

NO. S-088739
VANCOUVER REGISTRY

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

AND

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

AND

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

(all referred to hereafter as "OHDC")

MONITOR'S FOURTH REPORT
June 17th, 2009

In the Matter of the Companies' Creditors Arrangement Act re:
Okanagan Hills Development Corporation, Vineyard Homes at The Rise Ltd.,
The Golf Club at The Rise Ltd. and Y-K Projects Ltd.

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1. INTRODUCTION

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

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

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

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

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

The Second Monitor's Report was provided to the Court on January 29, 2009, providing the Court information with respect to an application for an extension of the Stay of Proceedings provided for by the initial Order, and also providing information pertaining to the replacement of the DIP Financier.

The Third Monitor's Report was provided to the Court on February 19th, 2009, pursuant to an Application to recommend acceptance of a revised Commitment/Term Sheet made out on behalf of the new DIP Financier, Robert E. Ltd. dated February 19, 2009.

The Purpose of this Report is to update the Court on the financial status and other matters pertaining to OHDC and in support of an Application for a further extension of the Stay of Proceedings for a period of thirty (30) days.

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2. THE GOLF CLUB ENCROACHMENTS

- This matter was a major issue as reported in the Monitor's Second Report.
- Several meetings had taken place to evaluate and supply analyses as to possible solutions to the encroachments issue between BDC, the first mortgage holders of the Golf Club, and Artes, the mortgage holders of The Lands.
- On March 2nd, 2009, the Monitor met with legal counsel for BDC and reviewed the encroachment problems. Lengthy discussions took place pertaining to the detailed encroachments and the potential solutions.
- This information was relayed to executives of The Lands and the Golf Club, and Monashee Surveying was subsequently retained to provide further detailed Golf Club maps, clearly showing potential areas in dispute. The maps were produced about May 7, 2009.
- By way of a letter on May 19, 2009, the principal of OHDC, Leona Snider, set out a suggested compromise solution to the encroachment issue.
- On May 29th, 2009, representatives of BDC, including personnel appointed by BDC to examine the Golf Club and the mutual encroachments against The Lands, visited the Golf Club. As a result of this meeting, a report was created which was delivered to all parties on the evening of June 12th, 2009.
- Owing to the timing of the arrival of this report (see attached Exhibit "A"), there has been insufficient time to review the report by the various stakeholders, including the consultant retained by The Lands, that are necessary to accommodate the changes suggested by the BDC consultants.
- It may be desirable to request the Court for a delay to allow the relevant stakeholders to digest the reports and arrive at a mutually satisfactory understanding.
- All parties are meeting on or before July 3rd, 2009 in Vancouver to discuss the encroachment issues.

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3. CASH FLOW AT THE GOLF CLUB

- Attached as Exhibit "B" is the Actual Cash Flow for the Golf Club, compared to budget to June 5, 2009.
- Significant variances against budget are:
 - Budgeted revenue was over-stated by \$271,000 – there has been less golfers visiting the Golf Club.
 - Disbursements, including leasing costs for golf carts, GPS system, etc. was over-stated by \$369,000.
 - Net surplus cash against budget was \$98,000.
- Approximately \$486,000 was made available from the DIP Financing for the period ended June 5, 2009.
- Of the \$486,000 investment made in the Golf Club, approximately \$346,000 is made up of lease payments and purchases of stock for golf shop and food & beverages, of which approximately \$100,000 remained in inventory on June 5, 2009.. There is a further capital expenditure included in Contingencies for a generator and an insurance deductible paid pertaining to the collapse of a maintenance shed owing to excessive snow load.

4. MARKETING OF THE LANDS AND THE RISE

- CB Richard Ellis ("CBR"), reports that they are negotiating with five interested parties, two of which have expressed a high degree of interest, at amounts that would result in payout of secured creditors and significant dividends to unsecured creditors.
- Negotiations are expected to continue over the next sixty days, which should enable a better understanding of realizations and dividend expectations on each of the classes.
- A detailed review of obligations of The Lands and the Golf Club will need to be undertaken to ensure that a potential purchaser has a total understanding of obligations entered into by The Lands and the Golf Club, both verbal and contractual and that there is clarity as to what any purchaser/joint venturer is assuming. Such obligations include: outstanding compliance deposits, golf club membership refunds, status of founding members, etc.

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5. DISTRIBUTIONS TO CREDITORS

- In accordance with the Claims Process Order pronounced June 1, 2009, the Monitor sent notices to all known creditors requesting Proof of Claims be filed, dated June 4, 2009.
- All creditors received a Proof of Claim form and notification of the Claims' bar date, being July 10, 2009.
- It is the intention of the Petitioners to file a liquidation plan of arrangement and to have a creditors meeting in late July or early August, 2009.
- Dates for initial distribution to creditors and resolution of disputed claims has yet to be determined.
- Claims:
 - To-date (June 15, 2009), the Monitor has received and admitted creditors' claims totaling \$605,168.
 - The estimated amount for total creditors' claims is approximately \$69,000,000.
 - Secured Creditors' proof of claims estimated to be approximately \$60,000,000, excluding the DIP financing of \$2,500,000 have not yet been received by the Monitor.

6. CASH FLOW AT THE LANDS (see attached Exhibit "C")

- During the actual period to June 5, 2009, the net proceeds of a previous Lot Sale of \$68,000 was received.
- The revenue receipts were \$268,000, less than forecast, owing to the failure of the Show Home sale to go through, and a further lot that was estimated to sell in May, never sold.
- Miscellaneous receipts totaling \$148,000 reduced the negative variance, as said receipts were unbudgeted.
- Payroll and Operating Expenses were substantially less than budget, realizing savings to June 2009 of \$602,000.

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- The Lands initiated a new marketing program canceling arrangements with the previous realtor and appointing a new marketing agency. To-date, the new marketing agency have produced 5 lot sales for an estimated \$1,350,000 gross.

