

Disclosure Statement dated June 28, 2006

DISCLOSURE STATEMENT

OF

LAKESHORE DEVELOPMENTS LTD.

as trustee for the joint venture between WBR Developments Ltd.
and I C Projects North Limited Partnership

(Developer)

FOR

“WALNUT BEACH RESORT”

Mailing Address:

201-1520 McCallum Road
Abbotsford, BC V2X 8A3

Real Estate Agent:

Re/Max Crest Realty
101-2609 Westview Drive
North Vancouver, BC V7N 4M2

Address for Service:

BAKER NEWBY LLP
Barristers & Solicitors
9259 Main St.
P.O. Box 390, Stn. Main
Chilliwack, British Columbia V2P 6K2

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.

RIGHT OF RESCISSION

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 a signed copy of the notice in person or by registered mail 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.

REAL ESTATE DEVELOPMENT MARKETING ACT

REQUIREMENTS FOR EARLY MARKETING - DEVELOPMENT APPROVAL and FINANCING

The *Real Estate Development Marketing Act* states that a developer may market strata lots prior to the proposed strata plan being deposited in a Land Title Office and prior to a building permit being issued if the creation of the proposed strata lots has been approved in principle by the appropriate municipal or other government authority (the "Approving Officer"), and the Superintendent of Real Estate has permitted the developer to begin marketing (s. 10).

Pursuant to Policy Statements 5 and 6 issued by the Superintendent, if the developer has obtained approval in principle from the Approving Officer to construct or otherwise create the proposed strata lots, the Superintendent will permit a developer to begin marketing the strata lots prior to the issuance of a building permit and prior to obtaining a financing commitment to finance the construction and completion of the development, provided that:

- (a) the estimated date for the issuance of a building permit and for obtaining a satisfactory financing commitment, as disclosed in the disclosure statement, is nine

- (9) months or less from the date the developer filed the disclosure statement with the Superintendent;
- (b) the developer markets the proposed strata lots under the disclosure statement for a period of no more than nine (9) months from the date the disclosure statement was filed with the Superintendent, unless an amendment to the disclosure statement that sets out the particulars of the issued building permit and satisfactory financing commitment is filed with the Superintendent during that period;
- (c) any purchase agreement used by the developer, with respect to any strata lot offered for sale or lease before the purchaser's receipt of an amendment to the disclosure statement that sets out particulars of the issued building permit and satisfactory financing commitment, contains the following terms:
- (i) the purchaser may cancel the purchase agreement for a period of seven (7) days after receipt of an amendment to the disclosure statement that sets out particulars of the issued building permit if the layout or size of the applicable strata lot, the construction of a major common facility, including a recreation centre or clubhouse, or the general layout of the development, is materially changed by the issuance of the building permit;
 - (ii) if an amendment to the disclosure statement that sets out particulars of a satisfactory financing commitment is not received by the purchaser within 12 months after the initial disclosure statement was filed, the purchaser may at his or her option cancel the purchase agreement at any time after the end of that 12 month period until the required amendment is received by the purchaser;
 - (iii) if an amendment to the disclosure statement that sets out particulars of an issued building permit is not received by the purchaser within 12 months after the initial disclosure statement was filed, the purchaser may at his or her option cancel the purchase agreement at any time after the end of that 12 month period until the required amendment is received by the purchaser, at which time the purchaser may cancel the purchase agreement for a period of seven (7) days after receipt of the amendment only if the layout or size of the applicable strata lot, the construction of a major common facility, including a recreation centre or clubhouse, or the general layout of the development, is materially changed by the issuance of the building permit;
 - (iv) the amount of the deposit to be paid by a purchaser who has not yet received an amendment to the disclosure statement that sets out particulars of an issued building permit and satisfactory financing commitment is no more than ten percent (10%) of the purchase price; and
 - (v) all deposits paid by a purchaser, including interest earned if applicable, will be returned promptly to the purchaser upon notice of cancellation from the purchaser.

CONTRACTUAL RIGHTS OF ACTION

(Securities Act (British Columbia))

If you purchase a Hotel Unit, you will have certain rights, some of which are described below. For information about your rights you should consult a lawyer.

1. **Two Day Cancellation Right** – You can cancel your agreement to purchase a Hotel Unit. To do so, you must send a notice to the Developer by midnight on the 2nd business day after you sign the Contract of Purchase and Sale to buy a Hotel Unit.
2. **Contractual Rights of Action in the Event of a Misrepresentation** – If there is a misrepresentation in this Disclosure Statement, you have a contractual right to sue the Developer:
 - a. To cancel your agreement to buy the Hotel Unit, or
 - b. For damages.

This contractual right to sue is available to you whether or not you relied on the misrepresentation. However, in an action for damages, the amount you may recover will not exceed the price that you paid for your securities and will not include any part of the damages that the Developer proves does not represent the depreciation in value of the securities resulting from the misrepresentation. The Developer has a defence if it proves that you knew of the misrepresentation when you purchased the securities.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after you signed the Contract of Purchase and Sale for the Hotel Unit. You must commence your action for damages within the earlier of 180 days after learning of the misrepresentation and 3 years after you signed the agreement to purchase the securities.

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EXHIBITS TO THIS DISCLOSURE STATEMENT

- A Preliminary Strata Plan/Schedule of Unit Entitlement/Schedule of Voting Rights
- B Estimated Budget of Operating Expenses and Estimated Monthly Assessments
- C Strata Corporation Bylaws
- D Standard Furniture, Furnishings and Equipment Specifications
- E Income Tax Matters
- F Form of Purchase Agreement
- G Rental Disclosure Statement
- H Form of Hotel Use Covenant
- I Form of Strata Management Agreement
- J Form of Hotel Management and Rental Pool Agreement
- K Schedule of Unit Share Ratios
- L Hotel Manager's Lease
- M Minimum Standards of Coverage – Hotel Units
- N Financial Projections and Auditors Report
- O Risk Acknowledgement
- P Constitution and Bylaws of Rental Pool Owners Association
- Q Easement

1. THE DEVELOPER

Lakeshore Developments Ltd. as trustee for the joint venture between WBR Developments Ltd. and I C Projects North Limited Partnership

1.1 Incorporation

Lakeshore Developments Ltd. was incorporated in British Columbia on January 4, 2006 under incorporation number BC0744933.

WBR Developments Ltd. was incorporated in British Columbia on January 4, 2006 under incorporation number BC0744899.

I C Projects North Limited Partnership is a limited partnership formed pursuant to the *Partnership Act*, RSBC 1996, c.348, registered on December 30, 2005, under number 05-0413558. The General Partner of I C Projects North Limited Partnership is I C Projects (G.P.) Ltd. I C Projects (G.P.) Ltd. was incorporated in British Columbia on December 29, 2005 under incorporation number BC0744526.

1.2 Assets

Lakeshore Developments Ltd. was incorporated specifically for the purpose of developing the property described herein. It has no other assets.

WBR Developments Ltd. was incorporated specifically for the purpose of developing the property described herein. It has no other assets.

I C Projects North Limited Partnership was registered specifically for the purpose of developing the property described herein. It has no other assets.

I C Projects (G.P.) Ltd. was incorporated specifically for the purpose of acting as the general partner of I C Projects Limited Partnership. It has no other assets.

1.3 Registered and Records Office

Lakeshore Developments Ltd.
P.O. Box 390, 9259 Main Street
Chilliwack, British Columbia V2P 6K2

WBR Developments Ltd.
P.O. Box 390, 9259 Main Street
Chilliwack, British Columbia V2P 6K2

I C Projects North Limited Partnership
800 – 885 West Georgia Street
Vancouver, British Columbia V6C 3H1

I C Projects (G.P.) Ltd.
800 – 885 West Georgia Street
Vancouver, British Columbia V6C 3H1

1.4 Directors

Lakeshore Developments Ltd.

Rudy P. Loewen	Director/President
Larry Wiebe	Director/Secretary

WBR Developments. Ltd.

Rudy P. Loewen	Director/President
Mark Dumerton	Director/Vice-President
Alvin Unger	Director/Secretary

I C Projects (G.P.) Ltd.

Larry Wiebe	Director
Douglas Froese	Director

2. GENERAL DESCRIPTION

2.1 General Description of the Development

(1) Legal Description

The development is located in Osoyoos, British Columbia on the Lands, as hereinafter legally described:

Town of Osoyoos

Parcel Identifier: 026-710-617

Lot 1

District Lot 100

Similkameen Division

Yale District

Plan KAP81213

(the "Lands")

(2) Location of the Development

The Development is located at the south end of the Town of Osoyoos. Osoyoos is located in the shadow of the Cascade Mountains creating a hot, sunny, dry climate, in its own climate zone called "Osoyoos Arid Biotic Zone" leading to Canada's lowest annual precipitation, warmest annual temperature and warmest fresh water lake, Lake Osoyoos. Surrounded by the only living desert in Canada, biologically classified because of the unique flora and fauna that call the area home, Osoyoos' warm weather makes it a perfect setting for dozens of regional wineries and an almost unending golf season. Osoyoos is on the border with Washington State, approximately 4 1/2 hours east of Vancouver at the junction of Highways 3 and 97.

