

**In the Matter of the CCAA of  
Okanagan Hills Development Corporation, Vineyard Homes at the Rise Ltd.,  
The Golf Club at the Rise Ltd. and Y-K Projects Ltd.**

NO. S-088739  
**VANCOUVER REGISTRY**

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

AND

IN THE MATTER OF THE BUSINESS CORPORATIONS  
ACT,  
R.S.A. 2000, c.B-9

AND

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

(all referred to hereafter as "OHDC")

**MONITOR'S THIRD REPORT**

**February 19, 2009**

**In the Matter of the CCAA of  
Okanagan Hills Development Corporation, Vineyard Homes at the Rise Ltd.,  
The Golf Club at the Rise Ltd. and Y-K Projects Ltd.**

**INTRODUCTION:**

The Rise is a master planned community development with signature golf course property located within the boundaries of the City of Vernon, British Columbia. The properties are described in the Petition filed in the Supreme Court of British Columbia ("the Court") referred to below. For the purpose of this report we shall limit the description of the properties to:

1. "The Lands", being the properties slated for residential development by OHDC, and
2. the golf course referred to as "The Golf Club".

On December 15<sup>th</sup>, 2008, a Petition was filed in the Court for an order granting a stay of proceedings pursuant to the Companies Creditors Arrangement Act ("CCAA"). The Court granted the Order (the "Initial Order").

The First Monitor's Report was provided to the Court on December 23, 2008 for the purposes of providing information concerning the urgent need for Debtor In Possession financing ("DIP").

On December 29, 2008, an Order was made which provided that the Petitioners were authorized to borrow up to the sum of \$2,500,000 under a DIP credit facility.

As a result of disputes and delays occurring as a result of the objections by the Business Development Bank of Canada, one of the mortgagors of the petitioners, the initial DIP financier withdrew.

A replacement DIP financier has been obtained with terms and conditions on the same basis as that made pursuant to the December 23, 2008 application. Copy of the commitment letter from Robert Lee Ltd. is attached hereto as Exhibit 'A'.

**In the Matter of the CCAA of  
Okanagan Hills Development Corporation, Vineyard Homes at the Rise Ltd.,  
The Golf Club at the Rise Ltd. and Y-K Projects Ltd.**

**RECOMMENDATIONS:**

The Monitor recommends acceptance of the attached commitment/term sheet made out on behalf of Robert Lee Ltd. dated today, February 19, 2009 as we believe that the terms of DIP financing are commercially reasonable and it is in the best interests of the Petitioners and their stakeholders that the DIP facility is granted.

Yours truly,

**ABAKHAN & ASSOCIATES INC.**

In its capacity as Monitor of Okanagan Hills Development Corporation, Vineyard Homes at the Rise Ltd., The Golf Club at the Rise Ltd. and Y-K Projections Ltd., and not in its personal capacity.

Per. 

George Abakhan, CA CIRP  
President

T:\OHDC Group of Companies\Monitor's Reports\OHDC Monitor's Third Report.doc

**ROBERT LEE LTD.**  
**517 - 1177 West Hastings Street**  
**Vancouver, BC V6E 2K3**

February 19, 2009

**OKANAGAN HILLS DEVELOPMENT CORPORATION**  
**Y-K PROJECTS LTD.**

c/o Fraser Milner Casgrain LLP  
15th Floor – 1040 West Georgia Street  
Vancouver, B.C. V6E 4H8

**Attention: John Sandrelli**

Dear Sirs/Mesdames:

Re: Debtor in Possession Financing – The Rise, Vernon, B.C.

We are pleased to advise that, on the basis of financial and other information provided to us and your loan application of January 19, 2009 (the "**Application**"), we have approved the following loan(s) in connection with the above to the person(s), for the purpose(s) and upon and subject to the terms set out below.

In this letter as amended, modified, replaced or restated from time to time (collectively, the "**Commitment Letter**") unless the context otherwise requires "**we**", "**us**" and "**our**" refers to and means Robert Lee Ltd. and its successors and assigns.

**ARTICLE 1**  
**GENERAL**

**1.1**            **Loan**

The Loan will be a term loan in the amount of \$2,500,000 (the "**Loan**").

**1.2**            **Borrower**

The Loan will be made to the following persons and their respective successors and permitted assigns (collectively, the "**Borrower**", "**you**" and "**your**") on a joint and several basis:

- (a) Okanagan Hills Development Corporation ("**Okanagan**"), a British Columbia company (Inc. No. BC0694475); and
- (b) Y-K Projects Ltd. ("**Y-K**"), a British Columbia company (Inc. No. 340234).

**ARTICLE 2  
REPRESENTATIONS AND WARRANTIES**

**2.1 Standard Representations re the Borrowers**

Each Borrower represents and warrants to us as set forth in Schedule "A" hereto.

**2.2 Project Representations**

You have represented to us as set out below.

(a) Y-K was the registered and Okanagan was the beneficial owner of 735 acres of land in Vernon BC (the "**Original Lands**") which were intended to be developed into a mixed use development comprised of, inter alia:

- (i) commercial lots;
- (ii) a vineyard and winery;
- (iii) single and multifamily residential family lots; and
- (iv) an 18 hole golf course known as "The Golf Course at The Rise", on the lands described below as the Golf Course Lands.

(b) The Original Lands have been subdivided and consolidated into a number of individually titled parcels of land.

(c) Okanagan is now the owner of the legal and beneficial fee simple title to the following lands (the "**Beach Club Lands**") which were created from the Original Lands and are now legally and civically described as follows:

PID	LEGAL DESCRIPTION	CIVIC ADDRESS
026-548-933	Lot 1 District Lot 62 Osoyoos Division Yale District Plan KAP79842	2640 Lakeshore Road, Vernon, BC
026-548-941	Lot 2 District Lot 62 Osoyoos Division Yale District Plan KAP79842	2640 Lakeshore Road, Vernon, BC

(d) Y-K is now the owner of the legal and beneficial fee simple title to the following lands (the "**Y-K Lands**") which were created from the Original Lands and are now legally and civically described as follows:

PID	LEGAL DESCRIPTION	CIVIC ADDRESS
027-451-755	Lot B Section 6 Township 8 and Section 31 Township 9 Osoyoos	Bella Vista Road, Vernon, BC

PID	LEGAL DESCRIPTION	CIVIC ADDRESS
	Division Yale District Plan KAP86230	
027-508-293	Lot 1 Section 31 Township 9 Osoyoos Division Yale District Plan KAP86584	Bella Vista Road, Vernon, BC
027-677-681	Lot 1 Section 31 Township 9 Osoyoos Division Yale District Plan KAP87536	Okanagan Hills Blvd, Vernon, BC
026-327-007	Lot 2 Section 31 Township 9 and Section 6 Township 8 Osoyoos Division Yale District Plan KAP78315	Bella Vista Road, Vernon, BC (the "Golf Course Lands")
026-469-014	Lot 1 Section 31 Township 9 Osoyoos Division Yale District Plan KAP78317, Except Plans KAP78952, KAP81473 and KAP78953	Bella Vista Road, Vernon, BC
026-469-022	Lot 2 Section 6 Township 8 and Section 31 Township 9 Osoyoos Division Yale District Plan KAP78317, Except Plan KAP85528	7163 Bella Vista Road, Vernon, BC
026-469-561	Lot 5 Section 6 Township 8 and Section 31 Township 9 Osoyoos Division Yale District Plan KAP78317, Except Plans KAP78953, KAP81473 and KAP87703	Bella Vista Road, Vernon, BC
026-470-527	Lot 6 Section 31 Township 9 Osoyoos Division Yale District Plan KAP78317, Except Plan KAP87703	8600 Rising View Way, Vernon, BC
026-470-535	Lot 7 Section 6 Township 8 Osoyoos Division Yale District Plan KAP78317	Bella Vista Road, Vernon, BC
026-470-543	Lot 8 Section 6 Township 8 Osoyoos Division Yale District Plan KAP78317	Bella Vista Road, Vernon, BC
027-330-087	Lot A Section 31 Township 9 Osoyoos Division Yale District Plan KAP85528	Bella Vista Road, Vernon, BC
026-472-341	Lot 13 Section 31 Township 9 Osoyoos Division Yale District Plan KAP78952	144 Vineyard Way, Vernon, BC
026-472-350	Lot 14 Section 31 Township 9 Osoyoos Division Yale District Plan KAP78952	148 Vineyard Way, Vernon, BC

