

NO. S148656
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*
S.B.C. 2002, c. 57

AND

IN THE MATTER OF
PRETTY ESTATES LTD.

PETITIONER

INITIAL ORDER

BEFORE THE HONOURABLE)	MONDAY THE 10 TH DAY OF
JUSTICE MYERS)	
)	NOVEMBER, 2014

THE APPLICATION of the Petitioner coming on for hearing at Vancouver, British Columbia, on this day, (the "**Order Date**"); AND ON HEARING Bonita Lewis-Hand and Reilly Pollard, counsel for the Petitioner and those other counsel listed on Schedule "A" hereto; AND UPON READING the material filed, including the First Affidavit of Betty Anne Faulkner, sworn November 5, 2014, the Preliminary Report of the proposed monitor, and the consent of G. Powroznik Group Inc., to act as Monitor; AND UPON BEING ADVISED that the secured creditors who are likely to be affected by the charges created herein were given notice; AND pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985 c. C-36 as amended (the "CCAA"), the *Business Corporations Act*, S.B.C. 2002, c. 57, the British Columbia Supreme Court Civil Rules and the inherent jurisdiction of this Honourable Court;

THIS COURT ORDERS AND DECLARES THAT:

JURISDICTION

1. The Petitioner is a company to which the CCAA applies.

SUBSEQUENT HEARING DATE

2. The hearing of the Petitioner's application for an extension of the Stay Period (as defined in paragraph 15 of this Order) and for any ancillary relief shall be held at the Courthouse at 800 Smithe Street, Vancouver, British Columbia at 9:45 a.m. on Wednesday, the 10th day of December, 2014 or such other date as this Court may order.

PLAN OF ARRANGEMENT

3. The Petitioner shall have the authority to file and may, subject to further order of this Court, file with this Court a plan of compromise or arrangement (hereinafter referred to as the "**Plan**").

POSSESSION OF PROPERTY AND OPERATIONS

4. Subject to this Order and any further Order of this Court, the Petitioner shall remain in possession and control of its current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the "**Property**"), and continue to carry on its business (the "**Business**") in the ordinary course and in a manner consistent with the preservation of the Business and the Property. The Petitioner shall be authorized and empowered to continue to retain and employ the employees, consultants, agents, experts, accountants, counsel and such other persons (collectively, "**Assistants**") currently retained or employed by them, with liberty to retain such further Assistants as they deem reasonably necessary or desirable in the ordinary course of business or for carrying out the terms of this Order.

5. The Petitioner shall be entitled, but not required, to pay the following expenses which may have been incurred prior to the Order Date:

- (a) all outstanding wages, salaries, employee and pension benefits (including long and short term disability payments), vacation pay and expenses (but excluding severance pay) payable before or after the Order Date, in each case incurred in the ordinary course of business and consistent with the relevant compensation policies and arrangements existing at the time incurred (collectively "**Wages**"); and

(b) the fees and disbursements of any Assistants retained or employed by the Petitioner which are related to the Petitioner's restructuring, at their standard rates and charges, including payment of the fees and disbursements of legal counsel retained by the Petitioner, whenever and wherever incurred, in respect of:

- (i) these proceedings or any other similar proceedings in other jurisdictions in which the Petitioner or any subsidiaries or affiliated companies of the Petitioner are domiciled;
- (ii) any litigation in which the Petitioner is named as a party or is otherwise involved, whether commenced before or after the Order Date; and
- (iii) any related corporate matters.

6. Except as otherwise provided herein, and subject to the report of the Monitor on the subsequent hearing date as to the reasonableness of expenditures, business operations and staffing, the Petitioner shall be entitled to pay all expenses reasonably incurred by the Petitioner in carrying on the Business in the ordinary course following the Order Date, and in carrying out the provisions of this Order, which expenses shall include, without limitation:

- (a) all expenses and capital expenditures reasonably incurred and which are necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance (including directors' and officers' insurance), maintenance and security services, provided that any capital expenditure exceeding \$20,000 shall be approved by the Monitor;
- (b) all obligations incurred by the Petitioner after the Order Date, including without limitation, with respect to goods and services actually supplied to the Petitioner following the Order Date (including those under purchase orders outstanding at the Order Date but excluding any interest on the Petitioner's obligations incurred prior to the Order Date); and
- (c) fees and disbursements of the kind referred to in paragraph 5(b) which may be incurred after the Order Date.

7. The Petitioner is authorized to remit, in accordance with legal requirements, or pay:

- (a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from Wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, (iii) Quebec Pension Plan, and (iv) income taxes or any such claims which are to be paid pursuant to Section 6(3) of the CCAA;
- (b) all goods and services or other applicable sales taxes (collectively, "**Sales Taxes**") required to be remitted by the Petitioner in connection with the sale of goods and services by the Petitioner, but only where such Sales Taxes accrue or are collected after the Order Date, or where such Sales Taxes accrued or were collected prior to the Order Date but not required to be remitted until on or after the Order Date; and
- (c) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal property taxes, municipal business taxes or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured creditors.

8. Except as specifically permitted herein, the Petitioner is hereby directed, until further Order of this Court:

- (a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by the Petitioner to any of its creditors as of the Order Date except as authorized by this Order;
- (b) to make no payments in respect of any financing leases which create security interests;
- (c) to grant no security interests, trust, mortgages, liens, charges or encumbrances upon or in respect of any of its Property, nor become a guarantor or surety, nor otherwise become liable in any manner with respect to any other person or entity except as authorized by this Order;

- (d) to not grant credit except in the ordinary course of the Business only to its customers for goods and services actually supplied to those customers, provided such customers agree that there is no right of set-off in respect of amounts owing for such goods and services against any debt owing by the Petitioner to such customers as of the Order Date; and
- (e) to not incur liabilities except in the ordinary course of Business.

FINANCIAL ARRANGEMENTS

9. Notwithstanding any other provision in this Order:

- (a) the Petitioner is hereby authorized and empowered to borrow, repay and reborrow from ^{First West} ~~Envision~~ Credit Union (the “**Lender**”) such amounts from time to time as the Petitioner consider necessary, and the Lender shall be entitled to revolve its operating loan facility (the “**Lender Loan Facility**”) and collect interest, fees and costs on the Lender Loan Facility, subject to such amendments as are agreed between the Lender and the Petitioner;
- (b) the Lender Loan Facility shall be secured by the same charge (the “**Lender Charge**”) as secured the Lender Loan Facility as at the Order Date; and
- (c) the Petitioner is authorized to deal with the Lender in respect of the Lender Loan Facility on such terms as may be negotiated and agreed upon between the Petitioner and the Lender.