(3) Summary of the Offering

This Disclosure Statement is with respect to an offering by the Developer for the sale of certain hotel units located at 4200 Lakeshore Drive, Osoyoos, British Columbia in a development to be known as the Walnut Beach Resort (the "Development"). The hotel units offered for sale pursuant to this Disclosure Statement comprise 112 hotel units which are intended to be used for hotel accommodation (the "Hotel Units").

The 112 Hotel Units are intended to be occupied by the purchasers and the general public as hotel suites all comprised in a three story wood-frame building constructed on concrete foundations and a concrete parking structure. Each of the owners of the Hotel Units will be entitled to a proportionate share of the common property (the "Common Property") of the Development and other assets of the Strata Corporation created upon deposit of the Strata Plan in the Land Title Office, which the owners of the Hotel Units will own as tenants-in-common. Each of the Hotel Unit owners will, unless they apply for and are provided the Personal Use Exemption (as defined in section 2.1(5) herein), participate in the Rental Pool for the Hotel.

The proposed layout of the Development and the dimensions and location of the Hotel Units are set out in the Preliminary Plan which is attached as **EXHIBIT "A"** to this Disclosure Statement. The actual Hotel Units as constructed may vary somewhat from what is depicted on the Preliminary Plan and are subject to changes or alternations to the Hotel Units as determined by the Developer. The final Strata Plan will be prepared upon completion of construction.

It is anticipated that the owners of some Hotel Units will take possession and occupy Hotel Units while construction continues on the remaining Hotel Units. Residents of the Hotel Units should expect noise, dust, disruption of services and other such inconveniences normally associated with construction during construction working hours until the completion of the Development.

(4) Rental Management Strata Lot

The Development will also consist of one rental management strata lot ("Rental Management Strata Lot") which will be used by the Manager (as defined in section 4.1) for the management and operation of the Rental Pool (as hereinafter defined). The Rental Management Strata Lot will consist of the hotel front desk, administrative offices, storage areas, lobby, great room and kitchen which comprises the area for managing, servicing and operating the Hotel. The Rental Management Strata Lot is not being offered for sale, however, however the Rental Management Strata Lot will be transferred to the Rental Pool Owners Association (as hereinafter defined) upon deposit of the Strata Plan on payment of \$1.00. The Strata Corporation will be granted a first right to purchase the Rental Management Strata Lot which may be exercised only in the

event the Rental Pool Owners Association chooses to sell the Rental Management Strata Lot or is dissolved or wound up, becomes bankrupt or otherwise ceases to represent the owners participating in the Rental Pool. The Rental Management Strata Lot will be leased by the Rental Pool Owners Association to the Manager for a term equivalent to the term of the Hotel Management and Rental Pool Agreement (as defined in section 4.1) for an annual rent of \$10.00 (the "Hotel Manager's Lease"). The form of Hotel Manager's Lease is attached as **EXHIBIT "L"** hereto. A portion of the expense for operating and maintaining the Rental Management Strata Lot will be allocated to all owners and, thus, will be allocated on the basis of unit entitlement and is included in the Strata Budget (defined in subsection 3.8(3) herein).

(5) Use of Hotel Units

Although a Hotel Unit owner has the option to use his Hotel Unit for such periods as he or she may determine subject to the Hotel Management and Rental Pool Agreement and the Hotel Use Covenant (as hereinafter defined), all purchasers are required to enter into the Hotel Management and Rental Pool Agreement at the time of their purchase. This requirement is set out in the Contract of Purchase and Sale to be entered into between each purchaser and the Developer. Further, pursuant to the Hotel Management and Rental Pool Agreement, the Hotel Use Covenant and the Zoning Bylaws of the Town of Osoyoos, up to twenty (20%) percent of the Hotel Units may be used as a full time personal dwelling (the "Personal Use Exemption") otherwise the Hotel Unit owner shall participate in the Rental Pool. Those Hotel Unit owners participating in the Rental Pool will automatically become members of the Walnut Beach Resort Rental Pool Owners Association (which will be created under the Society Act of B.C. and shall be referred to herein as the "Rental Pool Owners Association"). The Hotel Management and Rental Pool Agreement sets out a process for an owner to provide the Manager notice where an owner may remove or return its Hotel Unit to and from the Rental Pool. For those owners in the Rental Pool, the Hotel Management and Rental Pool Agreement provides that if the Hotel Unit owner is not using his Hotel Unit, that his Hotel Unit shall be available for rental to the public through the Rental Pool. The Hotel Unit owners may reserve for themselves unlimited days of use while the Hotel Unit is in the Rental Pool however, the Hotel Unit owners must make such reservation between October 1 and December 31 in each year to guarantee availability of their particular Hotel Unit in the next year's summer months (July and August), or otherwise on 60 days prior notice. Further, the Hotel Unit owner may only use three weeks in the summer months. If not booked as such, a Hotel Unit owner may still reserve for its own use a Hotel Unit which has not been reserved for rental to the public. In either case, a Hotel Unit owner shall pay the Daily Cost (as hereinafter defined) for such owner use periods.

(6) Financial Statements

The operation of the Development as a hotel will not commence until the Development is open to the general public for business as a hotel. Therefore, no financial statements for the business of the Development exist as of the date of this Disclosure Statement.

(7) Financial Projections

The financial projection (the "Projection") for the Rental Pool (as defined in section 4.1) was prepared by Pannell Kerr Forster Consulting Inc. and audited by Smythe Ratcliffe based on assumptions and hypotheses which reflect the course of action anticipated by the Developer for the period covered by the Projection based on the judgment of the Developer as of the date hereof as the most probable set of economic conditions. The Projection has been prepared solely

to provide information to prospective purchasers of Hotel Units. The Projection is attached as part of **EXHIBIT "N"** and is based on an assumption of 90 units being In the Rental Pool.

(8) Dock

The Developer has applied for a Licence of Occupation Agreement with the Ministry of Lands, Parks and Housing (the "Licence") for the construction and maintenance of up to forty boat slips (the "Boat Slips") on the foreshore covered by water being part of the bed of Osoyoos Lake, fronting on the Lands (the "Dock").

The Developer may decide to sell some or all of the Boat Slips on a "first come first served" basis, by granting a sub-license for the individual slips for a term equal to the term of the Licence less one day, together with all rights of renewal. The Developer will determine if it intends to sell any of the Boat Slips and, if so, how many of the Boat Slips will be sold upon approval of the License.

The Developer will assign the residual benefit of the Licence to the Strata Corporation and, pursuant to such assignment, the Strata Corporation will be obligated to negotiate renewals of the Licence and pay all costs and perform all obligations under the Licence. Pursuant to the provisions of the sub-license each owner of a Hotel Unit will be obligated to pay to the Strata Corporation the pro-rata cost of maintaining the Dock and be entitled to a pro rata share of any rental revenues generated by the Dock.

2.2 Permitted Use

- (a) The zoning applicable to the Development is Zoning Amendment Bylaw 1085.54, 2005 (CD-5 – Comprehensive Development Zone), which is zoning specific to the Development.
- (b) The Development will comply with all building restrictions, zoning regulations and other restrictions governing the use and development of the Development and any Hotel Unit therein.

2.3 Phasing

This Development is not part of a phased Condominium/Strata Plan.

3. **STRATA INFORMATION**

3.1 Unit Entitlement

The unit entitlement (the "Unit Entitlement") of each Hotel Unit is a figure indicating its share in the Common Property and assets of the Development and is used to determine each Hotel Unit's contribution to expenses incurred in respect of the Common Property. For each Hotel Unit, the Unit Entitlement will be based on each Hotel Unit's habitable square metres, excluding any non-living areas such as patio, deck or garage. A schedule of the proposed Unit Entitlement for Hotel Units, which is as set out in Form V of the *Strata Property Act*, is included as part of **EXHIBIT "A"**. The calculation of Unit Entitlement is based on architectural drawings and will vary somewhat when calculated on the basis of the actual Strata Plan prepared by the Developer's surveyor. The Unit Entitlement of the Hotel Units must be approved by the

Superintendent of Real Estate and is therefore subject to any changes required by the Superintendent.

3.2 Voting Rights

The Developer presently intends to allocate one vote to each Hotel Unit as set out in the Form W under the *Strata Property Act*, included as part of **EXHIBIT "A"** to this Disclosure Statement.

