



This is the 1st affidavit of Mohamed Samman in this case and was made on December 16, 2014

No. 148656
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

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

AND

**IN THE MATTER OF THE *BUSINESS CORPORATIONS ACT*, S.B.C. 2002, c. 57, AS
AMENDED**

AND

IN THE MATTER OF PRETTY ESTATES LTD.

PETITIONER

AFFIDAVIT

I, Mohamed Samman, of 6470-201 Street, Langley, Businessperson, SWEAR (OR AFFIRM) THAT:

1. I am a vice-president, credit of Envision Financial, a division of First West Credit Union ("Envision") and as such I have personal knowledge of the facts herein. I am authorized by Envision to swear this affidavit on its behalf.

Background

2. Envision has been the primary secured lender to Pretty Estates Ltd. ("Pretty Estates") for several years. It is at present its senior secured lender pursuant to four credit facilities:

- (a) Loan #2 advanced May 28, 2012 in the amount of \$916,450;
- (b) Loan #3 advanced May 28, 2012 in the amount of \$343,375.00;
- (c) Loan #5 advanced March 28, 2011 in the amount of \$138,100.80 (collectively, the "Loans"); and
- (d) A line of credit agreement dated December 6, 2010 pursuant to which the amount owing as of November 8, 2014 is \$323,852.47 (the "Line of Credit", collectively with the Loans, the "Envision Facilities").

3. The Envision Facilities are in default. Attached hereto and marked as Exhibit "A" is a copy of the demand letter sent by Envision's counsel to Pretty Estates on November 9, 2014.

4. Envision had been the lender to Pretty Estates for several years prior to the advances pursuant to the Loans. After the financial crisis in 2008 Pretty Estates had difficulties meeting its loan requirements and making payments, including some periods of default. In order to facilitate and assist Pretty Estates' ability to remain solvent, Envision agreed to re-negotiate the terms of its financing such that the payments made by Pretty Estates would be interest-only, and not include payments applied to principal.

5. Notwithstanding the terms of the Loans, it was apparent to Envision that Pretty Estates was having difficulties making its interest-only payments. Since 2012 Envision has been watching Pretty Estates' performance closely, and making regular inquiries with its principal, Betty Anne Faulkner, to monitor Pretty Estates' performance.

6. Nevertheless, the CCAA filing came as a surprise to Envision, as Pretty Estates did not communicate the severity of the situation or its financial position, never mind that it would be filing for creditor protection, until Envision received courtesy copies of the initial order materials in this proceeding on November 6, 2014. Pretty Estate has not sought Envision's input (either directly or through counsel) with respect to any aspect of its intended restructuring, either before or after the CCAA initial order.

7. On November 6, 2014, the same day Pretty Estates delivered notice of this proceeding to Envision but before giving that notice to Envision, it withdrew \$45,000 from the Line of Credit.

CCAA Proceeding

8. At present, Envision does not support a restructuring pursuant to the CCAA. In Envision's view, a CCAA proceeding will cause unnecessary expense. Moreover, Envision does not have confidence in the management of Pretty Estates. In particular, Pretty Estates has had several years to adjust to the changing consumer marketplace and conduct cost containment exercises and has not been able to do so. Moreover, Pretty Estates did not provide any significant warning of this process to Envision, nor has it taken any meaningful steps to solicit Envision's co-operation.

9. Envision is no longer prepared to allow the funds advanced pursuant to the Envision Facilities to be repaid on an interest-only basis. Moreover, as long as the funds are tied up in Pretty Estate, the funds are not available for other and more productive uses, to the prejudice of Envision and its members.

10. That said, Envision recognizes that a brief period of time for Pretty Estates to consider its next step, and that a general stay of proceedings may assist in providing some breathing room as long as the costs thereof are kept as low as possible. Thus, Envision does not oppose an extension of the stay of proceedings to February 16, 2015 provided that:

- (a) Pretty Estates keeps its restructuring and operational costs as low as possible and reports to Envision, James Young, and the Court as to those costs regularly; and

- (b) On any application to further extend the stay of proceedings in February, 2015 Pretty Estates either propose a plan of compromise or arrangement or solicitation of investment or sales process order, so that its creditors have a sense of certainty by that time as to how this process will unfold.