RESTRUCTURING

10. Subject to such requirements as are imposed by the CCAA and such covenants as may be contained in the Definitive Documents (as hereinafter defined), the Petitioner shall have the right to:

- (a) permanently or temporarily cease, downsize or shut down all or any part of its Business or operations and commence marketing efforts in respect of any of its redundant or non-material assets and to dispose of redundant or non-material assets not exceeding \$50,000 in any one transaction or \$250,000 in the aggregate;

- (b) terminate the employment of such of its employees or temporarily lay off such of its employees as it deems appropriate; and
- (c) pursue all avenues of refinancing for its Business or Property, in whole or part;

all of the foregoing to permit the Petitioner to proceed with an orderly restructuring of the Business (the “**Restructuring**”).

11. Pursuant to Section 7(3)(c) of the *Personal Information Protection and Electronics Documents Act*, S.C. 2000, c. 5 and Section 18(1)(o) of the *Personal Information Protection Act*, S.B.C. 2003, c. 63, and any regulations promulgated under authority of either Act, as applicable (the “**Relevant Enactment**”), the Petitioner, in the course of these proceedings, are permitted to, and hereby shall, disclose personal information of identifiable individuals in its possession or control to stakeholders, its advisors, prospective investors, financiers, buyers or strategic partners (collectively, “**Third Parties**”), but only to the extent desirable or required to negotiate and complete the Restructuring or to prepare and implement the Plan or transactions for that purpose; provided that the Third Parties to whom such personal information is disclosed enter into confidentiality agreements with the Petitioner binding them in the same manner and to the same extent with respect to the collection, use and disclosure of that information as if they were an organization as defined under the Relevant Enactment, and limiting the use of such information to the extent desirable or required to negotiate or complete the Restructuring or to prepare and implement the Plan or transactions for that purpose, and attorning to the jurisdiction of this Court for the purposes of that agreement. Upon the completion of the use of personal information for the limited purposes set out herein, the Third Parties shall return the personal information to the Petitioner or destroy it. If the Third Parties acquire personal information as part of the Restructuring or the preparation and implementation of the Plan or transactions in furtherance thereof, such Third Parties may, subject to this paragraph and any Relevant Enactment, continue to use the personal information in a manner which is in all respects identical to the prior use thereof by the Petitioner.

STAY OF PROCEEDINGS, RIGHTS AND REMEDIES

12. Until and including December ¹⁰ 2014 or such later date as this Court may order (the “**Stay Period**”), no action, suit or proceeding in any court or tribunal (each, a “**Proceeding**”) against or in respect of the Petitioner or the Monitor, or affecting the Business or the Property,

shall be commenced or continued except with the written consent of the Petitioner and the Monitor or with leave of this Court, and any and all Proceedings currently under way against or in respect of the Petitioner or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court.

13. During the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being “Persons” and each being a “Person”) against or in respect of the Petitioner or the Monitor, or affecting the Business or the Property, are hereby stayed and suspended except with the written consent of the Petitioner and the Monitor or leave of this Court.

14. Nothing in this Order, including paragraphs 12 and 13 shall: (i) empower the Petitioner to carry on any business which the Petitioner is not lawfully entitled to carry on; (ii) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA; (iii) prevent the filing of any registration to preserve or perfect a mortgage, charge or security interest (subject to the provisions of Section 39 of the CCAA relating to the priority of statutory Crown securities); or (iv) prevent the registration or filing of a lien or claim for lien or the commencement of a Proceeding to protect lien or other rights that might otherwise be barred or extinguished by the effluxion of time, provided that no further step shall be taken in respect of such lien, claim for lien or Proceeding except for service of the initiating documentation on the Petitioner.

NO INTERFERENCE WITH RIGHTS

15. During the Stay Period, no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Petitioner, including, without limitation, liquor licences identified as Liquor Primary #301640 and Food Primary #166498, except with the written consent of the Petitioner and the Monitor or leave of this Court.

CONTINUATION OF SERVICES

16. During the Stay Period, all Persons having oral or written agreements with the Petitioner or mandates under an enactment for the supply of goods and/or services, including without limitation all computer software, communication and other data services, centralized banking

services, payroll services, insurance, transportation, services, utility or other services to the Business or the Petitioner, are hereby restrained until further Order of this Court from discontinuing, altering, interfering with, or terminating the supply of such goods or services as may be required by the Petitioner, and that the Petitioner shall be entitled to the continued use of its current premises, telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the Order Date are paid by the Petitioner in accordance with normal payment practices of the Petitioner or such other practices as may be agreed upon by the supplier or service provider and the Petitioner and the Monitor, or as may be ordered by this Court.

NON-DEROGATION OF RIGHTS

17. Notwithstanding any provision in this Order, no Person shall be prohibited from requiring immediate payment for goods, services, use of leased or licensed property or other valuable consideration provided on or after the Order Date, nor shall any Person be under any obligation to advance or re-advance any monies or otherwise extend any credit to the Petitioner on or after the Order Date. Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA.

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

18. During the Stay Period, and except as permitted by subsection 11.03(2) of the CCAA, no Proceeding may be commenced or continued against the directors or officers of the Petitioner with respect to any claim against the directors or officers that arose before the date hereof and that relates to any obligations of the Petitioner whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers for the payment or performance of such obligations, until a compromise or arrangement in respect of the Petitioner, if one is filed, is sanctioned by this Court or is refused by the creditors of the Petitioner or this Court. Nothing in this Order, including in this paragraph, shall prevent the commencement of a Proceeding to preserve any claim against a director or officer of the Petitioner that might otherwise be barred or extinguished by the effluxion of time, provided that no further step shall be taken in respect of such Proceeding except for service of the initiating documentation on the applicable director or officer.

DIRECTORS AND OFFICERS INDEMNIFICATION AND CHARGE

19. The Petitioner shall indemnify its directors and officers against obligations and liabilities that they may incur as directors or officers of the Petitioner after the commencement of the within proceedings, except to the extent that, with respect to any director or officer, the obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct.