7. MONITOR, LEGAL FEES, AND DIP FINANCING COSTS

- Monitor Fees were substantially over of budget, as a result of the several Court applications. Similarly legal fees were significantly over-budget.
- The budgeted amount for DIP Financing costs was exceeded by \$113,000, as a result of changes to the DIP Financier and changes to the detailed terms of the Term Sheet.

8. REVIEW OF THE FORECAST INCOME AND EXPENDITURES TO SEPTEMBER 25, 2009

- Attached as Exhibit "D" is a schedule that shows the combined actual cash flow to June 5, 2009, with a projection to September 25 2009.
- Due to a decreased number of golfers than was expected, the Golf Club has only achieved 54% of its projected revenue. However, due to a number of cost saving measures put in place by Management, the expense budget is substantially under budget, which has resulted in an operating deficit of \$256,000 to June 5, 2009 (see attached Exhibit "E").
- The Monitor believes that there is sufficient cash flow (from the DIP proceeds and revenues) through to September 30, 2009. This may change if the revenue falls below the levels forecast and there are unexpected and increased professional fees pertaining to Monitor, legal and other consulting resources.
- The cash flow prepared for the Initial Application provides for approximately \$269,000 to be made available for payment of property taxes by July 2, 2009, which the Monitor intends to authorize.

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- Concerning real estate sales, there was a prediction in the initial cash flow that 20% of forecast real estate sales would be made available to the cash flow. As mentioned above, those sales did not complete, resulting in a cash flow shortage of \$336,000.
- The above real estate sales have now been replaced by five current sales expected to close over the next 3 to 4 weeks, realizing gross revenue of \$1,350,000.
- The Monitor will be requesting Pencor, the DIP Financier, to allow the Golf Club and The Lands to retain 20% of the net proceeds of the sale of the above-mentioned lands for operating costs going forward.

9. PROCEEDS OF CURRENT REAL ESTATE SALES

- The DIP Financier, Pencor, has a first charge on all real estate of The Lands.
- The current lot sales are estimated to produce gross revenues of \$1,350,000.
- OHDC (The Lands and the Golf Club), is requesting 20% of the net proceeds be allocated to the operations of The Lands and the Golf Club.
- The 80% balance of the funds owing to the First Charge in favour of the DIP Financier, is recommended to be placed in Trust, pending conclusion of the CCAA, or paid to the DIP Financier to reduce the overall amount of \$2,500,000 owing.
- All the funds authorized to be advanced under the DIP facility have been drawn down. The Monitor has \$711,752 in Trust.

10. CONCLUSION

The Monitor is of the opinion that the Petitioners have acted and are continuing to act in good faith and with due diligence, and that the Monitor supports an extension of the stay to July 17th, 2009.

This concludes the Fourth Monitor's Report.

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Should there be any questions or comments in connection with this report, or in connection with any aspect of these proceedings and the Monitor's role therein, please contact either Mr. George Abakhan or Mr. Philip McCourt at (604) 689-4255 or by facsimile at (604) 689-4277.

11. RESTRICTIONS

In the course of conducting our duties including the writing of this report, we have relied entirely on information supplied by management. We did not conduct procedures necessary to enable us to express an opinion on the financial information contained in this report in accordance with Generally Accepted Auditing Standards. Nor have we conducted a formal valuation of the operating subsidiaries of the Company. Projected financial information and the assumptions on which it is based are solely the responsibility of the company. Since the assumptions relate to the future they may be affected by unforeseen events, we can express no opinion as to how closely the forecasts will correspond to actual results.


Further, since the projections and calculations are based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur and the variances may be material. Accordingly, we express no assurance as to whether the projections or calculated estimated realizations will be achieved.

Yours truly,

ABAKHAN & ASSOCIATES INC.

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

Per:



For: George Abakhan, CA-CIRP
President

GA/ss

Attachments

CONSULTANCY REPORT

THE GOLF CLUB AT THE RISE
VERNON, BC

Prepared for:
MR. ALAN BROWN
BOUGHTON LAW CORPORATION

Prepared by:
ALTUS GROUP LIMITED

Effective Date: JUNE 8, 2009

Independent Real Estate Intelligence



June 12, 2009

Boughton Law Corporation
Suite 1000, 595 Burrard St.
Vancouver, British Columbia
V7X 1S8

Attention: Mr. Alan Brown

Dear Sir:

**RE: CONSULTANCY REPORT REGARDING PROPOSED LAND AREAS CHANGES
"THE GOLF CLUB AT THE RISE" VERNON BC**

I refer to your request for a consultancy report addressing the impact of proposed changes to the golf course lands and related issues in connection with "The Golf Club at The Rise" located in Vernon BC. This review is effective June 8th, 2009.

I am pleased to attach my review of these various land related issues as detailed on various drawings presented by Monashree Surveying-Geomatics. Due to the size and nature of these drawings **it is recommended that this report be read in conjunction with full size copies of referenced drawings.** Due to the nature of these drawings, adequate size drawings could not be included with this report. The assumptions used in this report, along with the related conclusions are contained within the body of the report.

Should you have any questions please do not hesitate to call me at (403) 508-7761.

Respectfully submitted,

ALTUS GROUP LIMITED

A handwritten signature in black ink, appearing to read "R. Kelly".

R.M. (Ron) Kelly
B.A., MRICS, AACI

Enclosure

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TERMS OF REFERENCE

MANDATE

- R.M. (Ron) Kelly of Alhus Group Limited, was retained by Boughton Law Corporation to conduct an independent expert review of the impact of proposed land exchanges and related issues on "The Golf Club at The Rise" located in Vernon B.C., (The Rise Golf Course). This consultancy report has been completed in keeping with the Canadian Uniform Standards of Professional Appraisal Practice.

