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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")

AND

The "Petitioners"

MONITOR'S FIFTEENTH REPORT

September 16th, 2010

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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:

- "The Lands", being the properties slated for residential development by OHDC, and
- 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 29th, 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 29th, 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, recommending to the Court acceptance of the DIP Financing commitment.

The Fourth Monitor's Report was provided to the Court on June 17th, 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.

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The Fifth Monitor's Report was provided to the Court on July 17th, 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 24th, 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 Sixth Monitor's Report was provided to the Court on August 16th, 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 September 24th, 2009.

The Seventh Monitor's Report was provided to the court on September 23rd, 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 November 2, 2009.

The Eighth Monitor's Report was provided to the Court on October 30, 2009 to update the Court on the financial status of OHDC and The Golf Club and to support:

- an application for additional DIP financing of \$170,000.
- approval of the Court in respect to the disposition of \$300,000 from lot sale proceeds
- a further extension of the Stay of Proceedings to December 31, 2009.
- an application to approve use of surplus funds arising after repayment of the DIP financing to maintain minimal operations at The Golf Club and The Lands until a total sale is complete.

The purpose of the Ninth Monitor's Report was to support an Application to extend the Stay of Proceedings to March 1st, 2010.

The purpose of the Tenth Monitor's Report was to support an Application to extend the Stay of Proceedings to April 30th, 2010.

The purpose of the Eleventh Monitor's Report was to support an Application to extend the Stay of Proceedings to May 28th, 2010, to finalize a Plan of Arrangement to be presented to all creditors.

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The purpose of the Twelfth Monitor's Report was:

- 1) to support an Application to extend the Stay of Proceedings for a period of 63 days to July 30th, 2010;
- 2) to provide information concerning the need for ongoing Debtor in Possession financing ("DIP") in the amount of \$2,000,000. A portion of said DIP credit facility was proposed to be retroactive for advances already made in the amount of \$1,035,766.

The purpose of the Thirteenth Monitor's Report was to:

- 1) to provide independent comment on the terms and functionality of the Plan of Arrangement, the classification of the Petitioners' creditors and the proposed compromises outlined in the Plan; and
- 2) to support a basis for the Petitioners' further application for an extension of the Stay of Proceedings to September 8th, 2010 to allow for the implementation of the Plan.

The purpose of the Fourteenth Monitor's Report was to:

- 1) to further report on the terms and functionality of the Plan of Arrangement ("the Plan"), the classification of the Petitioners' creditors and the proposed compromises outlined in the report; and
- 2) to report a change in the Plan that sees all Mortgage Holders of the Petitioners taking in addition to their security, shares in Y-K Projects Ltd., in direct proportion to their mortgage investment, including the DIP Holders, thereby allowing them direct involvement in the administration of the Y-K Projects Ltd., including The Golf Club upon acceptance of the Plan; and
- 3) to support a basis for the Petitioners further application for an extension of the Stay of Proceedings to October 11th, 2010; and
- 4) to recommend that meetings take place between various ARRES Investor groups, their lawyers and ARRES and the Petitioners, to respond to individual concerns being raised by Investor groups.

The purpose of the Fifteenth Monitor's Report is in connection with:

- 1) an application to request a change in the quantum of the Administration Charge from \$300,000 to \$500,000; and
- 2) a report on the outstanding fees and disbursements of the Monitor, the Petitioner's legal counsel and the Monitor's legal counsel.

2. ADMINISTRATION FEES

- The Petitioner's legal counsel, Fraser Milner Casgrain LLP has billings to OHDC as at August 31, 2010, in the amount of \$213,542. There is a further approximately \$15,000 of unbilled work in progress for September, 2010.
- The Monitor has outstanding billings presented to OHDC for the period ended June 30th, 2010, in the amount of \$79,249, including expenses. The Monitor has received only \$10,000 towards billings from January 1, 2010.
- The Monitor anticipates that unbilled work in process for July/August, 2010 will be \$42,000. Additional costs for September 1st to October 19th, 2010 is estimated at \$83,000. Accordingly, the total of the Monitor's fees and expenses is anticipated to be approximately \$200,000.
- The Monitor anticipates a considerable amount of work to be forthcoming in connection with:
 - a) Advertising the Creditor's Meeting to take place on October 19, 2010 in Vernon, BC.
 - b) Submission of Notices and Plan of Arrangement details, voting letters, copies of appropriate Orders and Proxy documentation for the General Unsecured Creditors.
 - c) In addition, the Monitor anticipates carrying out a similar function for the transmission of information to ARRES Investors, numbering approximately 430 individual investors.

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- d) While it is anticipated that in the case of the ARRES Investors, the Monitor will be able to communicate the Proxy information for voting purposes, the Plan of Arrangement and other information to the ARRES Investors by email; should this not be available to some Investors, there will be a considerable expense delivering the information to the ARRES Investors by some other form of communication such as fax or Canada Post.
- e) The Monitor's legal counsel, Borden Ladner Gervais LLP, have outstanding billings of \$24,000 to August 31, 2010 and estimated fees going forward of approximately \$15,000.
- f) The existing Administration Charge of \$300,000 is not adequate to cover the aforementioned expenses. The Monitor supports an increase of the Administration Charge to \$500,000 to enable the functions necessary for finalizing the Estate to the Sanction Meeting.

3. 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 the Monitor supports an extension of the Stay to November 30th, 2010.

This concludes the Monitor's Fifteenth 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.


Yours truly,

ABAKHAN & ASSOCIATES INC.

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

Per:

George Abakhan, CA-CIRP
President


RICHARD ROBINSON CA-CIRP
for

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.