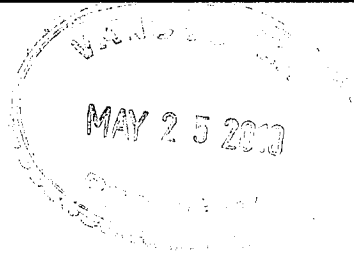


ABAKHAN

& Associates Inc.

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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 TWELFTH REPORT

May 20th, 2010

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EXHIBITS:

- “A1 – A4” OHDC and Golf Club Actual Cash Flow for the period January 16th
to May 7th, 2010.
- “B” ARRES Capital Inc. Term Sheet for the OHDC DIP Financing of \$2,000,000.
- “C” Property to be mortgaged as security, Lots for Sale legal descriptions,
including Lots for unsecured creditors.

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 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.

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.

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.

The purpose of the Twelfth Monitor's Report is:

- 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 is proposed to be retroactive for advances already made in the amount of \$1,035,766.

2. REVIEW OF OHDC AND THE GOLF CLUB COMBINED ACTUAL CASH FLOW TO MAY 7TH, 2010

Attached as Exhibit "A1 - A4" are schedules that show the actual cash flow for the period January 29th, 2010 to May 7th, 2010.

- In the period to May 7th, 2010 the cash flow shortage was financed by advances of \$447,000 received from the ARRES Group. No additional advances have been made up to May 7th, 2010 (Exhibit A-1").
- As at May 7th, 2010, OHDC cash in hand was \$74,000 and the Golf Course had \$48,000 cash in hand. During the period up to May 7th, since the last report, the operations have largely been funded by the forfeited deposit on the collapsed sale of the Showroom of \$125,297 (Exhibit A-3").
- The Golf Club actual cash flow shows a deficiency of \$239,000 for the period January 15th through May 7th, 2010, after payment of leases and finance costs of \$91,194 (Exhibit "A-4").
- For the period May 8th through September 10th, 2010, the Golf Club is expected to show a further deficit of \$170,000, after payment of all leases and financing costs of an additional \$293,000 (Exhibit "A-4").
- The Monitor's fees for the period ending February 28th, 2010 of \$23,000 and legal counsel fees of \$89,934 for the period ending May 7th, 2010 are outstanding.

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 fees and expenses of the Monitor and Legal Counsel are estimated to be in the range of \$215,000 to work through the Plan of Arrangement, formulate the Creditors' Meetings, subsequent necessary Court Proceedings, assuming that the process takes to September, 2010.
- Also included in the deficient funding of OHDC is the funding requirements to sustain the HSBC loan on the Beach Lands at the rate of \$6,700 per month.
- City taxes have not been paid for 2009, for an estimated total, including penalty and interest, of \$180,000 for OHDC and a total of \$150,000 for the Golf Club.
- City taxes have not been provided for 2010 in the cash flows, for an estimated total of \$150,000 for OHDC and \$125,000 for the Golf Club.
- BDC continues to express no willingness to fund any of the ongoing operations of The Golf Club.

3. **ENCROACHMENT BY THE LANDS ON THE GOLF CLUB AND VIS A VERSA**

- Negotiations have taken place between BDC and the ARRES Mortgage Group with a view to settling the encroachment issue and establishing a payment to BDC over a five-year period. BDC to retain security over the Golf Club during the five-year period.

4. **APPLICATION FOR DEBTOR IN POSSESSION FINANCING ("DIP")**

- Legal counsel for the ARRES Group received approximately \$2,252,168, resulting from the sales of 16 Lots, after repayment of the old DIP Financing.
- Application of these funds have been made as follows:
 - 1) ARRES Group legal counsel - \$40,270
 - 2) Partial repayment of the CME Mortgage - \$1,200,000

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The Golf Club at The Rise Ltd. and Y-K Projects Ltd.

- 3) Advances to OHDC in CCAA - \$477,444
 - 4) ARRES Capital Group - \$518,052
- There remains a further \$16,402 of the original \$2,252,167 remitted to legal counsel for the ARRES Group from the sale of Lots in 2009, after payment of the previous DIP.
 - Arrangements have been made to settle the outstanding debt to a First Mortgage-Holder, CME, by the payment of the above amount and settlement of a number of Watermark Lots. CME would have no further interest in the proceedings. Further information is being provided to the Monitor.

