



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 SIXTH REPORT**

**August 18<sup>th</sup>, 2009**

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### EXHIBITS:

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

The First Monitor's Report was provided to the Court on December 23<sup>rd</sup>, 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<sup>th</sup>, 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<sup>th</sup>, 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 19<sup>th</sup>, 2009, recommending to the Court acceptance of the DIP Financing commitment.

The Fourth Monitor's Report was provided to the Court on June 17<sup>th</sup>, 2009, to update the Court on the financial status and other matters pertaining to OHDC and in support of an Application for further extension of the Stay of Proceedings for a period of 30 days.

The Fifth Monitor's Report was provided to the Court on July 17<sup>th</sup>, 2009 to update the Court on the financial status of OHDC and The Golf Club and in support of an application for a further

extension of the Stay of Proceedings to August 24<sup>th</sup>, 2009. The report also set out the progress of the land boundary encroachment issues to be resolved between The Golf Club and The Lands.

The purpose of this report is to update the Court on the current financial status of OHDC and The Golf Club, and to report on the progress of the encroachment issue pertaining to The Golf Club and to support an Application for a further extension of the Stay of Proceedings to September 25<sup>th</sup>, 2009.

## **2. THE GOLF CLUB ENCROACHMENTS**

- The consulting firm, Site 360 Consulting Inc. ("Site 360") has submitted a proposal to review the current land allotment for the proposed clubhouse and to review the options for the practice facility (driving range). At time of writing the proposal is under consideration.
- BDC has received a report on the encroachment issues prepared by Altus Group Limited ("the "Altus Report"). The report is attached hereto as Exhibit "G".
- BDC has advised that it considers it to be imperative that the work proposed to be conducted by Site 360 Consulting Inc. proceed.
- With respect to the offer for the Lands and the Golf Club referred to in Section 7 below, BDC advises that work must continue toward a resolution of the encroachment issue until all subjects have been removed, the offer becomes firm and binding and there is an agreement between BDC and Arres on the allocation of the net proceeds of the sale.
- BDC advises that it will consent to an extension of the CCAA Stay until September 24<sup>th</sup>, 2009 on the following conditions:
  1. That BDC receives OHDC's written commitment that instructions have been given, or will immediately be given, to Site 360 to complete the work described in the July 28<sup>th</sup>, 2009 Site 360 proposal.
  2. That OHDC will forward a copy of the Altus Report to Site 360 in order that they can consider its contents when preparing their report.

3. OHDC will deliver a copy of the Site 360 report to BDC immediately upon receipt.
4. OHDC will meet with BDC no later than September 11<sup>th</sup>, 2009 to further discuss a resolution to the encroachment issue.

### 3. CASH FLOW AT THE GOLF CLUB

- Attached as Exhibit "A" is the Actual Cash Flow for the Golf Club (Golf Variances), compared to budget to August 14<sup>th</sup>, 2009.
- Significant variances against budget are:
  - Budgeted revenue was over-stated by \$848,000 – there have been fewer golfers visiting the Golf Club than predicted.
  - Disbursements, including leasing costs for golf carts, GPS system, etc. were over-stated by \$640,000.
  - Net cash shortfall against budget was \$208,000.
- Approximately \$519,000 was made available from the DIP Financing for the period ended August 14, 2009.
- Of the \$519,000 DIP financing investment made in the Golf Club, stock for golf shop and food & beverages, of approximately \$82,000 remained in inventory on August 14, 2009.
- Included in the disbursements there was a capital expenditure included in Contingencies for a generator (\$8,000) and an insurance deductible paid pertaining to the collapse of a maintenance shed owing to excessive snow load (\$10,000).

### 4. CASH FLOW AT THE LANDS (see attached Exhibit "B")

- During the period December 6, 2008 to August 14, 2009, the net proceeds of a previous lot sale of \$68,000 was received and one of the lot sales reported in the Monitor's Fifth Report closed with net proceeds of \$263,000. These funds will be applied to the DIP Financing.
- The revenue receipts now show \$4,000 less than forecast, .

- Miscellaneous receipts totaling \$175,000, which were not budgeted, brought Total Receipts to a favourable variance of \$134,000.
- Payroll and Operating Expenses were substantially less than budget, realizing savings to July 2009 of \$944,000.
- Resulting in a positive variance compared to budget of \$722,000.