Petition and Application Materials

11. I have reviewed the materials filed in support of the Petition as well as the application to extend the stay of proceedings.

12.

13. To my view, Pretty Estates has already had several years to consider its restructuring alternatives.

14. Envision is not prepared to wait to June, 2015 for Pretty Estates to assess its next steps. That said, Envision believes that both it and Pretty Estates will have sufficient information by February, 2015 to assess how best to proceed. Very few of the changes set out in the IHM report are revenue increasing changes; they are directed at cost containment. Those changes directed at revenue generation are incremental at best, and any change in revenue generation is as likely to be as a result of changing market conditions as it is a result of the IHM initiatives. The golf industry has suffered globally, and Pretty Estates is no exception. The IHM report contains no specific reasonable assumptions about marketing the golf course or increasing golf revenues that gives Envision any confidence that its recommendations will increase revenue. Further, it is unlikely that this CCAA process will increase its popularity as a golf destination.

15. Thus, if Pretty Estates is to increase its EBITDA by 33% or \$800,000 by October, 2015 as projected or hoped that increase will have to be driven primarily by cost reductions and to a much lesser extent by an improvement in revenue. In Envision's view, it is unlikely that that difference can be made up solely through cost containment. There will need to be increased revenues and Envision does not have confidence in Pretty Estates' ability to do so.

16. The major impact of the cost containment initiatives will be measured during Pretty Estates' off-season. Thus, Pretty Estates will know by February, 2015 whether or not those changes will either have reduced its costs on a year-over-year basis.

17. Moreover, a prospective purchaser will have sufficient information towards the beginning of or early in the season to assess whether or not the IHM revisions have had the desired effect on costs.

18. In Envision's view, the due diligence that a prospective going concern buyer will perform would be expected to include reviewing the Resort's financial results for several years. No prospective purchaser or financing partner will put too much weight on the last year, considering the operation has not achieved its hypothetical NOI (as estimated by Colliers in its recent valuation) for every year since 2007.

19. Moreover, a significant reduction in operating expenses for the period from November, 2014 to May, 2015 is not likely to have a significant impact on the going concern market value


of Pretty Estates. Most purchasers will consider several years EBITDA, and there is no evidence from either Pretty Estates or the Monitor as to the effect of the intended cost containment measures on the going concern value of the enterprise. In Envision's view, the success of IHM in improving the Resort's financial results may allow Pretty Estates to sell at an incremental premium over the land's estimated market value at best.

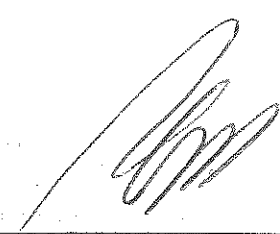
20. Indeed, it is Envision's view that staffing costs are its single greatest impediment to its financial sustainability. Attached hereto as Exhibit "B" is a copy of an analysis I prepared. The underlying data was prepared by IBIS World, a market research company that prepares and compiles research reports on several hundred industries in Canada. The data from IBIS World sets out the average number of employees per golf course and country club in Canada, the wages and revenue per employee, and the ratio of those wages to revenue. I have also included the relevant data for Pretty Estates, based on the information set out in the Affidavit #1 of Ms. Faulkner.

21. On the basis of that data I concluded that while Pretty Estates does generate more revenue per employee than average, its wages per employee are nearly twice the Canadian average and the ratio of its wages to revenue is far higher than the Canadian average. That latter statistic suggests to me that minor cost containment strategies are not likely to make a significant impact on the EBITDA of Pretty Estates.

22. Finally, if Pretty Estates seeks to sell the property as a private estate, then the IHM recommendations will have no impact on the sale price, which is likely to be based most heavily on the value of the land and its improvements.

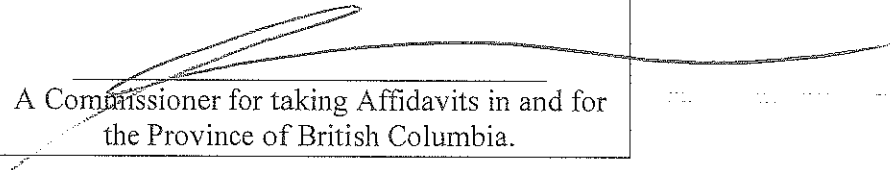
SWORN (OR AFFIRMED) BEFORE ME)
at Langley, British Columbia, on)
December 16, 2014)


A Commissioner for taking Affidavits)
for British Columbia.)