5. **DEBTOR IN POSSESSION FINANCING ("DIP") DETAILS**

- Attached as Exhibit "B" is a copy of Term Sheet pertaining to a loan of \$2,000,000 from Western ARRES Capital Inc. (or its assign).
- The principle features are as follows:
 - 1) The borrowers are identified as YK Project Ltd., although the borrowers would be all the entities incorporated in the CCAA.
 - 2) The property to be mortgaged as security would be available Lots for sale, as detailed in the attached Exhibit "C".
 - 3) Rate of interest to be 13%.
 - 4) Fees to be in the amount of 3%.
- Certain details still need to be clarified.
- The Monitor is of the opinion that said Financing Terms are reasonable compared to DIP Financing available on the open market. The DIP financing is required in order for the ongoing operational requirement including the funding of the operation of the Golf Club and will allow the Petitioners to file a Plan of

Arrangement to their creditors. No creditor will be materially prejudiced as a result of the DIP.

- The amount of the DIP requested will be a priority to the previous advances by the ARRES Group to cover expenses of the operations of The Lands and The Golf Club and certain other administration expenses, etc. of the ARRES Group. These previous expenses, including the advances to OHDC, amount to \$1,035,766.

6. **MARKETING OF THE LANDS AND THE RISE ("the Property Sale")**

- There are no Third Party Agreements to purchase The Lands. There continue to be interested parties.

7. **CANADA REVENUE AGENCY**

- Tax accountants for OHDC advise that they are reviewing the tax returns to be submitted. This may involve re-filing claims to 2005.

8. **PLAN OF ARRANGEMENT**

- The Monitor previously reported features of a Plan of Arrangement that have subsequently changed, including a time payment plan to require:
 - a) A five-year repayment plan for BDC. Amount still to be negotiated.
 - b) A Boundary Adjustment Agreement.
 - c) Concerning the ARRES Group, the various mortgage-holder investors would be arranged into new classes of secured mortgages.
 - d) The General Creditors would remain largely as previously reported.

ERRATA

In the Monitor's Eleventh Report the potential dividend to unsecured creditors was reported as being approximately "\$0.5". This was an error; it should have been \$0.05, i.e. five cents per dollar claimed.

- The Monitor is advised that a completed Plan of Arrangement should be submitted to Court for approval by June 15th, 2010, with contemplated Creditor Meetings taking place in July, 2010.

9. 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 30th, 2010.

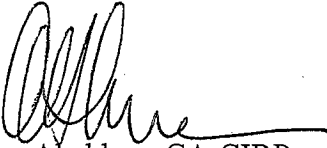
This concludes the Monitor's Twelfth Report. Should there be any questions or comments in connection with this report or in connection with any aspect of these proceedings and the Monitor's role therein, please contact either Mr. George Abakhan or Mr. Philip McCourt at (604) 689-4255 or by facsimile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

GA/ss

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.

EXHIBIT "A-1"

OHDC AND GOLF COMBINED SUMMARY

	Actual Jan 29 10	Actual Feb 12 10	Actual Feb 26 10	Actual Mar 12 10	Actual Mar 26 10	Actual Apr 9 10	Actual Apr 23 10	Actual May 7 10	Total Actual Jan 16 10 to May 7 10
Opening book balance	(15,614)	(130,846)	(150,382)	(170,967)	(237,223)	(335,376)	(454,221)	(340,749)	(15,614)
Receipts OHDC	849	17,851	-	25	-	-	125,612	-	144,337
Receipts GOLF	819	5,413	567	1,315	7,985	37,163	78,770	121,704	253,736
Total Receipts	1,668	23,264	567	1,340	7,985	37,163	204,382	121,704	398,073
Expenditures OHDC	103,717	20,914	12,631	43,994	34,671	22,710	22,939	35,750	297,326
Expenditures GOLF	13,183	21,886	8,521	23,602	71,467	133,298	67,971	153,143	493,071
Total Expenditures	116,900	42,800	21,152	67,596	106,138	156,008	90,910	188,893	790,397
NET CASH FLOW	(115,232)	(19,536)	(20,585)	(66,256)	(98,153)	(118,845)	113,472	(67,189)	(392,324)
Closing book balance before funding transfers	(130,846)	(150,382)	(170,967)	(237,223)	(335,376)	(454,221)	(340,749)	(407,938)	(407,938)
Transfers from initial DIP Financing	82,292	-	-	-	-	-	-	-	82,292
Advances by the ARRES Group to May 7, 2010	65,000	26,000	52,000	25,000	225,000	47,000	7,444	-	447,444
	147,292	26,000	52,000	25,000	225,000	47,000	7,444	-	529,736
Closing book balance after funding transfers	16,446	22,910	54,325	13,069	139,916	68,071	188,987	121,798	121,798
Made up as follows:									
Cash OHDC	(9,576)	899	34,630	2,761	11,890	(680)	109,437	73,687	
Cash GOLF	26,022	22,011	19,695	10,308	128,026	68,751	79,550	48,111	
	16,446	22,910	54,325	13,069	139,916	68,071	188,987	121,798	
NEW DIP FINANCING									
LESS INTEREST RESERVE AT		12.0%							
LESS FINANCING FEE									
CLOSING BOOK BALANCE AFTER NEW DIP									
Cumulative New DIP Financing									
Estimated Interest Reserve \$									54,000