PURPOSE & USE

- The intended purpose of the consultancy report is to provide our client, Boughton Law Corporation and Business Development Bank of Canada with an analysis and expert opinion of the impact of the proposed land exchanges and related issues on the operations of the going concern of "The Rise Golf Club" The intended users of this review report are Boughton Law Corporation, Business Development Bank of Canada, and the Supreme Court of British Columbia.

DATE OF REPORT

- June 8, 2009

SCOPE OF THE REPORT

- In the process of completing this assignment, I undertook the following review:
 - On May 29th I undertook a physical inspection of the golf course and related lands in the company of representatives of and for the Business Development Bank of Canada, Monashree Surveying-Geomatics, and a representative of the Okanagan Hills Development Corporation.
 - Reviewed various drawings prepared by Monashree Surveying-Geomatics relating to "The Golf Club At The Rise" and the surrounding development lands. These drawings are as follows:
 - Overall project maps which were referenced as Rev. 3 and dated April of 2009. These maps showed areas which the developer was proposing to dedicate to the golf course which currently lies outside of the golf course's legal boundaries; along with areas currently included in the golf course legal boundaries which the developer was proposing to take back from the golf course. These maps came in four different formats, the first of which was an aerial photo view; the second a map view; the third the same as the second but with grade lines; and fourthly a

map view which outlined the proposed areas for the individual holes.

- In addition to the above indicated maps the consultant again reviewed maps which formed the basis for my January 28th, 2009 consultancy report. These maps are referenced as follows:
 - Overall project map which indicates course golf routing plan, legal boundaries of the golf course lands, general topographical features and location of the related development lands.
 - Encroachments of golf course infrastructure into surrounding legal titles
 - Cart Path Plan which shows current encroachment of these cart paths into adjacent legal titles
 - Building and Infrastructure Plan – which shows location of various buildings/parking lots etc. which are currently used by the golf course operation. This plan shows the location of these items in relationship to the specific golf course lands and adjacent legal titles.
 - Aerial Photograph of portions of the 15th and the entire 16th hole of the golf course. This aerial photograph also shows the legal boundaries of the golf course lands as they relate to these golf holes.
 - Road Access Plan – which shows the legal road plan, along with the current location of the road cut, which is marked in red.
- The appraiser has in addition to the drawings from Monashee Surveying-Geomatics as referenced above, has also reviewed the following documents and information:
 - Appraisal report on “The Golf Cub At The Rise” prepared by C.J. Griffin & Company Inc. effective October 1, 2008.
 - “Petition To The Court” (The Supreme Court of British Columbia) registered December 15th 2008
 - “Market Feasibility Study” dated March 20, 2005 completed by Hospitality Plus Ltd.
 - Interim financial statements for operations at the Rise Golf Course dated October 27, 2008

- Financial Statements for the Rise Golf Course for the year ending November 30, 2007 and prepared by Grant Thornton.
- Listing package prepared by CB Richard Ellis for the purpose of marketing the entire "Rise" development for sale purposes.
- Review of the web site for "The Rise" development and golf course
- Conducted interviews with various market participants whom are involved with the Okanagan and area golf market
- Reviewed numerous in-house files completed by the review appraiser on golf course operations along with various third party publications which deal with the overall golf market in both British Columbia and the balance of the Canadian golf market.

SPECIFIC LIMITATIONS

- This consultancy report was completed based on the information contained in the referenced drawings from Monashree Surveying-Geomatics which for purposes of this report are assumed to be complete and accurate. It should be noted that a disclaimer is present (as it relates to the drawings referenced in our January 28th consultancy report) on a number of the referenced drawings which states: "The encroachments identified on this plan may not represent the total extent of the encroachments. Additional field measurements may be required to further identify encroachment areas when conditions (i.e. snow) permit".
- The appraiser has not as of the effective date of this consultancy report reviewed the certificates of title to the golf course and adjacent development lands. As such it is an assumption of this report that none of the required easements and/or encroachment agreements are in place at this time.

REVIEW OF MONASHEE DRAWINGS

SUMMARY

- The April 2009 drawings were reviewed in conjunction with a “memo” dated May 19th, 2009 from Leona Snider, OHDC to George Abakhan and Chris Ramsey. Additionally, the consultant was provided with a “Zoning & Proposed Dev.T Concept” map which was dated April 10, 2008. Finally, “The Rise – Design Guidelines – Edition 3 – May 2006 was also reviewed. The impacts of the proposed land exchanges and related matters will be discussed in the following sections of this report.
- The earlier Monashee drawings (in conjunction with a letter dated January 9th, letter from Monashee to Boughton Law Corporation) provide a visual representation of the golf course lands, encroachments, cart path locations and building/infrastructure locations. The drawings also show the location of the legal golf course lands in relation to the existing golf course improvements. Indications from Monashee in their January 9th 2009 letter is that these encroachments and related issues were known to the developer but were going to be dealt with from a legal perspective when the adjacent lands came into active development. As per information in the Monashee letter and drawings the indicated legal description of the golf course lands is: “Lot 2 Section 31 Township 9 and Section 6 Township 8 Osoyoos Division Yale Division KAP78315”
- The referenced Monashee drawings which were detailed in our January 28th, 2009 consultancy report and will not be specifically referenced in this report. The reader is however referenced to that report as it is felt to provide context to the comments which will be made in this report.
- The impacts of the proposed golf course lands re-allocation will be discussed in the following sections of this report.