20. The directors and officers of the Petitioner shall be entitled to the benefit of and are hereby granted a charge (the "**Directors' Charge**") on the Property, which charge shall not exceed an aggregate amount of \$50,000.00, as security for the indemnity provided in paragraph 19 of this Order. The Directors' Charge shall have the priority set out in paragraphs 37 and 39 herein.

21. Notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors' Charge, and (b) the Petitioner's directors and officers shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph 19 of this Order.

APPOINTMENT OF MONITOR

22. G. Powroznik Group Inc. of G-Force Group is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the business and financial affairs of the Petitioner with the powers and obligations set out in the CCAA or set forth herein, and that the Petitioner and its shareholders, officers, directors, and Assistants shall advise the Monitor of all material steps taken by the Petitioner pursuant to this Order, and shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations and provide the Monitor with the assistance that is necessary to enable the Monitor to adequately carry out the Monitor's functions.

23. The Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby directed and empowered to:

- (a) monitor the Petitioner's receipts and disbursements;
- (b) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, and such other matters as may be relevant to the proceedings herein;
- (c) assist the Petitioner, to the extent required by the Petitioner, in its dissemination, to the DIP Lender (as hereinafter defined) and its counsel on a frequency as agreed to between the Petitioner and the DIP Lender, of financial and other information as agreed to between the Petitioner and the DIP Lender which may be used in these proceedings including reporting on a basis to be agreed with the DIP Lender;
- (d) advise the Petitioner in its preparation of the Petitioner's cash flow statements and reporting required by the DIP Lender, which information shall be reviewed with the Monitor and delivered to the DIP Lender and its counsel on a periodic basis, but not less than monthly, or as otherwise agreed to by the DIP Lender;
- (e) advise the Petitioner in its development of the Plan and any amendments to the Plan;
- (f) assist the Petitioner, to the extent required by the Petitioner, with the holding and administering of creditors' or shareholders' meetings for voting on the Plan;
- (g) have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents of the Petitioner, to the extent that is necessary to adequately assess the Petitioner's business and financial affairs or to perform its duties arising under this Order;
- (h) be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order;
- (i) perform such other duties as are required by this Order or by this Court from time to time;

- (j) report at the subsequent hearing on the reasonableness of expenditures, business operations and staffing;
- (k) report directly to the creditors holding security over the Lands on a confidential basis regarding any expression of interest, any offer to purchase, letter of intent or other document received at any time which evidences a willingness to initiate a sale or purchase of the Petitioner's assets; and
- (l) report from time to time on the progress of rezoning the 7.88 acre development parcel.

24. The Monitor shall not take possession of the Property and shall take no part whatsoever in the management or supervision of the management of the Business and shall not, by fulfilling its obligations hereunder, or by inadvertence in relation to the due exercise of powers or performance of duties under this Order, be deemed to have taken or maintained possession or control of the Business or Property, or any part thereof, and nothing in this Order shall be construed as resulting in the Monitor being an employer or a successor employer, within the meaning of any statute, regulation or rule of law or equity, for any purpose whatsoever.

25. Nothing herein contained shall require or allow the Monitor to occupy or to take control, care, charge, possession or management (separately and/or collectively, "**Possession**") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the *Fisheries Act*, the *British Columbia Environmental Management Act*, the *British Columbia Fish Protection Act* and regulations thereunder (the "**Environmental Legislation**"), provided however that nothing herein shall exempt the Monitor from any duty to report or make disclosure imposed by applicable Environmental Legislation. For greater certainty, the Monitor shall not, as a result of this Order or anything done in pursuance of the Monitor's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

26. The Monitor shall provide any creditor of the Petitioner and the DIP Lender with information provided by the Petitioner in response to reasonable requests for information made in writing by such creditor addressed to the Monitor. The Monitor shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Monitor has been advised by the Petitioner is confidential, the Monitor shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and the Petitioner may agree.

27. In addition to the rights and protections afforded the Monitor under the CCAA or as an officer of this Court, the Monitor shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall derogate from the rights and protections afforded the Monitor by the CCAA or any applicable legislation.

ADMINISTRATION CHARGE

28. The Monitor, counsel to the Monitor, if any, and counsel to the Petitioner shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, by the Petitioner as part of the cost of these proceedings. The Petitioner is hereby authorized and directed to pay the accounts of the Monitor, counsel to the Monitor and counsel to the Petitioner on a periodic basis.

29. The Monitor and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Monitor and its legal counsel are hereby referred to a judge of the British Columbia Supreme Court and may be heard on a summary basis.

30. The Monitor, counsel to the Monitor, if any, and counsel to the Petitioner shall be entitled to the benefit of and are hereby granted a charge (the “**Administration Charge**”) on the Property, which charge shall not exceed an aggregate amount of \$25,000.00 as security for their respective fees and disbursements incurred at the standard rates and charges of the Monitor and such counsel, both before and after the making of this Order which are related to the Petitioner’s restructuring. The Administration Charge shall have the priority set out in paragraphs 37 and 39 hereof.

DIP FINANCING

31. The Petitioner is hereby authorized and empowered to obtain and borrow under a credit facility from James Young (the **"DIP Lender"**) in order to finance the continuation of the Business and preservation of the Property, provided that borrowings under such credit facility shall not exceed \$725,000.00 unless permitted by further Order of this Court.

32. Such credit facility shall be on the terms and described in the commitment letter between the Petitioner and the Dip Lender dated as of November 10, 2014 (the **"Commitment Letter"**), attached as Schedule "C" hereto. Notwithstanding paragraph 31 of this Order, the maximum amount that may be drawn by the Petitioner is the amount secured by the DIP Charge.

33. The Petitioner is hereby authorized and empowered to execute and deliver such credit agreements, mortgages, charges, hypothecs and security documents, guarantees and other definitive documents (collectively, the **"Definitive Documents"**), as are contemplated by the Commitment Letter or as may be reasonably required by the DIP Lender pursuant to the terms thereof, and the Petitioner is hereby authorized and directed to pay and perform all of its indebtedness, interest, fees, liabilities and obligations to the DIP Lender under and pursuant to the Commitment Letter and the Definitive Documents as and when the same become due and are to be performed, notwithstanding any other provision of this Order.