Mohamed Samman

MAGDA A. GRALA
Barrister & Solicitor
WATERSTONE LAW GROUP LLP
304 - 20338 65th Avenue
Langley, BC V2Y 2X3

This is Exhibit "A" to the Affidavit #1 of
Mohamed Samman sworn December 16, 2014
before me at the City of Langley.


A Commissioner for taking Affidavits in and for
the Province of British Columbia.

25th Floor | Vancouver, BC | Tel 604 684 9151 | www.farris.com
700 W Georgia St | Canada V7Y 1B3 | Fax 604 661 9349

Reply Attention of: Tim Louman-Gardiner
Direct Dial Number: (604) 661-1729
Email Address: tlouman-gardiner@farris.com

Our File No.: 35166-1

November 9, 2014

BY E-MAIL AND DELIVERED BY HAND

Pretty Estates Ltd.
c/o Lawson Lundell LLP
1600 Cathedral Place
925 West Georgia Street
Vancouver, B.C., V6C 3L2

Attention: Bonita Lewis-Hand (blewishand@lawsonlundell.com)

Dear Sir/Madame:

Re: First West Credit Union ("Envision") – Pretty Estates
Ltd. (the "Company")

We represent Envision concerning the amounts owing from the Company to Envision. You advised us by e-mail on November 8, 2014 that you have instructions to accept a demand from our client to yours and this correspondence is addressed to you on that basis.

The Company is indebted to Envision as follows:

1. Loan #2 advanced May 28, 2012 ("Loan 2") in the amount of \$916,450.00 plus accrued interest to November 8, 2014 in the amount of \$1,519.04 and continuing to accrue at the rate of \$138.10 per diem;
2. Loan #3 advanced May 28, 2012 ("Loan 3") in the amount of \$343,375.00 plus accrued interest to November 8, 2014 in the amount of \$569.15 and continuing to accrue at the rate of \$51.74 per diem;
3. Loan #5 advanced March 28, 2011 ("Loan 5") in the amount of \$138,100.80 plus accrued interest to November 8, 2014 in the amount of \$208.10 and continuing to accrue at the rate of \$18.92 per diem; and
4. The Line of Credit agreement dated December 6, 2010 (the "Line of Credit") in the amount of \$323,640.77 plus accrued interest to November 8, 2014 in the amount of \$211.70 and continuing to accrue at the rate of prime plus 1% per ;

FARRIS, VAUGHAN, WILLS & MURPHY LLP

Barristers • Solicitors

Vancouver | Kelowna | Victoria

November 9, 2014

- 2 -

plus accruing interest and Envision's legal fees and costs to the date of payment (collectively, the "Indebtedness").

The amounts owing pursuant to Loan 2, Loan 3, Loan 5 (collectively, the "Loans") and the Line of Credit (collectively with the Loans, the "Credit Facilities") are repayable upon demand. Further, it is an event of default pursuant to each of Loans for the Company to become insolvent or commit an act of bankruptcy. Ms. Faulkner has sworn that the Company has committed an act of bankruptcy and that it is insolvent.

Accordingly, on behalf of Envision, we do hereby declare the Indebtedness to be due and payable and do hereby make demand for payment of the amounts owing thereto.

Envision requires payment of the Indebtedness, together with all accrued interest and legal costs. Please be advised that unless payment is forthcoming or other satisfactory arrangements are agreed to by Envision, we are instructed to take all appropriate steps to realize on Envision's security in order to collect the Indebtedness. All legal costs and other costs associated with collection of the Indebtedness and enforcement of Envision's security will be for the Company's account.

As the Company may be insolvent we enclose a Notice of Intention to Enforce Security pursuant to Section 244(1) of the *Bankruptcy and Insolvency Act*. Although the Notice of Intention makes reference to the ten (10) day enforcement period, Envision reserves all of its rights to take appropriate steps to protect its security at any time should the circumstances be warranted in the sole discretion of Envision.