OVERVIEW OF MAJOR ITEMS

- Based on the REV 3 drawings dated April 2009 the following items will be discussed in advance of a hole by hole analysis.
- The general architectural guidelines for the playing corridors for golf courses are in the order of 50 m in each direction from the center point of the fairway in the landing areas for tee shots. This thus requires a corridor in the landing area of 100 metres. A general review of numerous holes on The Rise Golf Course, even within the context of the original land designated for the golf course, is well below this fairway width of 100 m. An example of this is hole number one at a distance of 250 m from the back tee. The original playing corridor was 100 m. However as will be discussed later, the proposal by the developer to take land off the northwest side of the fairway would reduce this playing corridor down to 40 m. Another example would be the ninth hole where at a distance of 250 m from the back tee box the developer has proposed to reduce the playing corridor to less than 50 m which is less than 50% of industry standards. Numerous other examples of proposed reductions throughout the golf course are present and will be discussed later in this report.
- The drawings show the land areas outside of the currently designated golf course lands which are proposed to be incorporated into the golf course in light green color; lands which are currently included in the golf course lands which are proposed to be taken back by the developer are marked on the drawings in orange/brown color. While actual areas have not been designated on these maps, a visual observation shows that the lands which the developer proposes to take back versus the lands which the developer proposes to assign to the golf course are approximately at a 10 to 1 ratio in favor of the development lands. While no formal areas for the original golf course lands are available to the consultant at this time, it has been suggested that these lands were in the order of 218 acres in total. A calculation referenced on one of the Monahoe drawing indicates that based on a hole by hole analysis the lands which the developer proposes to designate to the golf course, this would be reduced to 43,785 hectares or 108.15 acres M/L. This total golf course lands area of 108.15 acres is totally inadequate for the operation of the golf course and related facilities. The consultant is currently working on a golf course known as Shadow Mountain which is located in

Cranbrook, BC. This golf course is currently in the process of subdividing the golf course/clubhouse/driving range lands from the overall development lands. The proposed plan of subdivision indicates an area of 220 acres M/L. This development has similarities to the subject lands in terms of golf course style and overall terrain, and would provide a good benchmark for the land area that should be devoted to the subject golf course.

- In the Monashee drawings a proposed clubhouse location has been suggested to the west of the 18th hole. The indicated area is 0.203 hectares or 0.50 acres. Both the location and the land area which has been suggested for the clubhouse site is inadequate for the golf course. While the final profile for a clubhouse for the golf course has not been determined, the land area and location should be such that a golf course operator could develop a substantial facility if that was part of their business plan. The actual land area for the clubhouse should be in the order of three acres and the location should be such that the facility would have panoramic lakes views. Based on the physical inspection of the lands, the ideal location for the clubhouse would be in the area of the current practice green and driving net, portions of which are currently on golf course lands. This location would tie in well with the first hole tee areas, the 18th green and the only logical location for the driving range/practice area, (see next section).

- The current design of the golf course does not include a driving range/practice facility, nor does the Monashee Rev 3, April 2009 drawings provide any provision for a driving range. No golf course of the quality and stature of "The Rise" should be operating without a good quality driving range and practice facility. These facilities are critical to both the on going generation of green fee traffic and the retention and selling of memberships. Based on the physical inspection of the site and the consultants above referenced location for the clubhouse, the only viable location for the driving range/practice facility would be to the southwest of the consultants recommended clubhouse location. The logical start would be immediately in front of the treed area adjacent to the first fairway and would need to extend approximately 300 yards (due in part to downhill elevations) in a southwesterly direction down past the temporary clubhouse and past the first green. This location

would tie in well with the consultants suggested clubhouse location and the first hole teeing areas.

- In the current Monashee drawings the existing maintenance facilities and yard area have not been included in the golf course lands, despite the fact that the developer is proposing to take back significant land areas in the immediate area. The logical solution to the maintenance shop issue is to include this area (estimated at 3 acres M/L) in the golf course lands and then designate back to the developer a portion of the lands located between the 7th and 8th holes. The existing location of the maintenance facility is considered to be ideal and is well screened from the golf course.
- As was indicated in our January 28th report the entire 16th hole is located outside of the golf course lands and needs to be incorporated into the final golf course land area. At the time of the inspection the representative from Monashee had indicated the area of the back tee box for the 16th hole may have to be eliminated due to future roadway requirements. Given the design and nature of the golf hole this would not be an issue as the hole design and green size is such that it would best be played as a shorter par 3.
- Another concern with the golf course is that where it is not appropriate or feasible to include the golf cart pathways and maintenance roadways in the golf course lands, that easements for these paths/roadways be registered on the appropriate lands.
- The final major concern with the golf course is that of playability. The current golf course presents an interesting array of golf holes many of which have spectacular lake and mountain views. However, based on the physical inspection of the course and discussions with various industry participants and golfers, the course is considered to be very difficult for mid and higher handicappers. This would tend to limit the number of times that this type of player would be prepared to play the course and whether they would potentially be a member of the facility. The general area of the Okanagan tends to cater to the middle to older age retirement market. The golf course as it currently plays in not conducive to this type of market. In the future the golf course will need to address this playability issue. The proposed reductions in playing corridors as per the Monashee drawing would severely limit

the golf courses ability to address playability issues and thus negatively impact the value of the golf course.

HOLE BY HOLE ISSUES

- The following is a brief discussion on hole by hole bases of the land issues which need to be addressed.
- Hole #1 - the proposed taking of lands along the right side of the fairway and the connecting lands to the second hole is not appropriate for the golf course. The playing corridor for the hole would become too tight and would result in slow play. The connection to the second hole should remain on golf course lands. Hole playability and safety zones are more critical on the right hand side of the fairways as the majority of golfers tend to slice tee shots and longer second shoots. Additionally, the closer property lines are to golf course boundaries, the more potential for physical and legal conflicts to develop between the golf course and adjacent land owners. A significant parcel of land located southwest of the first green could be exchanged with the development lands as part of the lands required for the clubhouse and driving range.
- Hole #2 - proposed taking of lands west of the second hole tee boxes is for the most part not material to the golf course. These could potentially revert to the development lands as long as a "no build" provision was included. The golf course does however need additional lands on the right hand side of the second half of the hole. The proposed dedication to the golf course as shown on the Monashee drawings is too small and needs to be expanded.
- Hole #3 - the proposed taking to the right of the cart path all the way to the end of the golf cart pathway is not a viable taking from the golf courses perspective as it is needed for the earlier referenced playability issue. The land area north of the cart path and west of the 4th hole tee boxes could, with the exception of a small component for the cart path be designated back to the development lands without materially impacting the golf course.
- Holes #5 and #6 - have no material land issues and should be able to remain as is within the golf course lands.
- Hole #7 - is proposed to have lands taken along the right hand side of the fairway. This general taking of golf course lands in this area between #7 and #8 is not material to the golf course other than that the area to be taken back along the right side of the fairway needs to be reduced so that the playing corridor

from the middle of this fairway is at the 50 m point from the centre line of the fairway. The other lands in this area could be used in exchange for the maintenance site which was discussed earlier.