34. The DIP Lender shall be entitled to the benefit of and is hereby granted a charge (the **"DIP Lender's Charge"**) on the Property to secure an amount of \$250,000.00 or such greater amount as may be permitted by further Order of this Court. The DIP Lender's Charge shall not secure an obligation that exists before this Order is made. The DIP Lender's Charge shall have the priority set out in paragraphs 37 and 39 hereof.

35. Notwithstanding any other provision of this Order:

- (a) the DIP Lender may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the DIP Lender's Charge or any of the Definitive Documents;
- (b) upon the occurrence of an event of default under any of the Definitive Documents or the DIP Lender's Charge, the DIP Lender, upon five (5) business days notice to

the Petitioner and the Monitor, may exercise any and all of its rights and remedies against the Petitioner or the Property under or pursuant to the Commitment Letter, Definitive Documents and the DIP Lender's Charge, including without limitation, to cease making advances to the Petitioner and set off and/or consolidate any amounts owing by the DIP Lender to the Petitioner against the obligations of the Petitioner to the DIP Lender under the Commitment Letter, the Definitive Documents or the DIP Lender's Charge, to make demand, accelerate payment and give other notices, or to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against the Petitioner and for the appointment of a trustee in bankruptcy of the Petitioner; and

- (c) the foregoing rights and remedies of the DIP Lender shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the Petitioner or the Property.

36. The DIP Lender, in such capacity, shall be treated as unaffected in any plan of arrangement or compromise filed by the Petitioner under the CCAA, or any proposal filed by the Petitioner under the *Bankruptcy and Insolvency Act* of Canada (the "BIA"), with respect to any advances made under the Definitive Documents.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

37. The priorities of the Administration Charge, the Directors' Charge and the DIP Lender's Charge, as among them, shall be as follows:

First – Administration Charge (to the maximum amount of \$25,000.00);

Second – Directors' Charge (to the maximum amount of \$50,000.00);

Third – DIP Lender's Charge.

38. Any security documentation evidencing, or the filing, registration or perfection of, the Administration Charge, the DIP Lender's Charge and the Directors' Charge (collectively, the "Charges") shall not be required, and that the Charges shall be effective as against the Property and shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered or perfected subsequent to the Charges coming into existence, notwithstanding any failure to file, register or perfect any such Charges.

39. Each of the Administration Charge, the DIP Lender's Charge and the Directors' Charge (all as constituted and defined herein) shall constitute a mortgage, security interest, assignment by way of security and charge on the Property and such Charges shall rank in priority to all other security interests, trusts, liens, mortgages, charges and encumbrances and claims of secured creditors, statutory or otherwise (collectively, "**Encumbrances**"), in favour of any Person.

40. Except as otherwise expressly provided herein, or as may be approved by this Court, the Petitioner shall not grant or suffer to exist any Encumbrances over any Property that rank in priority to, or *pari passu* with the Charges, unless the Petitioner obtains the prior written consent of the Monitor, the DIP Lender and the beneficiaries of the Administration Charge and the Director's Charge.

41. The Administration Charge, the Director's Charge, the Commitment Letter, the Definitive Documents and the DIP Lender's Charge shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charges (collectively, the "**Chargees**") and/or the DIP Lender shall not otherwise be limited or impaired in any way by (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to the BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; or (d) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, mortgage, security agreement, debenture, sublease, offer to lease or other agreement (collectively, an "**Agreement**") which binds the Petitioner; and notwithstanding any provision to the contrary in any Agreement:

- (a) neither the creation of the Charges nor the execution, delivery, perfection, registration or performance of the Commitment Letter or the Definitive Documents shall create or be deemed to constitute a breach by the Petitioner of any Agreement to which it is a party;
- (b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the Petitioner entering into the Commitment Letter, the creation of the Charges, or the execution, delivery or performance of the Definitive Documents; and

(c) the payments made by the Petitioner pursuant to this Order, the Commitment Letter or the Definitive Documents, and the granting of the Charges, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

42. Upon receipt of a certified copy of this Order, the Deputy Registrar of Land Titles shall cause this Order to be registered on the title to the Lands legally described in Schedule "B" hereto, and the Petitioner shall be entitled to and shall cause a financing statement to be registered with the Personal Property Registry of British Columbia ("PPR") as against all of the Petitioner's present and after acquired property, both in respect of the Charges as defined in this Order, which shall enjoy such priority as set out herein.

SERVICE AND NOTICE

43. The Monitor shall (i) without delay, publish in Vancouver and Mission, British Columbia a notice containing the information prescribed under the CCAA, (ii) within five days after Order Date, (A) make this Order publicly available in the manner prescribed under the CCAA, (B) send, in the prescribed manner, a notice to every known creditor who has a claim against the Petitioner of more than \$1000, and (C) prepare a list showing the names and addresses of those creditors and the estimated amounts of those claims, and make it publicly available in the prescribed manner, all in accordance with Section 23(1)(a) of the CCAA and the regulations made thereunder.

44. The Petitioner and the Monitor are at liberty to serve this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or electronic transmission to the Petitioner's creditors or other interested parties at their respective addresses as last shown on the records of the Petitioner and that any such service or notice by courier, personal delivery or electronic transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

45. Any Person that wishes to be served with any application and other materials in these proceedings must deliver to the Monitor by way of ordinary mail, courier, personal delivery or

electronic transmission a request to be added to a service list (the “**Service List**”) to be maintained by the Monitor. The Monitor shall post and maintain an up to date form of the Service List on its website at: www.g-forcegroup.ca.

46. Any party to these proceedings may serve any court materials in these proceedings by emailing a PDF or other electronic copy of such materials to counsels' email addresses as recorded on the Service List from time to time, and the Monitor shall post a copy of all prescribed materials on its website at: <http://www.g-forcegroup.ca/>.

47. Notwithstanding paragraphs 45 and 46 of this Order, service of the Petition, the Notice of Hearing of Petition, the Affidavit #1 of Betty Anne Faulkner, Affidavit #2 of Betty Anne Faulkner, Affidavit #1 of Kimberley Manderson, the preliminary report of the proposed Monitor, this Order and any other pleadings in this proceeding (collectively, the “**Materials**”), shall be made on the federal and British Columbia Crowns in accordance with the *Crown Liability and Proceedings Act*, R.S.C. 1985, c. C-50, and regulations thereto, in respect of the federal Crown, and the *Crown Proceeding Act*, R.S.B.C. 1996, c. 89, in respect of the British Columbia Crown.