3.3 Common Property and Facilities

(a) The recreational facilities will include a swimming pool, fitness room, sauna, hot tub, steam room, public beach, marina and two public washroom/changing rooms which will be Common Property (the "Recreational Facilities"). The cost of maintaining and operating the Recreational Facilities will be allocated to the owners of the Hotel Units on the basis of unit entitlement and are included in the Strata Budget (defined in subsection 3.8(3) herein).

(b) The Common Property of the Development will include the following equipment and facilities as shown on the Preliminary Plan:

- parking facility for cars
- Recreational Facilities
- elevator, elevator lobby, elevator machine room
- mechanical and electrical rooms
- garbage room
- vestibules, corridors, walkways and stairways (other than those which form the Rental Management Strata Lot)
- laundry room
- mechanical vent shafts
- common storage areas
- loading dock

3.4 Limited Common Property

Limited Common Property is an area within the Common Property that is designated for the exclusive use of one or more Hotel Unit owners. Any additional maintenance expenses relating to such Limited Common Property will be paid by such owner(s). The Developer presently intends to designate as limited Common Property those areas shown as limited Common Property on the Preliminary Plan and otherwise as it considers appropriate, upon depositing the Strata Plan for registration in the Land Title Office. The Developer reserves the right to alter such designations prior to the deposit of the Strata Plan. A designation of limited Common Property on the Strata Plan may only be removed by unanimous resolution of the members of the Strata Corporation.

The Strata Corporation is responsible for maintaining all common property, including limited common property. However, pursuant to the bylaws for the Strata Corporation, an owner of a Hotel Unit will be responsible for maintaining and repairing the limited common property which they use except for the following, which shall be maintained by the Strata Corporation:

- (a) repair and maintenance that in the ordinary course of events occurs less than once a year;

- (b) the structure of a building;
- (c) the exterior of a building;
- (d) chimneys, stairs, decks, balconies and other things attached to the exterior of a building;
- (e) doors, windows or skylights on the exterior of a building or that front on the common property; and
- (f) fences, railings and similar structures that enclose balconies, patios and yards.

3.5 Bylaws

The bylaws of the Strata Corporation will be the bylaws contained within the *Strata Property Act* together with those amendments set out in the attached **EXHIBIT "C"** to this Disclosure Statement.

3.6 Parking

The Common Property of the Development will include approximately 141 underground parking stalls beneath the Hotel which will be used by Hotel guests.

3.7 Furnishings and Equipment

The furniture, furnishings and equipment included in the Hotel Units are as described in **EXHIBIT "D"** to this Disclosure Statement.

In addition the following equipment will be leased by the Developer:

- (a) telephone system;
- (b) photocopier; and
- (c) cardlock system

(the "Leased Equipment").

Any social services tax payable in respect of the furniture, furnishings and equipment described in **EXHIBIT "D"** will be paid by the purchaser to the Developer and remitted by the Developer.

The furniture, furnishings and equipment will not be encumbered except to the extent of any security interest granted in favour of the Developer's construction lender (see section 5.4 and section 7.2 herein) and any general security agreement filed pursuant to the *Personal Property Security Act* (British Columbia) to secure payment to the supplier of the furniture, furnishings and equipment. The Developer will cause its construction lender to partially release such security insofar as it affects any particular Hotel Unit upon completion of the purchase and sale of such Hotel Unit or confirm in writing that its security interest in the furniture, furnishings and equipment located within any particular strata lot ceases upon the transfer of such strata lot to a purchaser.

The cost of the lease payments for the Leased Equipment is an expense of the Rental Pool (as hereinafter defined).

3.8 Budget

(1) Utilities and Other Services

(a) Water

Water will be supplied by Osoyoos, and the cost of the water service will be billed directly by Osoyoos to the owners of the Hotel Units.

(b) Sanitary Sewer

Sanitary sewer service will be supplied by Osoyoos and the cost of the sanitary sewer service will be billed directly by Osoyoos to the owners of the Hotel Units.

(c) Garbage

Garbage collection for the Hotel Units will be privately contracted by the Strata Corporation and will be allocated to the Hotel Units based on unit entitlement and are included in the Strata Budget.

(d) Fire Protection

Fire Protection will be supplied by Osoyoos.

(e) Electricity

Electricity will be supplied by FortisBC. The charges for the Hotel Units will be allocated to the Hotel Units based on unit entitlement and are included in the Strata Budget.

(f) Natural Gas

Natural Gas, if used, will be supplied by Terasen Gas. Any charges for the Hotel Units will be allocated to the Hotel Units based on unit entitlement and are included in the Strata Budget.

(g) Telephone

Telephone service will be procured by proposal. The Developer will arrange for a hotel style telephone system for use by all of the Hotel Units. The telephone system will be leased and the leasing fee will be allocated to the Hotel Units pursuant to the Hotel Management and Rental Pool Agreement.

(h) Cable Television

Cable television service will be supplied by Persona Inc. Costs will be allocated to the Hotel Units based on unit entitlement and are included in the Strata Budget.

(2) Property Taxes

Each Hotel Unit owner will be responsible for real property taxes and municipal sewer and water charges for each of their Hotel Units. Property taxes and municipal sewer and water charges are levied by and payable to Osoyoos.

(3) Operating Budget

An estimated budget of operating expenses for the Strata Corporation (the "Strata Budget") for the first full operating year of the Hotel Units based upon current costs is attached as **EXHIBIT "B"** to this Disclosure Statement. **EXHIBIT "B"** also sets out the estimated monthly assessment for each of the Hotel Units during the initial operating year. The actual monthly assessments will be calculated upon the finalization of the Unit Entitlement as described in section 3.1 above.

The allocation of income generated from the Rental Pool is based upon the Pooled Unit Share Ratios, as more particularly described in Article 4 of this Disclosure Statement.

(4) Budget Shortfalls

The Developer must pay the Strata Corporation's expenses up to the end of the month in which the first conveyance of a Hotel Unit to a purchaser occurs. After that month and before the first annual budget takes effect, if the Strata Corporation's actual expenses exceed the estimated expenses as set out in the interim budget, the Developer must pay the excess to the Strata Corporation within 8 weeks after the first annual general meeting. If the shortfall amount is greater than 10%, the Developer is required to pay a penalty to the Strata Corporation.

(5) Contingency Reserve Fund

The Developer will contribute 5% of the estimated operating budget of the Strata Corporation to the contingency reserve fund at the time of the first conveyance of a Hotel Unit to a purchaser pursuant to section 12 of the *Strata Property Act*.

3.9 Utilities and Services

The Development will be serviced by water, electricity, sewer, natural gas, telephone, cable, and fire and police protection, as set out in section 3.8 herein.

3.10 Strata Management Contracts

The Developer intends to cause the Strata Corporation to enter into a management agreement with Desert Air Realty (1994) Inc. with respect to the control, management and administration of the Common Property. A copy of the proposed form of management agreement is attached hereto as **EXHIBIT "I"**. The form of management agreement will provide that the agreement may be terminated by the Strata Corporation on two months' notice.

3.11 Insurance

- (a) Developer Coverage – The Developer will place the following insurance coverage with respect to the Development:

- (i) a Builder's Risk Broad Form policy for course of construction for the period up to completion of the Development for full replacement value on the structures; and
 - (ii) a Comprehensive General Liability insurance policy for the duration of the construction period in an amount of not less than \$5,000,000.
- (b) Strata Coverage – The Developer, or the Manager at the instruction of the Developer, will replace the insurance coverage set out in section 3.11(a) above on completion of the Development with coverage to the full replacement value of the building. Pursuant to the Hotel Management and Rental Pool Agreement, the Manager will obtain comprehensive liability insurance with a single limit of not less than \$5,000,000 per occurrence, wherever practicable, on behalf of and at the cost of the Strata Corporation (as required under the *Strata Property Act*), and insurance with respect to the contents of each Hotel Unit and the Common Property. Each owner will be responsible for insuring any additional fixtures, furniture or equipment installed or placed in his Hotel Unit and insuring any personal property within his own Hotel Unit.

3.12 Rental Disclosure Statement

Under section 139 of the *Strata Property Act*, a developer must disclose to any purchaser the intention to lease Hotel Units in order to ensure that such Hotel Units may be leased in the future. A rental disclosure statement in the Prescribed Form J has been filed with the Superintendent of Real Estate and a copy is attached as **EXHIBIT "G"**.