- Hole #8 - no specific land issues.
- Hole #9 - is contained within a playing corridor which is too narrow even under the original lands designated for the golf course. The developer has proposed to take lands on the left side of the fairway starting just out pass the tee boxes and then again on the right side of the fairway as the hole moves towards the 9th green. Neither of these proposals is suitable to the golf course and land should actually be added on the right side of the fairway near the trap and pond so that these features are included in the golf course and that the playing corridor is of an adequate width. Nearing the ninth green on the left side of the fairway the proposal was to give the golf course a narrow component of land. This is a valid addition to the golf course lands and should be undertaken as shown.
- Hole #10 - small areas around the tenth tee which are proposed to be taken by the developer are not material to the course, however given their small size should be left with the golf course lands. The left side of this fairway in the landing area actually extends outside of the golf course lands and the golf course lands should be extended into this area to facilitate the playability of the hole. Near the tenth green the proposal is to take a portion of land for a future roadway. While this is not ideal from a golf course perspective this is a pinch point between the 10th green and the 16th tee box. Any taking in this area should be kept to a minimum and as indicated earlier the loss of the back tee back on the 16th hole would not materially impact the hole.
- Hole #11 - the proposed taking along the right side of the hole for the future roadway could be accommodated without materially affecting the hole. The proposed taking between the 11th green and the 12th tee boxes could be granted subject to easement for the cart path.
- Hole #12 – the proposed taking of lands in the northeast corner of this site would be acceptable to the golf course with possible slight reduction northeast of the cart path to improve corridor width.

- Hole #13 - cart path at the rear of the green should be included in the golf course lands.
- Hole #14 - cart path to the rear of the back tee box and very small areas of this tee box should be included in the golf course lands. To the east of the 14th green an area is indicated as being required for future road right of way. This area could be granted but would result in virtually no area behind the 14th green.
- Hole #15 - small area to the rear of the back tee box is indicated as needed for future roadway and this could be granted without materially impacting the golf course. Areas near the left hand side of the other tee boxes are proposed to be given to the golf course but this would be required for the functioning of the hole. Near the green on the right hand side the golf course lands need to be expanded to include the cart path and to assist with playability. Finally, a portion of the 15th green is outside of the golf course lands and would need to be included. This could be incorporated with the need for the 16th hole to become part of the golf course.
- Hole #16 - as indicated earlier this entire golf hole and the connecting pathway between the 15th and 16th hole is off of the golf course lands and would need to be included in the golf course lands. The back tee for the 16th hole could be eliminated without materially impacting the golf hole. It is understood that this area is required for future roadway.
- Hole #17 - extensive land areas between the 16th green and the 17th tee boxes could be granted to the development lands (forming part of the land exchange required for the 18th hole and the earlier referenced clubhouse and driving range locations) providing an easement is granted for the cart path. An area to the right of the tee boxes could be granted as development land without materially impacting the golf course. An area on the right side of the fairway nearing the green is proposed to be taken as development land. This should not be permitted due to the earlier referenced playability and safety issues. The very back end of the green and a portion of a trap are off of the golf course lands and should be included.
- Hole #18 - land areas to the left of the tee box which are currently part of the golf course could be granted to the development lands. Areas marked in green which include

most of the 18th hole fairway and green are obviously required by the golf course. The propose area for the clubhouse on the Monashee drawing to the right of the tee boxes is a poor location with a weak tie in to both the eighteenth green and the only logical location for a driving range.

CONCLUSIONS

- The physical, legal and economic success of the golf course is critical to the overall project. Historically, many developers only operate the golf course component of a project for the short to mid term time frames, then the golf course is sold to either a golf course operator, golf course investor, or in some instances to the existing membership. The proposed land exchanges as referenced in this report and shown on the Monashee drawings are of a nature that would be detrimental to the long term operation of the golf course facility.
- Without suitable locations and land areas being granted to the golf course for clubhouse, driving range/practice area and maintenance facility, the market value and liquidity of the golf course would be materially reduced.
- Additionally, the playability of the golf course needs to be addressed and part of the solution is increasing the playing corridors. Without improvements in playability of the golf course, revenues from green fees, membership sales and dues, along with food and beverage would be materially reduced. This obviously reduces the potential market value of the golf course.
- The changes and revisions to the land areas as suggested in this report are felt to be critical to the long term operation, viability and value of the "The Golf Club at The Rise".
- The existing temporary clubhouse/parking lot/cart storage facilities would need to be moved to accommodate the construction driving range and practice facilities. However, should this not be done in conjunction with the construction of a permanent clubhouse these facility, it could be relocated to other lands on a temporary basis.
- Finally, the existing road cut versus the legal road plan is felt to only have a minor impact on the golf course lands and should be able to proceed as indicated on the drawings.