PID	LEGAL DESCRIPTION	CIVIC ADDRESS
026-472-376	Lot 16 Section 31 Township 9 Osoyoos Division Yale District Plan KAP78952	156 Vineyard Way, Vernon, BC
026-472-414	Lot 20 Section 31 Township 9 Osoyoos Division Yale District Plan KAP78952	200 Harvest Court, Vernon, BC (the "Show Home Lot")
026-472-651	Lot 44 Section 31 Township 9 Osoyoos Division Yale District Plan KAP78952	343 Cordon Place, Vernon, BC
026-472-686	Lot 47 Section 31 Township 9 Osoyoos Division Yale District Plan KAP78952	331 Cordon Place, Vernon, BC
026-472-694	Lot 48 Section 31 Township 9 Osoyoos Division Yale District Plan KAP78952	327 Cordon Place, Vernon, BC
026-472-708	Lot 49 Section 31 Township 9 Osoyoos Division Yale District Plan KAP78952	323 Cordon Place, Vernon, BC
026-472-716	Lot 50 Section 31 Township 9 Osoyoos Division Yale District Plan KAP78952	319 Cordon Place, Vernon, BC
026-472-724	Lot 51 Section 31 Township 9 Osoyoos Division Yale District Plan KAP78952	315 Cordon Place, Vernon, BC
026-472-732	Lot 52 Section 31 Township 9 Osoyoos Division Yale District Plan KAP78952	311 Cordon Place, Vernon, BC
026-773-660	Lot 2 Section 31 Township 9 Osoyoos Division Yale District Plan KAP78953	364 Cordon Lane, Vernon, BC
026-773-678	Lot 3 Section 31 Township 9 Osoyoos Division Yale District Plan KAP78953	360 Cordon Lane, Vernon, BC
026-773-881	Lot 24 Section 31 Township 9 Osoyoos Division Yale District Plan KAP78953	524 Balsam Court, Vernon, BC
026-774-119	Lot 47 Section 31 Township 9 Osoyoos Division Yale District Plan KAP78953	495 Silversage Place, Vernon, BC
026-774-151	Lot 51 Section 31 Township 9 Osoyoos Division Yale District Plan	503 Silversage Place, Vernon, BC

PID	LEGAL DESCRIPTION	CIVIC ADDRESS
	KAP78953	
026-774-160	Lot 52 Section 31 Township 9 Osoyoos Division Yale District Plan KAP78953	507 Silversage Place, Vernon, BC
026-774-178	Lot 53 Section 31 Township 9 Osoyoos Division Yale District Plan KAP78953	511 Silversage Place, Vernon, BC
026-774-186	Lot 54 Section 31 Township 9 Osoyoos Division Yale District Plan KAP78953	515 Silversage Place, Vernon, BC
026-988-585	Strata Lot 1 Section 31 Township 9 Osoyoos Division Yale District Strata Plan KAS3178 together with an interest in the common property in proportion to the unit entitlement of the strata lot as shown on Form V	144 Silversage Terrace, Vernon, BC
026-988-631	Strata Lot 6 Section 31 Township 9 Osoyoos Division Yale District Strata Plan KAS3178 together with an interest in the common property in proportion to the unit entitlement of the strata lot as shown on Form V	124 Silversage Terrace, Vernon, BC
026-988-640	Strata Lot 7 Section 31 Township 9 Osoyoos Division Yale District Strata Plan KAS3178 together with an interest in the common property in proportion to the unit entitlement of the strata lot as shown on Form V	120 Silversage Terrace, Vernon, BC
026-988-666	Strata Lot 9 Section 31 Township 9 Osoyoos Division Yale District Strata Plan KAS3178 together with an interest in the common property in proportion to the unit entitlement of the strata lot as shown on Form V	112 Silversage Terrace, Vernon, BC
026-988-674	Strata Lot 10 Section 31 Township 9 Osoyoos Division Yale District Strata Plan KAS3178 together with an interest in the common property in proportion to the unit entitlement of the strata lot as shown on Form V	108 Silversage Terrace, Vernon, BC
026-988-682	Strata Lot 11 Section 31 Township 9 Osoyoos Division Yale District Strata Plan KAS3178 together with an interest in the common property in proportion to the unit entitlement of the strata lot as shown on Form V	104 Silversage Terrace, Vernon, BC

PID	LEGAL DESCRIPTION	CIVIC ADDRESS
026-990-326	Strata Lot 13 Section 31 Township 9 Osoyoos Division Yale District Strata Plan KAS3178 together with an interest in the common property in proportion to the unit entitlement of the strata lot as shown on Form V	300 Silversage Bluff Lane, Vernon, BC
026-990-334	Strata Lot 14 Section 31 Township 9 Osoyoos Division Yale District Strata Plan KAS3178 together with an interest in the common property in proportion to the unit entitlement of the strata lot as shown on Form V	304 Silversage Bluff Lane, Vernon, BC
027-271-838	Strata Lot 17 Section 31 Township 9 Osoyoos Division Yale District Strata Plan KAS3178 together with an interest in the common property in proportion to the unit entitlement of the strata lot as shown on Form V	200 Silversage Ridge Lane, Vernon, BC
027-271-846	Strata Lot 18 Section 31 Township 9 Osoyoos Division Yale District Strata Plan KAS3178 together with an interest in the common property in proportion to the unit entitlement of the strata lot as shown on Form V	204 Silversage Ridge Lane, Vernon, BC
027-271-854	Strata Lot 19 Section 31 Township 9 Osoyoos Division Yale District Strata Plan KAS3178 together with an interest in the common property in proportion to the unit entitlement of the strata lot as shown on Form V	208 Silversage Ridge Lane, Vernon, BC
027-271-862	Strata Lot 20 Section 31 Township 9 Osoyoos Division Yale District Strata Plan KAS3178 together with an interest in the common property in proportion to the unit entitlement of the strata lot as shown on Form V	212 Silversage Ridge Lane, Vernon, BC
027-272-117	Strata Lot 25 Section 31 Township 9 Osoyoos Division Yale District Strata Plan KAS3178 together with an interest in the common property in proportion to the unit entitlement of the strata lot as shown on Form V	112 Silversage Lookout Court, Vernon, BC
027-777-197	Lot A Section 31 Township 9 Osoyoos Division Yale District Plan KAP88166	Okanagan Hills Blvd, Vernon, BC
027-684-041	Lot A Section 31 Township 9	8500 Rising View Way,

PID	LEGAL DESCRIPTION	CIVIC ADDRESS
	Osoyoos Division Yale District Plan KAP87703	Vernon, BC

- (e) The Beach Club Lands and the Y-K Lands except for the Golf Course Lands are collectively called the "**Lands**".
- (f) Except for lands legally described as:
  - (i) PID 027-677-699 Lot 2 Section 31 Township 9 Osoyoos Division Yale District Plan KAP87536, Except Plan KAP88166 which is now owned by Leona Snider; and
  - (ii) PID: 026-470-551 Lot 9 Section 6 Township 8 Osoyoos Division Yale District Plan KAP78317 which is now owned by Bella Vista Services Ltd.,

the Beach Club Lands and the Y-K Lands are the only lands which formed part of the Original Lands and are now owned by either or both of the Borrowers and their respective affiliates.