Please call if you have any questions.

Yours truly,

FARRIS, VAUGHAN, WILLS & MURPHY LLP

Per:

Tim Louman-Gardiner

TLG/

Enclosure

c.c.: First West Credit Union

FORM 86

Notice of Intention to Enforce Security
(Subsection 244(1))

TO: Pretty Estates Ltd., an insolvent person

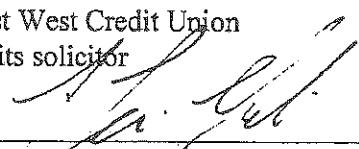
TAKE NOTICE THAT:

1. First West Credit Union, a secured creditor, intends to enforce its security on the property of the insolvent person described below:
 1. All present and after-acquired personal property and proceeds thereof; and
 2. Real property located at 14282 Morris Valley Road, Harrison Mill, B.C., V0M 1L0 with:
 - a. PID 008-779-899 and legal description District Lot 542 Group 1 except: Part Shown on Highway Plan 67884, New Westminster District
 - b. PID 008-779-961 and legal description 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; and
 - c. PID 013-177-672 and legal description that portion of the North West Quarter Section 26 Township 3 Range 30 West of the Sixth mMeridian lying North of Harrison River except: Part Shown Red on Plan 24394, New Westminster District.
2. The security that is to be enforced is in the form of:
 1. A general security agreement registered in the Personal Property Registry under base registration no. #710220A; and
 2. A mortgage and assignment of rents registered in the New Westminster Land Title Office under registration numbers BT409571 and BT409572.
3. The total amount of indebtedness secured by the security is comprised as follows:
 1. \$916,450.00 plus accrued interest to November 8, 2014 in the amount of \$1,519.04 in respect of Loan 2;
 2. \$343,375.00 plus accrued interest to November 8, 2014 in the amount of \$569.15 in respect of Loan 3;
 3. of \$138,100.80 plus accrued interest to November 8, 2014 in the amount of \$208.10 in respect of Loan 5; and

4. \$323,640.77 plus accrued interest to November 8, 2014 in the amount of \$211.70 in respect of the Line of Credit.
4. The secured creditor will not have the right to enforce the security until after the expiry of the 10-day period after this notice is sent unless the insolvent person consents to an earlier enforcement.

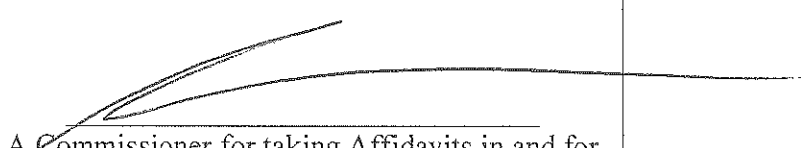
DATED at Vancouver, BC this 9th day of November, 2014.

First West Credit Union
By its solicitor



Tim Louman-Gardiner
Farris, Vaughan, Wills & Murphy LLP

This is Exhibit "B" to the Affidavit #1 of
Mohamed Samman sworn December 16, 2014
before me at the City of Langley.


A Commissioner for taking Affidavits in and for
the Province of British Columbia.

Pretty Estates Personnel vs. Industry:



WHERE KNOWLEDGE IS POWER

71391CA Golf Courses & Country Clubs in Canada

Key Statistics

	Revenue/Employee (\$'000)	Wages/Revenue (%)	Employees Per Establishment	Wages Per Employee (\$)
2005	71.6	32.4	26.2	23,222.00
2006	71.9	32.7	26.9	23,478.10
2007	71.7	32.4	27.5	23,222.40
2008	73.6	32.4	27.7	23,866.20
2009	72.6	33	27.9	23,960.00
2010	72.3	32.6	28.1	23,590.80
2011	70.7	33	28.2	23,336.60
2012	69.7	33.5	28.4	23,346.90
2013	69.5	34.3	28.6	23,808.00
2014	68.6	35.9	28.8	24,616.20
Average	71.2	33.2	27.8	23,644.72
Pretty Estates	79.7	55.00%	31.0*	43,968.00

*Calculated on the basis of information provided in the affidavit:

13 full time employees = 13 FTE

17 part-time employees = 8 FTE

40 seasonal employees = 10 FTE