ADDENDA

ADDENDA "A" CERTIFICATION

ADDENDA "B" CONTINGENCIES AND LIMITING
CONDITIONS

ADDENDA "C" CV OF R.M. (RON) KELLY

ADDENDA "A"
CERTIFICATION

CERTIFICATION

I certify that, to the best of my knowledge and belief:

- The facts and data reported by the appraiser and used in this consultancy report are true and correct.
- The analysis, opinions, and conclusions in this review report are limited only by the assumptions and limiting conditions stated in this review report, and are my personal, unbiased professional analysis, opinions and conclusions.
- I have no present or prospective interest in the property that is the subject of this report and I have no personal interest or bias with respect to the parties involved.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results
- My compensation is not contingent on an action or event resulting from the analysis, opinions, or conclusions in, or the use of, this review report.
- My analysis, opinions, and conclusions were developed and this review report was prepared in conformity with the Canadian Uniform Standards of Professional Appraisal Practice.
- I last personally inspected the property that is the subject of this report on May 29th, 2009.
- As at the date of this review, the undersigned has fulfilled the requirements of The Appraisal Institute of Canada Mandatory Recertification Program for designated members.



R.M.(Ron) Kelly
B.A., MRICS, AACI

June 12, 2009
DATE

ADDENDA "B"
CONTINGENCIES AND LIMITING CONDITIONS

CONTINGENCIES AND LIMITING CONDITIONS

1. This report is prepared at the request of Boughton Law Corporation for the purpose of reviewing the impact of various proposed land exchanges and related issues on The Golf Club at The Rise for litigation purposes. It is not reasonable for any other person or corporation other than Boughton Law Corporation, Business Development Bank of Canada, and the Supreme Court of British Columbia rely upon this review report without first obtaining written authorization from Altus Group Limited. There may be qualifications, assumptions or limiting conditions in addition to those set out below, relevant to that person's identity or their intended use. This report is prepared on the assumption that no other person other than those named above, will rely on it for any other purpose and that all liability to all such persons is denied.
2. While expert in appraisal matters, the author is not qualified and does not purport to give legal advice. It is assumed that:
 - any legal description provided is correct
 - title to the property is good and marketable
 - there are no encroachments, encumbrances, restrictions, servitudes, church taxes, heritage or cultural property restrictions, privileges, liens, leases or covenants that would in any way affect the valuation, except as expressly noted herein
 - leasehold interests referred to herein have, or will have, properly drawn and executed instruments that legally bind the parties in the described manner and that any rent due has been paid in full
 - the use is a legally conforming or non-conforming use which may be continued by any purchaser from the existing owner
 - rights of way, easements or encroachments over other real property and leases or other covenants noted herein are legally enforceableBecause these assumptions have been made, no investigation, legal or otherwise, has been undertaken which would verify these assumptions except as expressly noted herein.
3. The author is not a qualified surveyor and, unless noted, no legal survey concerning the subject property has been provided. Furthermore, any measurements of rentable areas that have been provided to us are assumed to be correct.
4. For certainty a formal up-to-date survey and architectural measurement are required. This appraisal is therefore contingent on the correctness on the areas given. Any sketches, drawings, diagrams, photographs, etc. are presented in this report for the limited purpose of illustration and are not to be relied upon in themselves.
4. The author is not qualified to give engineering advice. In valuing the property it is assumed that:
 - the soil is stable and that there are no forms of contamination or hazardous waste affecting the site
 - there are no patent or latent defects in the improvements
 - no objectionable materials, such as Asbestos, P.C.B.s, or Urea Formaldehyde foam are present
 - the improvements are structurally sound and in need of no immediate repairs, unless expressly noted within this report
 - the heating, plumbing, electrical, air conditioning or other systems are in good working orderFor certainty, a full engineering and environmental study is required.
5. No official investigation has been undertaken with the local municipal public utilities department, the zoning office, the fire department, the building inspector, the health department or any other government regulatory agency, unless such investigations are expressly represented to have been made in this report. The subject property must comply with such government regulations, and if it does not comply, its non-compliance may affect market value. To be certain of compliance, further investigations may be necessary. Unless otherwise noted, it is assumed that full municipal services (water, sanitary/storm sewers, etc.) and public utilities (gas, hydro and telephone) are available, without local improvement charges.
6. Neither possession of this report nor a copy of it carries with it the right of publication. All copyright is reserved to the author and is considered confidential by the author and his client. It shall not be disclosed, quoted from or referred to, in whole or in part, or published in any manner, without the express written consent of the appraiser.

This is subject only to confidential review by the APPRAISAL INSTITUTE OF CANADA and the ORDRE DES ÉVALUATEURS AGRÉÉS DU QUÉBEC.

11. Other assumptions, limiting conditions or clarifications are listed throughout the report as needed.

7. Market data has been obtained from documents at the Land Registry Office, or as reported by the Real Estate Board. As well as using such documented and generally reliable evidence of market transactions, it was also necessary to rely on hearsay evidence. Except as noted herein, a reasonable attempt has been made to verify all such information.

12. Financial information and analysis herein is based on rent rolls, financial statements and some leases provided by the client. Except as noted herein, the appraisal is contingent on the information provided being accurate.

8. The compensation for services rendered in this report does not include a fee for court preparation or court appearance, which must be negotiated separately. However, neither this nor any other of these limiting conditions is an attempt to limit the use that might be made of this report should it properly become evidence in a judicial proceeding. In such case, it is acknowledged that it is the judicial body, which will decide the use of the report which best serves the administration of justice.

9. Any construction cost estimate and any distribution of value between land, buildings and other improvements applies only in regard to the purpose and function of this appraisal and should not be taken out of context.

10. It assumed that any and all liabilities that might accrue against the real estate such as taxes, hypothecs, contracts or services of any kind, are paid when due.