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

- Attached as Exhibit "C" is a schedule that shows the combined actual cash flow for the period December 6, 2008 to August 14th, 2009, with the original budget to September 25th 2009.
- Due to a decreased number of golfers than was expected, the Golf Club has only achieved 50% of the budgeted revenue. Due to a number of cost saving measures put in place by Management, the expense budget is \$640,000 under budget. The operating deficit to August 14th, 2009 was \$519,000 compared to a budgeted deficit of \$311,000 (see attached Exhibit "A").
- With newly projected revenue of 50% of budget, the operation is projected to experience a cash deficit of \$100,000 for the period August 15<sup>th</sup>, 2009 to September 25, 2009 (see attached Exhibit "D").
- At this writing it appears that there is sufficient cash flow (from the DIP proceeds and revenues) through to September 25<sup>th</sup>, 2009. This may change if the revenue falls below the levels projected and/or there are unexpected and increased professional fees pertaining to Monitor, legal and other consulting resources.
- The cash flow prepared for the Initial Application provided for approximately \$269,000 to be made available for payment of property taxes by July 2, 2009, which have not been paid.
- 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. That has not been agreed to by the DIP Financier.

- All the funds authorized to be advanced under the DIP facility have been drawn down. The Monitor has \$231,160 in Trust.
- Legal counsel for the company has \$263,361 in Trust as a result of the lot sale referred to above. When released those funds will be paid to the DIP Financier.

6. **MONITOR, LEGAL FEES, AND DIP FINANCING COSTS**

- DIP Financing costs have stabilized owing to interest having been prepaid.
- For the period July 4<sup>th</sup>, 2009 to August 14, 2009, Monitor and Legal Fees paid were over budget by \$61,000.

7. **MARKETING OF THE LANDS AND THE RISE**

- OHDC has received a Letter of Intent to purchase its property and assets in the dollar range required to substantially deal with the secured creditors. At this writing this Letter of Intent has been countered and is subject to negotiations.

8. **SUMMARY OF CREDITOR(S) CLAIMS**

- As previously reported, the Claims of Creditors filed with the Monitor and received by the Claims Bar Date of July 10th, 2009 amounted to \$65,872,283 (secured creditors) and \$9,306,223 (unsecured creditors) (Exhibit "F").
- Since the Claims Bar Date of July 10th, 2009 the Monitor has received claims which total \$282,258.

9. **PROCEEDS OF CURRENT REAL ESTATE SALES**  
**- APPLICATION FOR VESTING ORDER**

- One of the nine (9) lot sales, reported in the Monitor's Fifth Report, has closed with net proceeds of \$263,361. The remaining eight (8) sales, with estimated net proceeds \$1,221,000, are scheduled to close in September, 2009 (Exhibit "E").
- Net proceeds from these sales will be paid to the DIP Financier.

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 September 30, 2009.

This concludes the Fifth Monitor's Report.

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.*

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.

*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:

Per:

George Abakhan, CA•CIRP  
President

GA/ss

Attachments

GOLF VARIANCES		Total Actual from Dec 6 08 to 14-Aug-09	Total Forecast from Dec 6 08 to 14-Aug-09	Variance
Receipts - Golf Club Revenue	Note 1	\$ 860,898	\$ 1,709,712	\$ (848,814)
Disbursements				
Payroll	Note 2	\$ 633,921	\$ 838,172	\$ (204,251)
Operating Expenses	Note 3	404,165	705,688	(301,523)
Lease & Finance Expenses		324,008	334,813	(10,805)
Contingencies	Note 4	18,000	141,869	(123,869)
Total Disbursements		<u>1,380,093</u>	<u>2,020,542</u>	<u>(640,449)</u>
NET CASH FLOW		<u>\$ (519,195)</u>	<u>\$ (310,830)</u>	<u>\$ (208,365)</u>

Notes:

1. Golf Revenues continue 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. (a) Includes \$213,085 for Golf Shop, Food & Beverage Purchases of which approx \$82,000 remains in inventory.  
 (b) Forecast includes \$125,000 for Municipal Taxes which have not been paid.
4. Includes Capital Expenditure of \$8,000 for a generator and unusual expenditure of \$10,000 for the collapsed maintenance shed roof.
5. Unfavourable overall performance to budget of \$208,365 (with Municipal Taxes unpaid as noted above).