GENERAL

48. The Petitioner or the Monitor may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

49. Nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the Petitioner, the Business or the Property.

50. THIS COURT REQUESTS the aid and recognition of other Canadian and foreign Courts, tribunal, regulatory or administrative bodies, including any Court or administrative tribunal of any Federal or State Court or administrative body in the United States of America, to act in aid of and to be complementary to this Court in carrying out the terms of this Order where required. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Petitioner and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order,

to grant representative status to the Monitor in any foreign proceeding, or to assist the Petitioner and the Monitor and their respective agents in carrying out the terms of this Order.

51. Each of the Petitioner and the Monitor be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order and the Monitor is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada, including acting as a foreign representative of the Petitioner to apply to the United States Bankruptcy Court for relief pursuant to Chapter 15 of the *United States Bankruptcy Code*, 11 U.S.C. §§ 101-1330, as amended.

52. The Petitioner may (subject to the provisions of the CCAA and the BIA) at any time file a voluntary assignment in bankruptcy or a proposal pursuant to the commercial reorganization provisions of the BIA if and when the Petitioner determines that such a filing is appropriate.

53. The Petitioner is hereby at liberty to apply for such further interim or interlocutory relief as it deems advisable within the time limited for Persons to file and serve Responses to the Petition.

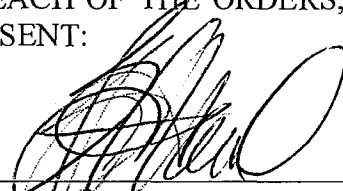
54. Leave is hereby granted to hear any application in these proceedings on two (2) clear days' notice after delivery to all parties on the Service List of such Notice of Application and all affidavits in support, subject to the Court in its discretion further abridging or extending the time for service.

55. Any interested party (including the Petitioner and the Monitor) may apply to this Court to vary or amend this Order on not less than seven (7) days' notice to all parties on the Service List and to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

56. Endorsement of this Order by counsel appearing on this application is hereby dispensed with.

57. This Order and all of its provisions are effective as of 12:01 a.m. local Vancouver time on the Order Date.

THE FOLLOWING PARTIES APPROVE THE FORM OF THIS ORDER AND CONSENT TO EACH OF THE ORDERS, IF ANY, THAT ARE INDICATED ABOVE AS BEING BY CONSENT:



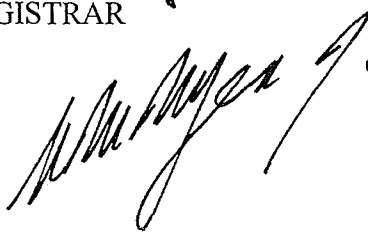
Signature of

☐ Party ☒ Lawyer for the Petitioner

BY THE COURT



REGISTRAR



Schedule "A"
(List of Counsel)

PARTY	COUNSEL
First West Credit Union	Farris, Vaughan, Wills & Murphy LLP 2500 - 700 W Georgia St, Vancouver, BC V7Y 1B3 Attention: Rebecca Morse Tel: (604) 684 9151 Fax: (604) 661 9349 Email: rmorse@farris.com
James Young	Burns, Fitzpatrick, Rogers, Schwartz & Turner LLP Suite 1400, 510 Burrard Street, Vancouver, BC V6C 3A8 Attention: Dennis Fitzpatrick Tel: 604 602-5000 Fax: 604 685-2104 Email: dfitzpatrick@bfrst.ca

Schedule "B"
(Lands)

PID: 008-779-899

DISTRICT LOT 542 GROUP 1 EXCEPT: PART SHOWN ON HIGHWAY PLAN
67884 NEW WESTMINSTER DISTRICT

PID: 008-779-961

THAT PORTION OF THE WEST HALF SECTION 35 TOWNSHIP 3 RANGE 30
WEST OF THE SIXTH MERIDIAN WHICH LIES TO THE WEST OF DISTRICT
LOT 542 GROUP 1 EXCEPT: PART SHOWN ON HIGHWAY PLAN 67884, NEW
WESTMINSTER DISTRICT

PID: 013-177-672

THAT PORTION OF THE NORTH WEST QUARTER SECTION 26 TOWNSHIP 3
RANGE 30 WEST OF THE SIXTH MERIDIAN LYING NORTH OF HARRISON
RIVER EXCEPT: PART SHOWN RED ON PLAN 24394, NEW WESTMINSTER
DISTRICT

SCHEDULE "C"

November 10, 2014

James William Young
8007 Aitken Rd.
Chilliwack, BC V2R 4H5

Pretty Estates Ltd.
Suite 2300, Bentall 5
550 Burrard Street, Box 30
Vancouver, BC
V6C 2B5

Attention: Betty-Ann Faulkner

Dear Sirs:

Term Sheet for Debtor-in-Possession Credit Facility

I. GENERAL

Background:

Pretty Estates Ltd. ("**Pretty**") has represented to James Young (the "**Lender**") that it is the owner/operator of the following properties and assets (the "**Assets**"):

1. Sandpiper Golf Course – a regulation 18-hole golf course covering approximately 158 acres of land bordering the Harrison River (the "**Golf Course**").
2. Rowena's Inn – a two-storey, 6000+ sq. ft. wood frame heritage building with 4 suites used for rental accommodations (the "**Inn**"). The Inn also includes restaurant facilities and an outdoor swimming pool.
3. River's Edge Restaurant – a single storey approx.. 2000 sq. ft purpose built restaurant building with a licenced capacity of 80 seats with an additional 25-30 seats on a patio to the south side of the building (the "**Restaurant**").
4. 7.9 Acre Development Parcel – a portion of excess land to the north west of the River's Edge Restaurant identified for subdivision and re-zoning for use as accommodation / conference facility (the "**Development Parcel**").

The Golf Course, the Inn, the Restaurant, and the Development Parcel are located on three contiguous legal parcels with the following PID and legal descriptions:

PID: 008-779-899

DISTRICT LOT 542 GROUP 1 EXCEPT: PART SHOWN
ON HIGHWAY PLAN 67884 NEW WESTMINSTER
DISTRICT

PID: 008-779-961

THAT PORTION OF THE WEST HALF SECTION 35
TOWNSHIP 3 RANGE 30 WEST OF THE SIXTH
MERIDIAN WHICH LIES TO THE WEST OF
DISTRICT LOT 542 GROUP 1 EXCEPT: PART SHOWN
ON HIGHWAY PLAN 67884, NEW WESTMINSTER
DISTRICT

PID: 013-177-672

THAT PORTION OF THE NORTH WEST QUARTER
SECTION 26 TOWNSHIP 3 RANGE 30 WEST OF THE
SIXTH MERIDIAN LYING NORTH OF HARRISON
RIVER EXCEPT: PART SHOWN RED ON PLAN 24394,
NEW WESTMINSTER DISTRICT

(Collectively, the "**Lands**").