ADDENDA "C"

C.V. OF R.M. (RON) KELLY

**C.V. OF R.M. (RON) KELLY
B.A., MRICS, AACI**

**DIRECTOR
ALTUS GROUP LIMITED**

ACADEMIC

- Graduate of University of Calgary in 1975 with a Bachelor of Arts in Economics
- Accredited Appraiser Canadian Institute – AACI – Certificate #2781 – August 1988
- Member Royal Institute Chartered Surveyors – September 2008
- Guest Lecturer – Appraisal Institute of Canada (University of Calgary)

EMPLOYMENT HISTORY

- Joined CIBC in 1975 as management trainee
- 1977 to 1978 Colonial Mortgage – mortgage underwriter
- In 1978, commenced appraisal career with Robert G. Rich Appraisals and Royal Trust
- 15 years as Commercial Appraiser Consultant with Royal LePage, from 1983 to 1998
- Assistant Manager, Royal LePage Professional Services from 1989 to 1998
- Partner in Navrady Kelly Maslen, an independent valuation company
- Director of Altus Group Limited, a leading national independent valuation, tax and cost consulting group.

RANGE OF EXPERIENCE

- During the course of Mr. Kelly's employment he has been involved with valuation and advisory assignments for local, national and international clients. In the course of this work, Mr. Kelly has completed assignments on retail, office, industrial, apartments and vacant land, as well as going-concerns such as golf courses and hotel/motels. Primary area of specialization has been in major investment property analysis specifically CBD office properties and large scale retail projects including numerous regional shopping centres. Mr. Kelly qualified as an Expert Witness before the Court of Queen's Bench of Alberta, Alberta Land Compensation Board and the Alberta Municipal Government Board.

GOLF COURSE PROJECTS

- Heather Glen Golf Course, Calgary, Alberta (two valuations- foreclosure)
- Bear Creek Golf Course, Grande Prairie, Alberta (foreclosure)
- Proposed Seebe Course, Seebe, Alberta (valuation/consultancy of proposed golf course)
- Wintergreen Golf and Country Club, Bragg Creek, Alberta (financing)
- Douglasdale Golf Course, Calgary, Alberta (asset value)
- Heritage Point, Calgary, Alberta (golf course, residential lands)
- Airport Lands, Calgary, Alberta (proposed lands for golf course development)
- Paradise Canyon Golf Course, Lethbridge, Alberta (foreclosure & advisory)
- Fox Hollow Golf Course, Calgary, Alberta (2 separate valuations – financing)
- Valley Ridge Golf & CC, Calgary, Alberta (asset valuation)
- Eagle Greens Golf (now RCGA Golf Centre) Calgary, Alberta (legal/advisory)
- Cottonwood Golf & CC, Calgary, Alberta (financing/partnership allocations)
- Elks Lodge Golf Course, Calgary, Alberta (land lease study)
- Silver Springs Golf & CC, Calgary, Alberta (land lease advisory)
- Priddis Greens Golf & CC, Priddis, Alberta (land lease valuation)
- McGowans Golf Dome, Calgary, Alberta (legal)
- Wolf Creek Golf Course, Ponoka, Alberta (tax advisory)
- Canyon Meadows Golf & CC, Calgary, Alberta (advisory & consulting)
- Stewart Creek Golf Course, Canmore, Alberta (4 valuations over 10 years-legal/finance)
- Proposed Three Sister Golf Course, Canmore, Alberta (2 valuations, finance)
- Proposed Oasis Family Golf Centre, Calgary, Alberta (financing/advisory)
- Proposed Revelstoke Golf Course, Revelstoke B.C. (preliminary advisory)
- Proposed Cougar Rock Golf Course, Hinton, Alberta (valuation & advisory)
- Blackstone Golf Course, Fernie, B.C. (valuation & advisory)
- Proposed Genstar Golf Course, Calgary, Alberta (valuation & advisory)
- Cliffs Over Maple Bay, Duncan, B.C. (golf course advisory)
- Proposed Lethbridge Area Golf Course (feasibility study and valuation)
- Fox Creek Golf Club, Moncton, NB (valuation)
- Wolf Creek Golf Course, Ponoka, AB (valuation/advisory 2009)

- Earl Grey Golf Course, Calgary, AB (Land lease Study)
- Highwood Golf & CC, High River, AB (Valuation)
- Stewart Creek Golf Club, Canmore, AB (2009 valuation/litigation)
- Shadow Mountain Golf Course, Cranbrook, BC (valuation)

The Golf Club At The Rise Ltd.
 Estimated Cash Flow - Bi-Weekly
 December 6, 2008 to June 5, 2009

EXHIBIT " B "

GOLF VARIANCES

	Total Actual from Dec 6 08 to 5-Jun-09	Total Forecast from Dec 6 08 to 5-Jun-09	Variance
Receipts - Golf Club Revenue	\$ 311,859	\$ 583,247	\$ (271,388)

Disbursements			
Payroll	Note 2	\$ 341,390	\$ (136,556)
Operating Expenses	Note 3	256,102	428,590 (172,487)
Lease & Finance Expenses		182,861	185,198 (2,337)
Contingencies	Note 4	18,000	76,035 (58,035)

Total Disbursements		798,353	1,167,769 (369,416)
NET CASH FLOW		\$ (486,494)	\$ (584,522) \$ 98,028

Notes:

1. Golf Revenues are under budget due to depressed economy and poor weather. Competitive golf courses are also experiencing downturns.
2. Payroll costs show a favourable variance due to delayed hirings and stringent management control.
3. Includes \$152,923 for Golf Shop, Food & Beverage Purchases of which approx \$109,000 remains in Inventory and \$9,208 is prepaid.
4. Includes Capital Expenditure of \$8,000 for a generator and unusual expenditure of \$10,000 for the collapsed maintenance shed roof.
5. Overall performance to budget \$98,028 better.

