

Recreational Vehicle Resort, Cabin and Campground Development known as  
**“MERGANSER BAY RESORT”**  
(FORMERLY KNOWN AS “THE LOOKOUT AT SUGAR LAKE”)

THIRD AMENDMENT TO DISCLOSURE STATEMENT  
*REAL ESTATE DEVELOPMENT MARKETING ACT*

DATED: August 4, 2009

This document notes the amendments that have been made to the Disclosure Statement dated August 22, 2006 (the “Disclosure Statement”), as amended pursuant to a First Amendment to Disclosure Statement dated October 30, 2008 (the “First Amendment”) and pursuant to a Second Amendment to Disclosure Statement dated March 24, 2009 (the “Second Amendment”) with respect to an offering by MERGANSER BAY RESORT LTD. (name changed from Kokanee Lodge & Resort Ltd.) for the sale of shared interests in a development known as “*Merganser Bay Resort*” (formerly known as “*The Lookout At Sugar Lake*”).

**Developer:**

**MERGANSER BAY RESORT LTD.** (name changed from Kokanee Lodge & Resort Ltd.)

Developer’s Address for Service

4<sup>th</sup> Floor, 3201 – 30<sup>th</sup> Avenue  
Vernon, British Columbia  
CANADA V1T 2C6

Developer’s Business Address

1681 Sugar Lake Road  
Cherryville, British Columbia  
Canada V0E 2G0

REAL ESTATE BROKERAGE

The Developer intends to use its own sales staff in the marketing of the Development. The Developer reserves the right to retain listing agents from time to time to represent the Developer in the sale of the Development. The sales staff of the Developer will not be licensed under the *Real Estate Services Act* of British Columbia and will not be acting on behalf of a Purchaser.

**DISCLAIMER**

**THIS AMENDMENT 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 AMENDMENT, OR WHETHER THE AMENDMENT 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.**

The Disclosure Statement dated August 22, 2006 (as amended by the First Amendment and the Second Amendment), is amended as follows:

1. In this Third Amendment to the Disclosure Statement, additional text is identified by underlining and deleted text is identified by “^^^”.
2. The fourteenth paragraph of Section 2.1 is deleted in its entirety and replaced with the following:

“Each Owner will own a one undivided 1/67<sup>th</sup> Interest in the Land. The Developer and/or the principal of the Developer, Monty Leo Andrew Willis, or a related party or entity, will continue to own (and not, initially, market for sale), upon completion of the Development, nine (9) undivided 1/67<sup>th</sup> Interests (but subject, however, to their right to sell or lease such Interests and/or the Commercial Resort Business in the future) including those Interests representing the Developer’s Site (which is shown as Cabin Site 14 on Exhibit “8A” attached hereto) and the Commercial Resort Business, as shown on Exhibit “2” (the one (1) undivided 1/67<sup>th</sup> Interest, representing the Commercial Resort Business is shown on Exhibit “8A” attached hereto as Site 67 and is herein referred to as the “Commercial Interest” or the “Commercial Site”). See also Section 2.2.”
3. The last sentence of the fifteenth paragraph of Section 2.1 is deleted in its entirety and replaced with the following:

“^^^Construction of such services and works has been^^^ substantially completed (as defined in the Purchase Agreement attached as Exhibit “4”) for the Development on or about July 9, 2009.”
4. The twenty-second paragraph of Section 2.1 is deleted in its entirety and replaced with the following:

“All Sites have been ^^fully serviced since on or about ^^ July 9, 2009^^. The Developer has ^^ completed the construction of the sewage disposal system and the water system for the entire Development and ^^ has completed ^^construction of the roadways, gravel pads and site services for the Sites^^.”
5. Section 3.2 is deleted in its entirety and replaced with the following:

““3.2 Owners’ Association

The Developer will not be forming an owners’ association and, instead, the Developer and/or the principal of the Developer, Monty Leo Andrew Willis, his family members and/or related parties or entities will be retaining (and not, initially, market for sale), upon completion of the Development, nine (9)^^ undivided 1/67<sup>th</sup> shared interests in the Land including those relating to the Developer’s Site and the existing Commercial Site (but subject, however, to their right to sell or lease such Interests and/or the Commercial Resort Business in the future) and continuing to operate and manage (subject to their right to sell or lease the Commercial Resort Business in the future), in the case of the Developer and/or the principal of the Developer, Monty Leo Andrew Willis, his family members and/or related parties or entities, the existing Commercial Resort Business and, in the case of the Management Company, all Common Areas and Common Facilities of the Development as well as the Licence Area.”
6. The last sentence of the first paragraph (iii) of Section 3.6 is deleted in its entirety and replaced with the following:

“On or about March 24, 2009, the Developer ^^received from^^ the Regional District ^^an Authorizations to Construct relating to this new sewage treatment building under Permit Nos. 08-0923-E-AC and 08-0982-E-AC^^;”

7. The second and third paragraphs of Section 3.8 are deleted in their entirety and replaced with the following:

“An estimated budget, based on current prices, of the expenses for the Development as to the first fiscal year of the operation of the Land and the Licence Area (the “First Budget Year”) for all of the Owners (including the Developer and/or the principal of the Developer, Monty Leo Andrew Willis, his family members and/or related parties or entities while an Owner of an Interest(s)) by the Management Company is attached hereto as Exhibit “3” and which includes: (i) a schedule showing how the budget will be allocated amongst the individual Owners; and (ii) provision for a Contingency Reserve Fund which is to be used to replace or refurbish Common Areas and Common Facilities of the Development over time. The Developer will not be contributing to the Contingency Reserve Fund at the time of the first conveyance of an Interest to a purchaser.

The Developer will be subject to any assessments on any unsold Shared Interests.”

8. The last sentence at the end of the fifth paragraph of Section 3.8 is deleted.
9. The following paragraph (being the second to last paragraph) of Section 3.9(iii) is deleted in its entirety and replaced with the following:

“The Management Company has selected the certified operator for the sewage treatment and effluent disposal system, namely, Enviro Choice Sewage Treatment Solutions, #200-160 Dougall Road South, Kelowna, British Columbia. Upon completion of the construction of the self-contained sewage treatment and effluent disposal system the current septic tank and drainage field system will be decommissioned by the Developer.”

10. Section 4.2 is deleted in its entirety and replaced with the following:

“4.2 Ownership

The registered and beneficial owner, as tenant in common with the Developer, of an undivided 9/67ths interest in and to the Land is Monty Leo Andrew Willis. Monty Leo Andrew Willis is the sole director and officer of the Developer. Monty Leo Andrew Willis has transferred registered and beneficial ownership of an undivided 58/67ths interest in and to the Land to the Developer, as tenant in common with Monty Leo Andrew Willis. Monty Leo Andrew Willis and/or his family members and/or related parties or entities will retain ownership of (and not, initially, market for sale), upon completion of the Development, the undivided 9/67<sup>th</sup> Interests and are entitled to exclusive use of the Developer’s Site and the Commercial Resort Business and the Commercial Site (i.e., the Commercial Interest), but subject, however, to their right to sell or lease such undivided 9/67<sup>th</sup> Interests and/or the Commercial Resort Business in the future).”

11. Paragraph (p) of Section 4.3(ii) is deleted.
12. The following new paragraphs are added to the end of Section 4.3(ii):

“(p) Mortgage CA1179030 in favour of Barry Bernhardt. This is a mortgage secured by the owner of the Land to finance the construction of the Development. It will be discharged from each undivided Interest conveyed to a purchaser at or prior to the time of the conveyance;

(q) Assignment of Rents CA1179031 in favour of Barry Bernhardt. This represents further security for the mortgage referred to in paragraph 4.3(ii)(p) which will also be discharged from each undivided Interest conveyed to a purchaser at or prior to the time of the conveyance.

- (r) Judgment LB326169 in favour of Pushor Mitchell LLP. This Judgment is for outstanding legal fees and disbursements owed by the Developer to Pushor Mitchell LLP. Arrangements have been made with Pushor Mitchell LLP so that this Judgment will be discharged from each undivided Interest conveyed to a purchaser at or prior to the time of the conveyance.”

13. Section 4.5 is deleted in its entirety and replaced with the following:

“At the time of filing this Disclosure Statement, there is no outstanding or contingent litigation or liabilities in connection with the Development, the Land or against the Developer that may affect the Land, the Development or the Owners except for:

- (a) A settlement has been negotiated with the Developer’s former contractor, Thuro Earthworks Ltd. which settlement included the discharge from the title to the Land of Thuro Earthworks Ltd.’s former Claim of Builder’s Lien CA1056586 and Thuro Earthworks Ltd. agreeing to permit the conveyance of each undivided Interest to purchasers. The Developer has filed a counterclaim lawsuit against Thuro Earthworks Ltd. and the Developer has advised that that counterclaim, as well as Thuro Earthworks Ltd.’s initial claim, will not affect the Land, the Development or the Owners.