OHDC VARIANCES	Total Actual from Dec 6 08 to 14-Aug-09	Total Forecast from Dec 6 08 to 14-Aug-09	Variance
Receipts:			
House & Lot Sales (net of Commissions)	331,361	1,594,800	
Less Sales Proceeds to to Arres	-	1,259,001	
	<hr/>	<hr/>	
Net Proceeds after payment to Arres      Note 1	331,361	335,799	(4,438)
	<hr/>	<hr/>	
GST Refunds	14,357	14,000	357
Refund - City of Vernon	58,244	-	58,244
Mortgage Payments Received	38,814	-	38,814
Transfer from Vineyard Homes Account	6,681	-	6,681
Bella Vista	11,212	-	11,212
Interest	1,485	-	1,485
Restricted Funds Transfer	12,415	-	12,415
Accounts Receivable	6,623	-	6,623
GST re Lot Sales	14,000	-	14,000
Miscellaneous	10,902	8,229	2,673
	<hr/>	<hr/>	
	174,733	22,229	152,504
	<hr/>	<hr/>	
TOTAL RECEIPTS - net of payments to Arres	506,094	358,028	148,066
	<hr/>	<hr/>	
Payroll	404,267	545,455	(141,188)
Operating Expenses	439,886	1,242,767	(802,881)
Lease & Financing Costs	66,315	66,422	(107)
Contingencies	-	148,695	(148,695)
	<hr/>	<hr/>	
	910,468	2,003,340	(1,092,871)
	<hr/>	<hr/>	
Monitor, Legal Fees & DIP Financing Costs:			
Monitor Fees	259,062	140,000	119,062
Legal Fees	397,875	112,000	285,875
DIP Financing Costs	358,506	245,000	113,506
	<hr/>	<hr/>	
	1,015,443	497,000	518,443
	<hr/>	<hr/>	
TOTAL CASH PAYMENTS	1,925,912	2,500,340	(574,428)
	<hr/>	<hr/>	
NET CASH FLOW	(1,419,817)	(2,142,312)	722,494
	<hr/>	<hr/>	

Notes:

1. Sale of show home and one lot forecasted did not occur, however, as of August 14, 2009, nine (9) lots totalling \$1,484,736 (estimated net proceeds) have been sold. One of those sales, with net proceeds of \$263,361, completed in July and is included above. The remaining eight (8) totalling \$1,221,375 are scheduled to complete in September, 2009. All net proceeds from lot sales are to be paid to the DIP Financier

**EXHIBIT "C"**

	Actual Dec 6 to 19 Dec 08	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	Actual 19-Jun-09	Actual 3-Jul-09	Actual 17-Jul-09	Actual 31-Jul-09	Actual 14-Aug-09	Total Actual Dec 6 08 to 14-Aug-09	Forecast 28-Aug-09	Forecast 11-Sep-09	Forecast 25-Sep-09	Total Forecast Dec 6 to End	
Opening book balance	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)	(1,328,484)	(1,373,500)	(1,451,029)	(1,583,118)	(1,650,879)	100,861	(1,479,645)	(1,434,492)	(1,539,495)	100,861	
Total receipts	70,581	21,670	24,271	25,971	21,510	13,938	(16,483)	68,244	11	44,529	126,511	66,633	60,364	104,876	130,134	95,315	62,880	446,349	1,366,993	243,150	169,276	169,276	1,948,695	
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	102,517	88,410	156,131	80,589	147,298	1,695,125	98,153	119,161	107,161	2,019,600	
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	28,531	13,888	39,969	32,509	48,524	537,127	24,792	36,050	23,742	621,712	
Total Existing Lease & Finance Costs	3,890	9,106	2,163	8,240	3,487	365	22,128	17,302	8,495	3,524	73,032	5,403	73,828	3,924	74,030	2,989	9,529	67,869	390,323	1,920	80,422	1,920	474,585	
Total Discretionary Payments	22,098	2,036	1,214	-	-	-	686	5,191	108,611	42,822	11,812	26,923	9,834	14,919	31,336	28,315	7,714	11,404	324,924	73,132	38,645	39,284	475,985	
Payables Arrears Dec 19 08 to Jan 16 08																								
TOTAL CASH PAYMENTS	101,116	38,203	52,321	43,919	25,570	16,815	489,825	175,212	211,429	214,955	177,451	174,622	255,647	149,891	207,664	227,404	130,341	275,115	2,947,499	197,997	274,278	172,108	3,591,892	
NET CASH FLOW	(30,535)	(16,534)	(28,050)	(17,947)	(4,060)	(2,877)	(486,318)	(108,969)	(211,416)	(170,426)	(50,939)	(107,989)	(195,283)	(45,015)	(77,529)	(132,089)	(67,761)	171,234	(1,580,506)	46,153	(105,002)	(2,832)	(1,643,187)	
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)	(1,373,500)	(1,451,029)	(1,583,118)	(1,650,879)	(1,479,645)	(1,479,645)	(1,434,492)	(1,539,495)	(1,542,326)	(1,542,326)	
DIP Financing (Less Interest Reserve @ 12%) (Less Financing Fee) (Less Site Inspection - Travel) (Less Legal Fees)							1,000,000 (120,000) (75,750) (1,182) (46,767)		500,000 (60,000) (750) (2,830)		1,000,000 (100,000) (750) (74) (11,494)									2,500,000 (280,000) (77,250) (1,256) (61,091)				2,500,000 (280,000) (77,250) (1,256) (61,091)
Net Proceeds of DIP Funds Advanced							756,301		436,420															
Closing book balance after DIP financing	70,325	53,792	25,741	7,794	3,735	858	270,840	163,872	388,674	218,448	167,508	947,201	751,919	706,903	629,374	497,284	429,524	600,758	2,080,403	645,910	540,908	538,076	538,076	