4. REAL ESTATE SECURITIES ASPECT OF THE OFFERING

4.1 Definitions

The following words are defined in this Article 4 as follows:

- (a) "Adjusted Gross Revenue" means, in respect of any day, the Gross Revenue divided by the Unit Share Ratio of the Hotel Units Available for Rental on that day;
- (b) "Agreements" means the Hotel Use Covenant, the Hotel Manager's Lease, the Hotel Management and Rental Pool Agreement and the Bylaws;
- (c) "Available for Rental" means that a Hotel Unit will be considered to be Available for Rental on a particular day only if it is In the Rental Pool and it is not booked for use by the owner in accordance with the Hotel Management and Rental Pool Agreement and if the Manager, acting reasonably, has determined that the Hotel Unit is Available for Rental;
- (d) "Bylaws" means the bylaws of the Strata Corporation as set out in the *Strata Property Act* and amended as set out in **EXHIBIT "C"** to this Disclosure Statement;
- (e) "Gross Revenue" has the meaning ascribed to that term in the Hotel Management and Rental Pool Agreement;
- (f) "Hotel" means the hotel to be constructed within the Development by the Developer and

operated pursuant to the Agreements;

- (g) "Hotel Management and Rental Pool Agreement" means the hotel management and rental pool agreement to be entered into by the Manager and the Developer and to be assumed by each owner of a Hotel Unit with respect to the management of the Hotel, and the participation of such owners in the Rental Pool;
- (h) "Hotel Units" has the meaning set out in section 2.1(3) of this Disclosure Statement;
- (i) "In the Rental Pool" means that a Hotel Unit will always be considered In the Rental Pool unless the Hotel Unit owner has notified the Manager that such owner intends to use the Hotel Unit for Personal Use and the Manager has accepted the Hotel Unit for Personal Use.
- (j) "Manager" means the manager with whom each owner of a Hotel Unit will enter into a Hotel Management and Rental Pool Agreement;
- (k) "Personal Use" means the use of a Hotel Unit by the owner as a residence or family dwelling;
- (l) "Pooled Unit Share Ratio" means in respect of any day, with respect to any Hotel Unit, the fraction which has as its numerator the Unit Share Interest of such Hotel Unit and as its denominator the aggregate of the Unit Share Interest of all of the Hotel Units Available for Rental;
- (m) "Rental Pool" means the contractual arrangement contained in the Agreements pursuant to which the Hotel Units are made available in a rental pool for rental to the general public in connection with the operation of the Hotel;
- (n) "Strata Management Agreement" means the strata management agreement to be entered into by the Developer on behalf of the Strata Corporation with an independent property manager;
- (o) "Unit Share Interest" means the estimated market value of each Hotel Unit relative to the estimated aggregate market value of all of the hotel units comprising the Development, as determined by the Developer as of the date hereof based on reasonable market information available to the Developer, which Unit Share Interests are set out in **EXHIBIT "K"** hereto;
- (p) "Unit Share Ratio" means with respect to any Hotel Unit, the ratio which the numerator is that Hotel Unit's Unit Share Interest and the denominator is the aggregate Unit Share Interest of all Hotel Units In the Rental Pool for a particular period.

4.2 Securities Act

Because the Hotel Units are being sold together with the Hotel Management and Rental Pool Agreement, they can be considered to be securities which are subject to the requirements of the Securities Act (British Columbia) (the "Securities Act"). As a result, the following information is being provided for the purpose of complying with the requirements of Multilateral Instrument 45-106 Prospectus and Registration Exemptions under the Securities Act regarding an offering

memorandum. This Disclosure Statement constitutes an offering memorandum required to be delivered to purchasers of the Strata Lots pursuant to section 2.9(1) of Multilateral Instrument 45-106 Prospectus and Registration Exemptions. Purchasers will need to complete and sign the form of Risk Acknowledgement in Form 45-106F4 included as part of **EXHIBIT "O"** to this Disclosure Statement.

4.3 The Rental Pool

Although each Hotel Unit will be individually owned, the management and operation of the Hotel will be carried on, by or through the Manager. The income generated from the operation of the Hotel will be pooled and allocated among the owners of the Hotel Units In the Rental Pool in accordance with each owner's Pooled Unit Share Ratio and otherwise in the manner set out in the Agreement, as more particularly described in section 4.4. The expenses of the Hotel will be allocated amongst the owners of the Hotel Units In the Rental Pool in accordance with each owner's Unit Share Ratio. Any monies to which an owner is entitled will be subject to deductions for remittances of value-added taxes (such as GST) and withholding taxes.

4.4 Nature of the Business and Description of the Agreements

The Hotel Units, together with the Agreements, will provide owners with a means to participate financially in the Hotel. A general description of the Hotel is set out in subsection 2.1 of this Disclosure Statement.

The following descriptions are intended, in plain language, to describe the material features of each of the Agreements, however, prospective purchasers should carefully read the Hotel Use Covenant, the Hotel Management and Rental Pool Agreement and the Bylaws, which will be substantially in the form attached as **EXHIBITS "H", "J" and "C"**, respectively, to this Disclosure Statement.

- (a) Hotel Use Covenant. Each of the Hotel Units will be charged by the Hotel Use Covenant which will provide that:
 - (i) for so long as the Rental Management Strata Lot is used in connection with the operation and administration of the Hotel or within a time share arrangement, a Hotel Unit will not be used for any purpose other than a hotel room or suite (subject to the rights of Personal Use provided for in the Hotel Management and Rental Pool Agreement);
 - (ii) for so long as the Hotel Units are used as hotel rooms or suites (subject to the rights of Personal Use provided for in the Hotel Management and Rental Pool Agreement), the Rental Management Strata Lot will not be used for any purpose other than for the operation and administration of the Hotel, or within a time share arrangement as a hotel.

The Hotel Use Covenant will be substantially in the form attached hereto as **EXHIBIT "H"**.

- (b) Hotel Management and Rental Pool Agreement. Each Hotel Unit owner must assume the obligations of a Hotel Unit owner under the Hotel Management and Rental Pool Agreement even if the owner intends to use its Hotel Unit for Personal Use. The Hotel

Management and Rental Pool Agreement will be substantially in the form attached hereto as **EXHIBIT "J"**, subject to changes agreed to by the Manager.

The Hotel Management and Rental Pool Agreement will provide as follows (capitalized terms have the meanings defined in the Hotel Management and Rental Pool Agreement if not otherwise defined in this Disclosure Statement):

- (i) the term of the Hotel Management and Rental Pool Agreement will commence on the date the Hotel is opened to the general public for business as a Hotel, and will continue for an initial term of 10 years;
- (ii) during the initial 10 year term, the Manager will receive annual base management fees equal to the greater of four (4%) percent of gross revenues or Ninety-Six Thousand (\$96,000.00) Dollars. These fees will be paid as compensation for the services rendered in accordance with the Hotel Management and Rental Pool Agreement;
- (iii) during the initial 10 year term, but not until after the second Operating Year, the Manager will also receive an Incentive Fee equal to fifteen (15%) percent of the increase in EBITDA (Earnings Before Interest, Taxes, Depreciation, Amortization) from the previous Operating Year. The Incentive Fee shall be calculated on an estimated annual basis and paid to the Manager quarterly. Any overpayment or underpayment shall be adjusted in the subsequent quarter and annually prior to payment of the Incentive Fee payable for the last quarter;
- (iv) the services of the Manager pursuant to the Hotel Management and Rental Pool Agreement may be terminated by the owners in the event of a default by the Manager pursuant to the terms of the Hotel Management and Rental Pool Agreement;
- (v) the Manager will be entitled to terminate its services under the Hotel Management and Rental Pool Agreement upon sixty (60) days written notice if the owners fail to make or authorize the Manager to make capital expenditures without which the Hotel cannot be operated as a limited-service resort;
- (vi) an owner shall notify the Manager of a proposed sale of their Hotel Unit prior to selling it, and subsequent prospective purchasers of the existence and substance of the Hotel Management and Rental Pool Agreement, the fact that ownership and use of the Hotel Unit is subject to the rights of the Manager under the Hotel Management and Rental Pool Agreement and the Hotel Use Covenant, and the purchaser's right to obtain financial information about the Rental Pool from the Manager and the applicable disclosure document described in paragraphs 4.4(b) (vii) and (viii) below as applicable;
- (vii) the Manager will deliver to a subsequent prospective purchaser of a Hotel Unit, prior to an agreement of purchase and sale being entered into, the most recent audited annual financial statements of the Rental Pool and unaudited interim financial statements for any interim periods after the most recent financial year end;