OHDC AND GOLF COMBINED SUMMARY

	Forecast May 21 10	Forecast Jun 4 10	Forecast Jun 18 10	Forecast Jul 2 10	Forecast Jul 16 10	Forecast Jul 30 10	Forecast Aug 13 10	Forecast Aug 27 10	Forecast Sep 10 10	Total Projected Jan 16 to Sep 10 10
Opening book balance	121,798	5,339	(132,239)	(240,078)	(337,056)	(443,171)	(525,586)	(555,796)	(611,789)	(15,614)
Receipts OHDC	-	-	-	-	-	-	-	-	-	144,337
Receipts GOLF	115,000	99,120	131,327	131,327	131,327	131,327	136,357	137,102	137,695	1,404,318
Total Receipts	115,000	99,120	131,327	131,327	131,327	131,327	136,357	137,102	137,695	1,548,655
Expenditures OHDC	139,559	40,510	123,785	43,481	110,756	26,131	40,250	85,275	47,972	955,045
Expenditures GOLF	91,900	196,188	115,381	184,824	126,686	187,611	126,317	107,820	184,245	1,814,043
Total Expenditures	231,459	236,698	239,166	228,305	237,442	213,742	166,567	193,095	232,217	2,769,088
NET CASH FLOW	(116,459)	(137,578)	(107,839)	(96,978)	(106,115)	(82,415)	(30,210)	(55,993)	(94,522)	(1,220,433)
Closing book balance before funding transfers	5,339	(132,239)	(240,078)	(337,056)	(443,171)	(525,586)	(555,796)	(611,789)	(706,311)	(1,236,047)
Transfers from initial DIP Financing Advances by the ARRES Group to May 7, 2010										82,292 447,444
										529,736
Closing book balance after funding transfers										(706,311)
NEW DIP FINANCING		200,000	250,000	100,000	100,000	100,000	50,000		100,000	900,000
LESS INTEREST RESERVE AT LESS FINANCING FEE	12%	(12,000) (60,000)	(15,000)	(6,000)	(6,000)	(6,000)	(3,000)	-	(6,000)	(54,000) (60,000)
CLOSING BOOK BALANCE AFTER NEW DIP		(4,239)	122,922	119,944	107,829	119,414	136,204	80,211	79,689	79,690
Cumulative New DIP Financing		200,000	450,000	550,000	650,000	750,000	800,000	800,000	900,000	
Estimated Interest Reserve \$	54,000									

Notes:

- Property Taxes unpaid for 2009 including penalty and interest:

OHDC	\$ 180,000
GOLF	151,000
	<u>\$ 331,000 (Est)</u>
- Property Taxes not provided for 2010

OHDC	\$ 150,000
GOLF	125,000
	<u>\$ 275,000 (Est)</u>
- Monitor's/Legal Fees unpaid as of May 7, 2010 are \$112,934.
- Monitor's/Legal Fees to hold creditors' meeting \$215,000.



ARRES

Capital Inc.