		28-Aug-09	11-Sep-09	25-Sep-09	Total
Current Revenue Forecast		<u>243,000</u>	<u>169,000</u>	<u>169,000</u>	<u>581,000</u>
Project Revenue @	50%	<u>121,500</u>	<u>84,500</u>	<u>84,500</u>	<u>290,500</u>
Expenses:					
Payroll Based on Budget:					
Fixed Assuming	60%	42,092	41,317	47,497	130,905
Variable (to Revenue) Portion		14,031	13,772	15,832	43,635
		<u>56,122</u>	<u>55,089</u>	<u>63,329</u>	<u>174,540</u>
Operating Expenses (Budget)		63,945	18,302	28,252	110,499
Lease & Finance Costs (Budget)		1,270	72,875	1,270	75,415
Contingencies (Budget)		<u>7,572</u>	<u>14,514</u>	<u>8,368</u>	<u>30,454</u>
Total Cash Payments		<u>128,909</u>	<u>160,780</u>	<u>101,219</u>	<u>390,908</u>
NET CASH FLOW		<u>(7,409)</u>	<u>(76,280)</u>	<u>(16,719)</u>	<u>(100,408)</u>

The Current Forecast (for the period August 14, 2009 to September 25, 2009) with \$581,000 in Revenue shows positive net cash flow of approximately \$147,000. Under the above scenario with Revenues being 50% of Forecast the operation is projected to result in a Cash Deficit of approximately \$100,000 for this period.

Assumptions:

Current Payroll Budget	<u>70,153</u>	<u>68,861</u>	<u>79,161</u>	<u>218,175</u>
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Total Budgeted Expense - Check	<u>142,940</u>	<u>174,552</u>	<u>117,051</u>	OK
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Current Golf Shop Inventory approx \$69,000K - any replenishment & F&B at budgeted amounts.

Fixed Payroll Costs at \$41 to \$47 K per period.

Actual cash receipts from Golf operations to August 14, 2009 are 50.4% of budget.

Note - Current CASH DEFICIT to August 14, 2009 - \$519,195.



**SUMMARY OF CREDITOR'S CLAIMS**  
 filed with the Monitor by July 10, 2009 at 5:00 pm  
**IN THE MATTER OF THE CCAA PROCEEDING OF**  
**OKANAGAN HILLS DEVELOPMENT CORPORATION.**  
**VINEYARD HOMES AT THE RISE LTD.,**  
**THE GOLF CLUB AT THE RISE LTD., and**  
**Y-K PROJECTS LTD.**

Secured		Proof Filed	Amount Filed
Arres Capital Inc (includes security held by 0760738 BC Ltd., 7607752 BC Ltd, and S136 Ventures Ltd. all of whom filed claims for \$51,916,893.80)		Yes	\$ 51,916,893.80
Business Development Bank of Canada		Yes	5,051,029.96
CME Capital Mgmt Group Ltd. (claim under review by legal counsel for creditor and Monitor, may be reduced by \$2,000,000)		Yes	6,900,000.00
HSBC Bank Canada	PPSA security	Yes	7,000.00
HSBC Bank Canada	PPSA security	Yes	40,000.00
HSBC Bank Canada	Mortgages/PPSA	Yes	1,251,470.60
City of Vernon	prop taxes/water	Yes	480,941.75
Britco Leasing Ltd.	leased equipment	No	-
Britco Leasing Ltd.	leased trailers	Yes	7,407.54
Chrysler Financial	leased vehicle	No	-
CIT Financial	equipment leases	Yes	469,131.91
CIT Financial Ltd	leased Toshiba equip	Yes	3,887.10
Coast Wholesale Appliances LP	PPSA security on equipment	No	-
Ford Credit Canada Ltd.	vehicle lease	Yes	22,995.00
GMAC Financial Services	vehicle lease	No	-
Kal Tire	Lien on vehicle	Yes	1,407.93
MCAP Equipment Finance	leased equipment	No	-
National Leasing	Various Lease Agmts	Yes	106,467.20
Northern Trailer, Div of Horizon North	leased field offices	Yes	5,769.75
VantageOne Capital Inc.	leased bldgs	Yes	26,061.75
VantageOne Credit Union	re Golf loan	Yes	180,413.64
Bowring, Shane & Leachman Bowring	Funds at NixonWenger	Yes	10,000.00
Janus Corporation	Funds at NixonWenger	Yes	86,000.00
			<u>66,566,877.93</u>
less: 2 claims where funds held in lawyers trust account			(96,000.00)
less: accelerated lease payments re CIT Financial claim			(469,131.91)
less: accelerated leases payments re National Leasing			(106,467.20)
less: accelerated lease payments re Ford Credit			<u>(22,995.00)</u>
	<b>Total - Secured</b>		<u><b>\$ 65,872,283.82</b></u>