- (g) The Beach Club Lands and the Y-K Lands and your respective personal property are subject to mortgages, assignments, security interests and other charges (the "**Existing Security**") in favour of some of your creditors:
- (h) You have commenced proceedings (the "**CCAA Proceedings**") under the *Companies' Creditors Arrangement Act* (the "**CCAA**") in the Supreme Court of British Columbia (the "**Court**") Matter# S088739.
- (i) Pursuant to the CCAA Proceedings the Court has made certain orders, including an initial order from the Court (the "**Initial Order**") which:
  - (i) stays legal proceedings by the creditors of each of the Borrowers (the "**Stay**") against them in accordance with the terms thereof, pending the preparation of a plan of arrangement (the "**Plan**") approved by the Court and accepted by your creditors under the CCAA; and
  - (ii) appoints Abakhan & Associates Inc. your monitor under the CCAA Proceedings (the "**Monitor**").
- (j) A copy of the Initial Order is attached hereto as Schedule "B".
- (k) Pursuant to the Initial Order, the Court has approved borrowings by you and granted super priority charges under the CCAA in respect of the following:
  - (i) borrowings of up to \$300,000 to fund certain administrative costs incurred or to be incurred by you in favour of the Monitor, its

solicitors and the Borrower's solicitors in respect of their remuneration, costs and expenses in connection with the CCAA Proceedings, as described in the Initial Order, and therein and herein called the "**Administration Charge**"; and

(ii) additional borrowings of up to \$75,000 to fund certain costs incurred or to be incurred by your directors in respect of liabilities they may incur in such capacity, as described in the Initial Order and therein and herein called the "**Directors' Charge**".

(l) The time for the appeal of the Initial Order has expired.

(m) The Initial Order and the Stay have been extended by the Court to June 1, 2009.

(n) Pursuant to an Order entitled "Order Authorizing DIP Loan" dated December 29, 2009 under the CCAA Proceedings (the "**Existing DIP Financing Order**") the Court approved borrowings by you and granted super priority charges under the CCAA in respect of a debtor in possession loan in respect of the Lands of up to \$2,500,000 (the "**DIP Financing Loan**") from certain persons described therein (the "**Initial DIP Lenders**").

(o) The DIP Financing Loan is not available from the Initial DIP Lenders.

(p) You have requested that we provide you with the DIP Financing Loan to finance your day to day and short term operating requirements in respect of the Lands for a maximum of 12 months and expenses associated with the CCAA Proceedings during that period of time, to be funded by way of not more than 5 advances (the "**Advances**").

### ARTICLE 3 PURPOSE OF LOAN

#### 3.1 Purpose of Loan

The purpose of the Loan is to provide you with the DIP Financing Loan by way of not more than 5 advances (the "**Advances**") to provide monies to finance:

(a) your day to day and short operating requirements in respect of the Lands for a maximum of 12 months and expenses associated with the CCAA Proceedings during that period of time;

(b) the monies from time to time required to establish and maintain the Debt Service Deposit (as defined below);

(c) the monies required to pay for our Commitment Fee (as defined below);  
and

- (d) the monies required pay for costs, charges and expenses from time to time incurred by us as contemplated by Section 10.1.

#### ARTICLE 4 LOAN PARTICULARS

##### 4.1 Term

- (a) Subject to the provisions of Section 4.1(b) hereof, the term of the Loan (the "**Term**") will be for that period of time commencing on the date we make our first Advance to you (the "**Initial Advance Date**") and ending on:
  - (i) the last day of that calendar month during which first anniversary of the Initial Advance Date occurs;
  - (ii) the date on which we commence enforcement proceedings under our Security Documents in respect of an Event of Default (as defined below);
  - (iii) the date on which you complete all requirements of the Plan; and
  - (iv) the date an order of the Court (an "**Order**") is granted terminating or lifting the Stay in whole or in part,

whichever first occurs (the "**Maturity Date**").

- (b) At our option, we may extend the date set forth in Section 4.1(a)(i) to the second anniversary of the Initial Advance Date (the "**Extension Date**"), by giving you notice in writing to that effect by no less than 15 days nor more than 30 days prior to the first anniversary of the Initial Advance Date and provided that on the Extension Date:

- (i) you pay us interest an extension fee equal to 2% of the Loan Amount (as defined below) then outstanding; and
- (ii) we have not then commenced enforcement proceedings in respect of the Loan,

the date set forth in Section 4.1(a)(i) will be automatically extended to the second anniversary of the Initial Advance Date.

##### 4.2 Interest Rate

- (a) Subject to the provisions of paragraph 4.2(b), you shall pay us interest computed on the basis of a 365 day year (or in the case of a leap year, a 366 day year) on the outstanding daily principal balance of the Loan and on overdue interest without allowance or deduction for deemed re-investment or otherwise, at the fixed rate of 12% per annum calculated monthly, not in advance, as well after as before maturity, default and

judgment and on overdue interest based on the actual number of days elapsed; and

- (b) If we extend the date set forth in Section 4.1(a)(i) to the Extension Date contemplated by Section 4.1(b), then, commencing on the day immediately following the first anniversary of the Initial Advance Date, you shall pay us interest computed on the basis of a 365 day year (or in the case of a leap year, a 366 day year) on the outstanding daily principal balance of the Loan and on overdue interest without allowance or deduction for deemed re-investment or otherwise, at the fixed rate of 14% per annum calculated monthly, not in advance, as well after as before maturity, default and judgment and on overdue interest based on the actual number of days elapsed.

#### 4.3

##### Repayment

(a) **As to Interest**

You shall pay us interest calculated as aforesaid monthly on the 1st day of each and every calendar month (the "**Payment Date**") commencing on the 1st day of the calendar month immediately following the calendar month during which the Initial Advance Date occurs and continuing on each Payment Date thereafter until the outstanding balance of the Loan Amount is paid in full.

(b) **Interest Payments**

On each Payment Date, if there is then no outstanding Event of Default, all unpaid interest which has accrued to that Payment Date will be paid from the Debt Service Deposit (as defined below) as long as monies are available thereunder. Notwithstanding the foregoing, nothing contained in this Commitment Letter or in any such Security Document will be construed so as to relieve you from your obligation to pay us interest on account of the Loan when due hereunder.

**"Debt Service Deposit"** means a deposit to be established at the time of the first Advance (the "**First Advance**") from which we will deduct interest payments due hereunder on each Payment. On the funding of the First Advance we will deduct therefrom what we then estimate will be the amount you will be required to pay as interest on the amount of the First Advance until the first anniversary of the Initial Advance Date and we shall then pay that amount to our solicitors in trust for deposit into an interest bearing account to pay interest as it becomes due.

The Debt Service Deposit will be increased at the time of each subsequent Advance by a deduction therefrom of what we then estimate will be the amount required to pay interest on the amount of that Advance until the first anniversary of the Initial Advance Date and those monies will be paid to our solicitors in trust for deposit into the interest bearing account previously established by them to pay interest as it becomes due thereafter.

**(c) As to the Loan Amount**

You shall pay the Loan Amount to us on the Maturity Date.

It is agreed that whenever the term "**Loan Amount**" is used in this Commitment Letter or in any of the Security Documents (as defined below) it means the total of the following, namely:

- (i) the principal balance of the Loan then outstanding;
- (ii) all interest which has accrued on the outstanding principal balance of the Loan and then remains outstanding; and
- (iii) all other monies then due and owing by you to us in connection with the Loan (including the unpaid balance of any Minimum Interest (as defined below), if required to be paid hereunder).