#205, 707 – 10th Ave SW
 Calgary, AB T2R 0B3
 Tel: (403) 261-9955

Fax: (403) 264-9954

May 21, 2010

YK HOLDINGS
 c/o Fraser Milner Casgrain LLP
 1040 West Georgia Street
 Vancouver B.C
 V6E 4H8

Dear Sir/Madam:

Re: Loan of \$2,000,000.00

Western Arres Capital Inc. and/or its assigns is pleased to advise that the following mortgage loan has been approved on the terms and conditions set forth below. If you agree with these terms and conditions please sign the duplicate copy of this letter in the space provided below and return it to Western Arres Capital Inc. and/or its assigns

1. **Borrowers:** YK PROJECTS LTD.
Guarantors:
 (Hereinafter referred to as the "Borrower")

Property to be mortgaged:
 (Hereinafter referred to as the "Lands")

2. **Amount of loan:** TOTAL LOAN OF \$2,000,000.00

Proposed Funding Date: June 1, 2010 (Interest Adjustment Date)

3. **Position & Term:** FIRST mortgage on Lands
 ONE year, renewable at the discretion of the Lender
First payment due: July 1, 2010

4. **Rate of Interest:**

Interest will be charged at 13% per annum. Monthly interest owing will be adjusted and calculated from time to time. The various fees hereunder and the interest rate are based on an expected repayment of the entire loan by May 15, 2010 (the "Maturity Date").

5. **Fees:**

Fees for this transaction shall be 3%. The Fee shall be earned and be payable to Western Arres Capital Inc. and/or its assigns upon acceptance of this letter by the Borrowers, and the Borrowers

agree that a caveatable charge is thereby created which shall specifically charge all the interest and estate of the Borrowers in the Lands, which caveatable charge shall remain in force until the Fee is paid in full.

In the event that any further funds are required by the borrower or any re-advancement under this loan shall also be subject to the same fees and terms as set out herein upon any re-advancement.

6. Repayment:

Interest calculated shall accrue from the date of the advance and be paid on the same day of the month following the date of advance (the "Interest Adjustment Date"). Thereafter on the same day as the date of the advance in each month, during the term, interest only payments shall be due and payable.

-These payments will be made payable to Arres Capital in Trust. Arres Capital will issue the pro-rated portion of the payment to each lender on my behalf

Any payments late or returned dishonoured will be charged \$125.00 NSF fee.

7. Prepayment:

The Borrowers, when not in default hereunder shall have the privilege to prepay the whole or any part of the monies hereby secured without penalty.

8. Security and other documents:

The Borrowers agree to provide to Western Arres Capital Inc. and/or its assigns in form and substance satisfactory to it, all security requested by Western Arres Capital Inc. and/or its assigns including, without limitation, the following documentation (the "Security") which will be held by Western Arres Capital Inc. and/or its assigns as security for the loan and all other direct and indirect liabilities of the Borrowers or any of them to Western Arres Capital Inc. and/or its assigns from time to time:

The borrower and/or all principals of the borrower corporation must swear an Affidavit setting out that their occupation is not that of a Farmer.

A FIRST mortgage over the Lands

A general security agreement comprising a FIRST charge on all assets of the Borrowers.

A certified copy of a Resolution of the Directors of the Company approving the loan request and the security to be granted.

A Certificate of Encumbancy of the Company.

An opinion of Counsel to the Company indicating that the Company has the corporate capacity to enter into this agreement.

An opinion of Counsel to Western Arres Capital Inc. and/or its assigns satisfactory to Western Arres Capital Inc. and/or its assigns

A court order that provides for a priority charge ranking in priority to all mortgages and charges registered against the Rise Lands except for the administrative Charge and the Directors Charge.

9. Conditions and/ or Pre-Conditions:

That the security set forth in paragraph 8 above is registered as therein described.

That there be no prior mortgages to this mortgage of Western Arres Capital Inc. and/or its assigns over the Lands.

That all property taxes payable to local authorities shall have been paid.

That all amounts due to Revenue Canada by the Borrowers whether for income Taxes, Employee Deductions or GST are current and that there are no arrears;

That all dues to Workers Compensation Board have been paid.

A satisfactory inspection of the property, which inspection is to the sole satisfaction of Western Arres Capital Inc.

Assignment of Rents

Assignment of all plans, permits and drawings

Prior to funding Title insurance is to be obtained at the cost of the borrower.