- (viii) the Manager will cause the Developer to deliver to any subsequent prospective purchaser upon reasonable notice of an intended sale by the Hotel Unit owner, before an agreement of purchase and sale is entered into, where the sale occurs within 12 months from the date of issuance of permission to occupy the Hotel Unit, this Disclosure Statement and all amendments;
- (ix) each successor in title to the purchaser of a Hotel Unit will be required to assume such purchaser's responsibilities under the Hotel Management and Rental Pool Agreement as a condition of sale;
- (x) each Hotel Unit owner is obligated to notify subsequent prospective purchasers of the Hotel Unit of the right to obtain from the Developer or the Manager, as the case may be, certain specified financial and other disclosure information and the Manager is obligated to deliver to a subsequent prospective purchaser, upon reasonable notice of an intended sale by any Hotel Unit owner, such information before an agreement of purchase and sale is entered into;
- (xi) each Hotel Unit owner will promptly pay when due all taxes personal to such Hotel Unit owner, including real property taxes, capital taxes, strata maintenance fees and all amounts owing under any financing of the owner's Hotel Unit;
- (xii) for those owners In the Rental Pool:
 - (1) the owner of a Hotel Unit may use the Hotel Unit for not more than 3 weeks in July and August of each year and otherwise shall be entitled to use its Hotel Unit provided the owner provides notice as set out in the Hotel Management and Rental Pool Agreement to the Manager;
 - (2) for each night that a Hotel Unit is used by an owner in accordance with the Hotel Management and Rental Pool Agreement:
 - I. the owner will pay a fee for his Hotel Unit (the "Daily Fee") for daily towel service and a full housekeeping every fifth day or upon departure, whichever is sooner. Any additional services required by the owner shall be at an additional cost as determined by the Manager. The Daily Fee for the first year of operation of the Hotel shall be as follows:
 - Unit Type A Studio \$ 5.00
 - Unit Type B, B-1 \$10.00
 - Unit Type C-1, C-2 and C-5 \$15.00
 - Unit Type C, C-3 and C-4 \$20.00

The Manager may change the Daily Fee on each anniversary of the Commencement Date upon notice to the owners. The Daily Fee for each day the Hotel Unit is used by an owner shall be charged in the owner's account in advance of the such use of the Hotel Unit and if there is not

sufficient funds in the owner's account shall be paid directly by the owner in advance of such use; and

- II. the owner will not receive any rental revenue allocation for the Hotel Units;
- (3) each Hotel Unit owner is entitled to payment each month of a proportionate share of Gross Revenue earned from the Hotel operation in accordance with each owner's Pooled Unit Share Ratio, after deduction of all expenses allocated by Unit Share Ratio (including all payments under the Hotel Management and Rental Pool Agreement) and certain capital and working capital cash reserves which will be held by the Manager against future operational expenses or for repair and replacement of capital items;
 - (4) each Hotel Unit owner is responsible for a proportionate share of the expenses incurred in operating the Hotel (including expenses related to the ownership and maintenance of all common areas of the Hotel) in accordance with each owner's Unit Share Ratio arising from ownership of a Hotel Unit, and if revenues are insufficient to cover Hotel operating expenses, each Hotel Unit owner will be responsible for funding a proportionate share of the shortfall based on Unit Share Ratio;
 - (5) the Hotel Management and Rental Pool Agreement can only be amended if approved by a 75% vote of the owners of the Hotel Units In the Rental Pool;
 - (6) the Manager will provide to each Hotel Unit owner:
 - (A) annual audited financial statements (including statements for the prior comparative year) with respect to the operation of the Rental Pool for each Operating Year;
 - (B) unaudited interim monthly financial statements for the Rental Pool;
 - (C) monthly statements of Gross Revenue, Hotel Expenses, Capital Expenditures and reserves for the Hotel and any personal expenses for each owner's Hotel Unit paid by the Manager; and
 - (D) an annual summary of the Approved Operating Plan and Budget once approved by the Hotel Unit owners;
 - (7) all books of account and other records relating to the operations of the Hotel are the property of the owners of the Hotel Units and will be available to the owners at all reasonable times for examination and review;
 - (8) the Manager will establish for and on behalf of the Hotel Unit owners and the Strata Corporation a contingency reserve as required by the

Strata Property Act and a fund for replacement of Furniture, Fixtures and Equipment for the Hotel Units and Common Property in the greater of the amount required by the *Strata Property Act* and the following:

- (A) 2% of Gross Revenue for the period from the Commencement Date to the end of the first full Operating Year;
 - (B) 3% of Gross Revenue for the second full Operating Year;
 - (C) 4% of Gross Revenue for the third and all subsequent Operating Years;
- (9) prior to the first conveyance of a Hotel Unit, an operating cash reserve in the amount of Fifty Thousand (\$50,000.00) Dollars will be established and maintained by way of loan from the Manager to the Rental Pool Owners Association with interest thereon (calculated monthly on the drawn portion of the loan) at the rate equal to the Prime Rate plus 2% per annum, for use by the Manager as working capital in connection with the operation of the Rental Pool. The Manager will be repaid from operations all of such amounts advanced by the Manager on the date that is two years from the date that the Hotel is opened by the Manager for business as a hotel. The Hotel Management and Rental Pool Agreement shall provide that the Manager shall maintain such operating cash reserve at all times;
- (c) Bylaws. The Bylaws contain provisions governing the rights and obligations of individual owners in respect of the maintenance and alteration of their Hotel Units and limited Common Property. The Bylaws also provide that any required maintenance to such property may be carried out by the Manager.
- (d) Rental Pool Owners Association. The Developer will establish prior to the Strata Plan being filed a Rental Pool Owners Association as a registered society in British Columbia for the purpose of allowing Rental Pool Owners the ability to organize and manage their affairs within the Rental Pool, to contract with the Manager, to acquire the Rental Management Strata Lot, and generally to deal with matters involving those owners participating in the Rental Pool. The Rental Pool Owners Association will be a party to the Hotel Management and Rental Pool Agreement with the Developer and the Manager. The proposed Constitution and Articles of the Rental Pool Owners Association are attached as **EXHIBIT "P"**.

4.5 Exempt Offering

The Hotel Units have not been qualified for sale or distribution under the securities laws of British Columbia or any other jurisdiction. Accordingly, the Hotel Units may not be offered, sold or distributed, directly or indirectly, in British Columbia or to the account or benefit of any resident of British Columbia, or in, or to the account or benefit of any resident of any other jurisdiction, in contravention of applicable securities laws.

The offering and sale in British Columbia of the Hotel Units will be made in reliance upon the exemption set forth in section 2.9 of Multilateral Instrument 45-106 Prospectus and Registration

Exemptions under the Securities Rules. Such exemption will relieve the Developer from provisions under such laws and regulations which otherwise would require the Developer to file and obtain a receipt for a prospectus and offer the Hotel Units for sale through brokers or other persons registered or licensed to deal in securities.

Accordingly (i) prospective purchasers of the Hotel Units will be restricted from using most of the civil remedies available under such laws and regulations; (ii) the Developer is relieved from certain disclosure and other obligations that would otherwise apply under such laws and regulations; (iii) prospective purchasers will not receive the benefit associated with a purchase of securities distributed under a filed prospectus, including the review of material by securities regulatory authorities and may not receive information that would otherwise be required to be provided to the purchasers under such laws and regulations; and (iv) the Hotel Units will be subject to resale restrictions.

Each Hotel Unit purchaser will be required to make certain representations as set forth in the Purchase Agreements accompanying this Disclosure Statement in order to assure the Developer that the purchaser satisfies the eligibility criteria described above. In addition, each purchaser will be required to execute and deliver to the Developer an acknowledgement in Form 45-106F4 (see EXHIBIT "O" to this Disclosure Statement).

4.6 Resale Restrictions

The Hotel Units offered hereunder have not been qualified for sale or distribution to the public. As a result, under applicable British Columbia securities laws, owners of Hotel Units who wish to resell their Hotel Units will, therefore, currently only be able to do so pursuant to exemptions, if available, provided for under applicable securities laws, and may be required to comply with minimum resale price requirements as well as investor suitability standards, if any, imposed by such laws. Hotel Units acquired by persons in other jurisdictions may be subject to restrictions imposed by the relevant jurisdiction. Generally speaking, the Hotel Units may not be traded in the Province of British Columbia until such time as (i) a prospectus is filed and a receipt therefor obtained in accordance with applicable securities laws; (ii) further statutory exemptions, if available, provided for under the securities laws of British Columbia may be relied upon by the purchaser; or (iii) an appropriate discretionary order is obtained pursuant to applicable securities laws.

Any purchaser of a Hotel Unit may resell the Hotel Unit to a subsequent buyer in reliance upon a statutory exemption, without having to prepare and deliver an offering memorandum to such buyer if:

- (i) the aggregate acquisition cost of the Hotel Unit to the buyer is not less than \$150,000, and the buyer is purchasing as principal; or
- (ii) the buyer of the Hotel Unit is an accredited investor as defined in section 2.3 of Multilateral Instrument 45-106 Prospectus and Registration Exemptions under the Securities Rules.