- (b) Judgment LB326169 in favour of Pushor Mitchell LLP. This Judgment is for outstanding legal fees and disbursements owed by the Developer to Pushor Mitchell LLP. Arrangements have been made with Pushor Mitchell LLP so that this Judgment will be discharged from each undivided Interest conveyed to a purchaser at or prior to the time of the conveyance. The Developer has advised that Judgment LB326169 will not affect the Land, the Development or the Owners.”

14. The first two paragraphs of Section 5.1 are deleted in their entirety and replaced with the following:

“Construction of the Development, including the Sites, Common Areas, Common Facilities and services and utilities works (excepting the Future Common Areas and Facilities (as defined in the Purchase Agreement attached as Exhibit “4”) and except as otherwise provided in this Disclosure Statement or the Exhibits hereto), has<sup>^^^</sup> been substantially completed (as defined in the Purchase Agreement attached as Exhibit “4”) for the Development on or about July 9, 2009.

<sup>^^^</sup>RV Sites will be completed after consultation with the Owners at the time of sale. Final landscaping to Sites will be the responsibility of Owners.”

15. The last paragraph of Section 7.4(b) is deleted in its entirety and replaced with the following:

“The Developer and/or the principal of the Developer, Monty Leo Andrew Willis, or a related party or entity, will (subject to the exceptions referred to in Section 2.2) continue to own, upon completion of the Development (but subject, however, to their right to sell or lease such Interests and/or the Commercial Resort Business in the future), nine (9)<sup>^^^</sup> undivided 1/67<sup>th</sup> Interests, including those representing the Developer’s Site and the Commercial Interest (representing the Commercial Resort Business). The Developer has identified a certain Site, designated on the plan attached as Exhibit “2” by number 14, as being suitable for the purposes of a residence for the principal of the Developer, Monty Leo Andrew Willis, and his immediate family.”

16. Section 3.02 of Exhibit “1” is deleted in its entirety and replaced with the following:

“To provide all janitorial, maintenance and landscaping services for the purposes of keeping all portions of the Lands, including any Common Areas and Common Facilities and including the Commercial Resort Portions, in a neat, tidy, and sanitary condition;^^^”.

17. The first sentence in Section 4.01 of Exhibit “1” is deleted in its entirety and replaced with the following:

“^^^The Vendor will be assessed for any portion of the Management Costs of the Development and Lands on any undivided interests in the Lands which remain unsold.”

18. Paragraph (iv) of Section 12.00 of Exhibit “1” is deleted in its entirety and paragraph (v) is relettered as paragraph (iv).

19. Footnote 7 to Exhibit “3” is deleted in its entirety.

20. The first sentence of Section 3.02 of Exhibit “4” is deleted in its entirety and replaced with the following:

**(check and complete if Substantial Completion of the Construction completed)** The sale of the Interest shall be completed on or before the \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_ (the “Completion Date”) at the appropriate Land Title Office.

**(check if Substantial Completion of the Construction has not yet been completed)** The Purchaser shall pay the Completion Amount by certified cheque, bank draft or lawyer’s or notary’s trust cheque on the Completion Date (the “Completion Date”) identified by the Vendor or the Vendor’s solicitors, by written notice to the Purchaser or the Purchaser’s solicitors, as a date on which: (i) the Vendor has effected Substantial Completion of the Construction (excepting the Future Common Areas and Facilities), (ii) the Interest will be ready to be occupied; and (iii) a separate title for the Interest will have been issued by the applicable land title office, provided that the Vendor or its solicitors will give not less than seven (7) days’ notice thereof.”

21. The first three (3) lines of the second paragraph of Section 3.02 of Exhibit “4” are deleted in their entirety and replaced with the following:

“Concurrently with such aforesaid written notification or otherwise on or before the Completion Date, as applicable, the Vendor shall prepare at its expense and provide the Purchaser with the following documentation which shall be completed, executed and delivered in registerable form, as applicable, by each of the parties thereto (the “Documentation”):”

22. Paragraph (b) of Section 3.04 of Exhibit “4” is deleted in its entirety and replaced with the following:

“(b) with respect to the Lands, that certain mortgage and assignment of rents in favour of Mission Creek Mortgage Ltd. registered under No. LB247402 and No. LB247403 and those^^^ certain mortgages and assignments of rents in favour of Barry Bernhardt registered under Nos. CA940519, No. CA940520, No. CA1179030 and No. CA1179031 (collectively the “Resort Mortgages”) to be discharged as set out in Section 10.00 below;”