**(d) Business Day**

Any payment received by us after 1:00 p.m. Vancouver, BC local time on any business day will be deemed to be received by us on the next business day. "**business day**" means any day except Saturday, Sunday and any day which is a statutory holiday in Vancouver, BC.

**(e) Application of Payments**

Payments made on account of the Loan Amount will be applied by us when received first in payment of outstanding interest which has accrued to the date that payment is received and second in payment of the principal balance of the Loan then outstanding. Notwithstanding the foregoing, if there is an outstanding Event of Default when a payment is received by us, we may apply that payment to interest, principal and costs in such manner as we, in our sole and absolute discretion, determine.

**4.4 Prepayment in Full**

Subject to the payment of Minimum Interest (as defined below), you may prepay the Loan Amount in its entirety at any time without bonus or penalty on not less than 30 business days prior written notice.

**4.5 Minimum Interest**

You shall pay us Minimum Interest.

"**Minimum Interest**" means \$200,000.00.

On the date you prepay the Loan Amount to us in full, if the interest then paid by you to us on account of the Loan is less than the Minimum Interest, you shall then pay to us, as part of the Loan Amount, the difference between the Minimum Interest and the amount of interest actually paid by you to that date.

**ARTICLE 5  
SECURITY AND ADDITIONAL DOCUMENTS**

**5.1            Security Documents**

The payment of the Loan Amount and performance and observance of your obligations and liabilities to us in connection herewith will be secured by the following:

- (a) the Existing Security;
- (b) the DIP Financing Order (as defined below) creating a Court ordered fixed and floating super priority charge (the "**DIP Charge**") in all undertaking, property and assets of the Borrowers and each of them as security for the Loan Amount that ranks in priority to all claims, security interests and other encumbrances of any kind or nature over, other than:
  - (i) the existing Administration Charge,
  - (ii) the existing Directors' Charge;
  - (iii) an mortgage in favour of HSBC Bank of Canada ("**HSBC**") registered against the Beach Club Lands (the "**HSBC Mortgage**") securing as principal balance of no more than \$800,000; and
  - (iv) such other amounts as we may agree to pursuant to the DIP Financing Order;
- (c) the following security (the "**Security Documents**") to be granted by you or on your behalf:
  - (i) a promissory note in respect of each Advance;
  - (ii) a mortgage and charge against the fee simple title to the Lands (the "**Mortgage**");
  - (iii) a general assignment of leases of the Lands and the rents derived therefrom, as additional collateral security to the Mortgage;
  - (iv) an assignment of insurance obtained in respect of the Lands and the personal property charged in our favour;
  - (v) a general security agreement to be executed and delivered by you as, *inter alia*:
    - A. a fixed and specific mortgage, charge and security interest against the all present and after-acquired personal property of each of the Borrowers; and

- B. a floating charge against all of the other property, assets and undertakings of each of the Borrowers not specifically charged in our favour;
- (vi) a deposit agreement relating to the Debt Service Deposit;
- (d) a joint and several unlimited hazardous substance and environmental indemnity agreement in respect of the Lands (your liability under this agreement to be in addition to your obligation to pay the Loan Amount and to survive the repayment of the Loan Amount); and
- (e) such other security as we or our solicitors may reasonably require.

This Commitment Letter and the Security Documents are collectively called the "**Loan Documents**".

### **5.2 Priority of Security Documents**

The Security Documents described above in 5.1(c) will be given super priority pursuant to the DIP Financing Order and will rank as first mortgages, assignments, security interests and charges of the property respectively described therein, except as specifically set forth herein.

### **5.3 Additional Documents**

In addition to the Loan Documents, we will require an opinion from your solicitors, acceptable to us as to:

- (a) the incorporation, existence and good standing under the laws of the Province of British Columbia of each Borrower;
- (b) the power and capacity of each Borrower to (or to cause someone else to) execute and deliver the Loan Documents to which it is a party or by which it bound and to make the representations, warranties, covenants and agreements and incur the obligations and liabilities to be made or incurred by (or on behalf of) that Borrower thereunder; and
- (c) that all Loan Documents have been duly authorized, executed and delivered to us by or on behalf of each Borrower who is a party thereto or bound thereby, without condition.

Our solicitors may also require other documents, certificates and opinions and the like, containing such other reasonable assurances, information and covenants with regard to the Loan Documents.

The opinions and documents referred to in this section are collectively called the "**Additional Documents**".

**5.4 Incorporation of Terms**

All terms and conditions contained in the Security Documents and Additional Documents will be deemed to be incorporated in and form part of this Commitment Letter.

**5.5 Conflict Between Commitment Letter and Security Documents**

This Commitment Letter is to be read in conjunction with the Security Documents and in all cases where there is any conflict between a term or provision contained in the Commitment Letter and a term or provision contained in any one or more of the Security Document, the term or provision contained in this Commitment Letter will prevail.

**ARTICLE 6  
ADVANCES**

**6.1 Multiple Advances**

Subject to your compliance with all of the terms and conditions of the Loan Documents and our receipt of a Draw Request (as defined below) the Loan will be advanced by way of a maximum of five Advances (the "First Advances") for the purposes contemplated in Section 3.1 hereof.

The First Advance will be in an amount not less than \$500,000.00 nor more than \$1,000,000. The amount of each Advance made by us after the First Advance will be in our sole and absolute discretion.

No Advance will be made until at least five business days after the receipt of an acceptable Draw Request and without an Order approving the same.

**ARTICLE 7  
CONDITIONS PRECEDENT**

**7.1 Conditions Precedent to First Advance**

Each of the following conditions must be fulfilled by you to our satisfaction prior to the First Advance of the Loan, unless waived by us in writing:

**(a) Insurance Coverage**

You must provide us with evidence of existing insurance. The insurance must be satisfactory to us in form and content in all respects and be with one or more insurers approved by us. We reserve the right to have each insurance policy reviewed at your expense by an insurance consultant retained by us for that purpose.

**(b) Appraisal**

You must provide us with an appraisal (the "**Appraisal**") indicating the current fair market value of The Rise Development Lands "as is" is not less than \$109,000,000 and the Golf Course at The Rise of not less than \$12,335,000.

The Appraisal must be satisfactory to us in all respects and be prepared by an appraiser first approved by us. The Appraisal must be addressed to us and confirm that it has been prepared for mortgage lending purposes or, if not, accompanied by a transmittal letter for the appraiser addressed to us, confirming that we can rely on the Appraisal and that it has been prepared for mortgage lending purposes.

We confirm receipt of an appraisal dated October 7, 2008 (as to the Rise Development Lands and October 11, 2009 as to the Golf Course at the Rise) done by Chris Griffin of the firm C.J. Griffin & Company Inc. which satisfies the foregoing.

**(c) Zoning Compliance - Lands**

You must provide us with written confirmation from the Local Authority and every other Governmental Authority having jurisdiction over the Lands that the Lands and the improvements then built on, under or over the Lands comply with all applicable zoning and other by-laws and requirements of those Governmental Authorities and there are no work orders in respect of the Lands and those improvements then outstanding.

"**Governmental Authority**" means any governmental, legislative, or regulatory authority, agency, commission, board or any court, tribunal or other law, regulation or bill making entity having or purporting to have jurisdiction on behalf of any nation, province or city, municipality, township or other political subdivision.

**(d) Strata Plans**

You must provide us with and we must approve the strata plans and bylaws filed in respect of the strata corporation formed in respect of the Lands.