The foregoing is based upon the securities laws of British Columbia in existence as at the date hereof. Purchasers of Hotel Units should consult with their legal advisors with respect to the resale restrictions that may apply to them and to determine the possibility of utilizing any

statutory exemption or obtaining a discretionary order. The Developer makes no representations in respect of, nor assumes any liability for, the availability of any such exemptions.

4.7 Corporate Structure and Experience of the Manager

Atlific Inc. (dba) Atlific Hotels & Resorts ("Atlific") is a Canadian company incorporated under the laws of Quebec with a mailing address at 10100 Cote De Liesse, Montreal, Quebec, H8T 1A3 that is the Canadian management and development arm of Ocean Properties Ltd., Hotels & Resorts. Atlific is one of Canada's largest hotel management companies, operating a diverse multi-brand portfolio of over 30 hotels across the country, ranging from independent luxury hotels to limited service properties. In British Columbia, Atlific manages a mixture of urban and resort properties from the Holiday Inn in downtown Vancouver to the Whistler Village Inn & Suites in Whistler.

The directors and officers of Atlific are as follows:

<u>Name & Residence</u>	<u>Position Held</u>	<u>Principal Occupation</u>
Richard Ade Portsmouth, N.H.	Director & Executive V.P.	Executive V.P. & C.F.O. Ocean Properties Ltd.
Andy Berger Delray Beach, FL	Executive V.P.	Vice - President Ocean Properties Ltd.
Robert Chartrand Montreal, QC	Director & Executive V.P. & CFO / Secretary Treasurer	Executive V.P. & C.F.O Atlific
Raymond St. Pierre Montreal, QC	Director	V.P. Eastern Canada Atlific
Michael Walsh Delray Beach, FL	Director & President	President Ocean Properties Ltd.

4.8 Risk Factors

A real estate investment is, by its nature, speculative. If a purchaser is purchasing the real estate as an investment, the purchaser should be aware that this investment has not only the usual risks associated with purchasing real estate, but also those risks that are inherent to the nature of real estate securities. The following factors should be considered carefully before purchasing a Hotel Unit:

- (a) *Real Estate Generally.* An investment in real estate which includes a mandatory rental pool involves certain inherent risks, including the relative performance of the Rental Pool and the relative marketability of the Hotel Unit which is charged by a covenant such as the Hotel Use Covenant. Real estate developments and investments are generally subject to varying degrees of risk depending on the nature of the property. Such risks include changes in general economic conditions, local supply and demand conditions, the attractiveness of the property to potential owners or guests, competition from others and the degree of liquidity of real estate.

- (b) *Absence of Operating History.* Although the principal of the Developer has considerable prior experience in the real estate industry and certain of the principals of the Manager have considerable prior experience in the hotel and hospitality industry, the Hotel itself must be regarded as a new venture and has no prior record of achieving its business objectives. As a result, the purchaser of a Hotel Unit is subject to the risks associated with ventures of this kind in an early state of development, including uncertainty of revenues, markets and profitability. The Hotel has no operating history and no history of earnings. There can be no assurances that the Hotel will be able to achieve or sustain profitability.
- (c) *The Hotel Business.* The business of operating a Hotel is competitive. To the extent that there are more hotel rooms available in a particular market than there is demand for those rooms, then both occupancy and room rental rates may be adversely affected.
- (d) *Management.* **The success or failure of the Rental Pool will depend in part on the abilities of the Manager of the Hotel.** The rights of owners of Hotel Units to participate in the management and control of the Strata Corporation, to participate in the management of the business of the Hotel and to change the Manager will be restricted in order to maintain the integrity of the Hotel.
- (e) *Additional Contributions.* The purchase of any Hotel Unit involves an ongoing commitment by a purchaser to pay strata maintenance fees to the Strata Corporation. **If the revenue generated from the Rental Pool is less than the costs of operating the Rental Pool, then the purchaser must make additional contributions over and above the purchaser's initial investment and financing costs.** There is no assurance that the Rental Pool will generate sufficient revenues to cover Rental Pool and Strata Corporation operating expenses. The net cash return to a purchaser will depend on the results of the Rental Pool operation as well as the amount of the purchaser's property taxes and debt service payments.
- (f) *Resale Restrictions.* As described in section 4.6, the Hotel Units will be subject to resale restrictions under applicable securities laws.

4.9 Tax Consequences

Attached as **EXHIBIT "E"** to this Disclosure Statement is a summary of the significant income tax and goods and services tax consequences to a purchaser who is an individual, trust or corporation resident in Canada and who acquires a Hotel Unit pursuant to this Disclosure Statement.

Prospective purchasers should consult with their professional advisers regarding tax consequences applicable to them. The stated tax consequences may not apply uniformly to all purchasers.

4.10 Conflict of Interest

Except as described herein, the Developer is not aware of any existing or potential conflicts of interest among the Developer, the Manager, any promoter or co-agent of the Developer, any director or officer of any such person or any person (a "Principal Holder") holding, directly or indirectly, more than 10% of any class of voting securities of any such person, any director or

officer of any Principal Holder, or any person providing goods or services to the Developer, the Manager or holders of the Hotel Units in connection with the Hotel Units that could reasonably be expected to materially affect the operation of the Rental Pool or a purchaser's investment decision. The Developer is entitled to the revenue in the Rental Pool which is allocated to those Hotel Units which the Developer retains. Each of the Developer and the Manager may engage in other business ventures including, without limitation, real estate development or hotel development and management ventures, for their own account or for the account of others, some of which may be in competition with the Development.

4.11 Certifications

To the best of the Developer's knowledge:

- (a) none of the Developer, the Manager, any promoter of the Developer, any person holding, directly or indirectly, more than 10% of any class of voting securities of any such persons, or any director or officer of any of the foregoing, within the 10 years prior to the date of such Director's declarations attached to this Disclosure Statement, has been subject to any penalties or sanctions imposed by a court, real estate regulatory authority or securities regulatory authority relating to the sale, lease, promotion or management of real estate securities, or to theft or fraud;
- (b) none of the Developer, the Manager, any promoter of the Developer, any person holding, directly or indirectly, more than 10% of any class of voting securities of any such person, or any director or officer of the foregoing, within the five years prior to the date of the Developer's declarations attached to this Disclosure Statement was declared bankrupt or made a voluntary assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency, or has been subject to or instituted any proceedings, arrangements or compromise with creditors or had a receiver, receiver-manager or trustee appointed to hold the assets of that person; and
- (c) no director or officer nor any principal holder of the Developer, the Manager or any director or officer of any such principal holder, within the five years prior to the date of the Developer's declarations attached to this Disclosure Statement, has been a director, officer or principal holder of any other developer or manager that, while that person was acting in that capacity:
 - (i) has been subject to any penalties or sanctions imposed by a court, real estate regulatory authority or securities regulatory authority relating to the sale, lease, promotion or management of real estate or securities or of theft or fraud; or
 - (ii) was declared bankrupt or made a voluntary assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency or been subject to or instituted any proceedings, arrangements or compromise with creditors or had a receiver, receiver-manager or trustee appointed to hold the assets of that person.

4.12 Material Contracts

Except for contracts entered into in the ordinary course of business, the following are the only material contracts relating to the offering of the Hotel Units entered into or to be entered into by

the Developer, the Manager or, if applicable, any affiliate of the Developer or the Manager within the last two (2) years of the date of the Developer's declarations attached to this Disclosure Statement which may reasonably be regarded as material to a purchaser of a Hotel Unit:

- (i) the Hotel Use Covenant described in section 4.4(a);
- (ii) the Hotel Management and Rental Pool Agreement described in section 4.4(b);
- (iii) the Hotel Manager's Lease described in subsection 2.1(4);
- (iv) the Strata Management Agreement described in section 3.10; and
- (v) lease agreements for the Leased Equipment.

Where such contracts are not attached to this Disclosure Statement, copies thereof may be inspected during normal business hours at the principal offices of the Developer's agent, Re/Max Crest Realty, 101-2609 Westview Drive, North Vancouver, BC V7N 4M2, during the period in which the Hotel Units are offered hereunder.

5. TITLE AND LEGAL MATTERS

5.1 Legal Description

The Development is located at 4200 Lakeshore Drive, Osoyoos, British Columbia on the Lands, legally described as:

Town of Osoyoos

Parcel Identifier: 026-710-617

Lot 1

District Lot 100

Similkameen Division

Yale District

Plan KAP81213

5.2 Ownership

Registered owner:

The Developer is the registered owner of the Lands.

5.3 Existing Encumbrances and Legal Notations

The following encumbrances are registered against title to the Lands:

- (1) Financial

There are no financial encumbrances currently registered against title to the Lands.

(2) Legal Notations

There are no legal notations currently registered against the title to the Lands.