Partial discharges - to vary upon each deal:

- In order to get a discharge we need 100% of the gross sales proceeds once reasonable costs are deducted for real estate fees – which costs are not to exceed 5% of the sales price of the property.
- All sales are to be within 3% of the appraised value, sale value or list price (whichever is greater) of the properties.
- Any other amount must be agreed to in writing by Arres prior to the sale taking place

USE OF FUNDS:

\$ 60,000.00 Fees

\$1,940,000.00 Allocated interest reserve for this file and operations of the Rise

\$2,000,000.00 TOTAL MORTGAGE AMOUNT

10. Taxes:

That all taxes due to federal, provincial and local governments and amounts due to Workers Compensation Board shall be paid as they become due.

The borrower will pay all real property taxes when then are due. During the term of this mortgage, should the borrower not pay the real property taxes when due, the lender may, but is not obligated to, attend to payment of the real property taxes on behalf of the borrower, and charge the amount of the real property taxes payment plus a \$250.00 service fee to the mortgage balance.

11. Insurance:

The borrower shall insure the property in favour of the lender to the amount of a sum not less than the total of the principal sum of money being secured or, to the amount of its full insurable value if such sum be greater than the insurable value. It is further agreed that should the policy expire during the term of the Mortgage and not be replaced with satisfactory coverage, then the lender may place insurance with its own carriers and charge the premium plus a \$250.00 service fee to the mortgage balance.

As well, the borrower must agree to the following (which agreement is acknowledged by the signing of this commitment letter):

All risk insurance covering the tenants' improvements and equipment of the borrower with the first loss payable to Western Arres Capital Inc. and/or its assigns

Flood insurance if the secured property is within 2 kilometres of any lake, river, creek, ocean, or other body of water which may cause any type of flooding to the secured property.

Western Arres Capital Inc. and/or its assigns must be added to Liability insurance as "Additional named insured"

That the borrower agrees that in the event that any insurance claim is made during the term of this mortgage or any renewal terms, Western Arres Capital Inc. shall have full entitlement to any amounts collected under such claim.

The borrower must always be assured that it is names the lender as a first or second loss payable as appropriate on all insurance policies. It will be a requirement prior to any funds being released; the lawyer must be in receipt of an insurance binder which must be satisfactory to Western Arres Capital Inc. with no obscure clauses. Any funds sent with trust conditions will not be relatable until the binder has been received and reviewed.

12. Documentation:

The security documents set out in the paragraph 8 herein shall be in all respects satisfactory to Western Arres Capital Inc. and/or its assigns (acting reasonable) and its solicitors in their absolute discretion. Western Arres Capital Inc. and/or its assigns solicitors in this transaction are:

Thomas Butler LLP
700, 1708 Dolphin Avenue
Kelowna, B.C. V1Y 9S4
Attn: Kelly Cairns Ph: (250) 763-0200 Fax: (250) 762-8848

Solicitor for the Borrower:

FRASER MILNER CASGRAIN LLP
15th Floor - 1040 West Georgia Street
Vancouver, BC V6E 4H8
Attn: Christopher Ramsey tel: (604) 622-5151 fax: (604) 683-5214

13. Title:

The Borrower will have, as the registered owner of the property, good title in fee simple to the property, and Western Arres Capital Inc.'s Inc. and/or its assigns Charge on the property will be FIRST in priority over all other financial encumbrances, leases, agreements for leases, restrictions, agreements, liens, assignments and charges whatsoever to the full extent of the loan except as Western Arres Capital Inc. and/or its assigns may in writing consent to or the law may require.

The security required by Western Arres Capital Inc. and/or its assigns shall have been duly authorized and comply in all respects with all applicable laws, by-laws, government requirements, whether federal, provincial, municipal including without restriction, those dealing with planning, zoning, use occupancy, subdivision, parking, historical designations, fire, access, loading facilities, landscaped areas, pollution of the environment, toxic material or other environmental hazards, building construction, public health and safety and there shall be no outstanding work orders against the property and or the improvements or any part thereof.

The Borrower shall provide such certificates or other written confirmation as Western Arres Capital Inc. and/or its assigns solicitors may reasonable require, certifying that no control orders, stop orders, or prosecutions exist with respect to the property or any activity or operation carried out thereon pursuant to any federal, provincial, municipal, or local environment, health and safety laws, statutes and regulations as may apply to the property or the activities or operations carried out thereon.