	Actual Dec 6 to 19 Dec 09	Actual 2 Jan 09	Actual 16 Jan 09	Actual 30-Jan-09	Actual 13-Feb-09	Actual 27-Feb-09	Actual 13-Mar-09	Actual 27-Mar-09	Actual 10-Apr-09	Actual 24-Apr-09	Actual 8-May-09	Actual 22-May-09	Actual 5-Jun-09	Total Actual Dec 6 08 to 5-Jun-09	Forecast 19-Jun-09	Forecast 3-Jul-09	Forecast 17-Jul-09	Forecast 31-Jul-09	Forecast 14-Aug-09	Forecast 28-Aug-09	Forecast 11-Sep-09	Forecast 25-Sep-09	Total Forecast Dec 6 to End
Opening book balance (Note 1)	100,861	70,325	53,792	25,741	7,794	3,735	858	(485,460)	(592,429)	(803,847)	(974,273)	(1,025,212)	(1,133,201)	100,861	(1,328,484)	(1,238,703)	(1,629,722)	(1,557,451)	(1,535,747)	(1,574,920)	(1,529,767)	(1,634,770)	100,861
Total receipts	70,581	21,670	24,271	25,971	21,510	13,938	(16,493)	68,244	11	44,529	126,511	66,633	60,364	527,739	243,641	212,804	228,935	208,935	232,150	243,150	169,276	169,276	2,235,906
Total Essential Payments	42,210	25,706	42,509	34,250	18,428	15,596	401,225	121,426	67,456	126,357	61,731	81,872	81,412	1,120,180	96,742	120,842	97,994	108,994	122,253	98,153	119,161	107,161	1,991,481
Total Operating Costs	32,918	1,357	6,435	1,429	3,654	854	45,775	31,293	25,866	42,252	30,876	60,424	90,573	373,706	24,692	307,350	24,342	21,150	37,050	24,792	36,050	23,742	872,875
Total Existing Lease & Finance Costs	3,890	9,106	2,163	8,240	3,487	365	22,128	17,302	9,495	3,524	73,032	5,403	73,828	231,962	3,442	78,900	3,442	7,350	73,722	1,920	80,422	1,920	483,080
Total Discretionary Payments	22,098	2,035	1,214	-	-	-	696	5,191	108,611	42,822	11,812	26,923	9,834	231,236	28,983	96,731	30,886	49,737	38,298	73,132	38,645	39,284	626,932
Payables Arrears Dec 19 08 to Jan 16 08																							
TOTAL CASH PAYMENTS	101,116	38,203	52,321	43,919	25,570	16,815	469,825	175,212	211,429	214,955	177,451	174,622	255,647	1,957,084	153,860	603,823	156,664	187,231	271,323	197,997	274,278	172,108	3,974,368
NET CASH FLOW	(30,535)	(16,534)	(28,050)	(17,947)	(4,060)	(2,877)	(486,318)	(106,968)	(211,418)	(170,426)	(50,939)	(107,989)	(195,283)	(1,429,345)	89,781	(391,019)	72,271	21,704	(39,173)	45,153	(105,002)	(2,832)	(1,738,462)
Closing book balance before DIP financing	70,325	53,792	25,741	7,794	3,735	858	(485,460)	(592,429)	(803,847)	(974,273)	(1,025,212)	(1,133,201)	(1,328,484)	(1,328,484)	(1,238,703)	(1,629,722)	(1,557,451)	(1,535,747)	(1,574,920)	(1,529,767)	(1,634,770)	(1,637,602)	(1,637,602)
DIP Financing							1,000,000		500,000			1,000,000		2,500,000									2,500,000
(Less Interest Reserve @ 12%)							(120,000)		(60,000)			(100,000)		(280,000)									(280,000)
(Less Financing Fee)							(75,750)		(750)			(750)		(77,250)									(77,250)
(Less Site Inspection - Travel)							(1,182)					(74)		(1,256)									(1,256)
(Less Legal Fees)							(46,767)		(2,830)			(11,494)		(61,091)									(61,091)
Net Proceeds of DIP Funds Advanced							756,301		436,420			887,682		2,080,403									2,080,403
Closing book balance after DIP financing	70,325	53,792	25,741	7,794	3,735	858	270,840	163,872	388,874	218,448	167,508	947,201	751,919	751,919	841,700	450,681	522,952	544,656	505,483	550,635	445,633	442,801	442,801

The Golf Club At The Rise Ltd.
 Estimated Cash Flow - Bi-Weekly
 Projected Cash Flow Scenarios June 19 09 to September 25 09

EXHIBIT " E "

	19-Jun-09	3-Jul-09	17-Jul-09	31-Jul-09	14-Aug-09	28-Aug-09	11-Sep-09	25-Sep-09	Total
Current Revenue Forecast	244	213	229	209	232	243	169	169	1708
Project Revenue @ 50%	122	107	115	105	116	122	85	85	854
Expenses:									
Payroll Based on Budget:									
Fixed Assuming 50%	35	36	35	40	36	35	35	40	290
Variable (to Revenue) Portion	17	18	18	20	18	18	17	20	145
Operating Expenses (Budget)	52	53	53	59	54	53	52	59	434
Lease & Finance Costs (Budget)	20.2	176	21.8	40.5	18.5	63.8	18.3	28.3	387
Contingencies (Budget)	2.6	71.5	2.6	2.6	72.9	1.3	72.9	1.3	225
Total Cash Payments	7.6	27.2	7.7	8.4	14.9	7.6	14.5	8.4	96
NET CASH FLOW	82	328	85	108	160	125	157	97	1143
Beginning Cash Balance	40	-221	30	-4	-44	-4	-73	-13	-289
ENDING CASH BALANCE	33	73	-149	-119	-122	-167	-170	-243	33
	73	-149	-119	-122	-167	-170	-243	-256	-256

Assumptions:

Current Payroll Budget	69	71	70	79	72	70	69	79	579
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Total Budgeted Expense - Check	99.4	345.7	102.1	127.9	178.3	142.7	174.7	117.0	117 OK
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Current Golf Shop Inventory approx \$90K sold - any replenishment & F&B at budgeted amounts.

Fixed Payroll Costs at \$35 to \$40 K per period.

Actual cash receipts from Golf operations to June 5, 2009 are 54% of budget.

Note - Current CASH DEFICIT to Jun 5 09 - \$486K.