(3) Non Financial

- (a) Covenant No. V4246 in favour of Her Majesty the Queen in Right of the Province of British Columbia, Ministry of Environment restricting the constructing of any building within seven point five (7.5) metres of the natural boundary of Osoyoos Lake, restricting the location of any area used for habitation, business, or storage of goods damageable by floodwaters within any building at an elevation such that the underside of the floor system thereof is less than 280.72 metres G.S.C. datum, and indemnifying and saving harmless the Province of British Columbia and the Regional District of Okanagan-Similkameen for any damage caused by flooding or erosion to the Lands or to any improvement or structure placed thereon;
- (b) Statutory Right of Way No. LA80960 in favour of the Town of Osoyoos for drainage maintenance and access purposes and storm sewer purposes; and
- (c) Covenant No. LA80961 in favour of The Crown in Right of Canada as represented by Fisheries and Oceans Canada, which provides for the non-disturbance of certain riparian areas of the Lands.

5.4 Proposed Encumbrances

The following additional encumbrances may be registered by the Developer against title to the Hotel Units or the Common Property.

- (a) security documents as may be required by the Developer's construction financing contemplated in section 7.2;
- (b) a reciprocal covenant (the "Hotel Use Covenant") over each of the Hotel Units for the benefit of the Rental Management Strata Lot which will provide that the Hotel Units must not be used for any purpose except in accordance with the provisions of the Hotel Management and Rental Pool Agreement and that the Rental Management Strata Lot must not be used for any purpose except to service the Hotel Units;
- (c) an easement will be registered over the Rental Management Strata Lot for benefit of the Hotel Units which are not in the Rental Pool, which will provide those Hotel Units with access to and use of the public areas of the Rental Management Strata Lot (the "Easement"). See **EXHIBIT "Q"** attached hereto for a proposed copy of the Easement;
- (d) the right of first refusal in favour of the Strata Corporation with respect to the purchase Rental Management Strata Lot;
- (e) the Hotel Manager's Lease described in subsection 2.1(4);
- (f) any and all such rights of way, easements, restrictive covenants, dedications and other rights or restrictions required by Osoyoos or any other applicable governmental authority

or public utility or deemed necessary or advisable by the Developer in connection with the construction, use or occupation of the Development.

5.5 Outstanding or Contingent Litigation or Liabilities

There is no outstanding or contingent litigation or liability in respect of the Development or against the Developer which may affect the Hotel Units.

5.6 Environmental Matters

The Developer is not aware of any dangers or any requirements imposed by the Osoyoos or other governmental authority connected with the Development in respect to flooding or drainage hazards.

The Developer is not aware of any dangers or any requirements imposed by Osoyoos or other governmental authority connected with the Development in respect of the condition of the soil or subsoil.

6. CONSTRUCTION AND WARRANTIES

6.1 Construction Dates

The estimated date for commencement of construction of the Hotel Units is July 6, 2006. The estimated date of completion of construction of the Hotel Units is March 30, 2008.

6.2 Warranties

(1) Homeowner Protection Act

The Development will be built by a licensed builder under the *Homeowner Protection Act*. The insurance will be provided by an authorized party under the *Homeowner Protection Act*.

The Developer will provide in respect of the Hotel Units and the Common Property home warranty insurance equivalent to the insurance contemplated by the *Homeowner Protection Act* (British Columbia) which will include the minimum standards of coverage set out in **EXHIBIT "M"** to this Disclosure Statement. .

(2) Construction or Equipment Warranty

(a) In addition to the protection offered by the insurance to be provided by the Developer under the *Homeowner Protection Act* (British Columbia), the Developer warrants that:

(i) each of the Hotel Units will be constructed substantially in accordance with the final plans approved by Osoyoos which may be amended from time to time as required by Osoyoos or as deemed prudent by the Developer and where required approved by Osoyoos;

(ii) the Developer will, to the extent permitted by the manufacturers or suppliers of materials and equipment supplied to or installed in the Hotel Unit, assign to the Purchaser the benefit of any guarantee or warranty provided by any manufacturer

or supplier for a period in excess of one year; and

(iii) the Developer will repair major structural defects in the construction of the Hotel Unit and common property which become manifest during the one year period commencing on the earlier of the date of substantial completion as determined by the architect for the Development and the issuance of a final occupancy permit for the Development.

(b) The following items shall not be considered defects in workmanship and materials:

(i) defects in materials, appliances, design and workmanship supplied by the purchaser;

(ii) normal cracks in plaster, paint, drywall, masonry, stucco and concrete;

(iii) normal shrinkage or warpage of materials;

(iv) defects arising from improper maintenance by the purchaser during damage caused by or resulting from dampness or condensation due to failure of the purchaser to maintain adequate heat and/or ventilation in the Hotel Unit;

(v) defects in workmanship or materials supplied by the Developer arising from such alterations made by the purchaser;

(vi) surface defects in workmanship and materials apparent to and accepted by the purchaser on closing; and

(vii) defects arising on account of third party action.

6.3 Previously Occupied Building

The building in the Development has not been previously occupied.

7. APPROVALS AND FINANCES

7.1 Development Approval

Approval for the Development was granted by the Town of Osoyoos by issuance of a Development Permit on May 15, 2006. **The estimated date for issuance of a building permit for the Development is nine (9) months or less from the date this Disclosure Statement is filed with the Superintendent of Real Estate. An amendment to this Disclosure Statement setting out particulars of the issued building permit for the Development will be filed with the Superintendent of Real Estate, and a copy thereof delivered to each purchaser, once the building permit has been issued.**

7.2 Construction Financing

As of the date of this Disclosure Statement the Developer has not yet obtained an unconditional commitment for financing the construction of the Development. The estimated date for obtaining a satisfactory financing commitment is nine (9) months or less

from the date this Disclosure Statement is filed with the Superintendent of Real Estate. An amendment to this Disclosure Statement setting out particulars of the financing commitment will be filed with the Superintendent of Real Estate, and a copy thereof delivered to each purchaser, once a financing commitment is issued.

The terms of the Developer's construction financing will include a requirement of the lenders to execute and deliver partial discharges of the encumbrances described in paragraph 5.4(a) insofar as those encumbrances charge any Hotel Unit sold by the Developer upon receipt by the lenders of a specified portion of the net sales proceeds obtained in respect of the sale of such Hotel Unit.

Under section 12 of the *Real Estate Development Marketing Act* a developer must not market a strata lot unless the developer has made adequate arrangements to ensure payment of the cost of utilities and other services associated with the strata lot. If the developer has obtained a satisfactory financing commitment, the developer is deemed to have made adequate arrangements for the purpose of installing utilities and services associated with the strata lots. In this case, no further terms and conditions are applicable to the marketing of the strata lots.

7.3 Purchase Financing

The Developer has made no arrangement on behalf of any purchaser or prospective purchaser to finance the purchase of any Hotel Unit.

8. MISCELLANEOUS

8.1 Deposits

All deposits and other monies received shall be held in the trust account of the selling agent, the conveyancing solicitor, Baker Newby LLP, in the manner required by the *Real Estate Development Marketing Act*.

In the event the Developer complies with Section 19 of the *Real Estate Development Marketing Act* as it relates to securing the deposit, all purchasers of a Hotel Unit will, pursuant to the Contract of Purchase and Sale attached as **EXHIBIT "F"**, authorize the holder of the deposit to release the deposit to the Developer for use in completion of the Development.

8.2 Purchase Agreement

- (a) **No offer of Hotel Units for sale under this Disclosure Statement may be made after nine months from the date this Disclosure Statement is filed with the Superintendent of Real Estate unless the amendments to Disclosure Statement contemplated in sections 7.1 and 7.2 have been filed with the Superintendent. Attached as EXHIBIT "F" to this Disclosure Statement is the form of Purchase Agreement which the Developer intends to use in connection with the sale of Hotel Units unless otherwise agreed between the Developer and a purchaser.**

The Purchase Agreement requires, or will require, as the case may be, that no greater than 10% of the purchase price be paid by way of deposit or otherwise prior to the filing of the amendments contemplated above and is terminable at the option of the purchaser for a period of seven days after receipt of the amendments to the Disclosure Statement if such amendments materially affect the offering or

are not received by the purchaser within nine months after acceptance of the initial Disclosure Statement, at which time all funds, including interest earned, are required to be returned to the purchaser without deduction. All purchase funds must be held in a trust account of a licensee under the *Real Estate Development Marketing Act*, a solicitor or a notary public until completion of the transaction or earlier termination.