23. A new paragraph (c) of Section 3.04 of Exhibit “4” is inserted as follows and existing paragraphs (c) and (d) are relettered as paragraphs (d) and (e) respectively:

“(c) with respect to the Lands, that certain Judgment in favour of Pushor Mitchell LLP registered under No. LB326169 (the “Judgment”) to be discharged as set out in Section 10.00 below;”

24. Section 10.00 of Exhibit "4" is deleted in its entirety and replaced with the following:

"10.00 The Purchaser acknowledges and agrees that the transfer of title to the Interest may be subject to the Vendor's financing for the Development (including the Resort Mortgages), the Judgment and any claims of builders' lien provided that the Vendor's solicitors undertake to clear title to the Interest of encumbrances relating thereto within a reasonable time after receiving the balance of the adjusted Purchase Price payable to the Vendor on closing. The Vendor expressly acknowledges and agrees that the Resort Mortgages and the Judgment are and shall remain the sole debt, liability and responsibility of the Vendor and the Vendor shall at all times during which the Resort Mortgages and the Judgment are registered against any portion of the Lands continue to properly pay all monies whatsoever due and owing thereunder; and the Vendor further agrees at its sole expense to obtain and register a full and final release and discharge of the Resort Mortgages and the Judgment from the titles to the Lands within a reasonable time after the Substantial Completion of the Construction of the Future Common Areas and Facilities; and the Vendor shall at all times indemnify and save harmless the Purchaser from and against all costs, damages, expenses and liabilities of any nature and kind whatsoever with respect to the Resort Mortgages and the Judgment."

Section 22 of the *Real Estate Development Marketing Act* provides that every purchaser who is entitled to receive the Disclosure Statement, the First Amendment to the Disclosure Statement, the Second Amendment to the Disclosure Statement and this Third Amendment to the Disclosure Statement is deemed to have relied on any false or misleading statement of a material fact contained in the Disclosure Statement, the First Amendment to the Disclosure Statement, the Second Amendment to the Disclosure Statement and this Third Amendment to the 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 the Disclosure Statement, the First Amendment to the Disclosure Statement, the Second Amendment to the Disclosure Statement and this Third Amendment to the Disclosure Statement are liable to compensate the purchaser for any misrepresentation, subject to any defences available under section 22 of the Act.

**Declaration**

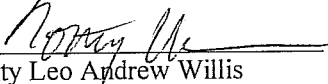
The foregoing statements, the statements contained in the Disclosure Statement, the statements contained in the First Amendment to the Disclosure Statement and the statements contained in the Second Amendment to the Disclosure Statement, disclose, without misrepresentation, all material facts relating to the Development referred to above, as required by the *Real Estate Development Marketing Act* of British Columbia, as of August 4, 2009.

**DEVELOPER:**

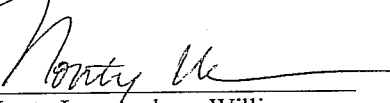
**MERGANSER BAY RESORT LTD.**

By its authorized signatories

Per:

  
Monty Leo Andrew Willis

**The SOLE DIRECTOR of  
MERGANSER BAY RESORT LTD.**

  
Monty Leo Andrew Willis

**SOLICITOR'S CERTIFICATE**

IN THE MATTER of the *Real Estate Development  
Marketing Act* and the  
Third Amendment to the Disclosure Statement of **MERGANSER BAY RESORT LTD.**  
dated August 4, 2009.

For the property described as:

PID: 026-301-288  
Lot 1  
District Lot 2166 and 5306  
Osoyoos Division Yale District  
Plan KAP78195  
(the "Land").

I, CHRISTOPHER C. ALVEBERG, Solicitor, a member of the Law Society of British Columbia, having read over the above described Third Amendment to the Disclosure Statement, which Third Amendment is dated August 4, 2009, and having made any required investigations in public offices, and having reviewed same with the Developer therein named, I HEREBY CERTIFY that the facts contained in Sections 4.1, 4.2 and 4.3 of the Disclosure Statement, as amended, are correct.

DATED at the City of Vernon, in the Province of British Columbia, this 5<sup>th</sup> day of August, 2009.

  
\_\_\_\_\_  
Christopher C. Alveberg