**(e) DIP Financing Order**

We must have received an approved an entered Order granted under the CCAA Proceedings whether as amendment to the Existing DIP Financing Order or a new Order, (the "**DIP Financing Order**") satisfactory to us in all respects that provides, inter alia:

- (i) for the borrowing of the Loan by the Borrowers as the Existing DIP Financing Loan or a new debtor in possession loan to you under the CCAA Proceedings;

- (ii) for the DIP Charge and that its ranks in priority to all claims, security interests and other encumbrances of any kind or nature over which the Court may at any time grant priority other than the existing Administration Charge and the existing Directors' Charge and such other charges as we may agree to in writing;
- (iii) that notwithstanding that the DIP Financing Order may be appealed and overturned, the DIP Charge and the charges created by the Security Documents will continue in full force and effect with respect to monies advanced by us prior to the filing of that appeal;
- (iv) that we have the right, upon the occurrence of an Event of Default, to apply for leave to enforce our rights and remedies available under the Loan Documents and any additional rights and remedies available to it at law or in equity;
- (v) that we may effect such registrations or filings wherever we in our discretion deem appropriate to protect, perfect and preserve the mortgages, assignments, security interest and other charges created by the Security Documents;
- (vi) that the DIP Financing Order and the DIP Charge are binding on a trustee in bankruptcy of any Borrower, or any a receiver, receiver-manager or other officer of the Court; and
- (vii) that once advanced, no additional monies may be secured in respect of Administration Charges or Directors' Charges without our prior written consent; and
- (viii) that the DIP Charge extends to and includes all proceeds, including without limitation, insurance proceeds of the assets charged by the DIP Charge;
- (ix) that the DIP Facility and the debtor's payments pursuant to it do not constitute and are not to be construed as a fraudulent preference, nor are they otherwise challengeable or reviewable under any applicable law;
- (x) that neither the creation of the Security Documents nor their delivery or perfection constitute a breach by you of any agreement to which you are a party or by which you are bound, notwithstanding any negative covenant that may have been given or prohibition with respect to incurring debt or pledging security, and that the Security Documents are both valid and effective; and
- (xi) that each of you shall be prohibited borrowing any money from or granting any mortgage, charge, other form of security interest or other encumbrance over any of your respective present or future

property to any entity other than us, without our prior written consent and an Order.

**(f) Inspection**

We or our representatives must have conducted an inspection of the Lands satisfactory to us in all respects.

**(g) HSBC Mortgage**

Written confirmation from HSBC that the amount due and owing under the HSBC Mortgage does not exceed \$800,000.

**7.2 Conditions Precedent to each Advance**

Each of the following conditions must be fulfilled by you to our satisfaction prior to each Advance, unless waived by us in writing:

**(a) Good Security**

Each Loan Document must have been duly authorized, executed and delivered to us by all parties thereto other than ourselves, without condition, for registration, recording or filing in all appropriate places of public record in the Province of British Columbia where required by our solicitors to protect and preserve its validity, priority and enforceability and we must receive written confirmation from our solicitors that such registration, recording or filing has been or will be effected.

**(b) Title**

We must have reviewed and be satisfied with the title(s) to the Lands and the notations, charges, liens and interests registered against the Lands.

**(c) Event of Default**

Except for Events of Default previously disclosed to us by you in writing and approved by us in writing, there must be no outstanding Event of Default and no outstanding event which with the passing of time, the giving of notice or otherwise, would constitute an Event of Default.

**(d) Previously Waived Conditions Precedent**

We must be satisfied that all conditions precedent to preceding advances to the Loan which were temporarily waived by us in writing have been met to our satisfaction, unless further waived by us in writing.

(e) **Draw Request**

We must have received a written request from you for an Advance in form and content satisfactory to us (a "**Draw Request**") setting in sufficient detail the purpose(s) for which that Advance is to be used and to whom it is to be paid, in each instance accompanied by written confirmation from the Monitor that the requested Advance does raise any concern under the DIP Financing Order and by such other information as we may reasonably require.

(f) **CCAA Proceedings – Review of Materials**

You must have provided us with and we must have approved all Orders and other materials filed in the CCAA Proceedings, including review of any outstanding appeals of any of those Orders.

(g) **Priority Claims**

We must have received from the Monitor, current balances of all Priority Claims then owing by each Borrower and be satisfied that arrangements have been made to satisfy each Borrower's obligations with respect thereto.

"**Priority Claims**" means any lien, claim, charge, security interest, trust claim, right or encumbrance of any Governmental Authority or other party (whether arising under any statute, law, contract or otherwise) having priority over the Security Documents or the DIP Financing Order.

(h) **Sale of Show Home Lot**

On the completion of the sale of the Show Home Lot, the net proceeds thereof, after taking into account real estate commissions, fees and builder's lien claim holdbacks, the sum of \$1,040,000 shall be paid therefrom to the order of Arres Capital for application on account of its mortgage of, inter alia, the Lands and the balance thereof shall be deposited with the Monitor in an interest bearing account and will be dealt with at our written direction.

**ARTICLE 8  
YOUR COVENANTS**

**8.1 Covenants**

The following covenants will apply as long as the Loan Amount remains outstanding:

(a) **Permit Inspection**

You shall permit us to inspect the Lands from time to time during normal business hours as we deem necessary.

**(b) No Other Charges**

Except as may be expressly contemplated hereby, you shall not permit the registration of any mortgage or financial charge against the Lands or any part thereof without our prior written consent. Furthermore, if required by us, you agree to remove any encumbrance, lien, or charge created or registered against the Lands or any part thereof which is not approved by us, as expeditiously as possible.

**(c) Use of Loan**

You shall utilize the Loan solely for the purposes permitted hereby.

**(d) Draw Fee**

You shall pay us a draw fee of \$750 to process each Draw Request.

**(e) Discharge Fee**

You shall pay us a fee of \$1,000 to process the release and discharge of the Security Documents when the Loan Amount is repaid in full.

**(f) Ongoing Information**

You shall from time to time, immediately on our written request, provide us with any information that we may reasonably require with respect to the Lands, you, or any other person liable for the repayment of the Loan Amount in whole or in part.

**(g) Court Order**

You shall not without our prior written consent request, obtain or consent to a variation of the DIP Financing Order.

**(h) Notice of Court Filings and Materials**

You shall provide us with two (2) business days advance notice of all Court filings made by you or your solicitors under the CCAA Proceedings, together with copies of all related Court materials, and you shall provide us with written notice of all Court filings that any other person intends to make, as soon as reasonably practicable after obtaining knowledge of such intended filings.

**(i) Priority Claims**

Unless we in our sole and absolute discretion agree in writing to the contrary, you shall pay all Priority Claims when due and, in the event you anticipate being unable to pay any Priority Claim before they become due, you shall immediately notify us in writing.

**(j) Property Taxes**

Notwithstanding 8.1(i) we acknowledge that the Monitor does not intend to pay arrears of property or related taxes levied or assessed in respect of the Lands and the improvements built on, under or over the Lands (the "Taxes"). Notwithstanding the foregoing you shall pay arrears in Taxes in whole or in part as requested by us in writing from time to time.

You shall also provide us with a copy of all bills issued by the Local Authority in respect of Taxes when received by you.

**(k) Reporting and Monitoring**

You shall deliver the following information to us:

- (i) copies of all reports that are provided to the Court under the CCAA Proceedings, (including Statements of Receipt and Disbursements), in each instance within 2 days after a report has been provided to the Court;
- (ii) monthly, within 30 days of each calendar month end, a Statement of Receipt and Disbursement prepared by you for that calendar month and reviewed and approved by the Monitor together with cash flow projections for the Lands for the ensuing 12 calendar months;
- (iii) at any time requested by us in writing and, in any event, not less frequently than monthly, confirmation of the aggregate balance secured by the Priority Claims; and

such additional financing statements and information as and when reasonably required by us.