- (b) Each prospective purchaser who wishes to purchase a Hotel Unit must:
- (i) complete and sign a Purchase Agreement with the Developer, after reading the same carefully;
 - (ii) complete and sign the form of Risk Acknowledgement in Form 45-106F4 included as part of EXHIBIT "O" to this Disclosure Statement;
 - (iii) pay the initial deposit to Baker Newby LLP, in trust, concurrently with submitting the Purchase Agreement to the Vendor for acceptance, and all other deposits shall be held as contemplated in section 8.1, the provisions of which are incorporated herein by reference; and
 - (iv) at the time of completion of the purchase and sale, assume the obligations as a Hotel Unit owner under the Hotel Management and Rental Pool Agreement.

8.3 Developer's Commitments

(1) Obligation to Hold First Annual Meeting

The Developer must hold the first annual general meeting of the Strata Corporation within six weeks of the earlier of:

- (a) the date on which 50% plus one of the Hotel Units have been conveyed to the purchasers; and
- (b) the date which is 9 months after the first conveyance of a Hotel Unit to a purchaser.

If the first annual general meeting is not held within the required time, the Developer must pay to the Strata Corporation \$1,000 for a delay of up to 30 days, and a further \$1,000 for each additional delay of 7 days.

(2) Documents to be Delivered to the Strata Corporation

The Developer must provide copies of the following documents to the Strata Corporation at the first annual general meeting:

- (a) all plans required to obtain a building permit and any amendments to the building permit plans;
- (b) any documents in the Developer's possession that indicate the location of pipes, wires, cables, chutes, ducts or other service facilities that are not shown on a plan;

- (c) all contracts entered into by the Strata Corporation;
- (d) any Disclosure Statement filed under the *Real Estate Development Marketing Act*, and any Rental Disclosure Statement;
- (e) the registered Strata Plan from the Land Title Office;
- (f) the names and addresses of contractors, subcontractors and persons primarily responsible for supplying labour or materials to the project;
- (g) the names and addresses of any technical consultants, including building envelope specialists, if any;
- (h) the name and address of any project manager; and
- (i) all warranties, manuals, schematic drawings, operating instructions, service guides, manufacturers' documentation and other similar information relating to common property or common assets.

8.4 Other Material Facts

(1) Real Estate Agent

The Developer has appointed Re/Max Crest Realty, 101-2609 Westview Drive, North Vancouver, BC V7N 4M2 as its agent in relation to marketing the Development.

(2) Signage and Display Suites

The Developer shall be entitled to place and keep on the Common Property for so long as the Developer continues to market any Hotel Units in the Development, such signage as the Developer requires in its absolute discretion and to maintain display suites as required by the Developer in its absolute discretion. The Developer shall be entitled to utilize the common parking areas until such time as all of the Hotel Units have been sold by the Developer.

(3) Measurements

The Developer reserves the right to make modifications and changes to each Hotel Unit. A surveyor will be required to measure and calculate square metres on completion of construction. The final strata plans prepared by a B.C. Land Surveyor pursuant to the requirements of the *Strata Property Act* of the Province of British Columbia may vary from these measurements and square metres contained herein. The measurements calculated for sales purposes by the architect will vary from the measurements calculated by the surveyor as the surveyor measures to the centre of the walls, and the architect's measure to the exterior of the walls.

(4) Interest Upon Destruction

A Strata Corporation may be voluntarily wound up for such reasons as the destruction of the strata lots or the voluntary cancellation of the strata plan. A liquidator may be appointed to wind up the Strata Corporation pursuant to Section 277 of the *Strata Property Act* if a resolution to cancel the Strata Plan and appoint a liquidator is passed by unanimous vote at an Annual or

Special General Meeting of the Strata Corporation. In such event each Hotel Unit owner's share of the proceeds of distribution of the Development shall be determined in accordance with the following formula:

most recent assessed value of an owner's strata lot

most recent assessed value of all the strata lots in
the Strata Plan excluding any strata lots held by or
on behalf of the Strata Corporation

If there is no assessed value for a Hotel Unit owner's strata lot or for any strata lot in the Strata Plan, an appraised value:

- (i) that has been determined by independent appraiser; and
- (ii) that is approved by resolution passed by a 3/4 vote at an Annual or Special General Meeting of the Strata Corporation

may be used in place of the assessed value for the purposes of the formula stated above.


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, 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 June 28, 2006.

LAKESHORE DEVELOPMENTS LTD.
by its authorized signatory(ies):

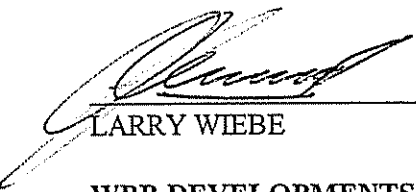


RUDY P. LOEWEN

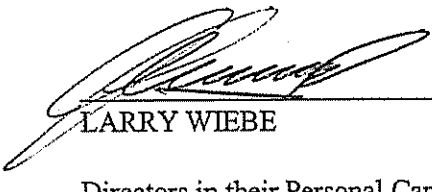
Directors in their Personal Capacity:



RUDY P. LOEWEN




LARRY WIEBE




LARRY WIEBE

WBR DEVELOPMENTS LTD.
by its authorized signatory(ies):

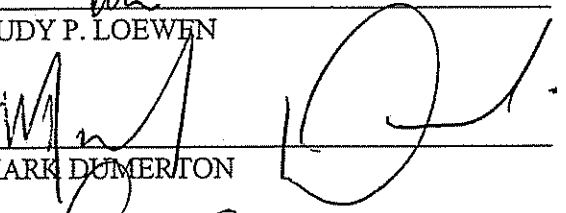


RUDY P. LOEWEN

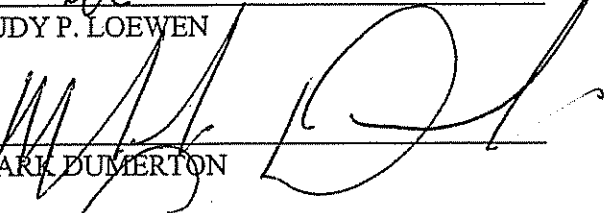
Directors in their Personal Capacity:




RUDY P. LOEWEN



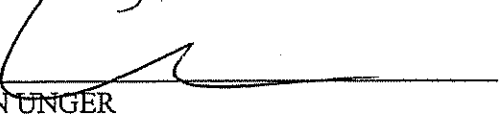
MARK DUMERTON



MARK DUMERTON



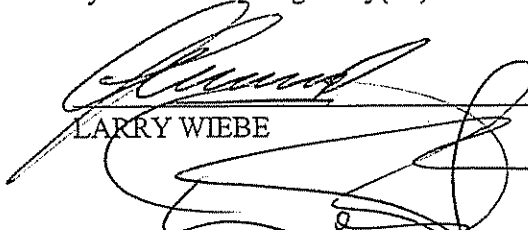
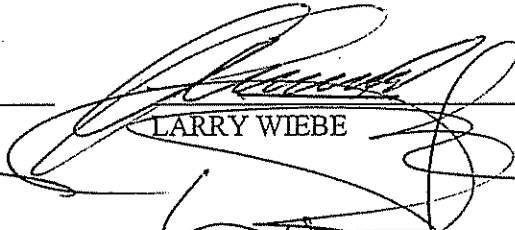

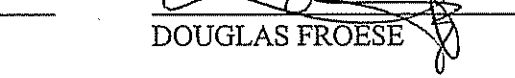
ALVIN UNGER



ALVIN UNGER

IC PROJECTS NORTH LIMITED PARTNERSHIP

by its general partner I C PROJECTS (G.P.) LTD. Directors in their Personal Capacity:
by its authorized signatory(ies):

 _____ LARRY WIEBE	 _____ LARRY WIEBE
 _____ DOUGLAS FROESE	 _____ DOUGLAS FROESE

The Developer's address for service is 9259 Main Street, P.O. Box 390, Stn Main, Chilliwack, British Columbia, V2P 6K2.

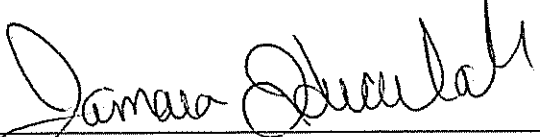
SOLICITOR'S CERTIFICATE

IN THE MATTER OF THE *REAL ESTATE DEVELOPMENT MARKETING ACT* AND THE DISCLOSURE STATEMENT OF LAKESHORE DEVELOPMENTS LTD. FOR PROPERTY DESCRIBED AS:

Parcel Identifier: 026-710-617
Lot 1
District Lot 100
Similkameen Division
Yale District
Plan KAP81213

I, TAMARA A. HUCULAK, Solicitor, a member of the Law Society of British Columbia, having read over the above-described Disclosure Statement dated June 28 2006 made any required investigations in public offices and reviewed same with the Developer therein named, hereby certify that the facts contained in Sections 5.1, 5.2 and 5.3 of the Disclosure Statement are correct.

DATED at Vancouver, British Columbia, this 28 day of June, 2006.



TAMARA A. HUCULAK