The Lands are subject to the following registered financial
encumbrances:

Mortgage BT409571 in favour of Envision Credit Union
Assignment of Rents BT409572 in favour of Envision Credit
Union

Mortgage BJ384726 in favour of James Young

Mortgage BJ384727 in favour of James Young

Mortgage BM156680 in favour of 700256 B.C. Ltd.

Mortgage BN334457 in favour of Elizabeth Anne Faulkner

Pretty intends to commence proceedings (the "**CCAA Proceedings**") in the Supreme Court of British Columbia (the "**Court**") for court protection pursuant to the *Companies' Creditors Arrangement Act* (Canada) (the "**CCAA**"). Pretty will be applying to the Court for an order (the "**Initial Order**"), *inter alia*, for:

- (a) the appointment of G. Powroznik Group Inc. of G-Force as monitor (the "**Monitor**");
- (b) approval, with the consent of the Monitor, to obtain and borrow under a debtor-in-possession credit facility from a lender, and upon terms approved by the Monitor, in order

to finance the costs described under "Use of Proceeds" below, provided that borrowings do not exceed \$725,000 unless permitted by further order of the Court.

Pretty has applied to the Lender for the debtor-in-possession credit facility, which the Lender is prepared to provide, in addition to and separate from the loan facilities made under the Mortgages to James Young described above, on and subject to the terms and conditions set out in this Term Sheet.

- Borrower:** Pretty Estates Ltd. ("**Pretty**" or the "**Borrower**")
- Lender:** James Young (the "**Lender**")
- DIP Facility:** The Lender has agreed to provide a senior secured super-priority, debtor-in-possession credit facility (the "**DIP Facility**") in the maximum amount of up to \$725,000 (the "**Maximum DIP Credit Amount**") by way of multiple advances in Canadian dollars. The minimum amount of each advance must be not less than \$25,000. All requests for an advance must be made on at least three (3) days prior notice, unless the Lender, in its sole discretion, agrees otherwise.
- Term:** Eighteen (18) months from the date of the first advance of the DIP Facility.
- Interest:** Interest on each advance under the DIP Facility shall accrue at the rate of 10% per annum calculated. Interest shall be paid monthly, in arrears, on the first day of each month from the Interest Reserve Account. The interest rate shall increase from 10% per annum to 12% per annum effective sixteen (16) months from the date of the first advance of the DIP Facility.
- Interest Reserve Account** From the Maximum DIP Credit Amount, an interest reserve account will be established by the Lender for the benefit of the Borrower. The Interest Reserve Account will be used to pay the interest payments due with respect to the DIP Facility during the Term. The Lender will be entitled to withdraw the amount of the interest payment due each month with respect to the advances made under the DIP Facility without prior notice to the Borrower.
- Repayment** The Credit Facility will be on a current or running account, and the Lender may, on one or more occasions, advance and readvance all or part of the principal amount and the **DIP Charge**, hereinafter defined:

- (a) will be security for payment of the principal amount as advanced and readvanced and for all other money payable to the lender under the Credit Facility;
- (b) will not be considered to have been redeemed only because:
 - (i) the advances and readvances made to the Borrower have been repaid, or
 - (ii) the accounts of the Borrower with the Lender cease to be in debit in whole or in part, and
- (c) remains effective security for further advances and readvances until the Borrower has received a discharge of the **DIP Charge**;
- (d) provided that repayments under the DIP Facility will not be applied to the second mortgages owing to Jim Young.

All obligations of the Borrower in respect of the DIP Facility (including principal, accrued and unpaid interest, fees and any other amounts) are repayable on the date (the "**Termination Date**") that is the earlier of (i) eighteen months from the date of the first advance under the DIP Facility or such later date as the Borrower and the Lender may agree in writing, and (ii) two business days after the Lender has demanded repayment from the Borrower, upon being able to do so once the stay of proceedings ordered in the CCAA Proceedings has been lifted or terminated.

Commitment Fee:

The Borrower shall pay to the Lender a non-refundable commitment fee of CDN \$14,500, being 2% of the Maximum DIP Credit Amount, which shall be due and be paid to the Lender upon the making of the initial advance under the DIP Facility.

Prepayment:

The Borrower shall have the right to repay the DIP Facility in whole or in part, at any time upon not less than 2 business days written notice without penalty.

II. DIP FACILITY

DIP Availability:

Availability of advances ("**DIP Advances**") under the DIP Facility is subject to the Maximum DIP Credit Amount and to the other conditions described herein. DIP Advances shall be made payable to the Borrower.

III. TERMS AND CONDITIONS

Use of Proceeds:

The DIP Facility shall be used for the following purposes:

- i. to pay ongoing operating expenses of the Borrower;
- ii. to pay fees and expenses associated with the DIP Facility;
- iii. to assist Pretty with a court monitored reorganization of its financial affairs under the CCAA; and
- iv. to pay professional fees and expenses of counsel for the Borrower, and the Monitor and its counsel, with respect to the CCAA.

Security:

To secure all obligations of the Borrower under or in connection with the DIP Facility, the Lender is to be granted, pursuant to the Initial Order, a fully perfected super priority security interest and Court ordered charge (the "**DIP Charge**") to be registered on all of the existing and after-acquired real and personal, property, assets and undertaking of the Borrower, (collectively, the "**Collateral**").

Permitted Encumbrances and Priority:

All Collateral will be free and clear of liens, mortgages, security interests, encumbrances and claims other than the DIP Charge, except for (a) the Administration Charge of up to \$25,000 as defined in and created under the Initial Order, (b) the Director's Charge of up to \$50,000 (c) the liens, encumbrances and claims charging the Collateral and the Assets described in the Background set forth herein, (d) liens and encumbrances in favour of Her Majesty the Queen in Right of the Province of British Columbia, (collectively, the "**Permitted Encumbrances**"). Except for the Administration Charge, Director's Charge, and as otherwise may be set forth in the Initial Order, all Permitted Encumbrances, shall be fully subordinate to the DIP Charge.