(I) **Miscellaneous**

No Borrower shall, without our prior written consent:

- (i) become guarantor or endorser or otherwise become liable upon any note or other obligation;
- (ii) increase the remuneration of any of its directors, officers, shareholders, employees or consultants;
- (iii) declare or pay dividends on any class or kind of its shares, repurchase or redeem any of its shares or reduce its capital in any way whatsoever or repay any shareholders' advances; or
- (iv) amalgamate with or permit all or substantially all of its assets to be acquired by any other person, firm or corporation or permit any reorganization or change in its control.

**ARTICLE 9  
EVENTS OF DEFAULT**

**9.1 Events of Default**

Each of the events set out in Schedule "B" represents an event of default (the "Event of Default") under the Loan Documents.

**9.2 Remedies on the Occurrence of an Event of Default**

Upon the occurrence of an Event of Default, we may (or may not) do any one or more of the following, at our sole option and in our sole discretion:

- (a) cease further funding under the Loan;
- (b) demand payment of the Loan Amount, either in whole or in part;
- (c) commence foreclosure proceedings;
- (d) commence realization proceedings under the Personal Property Security Act of British Columbia;
- (e) appoint a Receiver or a Receiver/Manager to take possession of any or all of the assets charged in our favour; and
- (f) pursue any and all other rights or remedies available to us.

**ARTICLE 10  
MISCELLANEOUS**

**10.1            Costs**

You shall pay for all expenses incurred by us in carrying out or attempting to carry out the transactions contemplated hereby to completion (including, but not limited to, all legal fees incurred by us for the preparation, completion and registration and enforcement of the Loan Documents, applying for the DIP Financing Order and other Orders under the CCAA Proceedings, all costs incurred by us in respect of credit reports, appraisals, insurance and other consultants, inspections, travel and accommodation relating thereto and all other similar fees and costs and all sales, goods and services and value added taxes payable in connection with any of the foregoing, including provincial P.S.T. and federal G.S.T.).

**10.2            Amendments**

You agree that no term or requirement of any Loan Document may be waived or varied orally or by any course of any conduct of any of our officers, employees or agents and that any amendment thereto must be in writing and signed by us.

**10.3            Assignment**

You agree that unless our prior written consent has been first had and obtained:

(a) neither the Loan Documents, nor the whole or any portion of the Loan Amount, may be assigned by you to any person; and

(b) no change may be made in the controlling share ownership, either beneficial or registered, of you.

You further agree that we may assign, syndicate or grant participations in the Loan Amount, the Loan Documents at any time, in whole or in part, to any entity.

**10.4            Waiver**

It is agreed that failure by us to insist upon a strict performance by a Borrower of any of that Borrower's obligations under the Loan Documents will not be a waiver or relinquishment for the future of such obligation, but the same will remain in full force and effect and we will have the right to insist upon the strict performance by a Borrower of any and all of the terms and provisions of the Loan Documents applicable to it.

**10.5            Indemnification**

By accepting this Commitment Letter, you agree to indemnify us against all claims, damages, liabilities and expenses which may be incurred by or asserted by any other party against us in connection with the transactions contemplated by this Commitment Letter.

**10.6**            **Whole Agreement**

It is agreed that the Loan Documents and the certificates and supporting documents to be delivered pursuant hereto or thereto, constitute the entire agreement between us and you pertaining to the transactions contemplated hereby and that they supersede all prior agreements, understandings, negotiations and discussions whether oral or written relating thereto and that there are no warranties, representations or other agreements between us and you in connection with the transactions contemplated hereby except as specifically set forth herein.

**10.7**            **Non-Merger**

You agree that all representations, warranties, covenants and agreements contained in this Commitment Letter or in any certificate or document delivered by it (or on its behalf) to us pursuant to or in connection with the transactions contemplated by this Commitment Letter will survive the execution, delivery and the registration of the Security Documents and any Advances made.

**10.8**            **Relationship Between Parties**

You agree that the relationship between you and us is that of a creditor and a debtor and mortgagor and mortgagee and not that of a partnership, joint venture, co-venture or the like formation.

**10.9**            **Advertising**

You agree that we will have the right to erect a sign on the Lands and place advertisements at our expense, indicating the source of this financing.

**10.10**           **Further Loans**

You grant us a right of first refusal to fund any additional loans which you may required from time to time in respect of the lands or any part thereof. If you and we cannot agree to the terms of any such loan and you obtain financing from a third party, you shall utilize that financing to prepay the balance of the Loan Amount then outstanding unless we agree in writing to the contrary and that third party provide acknowledges to our satisfaction in writing the priority of the Loan Amount.

**10.11**           **Registration**

You agree that it is a condition of this Commitment Letter that all Security Documents be executed, and registered where required by our solicitors, by the Commitment Expiry Date.

**10.12**           **Commitment Expiry**

We reserve the right to terminate this Commitment Letter and close out the Loan in the event that the Initial Advance Date does not occur by March 1, 2009 (the "**Commitment Expiry Date**").

**10.13            Commitment Fee**

You agree to pay us a commitment fee of \$75,000 (the "**Commitment Fee**").

You agree that the Commitment Fee is payable to us as consideration for the time, effort and expenses of us and our employees and agents to:

- (a) review and/or study documents pertaining to the transactions contemplated hereby (including, but not limited to, any Appraisal and credit reports and financial statements);
- (b) underwrite the Loan;
- (c) physically inspect the Lands;
- (d) reserve funds in contemplation of the Loan;
- (e) apply for the DIP Financing Order; and
- (f) forego any opportunities to use the funds elsewhere,

and that the actual determination of the costs and expenses so incurred by us is not feasible and the Commitment Fee represents a reasonable estimate thereof and is payable to us in the manner set out below without set-off, abatement or deduction.

You agree that the Commitment Fee is non-refundable, will be earned by us on your acceptance of this Commitment Letter and paid to us on the earlier of:

- (a) the Initial Advance Date; or
- (b) the Commitment Expiry Date.

You further agree that in the event:

- (a) you are unable or unwilling to complete the Loan under the terms set out in this Commitment Letter;
- (b) you fail or neglect to execute or deliver all necessary documents or do all things as stipulated herein;
- (c) any of the representations, warranties or covenants made or given to us in connection herewith are incorrect or not complied with in a material way; or
- (d) in our opinion there has at any time been a material adverse change in the security for the Loan;

then in any of the foregoing circumstances or events we may, at our option, terminate this Commitment Letter and refuse to advance the Loan. In such event, the Commitment Fee and any processing fee paid or payable in connection herewith shall be absolutely forfeited to us as liquidated damages, and not as a penalty, in compensation for:

- (a) the direct or indirect expenses, disbursements and costs incurred by either or both of us;
- (b) as agreed upon compensation for the matters set out above; and
- (c) for all loss and damage incurred by us (including loss of alternate investment opportunities and loss of profits, but not including legal fees and disbursements incurred by us or brokerage fees and commissions payable in connection with this Loan).

In that regard, you acknowledge and agree that the Commitment Fee and any processing fee paid in connection with this Commitment Letter represents a genuine pre-estimate of such liquidated damages and is not a penalty and that the consequences of a breach of the provisions of this Commitment Letter are such as to make precise pre-estimation of such damages very difficult.

It is also understood and agreed that we will have the right to enforce payment of any outstanding balance of the Commitment Fee and nothing herein contained shall release any person from liability to pay the balance of the Commitment Fee.

You shall also continue to be responsible for payment of legal fees and disbursements of us and any brokerage or other fees and commissions in connection with this Loan which you may have agreed to pay in addition to the Commitment Fee.

The foregoing is without prejudice to the rights of us to obtain from you by legal action specific performance of your covenants and obligations hereunder or any other remedies available at law or in equity to us.