14. Costs and Fees:

Whether or not the transaction contemplated hereby is completed, you will pay all Western Arres Capital Inc.'s and/or its assigns costs associated with this transaction including the legal fees and disbursements of our solicitor (on a solicitor and his own client basis) together with the costs to incorporate Western Arres Capital Inc. and/or its assigns in the province of British Columbia. Such fees, disbursements, and GST shall be deducted from the Mortgage Proceeds.

Other

If Western Arres Capital Inc. or any affiliate of Western Arres Capital Inc. is required to deal with the needs of your business in order to protect the security of the mortgagor and in order for you to carry on your business in its usual fashion a fee of \$50.00 per occurrence or \$200.00 per hour (whichever is the lesser amount) will be charged in addition to any other fees or costs set out in this document and such fees will be invoiced and deducted from the next mortgage advance requested. (ie. Dealing with a creditor regarding outstanding payment of an invoice).

15. Right of Termination:

Western Arres Capital Inc. and/or its assigns shall have the right to terminate its agreement to provide the loan to you and be relieved of all obligations in connection therewith in the event that any of the following events should occur:

You fail or are unable or are unwilling for any reason whatsoever to comply with any of the terms and conditions set out in this letter within the time indicated for such compliance; or

You fail or refuse to execute any documentation as per this Commitment Letter requested by our solicitors or to deliver such documentation to our solicitors; or

The net proceeds of the loan have not been fully advanced on or before the commitment expiry date referred to herein; or

Your refuse to accept the funds when advanced; or

You or any other person or Corporation whose covenant is required should become bankrupt, or subject to bankruptcy, receivership or insolvency proceedings; or

There has been, in the sole opinion of Western Arres Capital Inc. and/or its assigns, a material adverse change in the condition of the property or Collateral Property or the Borrowers; or

Western Arres Capital Inc. and/or its assigns, acting reasonable, is not satisfied with the matters set out in paragraph 13; or

All legal matters and documentation relating to the transaction have not been completed to Western Arres Capital Inc. and/or its assigns and its council's satisfaction.

If Western Arres Capital Inc. and/or its assigns elects to terminate its agreement to provide the loan to you prior to the advance of the entire amount of the loan, the amount advanced on the loan, if any, together with interest thereon at the rate set out herein shall become immediately due and payable and Western Arres Capital Inc. and/or its assigns shall, whether or not any proceeds have been advanced, be entitled to retain the commitment fee, if any, as compensation for all damages sustained by it, it being agreed that the amount of such commitment fee is a fair estimate of the damages which will be suffered by Western Arres Capital Inc. and/or its assigns in such event.

16. Renewal of Mortgage after Maturity

Upon maturity of each term of the mortgage, the mortgage may be renewed at the discretion of the lender. You will be required to sign a Renewal Agreement prior to the maturity date in order to keep the mortgage current. The first term of this mortgage will mature on May 15, 2011 and a renewal fee not to exceed 3% of the principal balance owing on the mortgage at the time of renewal will be payable to Western Arres Capital Inc. at the time of the renewal. The Renewal Agreement will set out the balance owing at time of maturity along with the interest rate, the payment amount, and the length of term.

In the event that the mortgage matures and is not renewed, the entire balance owing including any extra fees resulting from NSF's or any other charges incurred in relation to the mortgage will be due and payable in full after the date of maturity and all legal

remedies will be enforced for such payment. Until such time as entire balance is paid in full, interest will be charged as set out in the "Rate of Interest" paragraph #4 of this commitment letter.

17. Commitment Expiry Date:

In the event the initial advance is not fully disbursed by the close of business on May 21, 2010 Western Arres Capital Inc. and/or its assigns agreement to provide the loan or advance any funds, at the sole discretion of Western Arres Capital Inc. and/or its assigns, shall expire.

18. Amendment:

Any amendment to this commitment or Security documents must be in writing and signed by a duly authorized officer of Western Arres Capital Inc. and/or its assigns

19. Governing Laws:

The agreement constituted by your acceptance of this letter shall be governed by the laws of the Province of Alberta and any and all Court actions commenced shall be commenced and take place in the City of Calgary in the Province of Alberta regardless of where the mortgage property is located.

