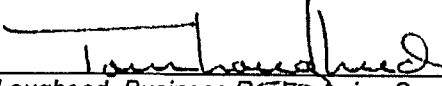
All personal and real property and any interest therein of the insolvent person.
2. The security that is to be enforced is in the form of General Security Agreement.
3. The total amount of the indebtedness secured by the security is \$5,037,289.69 as at December 2, 2008 with interest thereafter at the Bank's floating base rate plus 2.00% per annum compounded monthly and all costs and charges of enforcement.
4. The secured creditor will not have the right to enforce the security until after the expiration of the 10-day period after this notice is sent unless the insolvent person consents to an earlier enforcement.

Dated at Vancouver, BC. this 2nd day of December, 2008.

BUSINESS DEVELOPMENT BANK OF CANADA



 D. A. King, Assistant Vice President-Special Accounts



 Thomas Loughheed, Business Restructuring Specialist-Special Accounts

CONSENT AND WAIVER

THE UNDERSIGNED hereby:

1. Acknowledges receipt of the above Form 86 Notice;
2. Waives the ten day period of notice required under Section 244 of the Bankruptcy and Insolvency Act; and
3. Consents to the immediate enforcement by Business Development Bank of Canada of the Security referred to in the above Form 86 Notice.

DATED at _____, British Columbia, this ___ day of _____, 2008.

Per:

The Golf Club at The Rise Ltd.

5



RECEIVED DEC 05 2008

December 2, 2008

Y - K Projects Ltd.
Box 23073
Vernon, BC. V1T 9L8

Dear Sir:


RE: BDC LOAN The Golf Club at The Rise Ltd., ACCOUNT NO:034733 - 02 & 03

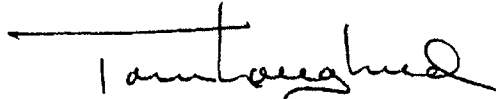
We enclose herewith a copy of our notice dated as of today and addressed to the above named company, which you will find self-explanatory.

As you are aware, the Bank holds a guarantee from yourself in the full amount of the loans outstanding, plus interest as underlying security for the above loans. We remind you that pursuant to the terms of the guarantee, the Bank is not required to realize on the assets of the company mortgaged to the Bank before making demand for payment upon you as the guarantor.

This letter constitutes demand upon you for the satisfaction of your guarantee, concurrent with the Bank's demand upon the company, and, if the indebtedness to the Bank is not settled within 10 days from date of this letter, we propose to take such action as may be necessary for collection thereof.

Yours truly,


D. A. King
Assistant Vice President,
Special Accounts


Thomas Loughheed
Business Restructuring Specialist,
Special Accounts
Direct Line: 604-666-7858

TL/ag

Enclosure