**10.14 Our Solicitors**

All legal work to be done on our behalf is to be performed and all documentation in regard to the Loan is to be prepared by our solicitor, David W. Kington of Messrs. Clark Wilson LLP, 800 - 885 West Georgia Street, Vancouver, BC V6C 3H1.

**10.15 Reference Date**

You agree that this Commitment Letter will be dated for reference purposes only February 6, 2009.

**10.16 Time**

Time will be of the essence in each of the Loan Documents.

**10.17      Back Up Interest Rate**

Subject to the provisions of Section 10.18 hereof, in the event any interest set forth in Section 4.2 (an "**Original Rate**") is determined by a court of competent jurisdiction to be:

- (a) void for uncertainty;
- (b) unenforceable for any other reason whatsoever; or
- (c) subject to the principal of deemed reinvestment of interest;

then the parties agree that the Original Rate will be automatically changed so that for all times while the Original Rate was in effect, the Original Rate was (and will be) 1% less than the maximum interest rate which would be a criminal rate, calculated in accordance with generally accepted actuarial practices and principles, and you and we agree that immediately upon such determination, you and we shall make an adjustment as between the two of us and will to reimburse the other for overpayments or deficient payments, as the case may be.

**10.18      Maximum Rate**

Notwithstanding anything contained in:

- (a) this Commitment Letter; and
- (b) any agreement or arrangement arising out of or related to this Commitment Letter (including any Security Document);

you and we intend and agree that no "interest" shall be paid or payable to us in connection with the "credit advanced" in respect of the Loan at an annual rate of interest greater than that rate which is one (1%) percent per annum less than the "criminal rate" of interest (the "**Maximum Rate**").

In that regard, you agree not to pay to us and we agree not to demand from you, "interest" on the "credit advanced" in respect of the Loan which is in excess of the Maximum Rate (any excess being called "**Excess Interest**").

You and we further agree that any "interest" received by us on the "credit advanced" in respect of the Loan which could, but for this clause, be construed as Excess Interest, will be automatically applied to the Loan Amount as a repayment on account of the principal balance of the Loan then outstanding which in turn shall be automatically reduced by the amount of the Excess Interest received.

If it is at any time determined that, at the time any Excess Interest was received by us, there were no, or insufficient, principal monies owing to us to allow for an automatic reduction of the principal balance of the Loan as contemplated above, we and you agree to reduce the "interest" paid by you on the "credit advanced" in respect of the Loan to the Maximum Rate by either one or a combination of the following:

- (a) if the Loan Amount has not then been repaid in full, by reducing the "interest" payable thereafter on the "credit advanced" in respect of the Loan:
  - (i) firstly, by reducing the monies payable thereafter on account of the Commitment Fee; and
  - (ii) secondly, if necessary, by reducing the monies payable thereafter on account of interest;

until the Excess Interest is repaid to you in full; or

- (b) if the Loan Amount has been repaid in full, or there are insufficient monies due and owing on account of the Loan Amount to allow for a repayment of the Excess Interest in accordance with subparagraph (i) above, by repaying to you, on demand, that amount which would repay the outstanding Excess Interest in its entirety.

In this section, words or phrases in quotations and which are defined in Section 347 of the Criminal Code of Canada have the meaning set out in that section.

**10.19**

**Credit Reporting**

EACH BORROWER CONSENTS TO US OBTAINING FROM ANY PERSON SUCH CREDIT INFORMATION ABOUT IT AS WE MAY REQUIRE AT ANY TIME AND EACH BORROWER CONSENTS TO THE DISCLOSURE AT ANY TIME OF SUCH INFORMATION TO ANY CREDIT GRANTOR WITH WHOM THAT BORROWER MAY HAVE FINANCIAL RELATIONS OR TO ANY CREDIT REPORTING AGENCY.

**10.20 Notices**

Any notice, demand or other document to be given, or any delivery to be made hereunder or under any of the Security Documents, will be effective if in writing and delivered in person and left with, or if faxed and confirmed by prepaid registered letter addressed to the attention of:

- (a) in the case of us, addressed as follows:

**ROBERT LEE LTD.**  
517 - 1177 West Hastings Street  
Vancouver, BC V6E 2K3

Attention: William Lee

Fax No: (604) 669-0216

with a copy to:

**CLARK WILSON LLP**  
Barristers and Solicitors  
800 - 885 West Georgia Street  
Vancouver, BC V6C 3H1

Attention: David W. Kington

Fax No: (604) 687-6314

- (b) in the case of you, addressed as follows:

**OKANAGAN HILLS DEVELOPMENT CORPORATION**  
**Y-K PROJECTS LTD.**  
364 Cordon Lane  
Vernon, BC V1H 1Z9

Attention: Ian Renton and Leona Snider

Fax No: \_\_\_\_\_

with a copy to:

**FRASER MILNER CASGRAIN LLP**  
Barristers and Solicitors  
1500-1040 Georgia Street West  
Vancouver, BC V6E 4H1

Attention: John Sandrelli

Fax No: (604) 683-5214

Any notice, demand or other document or delivery so given or made will be deemed to have been given or made and received at the time of delivery in person or on the day of the date of faxing of the same if sent by 5:00 p.m. Vancouver, BC local time or otherwise on the next business day. Any party hereto may from time to time by notice in writing change his or its address (or, in the case of a corporate party, the designated recipient) for the purposes of this Section.

**10.21 Governing Law**

The Loan Documents will be governed by and construed in accordance with the laws of British Columbia and Canada, and each party hereby submits to the jurisdiction of the courts of British Columbia and Canada and agrees to be bound by any suit, action or proceeding commenced in such courts and by any order or judgment resulting from such suit, action or proceeding; provided that the foregoing will in no way limit our right to commence suits, actions or proceedings based on any Loan Document in any other jurisdiction.

**10.22 Currency**

Unless otherwise set forth herein, all reference to money herein and in any Security Document shall mean lawful money of Canada.

**10.23 Records as to Payment**

Unless proved otherwise and except for obvious error, our records concerning principal, interest, fees and other amounts outstanding, accrued or otherwise payable under the Loan Documents are conclusive evidence of your debt and liability to us thereunder absent manifest error; provided that your obligation to pay or repay the Loan Amount in accordance with the terms and conditions of the Loan Documents will not be affected by our failure to make such recording. You also agree that you are indebted to us for principal amounts shown as outstanding from time to time in our account records and all accrued and unpaid interest in respect of such amounts, in accordance with the terms and conditions of this Commitment Letter, and you shall make all payments to us in immediately available funds on the due date and in the manner that we may direct from time to time.

**10.24 Counterparts**

This Commitment Letter may be executed by us and you in any number of counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one Commitment Letter. Executed copies of this Commitment Letter may be delivered by facsimile transmission and it will not be necessary to confirm execution by delivery of executed originals.

**10.25 Schedules**

The Schedules which form part of this Commitment Letter are as follows:

- Schedule "A" Borrowers Representations and Warranties
- Schedule "B" Events of Default

**10.26**            **Acceptance**

This Commitment Letter constitutes an offer to provide financing to you on the terms and conditions described above and will be open for acceptance until 5:00 o'clock p.m. Vancouver local time on February 23, 2009, after which the offer constituted hereby will be null and void.


This Commitment Letter may be accepted by you signing and returning one (1) executed copy of this Commitment Letter to our address above together with payment of the amount (if any) of the Commitment Fee required to be paid upon your acceptance of same.

Acceptance of this Commitment Letter will constitute our authority to instruct our solicitors to prepare all necessary Security Documents and Additional Documents at your cost and expense.

We appreciate the opportunity of providing you with the financing contemplated above and would be pleased to discuss any aspects of same at your convenience.