20. Headings:

The headings contained in this letter are for reference only and shall not constitute any part of the terms and conditions contained herein.

21. Previous Agreements: N/A

22. Successors and Assigns:

Subject to the provisions hereof, this agreement shall ensure to the benefit of and be binding upon the parties hereto and their respective successors and permitted assigns.

23. Severability:

Each provision of this agreement is severable and any terms or provision hereby declared to be contrary to, prohibited by, or invalid under applicable laws or regulations shall be inapplicable and deemed omitted herefrom, but shall not invalidate the remaining terms and provisions hereof.

24. Survival:

The terms and conditions of this letter shall, after acceptance by you, survive the execution and registration of all security documentation and there shall be no merger of these provisions or conditions in the Security and that in case of a conflict between the provisions hereof and of any of the security documents, Western Arres Capital Inc. and/or its assigns may elect which provision shall prevail.

25. Time:

Time shall in all respects be of the essence hereof.

26. Waiver:

No terms or requirements of this commitment of any security documents may be waived or varied orally or by any course of conduct of any office, employee, or agent of the lender. Any failure by Western Arres Capital Inc. and/or its assigns to exercise any rights or remedies hereunder or under any of the Security shall not constitute a waiver thereof.

The terms of this letter are open for acceptance by you by executing the duplicate copy of this letter where indicated below and returning it to Western Arres Capital Inc. and/or its assigns on or before 5:00 p.m. on May 10, 2010, after which date and time, this offer shall lapse, if it is not accepted.

Sincerely,
Western Arres Capital Inc.

Wes Serra
President

ACCEPTANCE

Acceptance of this letter provides full and sufficient acknowledgement that Western Arres Capital Inc. and/or its assigns has no obligation to advance any funds under this agreement and if, in the opinion of Western Arres Capital Inc. and/or its assigns, any material adverse change in risk occurs, including without limiting the generality of the foregoing, any material adverse change in the financial condition of the Borrowers or any affiliate or associate the approved Credit Facilities may be withdrawn or cancelled at the sole discretion of and/or its assigns.

This loan is a commercial/residential mortgage
Please indicate by circling the appropriate answer above:

We hereby accept and agree to the mortgage loan on the terms and conditions outlined by the offer of financing letter dated May 5, 2010 on this _____ day of May, 2010.

We hereby acknowledge and agree that all information and/or documentation provided to me/us by Western Arres Capital Inc. and/or its assigns is private and confidential and we agree not to disclose any of the information and/or documentation to any other party at any time either now or in the future without the prior written consent of Western Arres Capital Inc. and or its assigns.

YK PROJECTS LTD.

Per: _____

Schedule "A"