**SUMMARY OF CREDITOR'S CLAIMS**  
 filed with the Monitor by July 10, 2009 at 5:00 pm

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

**Unsecured (excluding inter-company accounts)**

Okanagan Hills Dev. Corp	4,400,517.39	\$ 4,798,663.69
Vineyard Homes at the Rise Ltd	669,516.09	582,846.05
The Golf Club at the Rise Ltd.	2,678,656.29	3,745,116.05
Y-K Projects Ltd	-	179,597.94

<b>Total - Unsecured</b>	<b>7,748,689.77</b>	<b>\$ 9,306,223.73</b>
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**Contingent**

The following secured creditors hold various registered security/guarantees and whose claims are shown above.

		Claim Filed	
0760738 BC Ltd.	guarantee	51,916,893.80	Yes
760752 BC Ltd	guarantees	51,916,893.80	Yes
Arres Capital Inc/Western Arres	guarantee	51,916,893.80	Yes
Business Development Bank of Canada	Golf Club loan guarantee	5,051,029.96	Yes
CME Capital Management Group Ltd.	guarantee	2,000,000.00	Yes
HSBC Bank Canada	guarantee	841,725.38	Yes
S136 Ventures Ltd.	guarantees	51,916,893.80	Yes
VantageOne Credit Union	indemnity Golf loan	180,413.64	Yes

<b>GRAND TOTAL (excluding contingent claims)</b>	<b>\$ 75,178,507.55</b>
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**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: **JULY 30, 2009**

August 14, 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 AREA CHANGES  
"THE GOLF CLUB AT THE RISE" VERNON BC**

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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 July 30<sup>th</sup>, 2009.

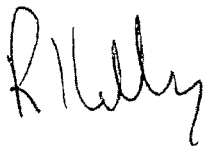
I am pleased to attach my review of these various land related issues as detailed on various drawings presented by Monashee Surveying-Geomatics and discussed in the Norr Architects Planners Land Use Boundary Reconciliation Report. Additionally, these items are referenced in the "Monitor's Fifth Report" dated July 16<sup>th</sup>, 2009 on pages 4 and 5. Finally "Notes from Meeting on The Rise Golf Course on July 8<sup>th</sup>, 2009 as prepared by Alan Brown. 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.**

**This report should be read in conjunction with our June 8<sup>th</sup>, 2009 consultancy report as various specifics on the major items and hole by hole issues will not be restated in this report.**

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

Respectfully submitted,

**ALTUS GROUP LIMITED**



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

Enclosure

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## TERMS OF REFERENCE

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- MANDATE**
- R.M. (Ron) Kelly of Altus 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**
- July 30, 2009
- SCOPE OF THE REPORT**
- In the process of completing this assignment, I undertook the following review:
    - "Notes from Meeting on The Rise Golf Course on July 8, 2009" prepared by Mr. Alan Brown of Boughton Law Corporation.
    - Reviewed the "Norr Architects Planners Land Use Boundary Reconciliation Report" and an attached drawings prepared by Monashee Surveying-Geomatics.
    - Reviewed pages four and five of the "Monitor's Fifth Report" dated July 16<sup>th</sup>, 2009.
    - Reviewed a letter from Alan Brown of Boughton Law Corporation to Mr. Chris Ramsay of Fraser Milner Casgrain LLP dated June 12<sup>th</sup>, 2009.
    - On May 29<sup>th</sup> 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, Monashee Surveying-Geomatics, and a representative of the Okanagan Hills Development Corporation.
    - Reviewed various drawings prepared by **Monashee Surveying-Geomatics** relating to "The Golf Club At The

Rise" and the surrounding development lands. These drawing 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 28<sup>th</sup>, 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 15<sup>th</sup> and the entire 16<sup>th</sup> 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 Club 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 15<sup>th</sup> 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 Monashee 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 28<sup>th</sup> 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 MAJOR ISSUES