Mandatory Prepayments and Commitment

Reduction:

All proceeds of the disposition of Assets shall be applied firstly in permanent reduction of the amounts owing by the Borrower to the Lender under the DIP Facility, unless otherwise ordered by the Court.

Documentation:

All documentation relating to the DIP Facility shall be in form and substance satisfactory to the Lender and be registrable in the Land Title Office and Personal Property Registry. The Borrower shall execute and deliver to the Lender or as the Lender may request, such further documents and assurances to give full force and effect to this Term Sheet and the DIP Charge (collectively the "**Lender Security**"). At the option of the Lender, the Borrower shall execute and deliver such further acknowledgements, mortgages,

security agreements and charges as the Lender may from time to time request. All orders of the Court (including, without limitation, the Initial Order), and all motions relating thereto, shall be in form and substance acceptable to the Lender.

**Conditions to Initial
Availability under
DIP Facility:**

- (1) The Initial Order shall have been entered by the Court approving and authorizing the DIP Facility, in form substance satisfactory to the Lender, and the Initial Order shall not have been reversed, modified, amended or stayed.
- (2) Either:
 - (i) The period for filing an appeal of the Initial Order shall have expired without an appeal being filed, or the Borrower shall have received written confirmation from Envision Credit Union and any other person who appears and opposed the initial order waiving their respective rights of appeal; or
 - (ii) An appeal of the Initial Order shall have been filed and there shall have been a final determination of the appeal confirming the validity of the Initial Order.
- (3) Confirmation of the Monitor's consent and approval to the terms and conditions of the DIP Facility and this Term Sheet.
- (4) Satisfactory review of title to Collateral.
- (5) The Borrower shall not be in default of any of its obligations hereunder.
- (6) The Initial order shall be registered on the PPR and in the Land Title office in accordance with paragraph 42 of the terms of the Initial Order.

**Continuing Conditions to
Availability under
DIP Loan Facility:**

- (1) The Initial Order shall have become final and shall be in full force and effect without any variation, amendment, stay or other modification to which the Lender has not consented to in writing in its sole discretion.

- (2) If requested by the Lender, the Borrower shall have executed and delivered the Lender Security to the Lender to secure the DIP Facility.
- (3) The Lender being named as additional insured and loss payee on any casualty insurance in existence and required by the Lender, including insurance with respect to any real property Collateral.
- (4) The Borrower shall not be in default of any of its obligations hereunder.

Representations and Warranties:

The Borrower and Betty Ann Faulkner represent and warrant to the Lender as follows:

- (a) the Borrower is a corporation duly incorporated, organized and validly existing under the laws of its jurisdiction of incorporation;
- (b) the Borrower has all requisite power and authority to enter into and perform its obligations hereunder;
- (c) the Borrower's execution and delivery hereof and the performance of its obligations hereunder have been duly authorized by all necessary action including, without limitation, the obtaining of all necessary director, shareholder or partner consents and resolutions ; and
- (d) this Term Sheet has been duly executed and delivered by it and constitutes a legal, valid and binding obligation enforceable against the Borrower in accordance with its terms.

Covenants:

The Borrower covenants, acknowledges and agrees that:

- (a) subject to the terms of the Initial Order, it shall comply with all laws, rules, regulations and orders, including without limitation, environmental laws and regulations and shall immediately notify the Lender of any action, claim, lawsuit, demand, investigation or proceeding pending, or to its knowledge, threatened, against it, before any court, governmental authority, regulatory authority, arbitrator or tribunal;
- (b) it shall maintain in good standing at all times all insurance coverage as is customarily carried by companies which are

engaged in the same or similar business to the business of the Borrower, or as may be required by the Lender;

- (c) it shall not convey, sell, assign, lease, transfer or otherwise dispose of any of its Assets without the prior written consent of the Lender;
- (d) it shall not incur, create or permit to exist any indebtedness (including, without limitation, guarantees and contingent obligations) other than existing indebtedness secured by Permitted Encumbrances and any other indebtedness acceptable to the Lender in its sole discretion and shall not incur, create, assume, suffer to exist or permit any other superiority claim which is *pari passu* with or senior to the claims of the Lender under the DIP Charge against any or all of its assets;
- (e) it shall not create, incur, assume or suffer to exist any liens upon the Collateral other than Permitted Encumbrances without the prior written consent of the Lender;
- (f) it shall not enter into any merger, amalgamation, consolidation, reorganization or recapitalization or change ownership or control without the prior written consent of the Lender;
- (g) it shall not make any pre-filing payment other than as permitted in the Initial Order or as permitted in any other court order to which the Lender has consented, and shall not waive, amend, modify, terminate or release the provisions of (i) any pre-filing debt, or (ii) any document, agreement or instrument evidencing, creating or governing any post-filing indebtedness or any other material pre-filing or post-filing agreement if, in the case of clause (i) or (ii), the same could reasonably be expected to adversely affect the Lender.

Reporting Covenants:

The Borrower shall deliver to the Lender:

- (a) such further reports and information as the Lender may reasonably request from time to time; and
- (b) copies of all pleadings, motions, applications, judicial information, financial information, and other documents filed by or on behalf of the Borrower with the court or distributed by or on behalf of the Borrower to the Monitor or any other person in the CCAA proceeding and all reports prepared by the Monitor and such other reports and

information respecting the Borrower's business, financial condition or prospects, on a confidential basis, as the Lender may, from time to time, request. All reports and financial statements shall be in form and scope reasonably acceptable to the Lender.

Inspection Covenants:

The Lender shall be provided the financial reporting contemplated in subparagraph (b) above, and is entitled to undertake inspections periodically, to review the status of management for the Assets. If the Lender identifies a deficiency it shall have the right to increase the frequency of the required reporting or inspections.

The Lender shall have the right to appoint a consultant or monitor who shall have the power to attend at the Assets to review the physical status of the Assets and the financial status of the operation of the Assets and shall be fully permitted to report to the Lender. The consultant or monitor will not take possession or control and will not exercise management determinations.