Yours very truly,

**ROBERT LEE LTD.**

Per:   
Authorized Signatory

Per: \_\_\_\_\_  
Authorized Signatory

This is page 30 of a **COMMITMENT LETTER** issued by **ROBERT LEE LTD.** to **OKANAGAN HILLS DEVELOPMENT CORPORATION** and **Y-K PROJECTS LTD.** in connection with a proposed \$2,500,000 loan

## ACCEPTANCE

The Borrowers hereby accept the offer of Robert Lee Ltd. to provide financing as set forth above and jointly and severally agree to borrow the monies representing the Loan upon and subject to the terms of this Commitment Letter.

For good and valuable consideration (the receipt and sufficiency of which is hereby acknowledged), the Borrowers jointly and severally agree to pay the Loan Amount (including the Commitment Fee and all other costs and charges and expenses required to be paid to the to us) and to keep, observe and perform (or to cause to be kept, observed and performed) all of their covenants and agreements set forth herein and in the Security Documents in the manner respectively contemplated hereby and thereby.

### OKANAGAN HILLS DEVELOPMENT CORPORATION

Per: \_\_\_\_\_  
Authorized Signatory

### Y-K PROJECTS LTD.

Per: \_\_\_\_\_  
Authorized Signatory

This is page 31 of a **COMMITMENT LETTER** issued by **ROBERT LEE LTD.** to **OKANAGAN HILLS DEVELOPMENT CORPORATION** and **Y-K PROJECTS LTD.** in connection with a proposed \$2,500,000 loan

**SCHEDULE "A"**  
**BORROWERS REPRESENTATIONS AND WARRANTIES**

Each Borrower warrants and represents to us that:

1. it has the power and authority to borrow money or provide financial assistance and provide the security therefor as contemplated by the Loan Documents to which it is a party or by which it is bound and to perform its obligations thereunder and to own its property charged and to carry on the business as contemplated by those Loan Documents;
2. the borrowing by it of the Loan and the provision by it of security therefor, as contemplated by the Loan Documents to which it is party or by which it is bound and the execution and delivery by it (or on its behalf) of those Loan Documents and the performance by it (or on its behalf) of its obligations thereunder, does not and will not:
  - (a) conflict with or result in a breach of any of the terms, conditions or provisions of:
    - (i) its constating documents;
    - (ii) any law applicable to or binding on or affecting it or its properties, the breach of which would or could reasonably be expected to have a material adverse effect on it or its properties; or
    - (iii) any permits under any applicable law which are necessary in connection with the operation of its businesses (collectively, the "Permits") or any contract or other document or instrument with respect to its properties, the breach of which would or could reasonably be expected to have a material adverse effect on it or its properties; or
  - (b) result in, or require or permit:
    - (i) the imposition of any lien on or with respect to the properties now owned or by it; or
    - (ii) the acceleration of the maturity of any of its debts;
3. the borrowing by it of the Loan and the provision by it of security therefor, as contemplated by the Loan Documents to which it is party or by which it is bound and the execution and delivery by it (or on its behalf) of those Loan Documents and the performance by it (or on its behalf) of its obligations thereunder have been or will be duly authorized by all necessary and other steps and proceedings under any applicable law and no registration, qualification, approval, designation,

declaration or filing with any governmental authority having jurisdiction over it (an "**Official Body**") or was necessary therefor;

4. it possesses all Permits all of which are in full force and effect and to the best of its knowledge:
  - (a) it is not in default in any respect thereunder which default would or could reasonably be expected to have a material adverse effect on it or its properties; and
  - (b) no action exists, is pending or threatened which has as its object the revocation, amendment or qualification of any Permit and no basis for any action exists; and
5. it has delivered to us true and complete copies of its most current fiscal year end financial statements and such financial statements present fairly its financial position as at the date thereof.

**SCHEDULE "B"**  
**EVENTS OF DEFAULT**

Notwithstanding and without prejudice to the demand nature of the Loan, each of the following (whether voluntary or involuntary or be effected by operation of law or pursuant to or in compliance with any judgment, decree or order of any court or other rule or regulation of any administrative or governmental body) constitutes an Event of Default hereunder and under all other Loan Documents:

1. if at any time there is a default or a breach by a Borrower of any covenant, agreement, term, condition, stipulation or proviso contained herein or in any other Loan Document or in the DIP Financing Order; or
2. if any representation or warranty made by a Borrower herein or in any other Loan Document or in any certificate, declaration, application or other instrument delivered by or on behalf of that Borrower to us, in connection with the Loan or any part thereof is found at any time to be incorrect in any material respect; or
3. if an Borrower makes, or demonstrates an intention to make, an assignment for the benefit of its creditors under or makes a proposal or takes advantage of any provision of the Bankruptcy and Insolvency Act of Canada or any other legislation for the benefit of insolvent debtors other than the CCAA; or
4. if the Borrower ceases to pursue a Plan in good faith; or
5. the DIP Financing Order or any other Order now or hereafter made under the CCAA Proceedings are varied without our consent, in our sole opinion are or may be prejudicial to our interests, or any of those Orders are appealed or leave to appeal is granted with respect thereto, or the Stay is terminated or lifted, in whole or in part, provided that if the Stay is only lifted in part, it will be deemed not to be a default if we in our sole discretion are of the view, that the partial lifting of the Stay does not impair your ability to successfully pursue a Plan or otherwise impair our security; or
6. if a Borrower enters into an winding up arrangement or compromise with any or all of its creditors pursuant to such provisions or otherwise other than pursuant to the CCAA; or
7. if a receiver or receiver-manager is appointed in respect of a Borrower or any part of the property charged in our favour pursuant to any one or more of the Security Documents; or
8. if any execution, sequestration, extent or any other process of any kind is levied or enforced upon or against any part of the property charged in our favour pursuant to any one or more of the Security Documents and remains unsatisfied for a period of 10 days; or

9. if any encumbrance affecting any part of the property charged in our favour pursuant to any one or more of the Security Documents becomes enforceable against it or any part thereof; or
10. if any material portion of any part of the property charged in our favour pursuant to any one or more of the Security Documents is lost, damaged or destroyed; or
11. if a Borrower without our consent in writing, grants or purport to grant any mortgage, charge, lien or interest, whether fixed or floating, upon any property charged in our favour pursuant to any one or more of the Security Documents, other than as contemplated by this Commitment Letter or such Security Documents; or
12. if a Borrower ceases, or threatens to cease, to carry on his, her or its business as the same is conducted by that Borrower from time to time; or
13. if any part of the Loan is used for any purpose other than as declared to and agreed upon hereunder; or
14. if a Borrower is a corporation and:
  - (a) it authorizes the purchase of its shares without our prior written consent; or
  - (b) one of its members commences an action against it which action relates to the Loan, or gives a notice of dissent in accordance with the provisions of the *Business Corporations Act* of British Columbia or amendments thereto or a similar notice by a shareholder under other applicable legislation; or
  - (c) there is any change in the beneficial ownership of its shares from the ownership of same which exists as of the date hereof; or
15. if the whole or any material portion of any property charged in our favour pursuant to any one or more of the Security Documents becomes the subject of expropriation proceedings; or
16. if we are of the opinion that there is or has been a material adverse change in the financial condition of a Borrower or in the value of the any property charged in our favour pursuant to any one or more of the Security Documents or the DIP Financing Order; or
17. if we in good faith believe and have commercially reasonable grounds to believe that:
  - (a) the prospect for payment of any of the Loan or the observance and performance of all or any part of your obligations in connection therewith is impaired; or

- (b) any of the property charged our favour pursuant to any one or more of the Security Documents is or is about to be placed in jeopardy.