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### SUMMARY

- The additional information which is presented in the various documents which have been reviewed since our June 8<sup>th</sup>, 2009 report presents little meaningful change from the position put forward earlier by OHDC regarding land exchanges etc. The underlying theme of this position is that land for the golf course should be reduced to an absolute minimum footprint so that the acreage of the development lands is maximized. While this concept appears to be tied to various development and planning agreements its application is not fundamentally in the best interests of the golf course proper nor the holder of the mortgage on the golf course.
- As per information in an earlier 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 Plan KAP78315" While no specific land area for this legal description has been given, it is the consultants understanding that it is in the order of 210 to 220 acres M/L. It is also understood that BDC issued the mortgage on the property based on a freehold land parcel of this magnitude. As referenced in our June 8<sup>th</sup>, 2009 report it is the author's opinion that a parcel area of 210 to 220 acres is required to adequately support the subject golf course and related facilities such as practice facility, clubhouse and maintenance area. In particular the reader of this report is referred to pages six thru nine of our June 8<sup>th</sup>, 2009 report which in various parts deals with the issue of playability of the golf course. In order for the golf course to have the ability to address this playability issue it requires a reasonable land area which in our opinion is in the order of 210 to 220 acres. This land area also provides for reasonable buffer areas between the golf course and future residential and/or commercial development, and would tend to lessen future conflicts between these uses.
- In figure 2 contained within the Norr Architects Planners report represents OHDC's current proposal for the resizing of the golf course lands. The actual golf course area including approximately 1/2 acre area for the clubhouse is indicated to have a total acreage of only 115.77 acres more or less. This represents roughly only 55% of the actual lands that were

originally designated to the golf course. Figure 2 also indicates a license or lease area for hole number 16 and a license or lease area for the maintenance section of the golf course which combined represent an additional 5.12 acres more or less. If these two license areas are included in the acreage total the area equates to 120.89 acres which would be representative of approximately 57.5% of the original golf course lands assuming a denominator of 210 acres. As indicated earlier, this land area is insufficient for the operation of the golf course and its related facilities. It would leave the golf course with no designated area for a driving range/practice area and the entire 16th hole along with the maintenance area would not as per this drawing represent freehold land to the golf course. It has been indicated that an area to the west of the first green has been offered as a practice facility, however as will be detailed later in this report this solution and other proposals are, in the author's opinion, not felt to be in the best interests of the golf course proper and/or the mortgage holder on the golf course BDC.

- The impacts of the proposed golf course lands re-allocation and related issues will be discussed in the following sections of this report. However the proposals put forward by OHDC are felt to negatively impact both the market value and marketability of the golf course.

## OVERVIEW OF MAJOR ITEMS

### 1) NO BUILD ZONES

- In the Norr report reference has been made to the potential utilization of “no build zones” in certain areas where the golf course abuts directly against lands that are anticipated for future residential development. A particular example of this suggestion of the use of no build zones is along the right side of the number one hole, in the area approaching the green. The existing playing corridor in the area of the typical second shots on this par five hole are well below the industry standards of 50 m from the center line of the playing corridor. Therefore while no build zones would provide adequate separation from any future building construction, it would not address the golf course playability issue. Therefore in this and potentially a number of other situations on the golf course that no build zones might be proposed the major overriding issue would be a combination of playability and an adequate safety factor. Any attempt to utilize no build zones to increase the actual land development area at the expense of the golf course lands would have to meet these criteria in order to be considered acceptable to the golf course proper and its mortgage holder BDC.
- No build zones are generally not used in connection with lands which front onto golf courses. Normally required setbacks from site lines are addressed within either land use planning guidelines or specific architectural guidelines which relate to that particular development. No build zones provide no potential for the golf course to address playability issues and would not confer equivalent rights to the golf course as would be represented by freehold land. The only areas where no build zones could potentially be acceptable to the golf course would be in instances where these areas would be able to meet the playability and safety criteria referenced earlier.
- The general architectural guidelines for the playing corridors for golf courses were discussed in our June 8, 2009 report and will not be restated here. The reader is referred to that report. The consultant has recently completed work 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 freehold land area that should be devoted to the subject golf course.

## 2) CART PATHS

- In keeping with the order of items indicated in the Alan Brown "Notes from Meeting on the Rise Golf course on July 8<sup>th</sup>" the second item which will be discussed here is cart paths. In these notes it has been suggested that a form of blanket easement be registered over the lands which upon final subdivision of the golf course lands is not included in the freehold golf course lands. This is felt to be a potentially viable solution to the cart paths which encroach onto adjacent lands as long as three conditions can be met. The first of these is a legal document which according to legal counsel for BDC is sufficient to protect the golf courses interests as they relate to the cart paths. The second of these is that if the existing cart paths had to be relocated, this relocation would be at the expense of the development lands and not the golf course. The third would be that the relocated cart paths are positioned such that they do not negatively impact the connectivity between the holes, i.e. at least similar to current cart path configuration. The indicated assumption is that the blanket easement would become specific easements to the individual cart paths once final subdivision is completed on the development lands.