Remedies:

On the Termination Date, the right of the Borrower to receive any advance or other accommodation of credit shall be immediately terminated and any further advances made thereafter being in the sole discretion of the Lender, and the Lender shall be entitled, in addition to all other remedies at law and under any security or other agreement, to continue to exercise its rights to notify and direct account debtors of the Borrower to pay accounts receivable directly to the Lender. In addition, on the Termination Date, all indebtedness of the Borrower to the Lender shall become immediately due and payable.

Without limiting the foregoing, but subject to the Initial Order, on the Termination Date the Lender shall have the right to exercise all other customary remedies, including, without limitation, the right to realize on all Collateral securing the obligations under the DIP Facility without the necessity of obtaining further relief or order from any court.

For greater certainty, nothing shall prevent the Lender from applying to the Court on four days' notice, or such shorter notice as the court may permit, for such relief as the Lender may determine is necessary or appropriate, prior to or following the Termination Date.

Events of Default

The terms and conditions described in **Schedule "A"** hereto shall form part of this Term Sheet and are incorporated herein.

Expenses:

The Borrower shall pay on demand all of the Lender's reasonable costs and expenses, including those incurred for transportation, computers, copying, appraisals, audits, insurance, consultants, searches, filing and recording fees, and all other out-of-pocket costs and expenses incurred by the Lender (excluding the fees and expenses of its legal counsel with respect to the preparation of the DIP Facility up to the date of the Initial Order, provided that the Borrower's counsel will register the Initial Order in the LTO and PPR). The Borrower shall also pay the costs and expenses of the Lender in connection with any enforcement. All such costs and expenses shall be secured by the DIP Charge.

Indemnity:

The Borrower shall indemnify and hold harmless the Lender, its affiliates and its officers, directors, employees, agents and advisors (each, an "**Indemnified Person**") from and against any and all suits, actions, proceedings, orders, claims, damages, losses, liabilities and expenses (including legal fees and disbursements and other costs of investigation or defence, including those incurred upon any appeal) that may be instituted or asserted against or incurred by any such Indemnified Person as a result of or in connection with credit having been extended, suspended or terminated under or in relation to the DIP Facility, or the use of the proceeds thereof, and the administration of such credit, and in connection with or arising out of the transactions contemplated hereunder an any actions of failures to act in connection therewith including the taking of any enforcement actions by the Lender, including any and all environmental liabilities and legal costs and expenses arising out of or incurred in connection with disputes between or among any parties hereto. All such indemnified amounts shall be payable by the Borrower on demand and shall be secured by the DIP Charge.

Taxes:

All payments shall be free and clear of any present or future taxes, withholdings or other deductions whatsoever.

Governing Law:

Province of British Columbia.

Counterparts:

This Term Sheet may be executed in several counterparts, each of which, when so executed, shall be deemed to be an original and which counterparts together shall constitute one and the same agreement. This Term Sheet may be executed by facsimile or pdf, and any signature contained hereon by facsimile or pdf shall be deemed to be equivalent to an original signature for all purposes.

This Term Sheet may be accepted by the Borrower by signing and returning it to the Lender on or before 5:00 pm on November __, 2014. Failing such acceptance the offer of credit contained in this Term Sheet shall be of no further force or effect.

(The signature of the Borrower is hereby acknowledged with respect to the preparation of the

James Young

James Young

The foregoing is accepted and agreed as of the date of this Term Sheet:

PRETTY ESTATES LTD.

By:

Name: Betty Ann Faulkner
Title: President

Schedule "A"

1. Defaults

1.1 Events of Default. A default (a "Default") occurs under the Term Sheet in the sole and unfettered discretion of the Lender if:

- a. the Borrower does not make a payment under the Indebtedness at the time and in the manner required by the terms of the Term Sheet;
- b. any statement, representation, covenant or agreement of the Borrower given to the Lender in connection with the Indebtedness or any Obligations is or becomes untrue or misleading;
- c. the Borrower is in default in performing any Obligations at the time and in the manner required by the terms of the Term Sheet;
- d. the Borrower breaches any promise, condition or agreement which the Borrower has made to the Lender in the Term Sheet (or there is an occurrence that is deemed a Default under the Term Sheet);
- e. the Property is abandoned or is left unoccupied for thirty or more consecutive days;
- f. the Property or any part of it is expropriated or condemned;
- g. the Borrower gives another mortgage of the Property to someone other than the Lender without the prior consent of the Court.
- h. adverse weather conditions give rise to flooding; and
- i. an event occurs which is stated to be a Default under this Term Sheet.

2. Consequences of Default

2.1 Borrower's Rights Cease Upon Default. Upon a Default occurring, the Borrower is not entitled to exercise any rights or entitlements under the Term Sheet until such Default is cured by the Borrower.

2.2 Lender's Rights on Default. If a Default occurs, and is not cured by the Borrower within 5 business days after the Borrower receives written notice from the Lender that a Default has occurred, the Lender, where and to the extent permitted by law, and then in any order that the Lender chooses, may do any one or more of the following:

- a. demand immediate payment of all the Indebtedness, in which case the Indebtedness will become immediately due and payable;
- b. demand immediate performance of all Obligations, in which case the performance of the Obligations will become immediately due;
- c. sue the Borrower for money that is due in respect of the Indebtedness;
- d. take proceedings and any other legal steps to compel the Borrower to satisfy the Indebtedness;
- e. upon expiry of the stay of proceedings or upon order of the court in any proceeding commenced by the Borrower pursuant to any insolvency law of Canada, including without limitation the Companies' Creditor Arrangement Act, enter upon and take possession of the Property;

- f. apply to a Court for an order that the Property be sold on terms approved by the Court;
- g. apply to a Court to foreclose the Borrower's interest in the Property so that when the Court makes its final order of foreclosure the Borrower's Interest in the Property will be absolutely vested in and belong to the Lender;
- h. apply to a Court to have a receiver or receiver and manager or comparable officer of the Court appointed with respect to the Property;
- i. enter upon and take possession of the Property without the permission of anyone and make any arrangements the Lender considers necessary to:
 - (i) inspect, lease, collect rents or manage the Property;
 - (ii) complete the construction of any building on the Property; or
 - (iii) repair any building on the Property; and
- j. take whatever action is necessary to take, recover and keep possession of the Property.

Definitions:

Unless otherwise indicated in this schedule, all capitalized terms have the meaning ascribed to them in the Term Sheet.

"Indebtedness" means the Dip Facility

"Obligations" means: obligations described of the Borrower described in the Term Sheet

"Property" means: the Assets and the Lands