PID	LEGAL DESCRIPTION	CIVIC ADDRESS
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
027-508-293	Lot 1 Section 31 Township 9 Osoyoos Division Yale District Plan KAP86584	Bella Vista Road, Vernon, BC
026-469-014	Lot 1 Section 31 Township 9 Osoyoos Division Yale District Plan KAP78317, Except Plans KAP78952, KAP81473 and KAP78953	Bella Vista Road, Vernon, BC
026-469-022	Lot 2 Section 6 Township 8 and Section 31 Township 9 Osoyoos Division Yale District Plan KAP78317, Except Plan KAP85528	7163 Bella Vista Road, Vernon, BC
026-469-561	Lot 5 Section 6 Township 8 and Section 31 Township 9 Osoyoos Division Yale District Plan KAP78317, Except Plans KAP78953, KAP81473 and KAP87703	Bella Vista Road, Vernon, BC
026-470-527	Lot 6 Section 31 Township 9 Osoyoos Division Yale District Plan KAP78317, Except Plan KAP87703	8600 Rising View Way, Vernon, BC
026-470-535	Lot 7 Section 6 Township 8 Osoyoos Division Yale District Plan KAP78317	Bella Vista Road, Vernon, BC
026-470-543	Lot 8 Section 6 Township 8 Osoyoos Division Yale District Plan KAP78317	Bella Vista Road, Vernon, BC
027-330-087	Lot A Section 31 Township 9 Osoyoos Division Yale District Plan KAP85528	Bella Vista Road, Vernon, BC
026-472-651	Lot 44 Section 31 Township 9 Osoyoos Division Yale District Plan KAP78952	343 Cordon Place, Vernon, BC
026-773-660	Lot 2 Section 31 Township 9 Osoyoos Division Yale District Plan KAP78953	364 Cordon Lane, Vernon, BC
026-773-678	Lot 3 Section 31 Township 9 Osoyoos Division Yale District Plan KAP78953	360 Cordon Lane, Vernon, BC
026-773-881	Lot 24 Section 31 Township 9 Osoyoos Division Yale District Plan KAP78953	524 Balsam Court, Vernon, BC
026-774-119	Lot 47 Section 31 Township 9 Osoyoos Division Yale District Plan KAP78953	495 Silversage Place, Vernon, BC
026-774-178	Lot 53 Section 31 Township 9 Osoyoos Division Yale District Plan KAP78953	511 Silversage Place, Vernon, BC
026-988-585	Strata Lot 1 Section 31 Township 9 Osoyoos Division Yale District Strata Plan KAS3178 together with an interest in the common property in proportion to the unit entitlement of the strata lot as shown on Form V	144 Silversage Terrace, Vernon, BC
026-988-631	Strata Lot 6 Section 31 Township 9 Osoyoos Division Yale District Strata Plan KAS3178 together with an interest in the common property in proportion to the unit entitlement of the strata lot as shown on Form V	124 Silversage Terrace, Vernon, BC
026-988-640	Strata Lot 7 Section 31 Township 9 Osoyoos Division Yale District Strata Plan KAS3178 together with an interest in the common property in proportion to the unit entitlement of the strata lot as shown on Form V	120 Silversage Terrace, Vernon, BC
026-988-666	Strata Lot 9 Section 31 Township 9 Osoyoos Division Yale District Strata Plan KAS3178 together with an interest in the common property in proportion to the unit entitlement of the strata lot as shown on Form V	112 Silversage Terrace, Vernon, BC
026-988-682	Strata Lot 11 Section 31 Township 9 Osoyoos Division Yale District Strata Plan KAS3178 together with an	104 Silversage Terrace, Vernon, BC

PID	LEGAL DESCRIPTION	CIVIC ADDRESS
	interest in the common property in proportion to the unit entitlement of the strata lot as shown on Form V	
026-990-326	Strata Lot 13 Section 31 Township 9 Osoyoos Division Yale District Strata Plan KAS3178 together with an interest in the common property in proportion to the unit entitlement of the strata lot as shown on Form V	300 Silversage Bluff Lane, Vernon, BC
027-271-838	Strata Lot 17 Section 31 Township 9 Osoyoos Division Yale District Strata Plan KAS3178 together with an interest in the common property in proportion to the unit entitlement of the strata lot as shown on Form V	200 Silversage Ridge Lane, Vernon, BC
027-271-846	Strata Lot 18 Section 31 Township 9 Osoyoos Division Yale District Strata Plan KAS3178 together with an interest in the common property in proportion to the unit entitlement of the strata lot as shown on Form V	204 Silversage Ridge Lane, Vernon, BC
027-271-854	Strata Lot 19 Section 31 Township 9 Osoyoos Division Yale District Strata Plan KAS3178 together with an interest in the common property in proportion to the unit entitlement of the strata lot as shown on Form V	208 Silversage Ridge Lane, Vernon, BC
027-271-862	Strata Lot 20 Section 31 Township 9 Osoyoos Division Yale District Strata Plan KAS3178 together with an interest in the common property in proportion to the unit entitlement of the strata lot as shown on Form V	212 Silversage Ridge Lane, Vernon, BC
027-777-197	Lot A Section 31 Township 9 Osoyoos Division Yale District Plan KAP88166	Okanagan Hills Blvd, Vernon, BC
027-684-041	Lot A Section 31 Township 9 Osoyoos Division Yale District Plan KAP87703	8500 Rising View Way, Vernon, BC
026-327-007	Lot 2 Section 31 Township 9 and Section 6 Township 8 Osoyoos Division Yale District Plan KAP78315	Bella Vista Road, Vernon, B.C.
027-947-050	Lot 1, Plan KAP89223	
027-947-076	Lot 2, Plan KAP89223	
027-947-092	Lot 4, Plan KAP89223	