## 3) CLUBHOUSE

- Two issues arise with regards to the clubhouse, the first being the ongoing operation of the existing temporary facility and the second being the final location and land area designated for a permanent clubhouse.
- From the information available to the consultant it is indicated that OHTC has only a two year commitment from the City of Vernon for the operation of the temporary clubhouse. It would appear that no longer term solution to this issue would be available at this time. However, should the temporary clubhouse be required to stay in this location for in excess of the remaining two years, the City of Vernon should be asked if they would be favorable to ongoing short-term renewals until such time as a permanent building is constructed.

- The second and more important issue relating to the long-term viability, marketability and value of the golf course entity is the location and land area which would be designated for the permanent clubhouse. This issue was discussed in our 2009 report which indicated that the current proposed clubhouse location, land size and parking lot arrangements are not suitable for the ongoing operation of the golf course. The proposed land area is in the order of .50 acre and would share a parking lot facility with other commercial or community oriented facilities which are proposed in the general area. This proposed clubhouse area is too small in terms of total land area and is poorly positioned relative to what ultimately needs to be the driving range/practice facility. Secondly its location along the right-hand side of the 18th tee box is unsuitable from a safety standpoint and that particular location does not offer any views of the Okanagan Lake at grade level. As indicated in our June 8, 2009 report the logical location for the permanent clubhouse should be in the area of the current driving net/practice putting green which is located northeast of what ultimately needs to be a driving range practice facility area. The final format of the clubhouse facility for this golf course is difficult to determine at this point in time but a land area in the order of three acres should be designated so that any future operator/purchaser of the golf course has the option to construct a full service clubhouse facility which ultimately may cater to a substantial membership base. A number of resort type golf courses and various Okanagan area facilities have opted for smaller clubhouse facilities. However given the location of the subject facility and the likely hood that the future operation of the facility will be focused strongly on a membership base, the option to have a larger clubhouse facility should be maintained. The clubhouse location needs to tie into the practice facility and the first tee and to a lesser extent the 18th green. This connectivity is critical to the efficient and viable long term operation of the golf course. Finally, the clubhouse location must be such that grade level facilities have excellent views of Okanagan Lake, as these views are one of the key design elements which was built into the a number of the golf course holes.

#### 4) PRACTICE FACILITY

- The need for a well located and well constructed driving range/practice facility was discussed in our June 8, 2009 report and is considered critical to the ongoing success of the golf course operation. While the lack of a driving range/practice facility is somewhat less important in the green fee component of the operation, it is considered critical for a course of this nature to be able to attract and retain initiated members. Given the retirement/lifestyle nature of the overall Rise project, the quality of the golf course and its related facilities, (which also includes a driving range practice area), is felt to be material to the overall marketability and ultimate value of the project.
- In the notes, it was indicated by Ms. Snyder of OHDC that the lands to the southwest of the first green would be designated for the practice facility. At the time of the inspection and in the company of Mr. Ian Renton no mention was made that these lands to the southwest of the first green had ever been considered as suitable for the driving range practice facility. While a detailed inspection of these proposed lands was not in and taken at the time of inspection it is the consultant's recollection, in combination with a review of a contour map that the grades on this land would be such that a suitable practice facility could not be constructed in that location. The second item which negates this as a suitable driving range/practice facility is its location in relation to the first tee and both the logical and initially proposed clubhouse locations.
- The combination of these factors, i.e. grade and location are such that in the consultant's opinion these lands should not be utilized for the driving range/practice facility. These lands southwest of the first green could however realistically be exchanged for lands required for the 18th hole, driving range and permanent clubhouse location.

#### 5) PARKING LOT

- From the notes from the July 8<sup>th</sup> meeting it appears that an extensive amount of discussion took place around the parking lot issue for the proposed permanent clubhouse location. As was referenced earlier in this report in Section 3 (i.e. clubhouse), it is the consultant's opinion that the location and land area proposed by OHDC for the permanent clubhouse is

inadequate for the long term operation of the golf course. Therefore in this context the consultant will not further address the parking lot issue as discussed in the July 8 meeting.

#### 6) MAINTENANCE FACILITY

- From the notes to the July 8 meeting, OHDC has proposed that at lease be put in place for the existing maintenance facilities until there can be a transfer of the boundary adjustments. This solution would be acceptable from the golf course perspective providing that a clearly defined and enforceable legal document is in place which would see this maintenance area of approximately 2 acres become freehold land connected to the other golf course lands. The timing for this transfer of the leasehold interest to a freehold interest would need to be clearly defined and have a relatively short trigger date.

#### 7) 16<sup>TH</sup> HOLE

- As shown on various drawings and referenced in our earlier reports the entire 16th hole is located outside of the originally designated golf course lands. It has been indicated by OHDC that any change in ownership of these lands would trigger various infrastructure costs that at this time would be very penal to the overall development project. As a potential solution it was proposed that the golf course would become beneficiaries of an easement over this lands and that a lease with Bell Vista Services would be put in place to provide the golf course with access to the 16th hole, thus not incurring the various infrastructure costs which have been indicated by Ms. Snyder.
- This solution is far from ideal from the golf courses perspective and could only be considered as a short to mid term option. The end result would need to be that at some clearly definable time in the future, this land would revert to the golf course has a freehold land parcel. This criteria goes back to my opening remarks that all of the golf course lands ultimately need to be held as freehold and not leasehold interests.
- While the consultant is not privy to all of the information regarding why changes in land ownership relating to the 16th hole would trigger these huge infrastructure costs, it is

recommended that additional legal and planning work be undertaken to see if it is would possible to arrive at other solutions rather than this proposed leasehold situation. Additional investigation may indicate that other golf course lands could alternately be exchanged for the 16th hole site without the triggering of the indicated infrastructure costs.

#### 9) WATER SUPPLY

- At this time the consultant is not privy to details regarding the existing arrangements for the water supply to the golf course. Therefore only general comments can be made at this time.
- A water supply that is both of sufficient quantity and quality to meet the needs of the golf course is critical to the on going operation. This water supply would need to be cost effective and major components such as pump house and reservoirs etc. should be located on freehold lands controlled by the golf course. Appropriate legal agreements would need to be in place for any components of the water supply which would be required to be located off of golf course lands.
- **It is strongly recommended that a detailed review of the water supply infrastructure and legal agreements be undertaken by appropriate representatives for BDC.**

#### 10) POND ON 16<sup>TH</sup> HOLE

- Full details regarding the pond on the 16<sup>th</sup> hole are not available to the consultant at this time.
- The only comments that the consultant can make in this regard is that this pond is a critical feature to the golf course in regards to both the 15<sup>th</sup> and 16<sup>th</sup> holes. If for any reason this pond could not be maintained, the strategic playability and aesthetics of these holes would be negatively altered.

## CONCLUSIONS

- As indicated earlier in this report the current position put forward by OHDC and its consultants regarding land exchanges etc. presents little meaningful change from the position put forward earlier. The underlying theme of this position is that land for the golf course should be reduced to an absolute minimum footprint so that the acreage of the development lands is maximized. **This concept is not fundamentally in the best interests of the golf course proper and the holder of the mortgage on the golf course; nor the developer, who will ultimately want to sell/transfer the golf course to a third party or potentially to a membership base.**
- It is understood that BDC issued the mortgage on the property based on a freehold land parcel in the order of 210 to 220 acres in size and this general land area should be maintained. As referenced in our June 8<sup>th</sup>, 2009 report it is felt that a parcel area of this magnitude is required to adequately support the subject golf course and related facilities such as practice facility, clubhouse and maintenance area.
- The current position put forward by OHDC does not address the major issues referenced in our June 8<sup>th</sup>, 2009 report and further discussed herein.
- 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.
- In the interests of negotiating reasonable boundary area adjustments it is acknowledged that the golf course needs some lands that would be considered prime development lands. In particular areas required for the driving range/practice facility and the clubhouse location. In this regard other development lands would need to be exchanged and potentially of a somewhat larger area to make up for differences in location and potential position in the future development time frame. With some obvious land exchanges indicated in our earlier reports, another area for increasing the development land area could be in the area of connecting cart pathways. While the ideal situation from the golf course perspective would be to have all cart paths on freehold lands owned by the golf course, it is acknowledged that this is not realistic. Various connecting cart paths occupy land areas that

could potentially be returned to the development lands subject to legal agreements being registered on title which would adequately protect access to these cart paths. A final area of boundary that could potentially reduce the footprint for the golf course would be in areas where the land exchange met the test of playability and safety criteria referenced in the body of this report. **It is recommended that these potential land exchanges should be reviewed in detail by a golf course architect appointed by BDC.**

## ADDENDA

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ADDENDA "A" CERTIFICATION

ADDENDA "B" CONTINGENCIES AND LIMITING  
CONDITIONS

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

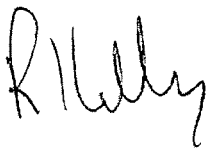
ADDENDA "A"  
CERTIFICATION

## CERTIFICATION

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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 29<sup>th</sup>, 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

August 14, 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 enforceable

Because 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.

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 order

For 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.

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

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