



NO. S148656
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 A PLAN OF COMPROMISE OR ARRANGEMENT
OF PRETTY ESTATES LTD.**

**MONITOR'S FIRST REPORT TO COURT
(Prepared for the December 10, 2014 Comeback Hearing)**

DECEMBER 5, 2014



PRETTY ESTATES LTD.
MONITOR'S FIRST REPORT TO COURT
DECEMBER 5, 2014

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PRETTY ESTATES LTD.
MONITOR'S FIRST REPORT TO COURT
DECEMBER 5, 2014

BACKGROUND AND PURPOSES OF REPORT

1. On November 10, 2014, Pretty Estates Ltd. (the "**Company**") commenced a proceeding under the *Companies' Creditors Arrangement Act* ("**CCAA**"), and on that same date this Honourable Court granted an Initial CCAA Order (the "**Initial Order**"). The date of the Comeback Hearing was set for Wednesday, December 10, 2014.
2. On November 10, 2014, G. Powroznik Group Inc. of G-Force Group was appointed as Monitor in the CCAA proceeding (the "**Monitor**"). The Monitor had previously filed a pre-appointment report dated November 5, 2014 (the "**Preliminary Report**"). This report should be read in conjunction with the Preliminary Report which contains background information on the Company and its assets, reasons for its financial difficulty, and reports on the Company's forecasted cash flows for the seven week period ending December 19, 2014 ("**Seven Week Cash Flow Statement**") and one year period ending October 31, 2015 ("**Twelve Month Cash Flow Statement**").
3. The Company is in the hospitality business and is the sole owner and operator of the Sandpiper Golf Course (the "**Golf Course**"), the River's Edge Restaurant (the "**Restaurant**"), and Rowena's Inn on the River (the "**Inn**") (the Golf Course, Restaurant and Inn are collectively referred to as the "**Resort**"). The Company has owned and operated the Resort for the past 19 years. The Resort is located on 160 acres of river-front property owned by the Petitioner in Harrison Mills, British Columbia (the "**Lands**").
4. This report represents the First Report ("**First Report**") of the Monitor with respect to the CCAA filing of the Company.
5. The purposes of this report are to provide this Honourable Court with:
 - a) confirmation that service was given to the creditors in accordance with the Initial Order;
 - b) an update on the Monitor's activities since the Initial Order was made;
 - c) an update on the actual financial performance of the Company since the Initial Order and compared to the Seven Week Cash Flow Statement;

- d) an update on the operations improvements and cost containment measures implemented at the Resort by IHM since it commenced its role as manager of the Resort;
 - e) confirmation that the assumptions formulating the Twelve Month Cash Flow Statement remain consistent since the time of the Preliminary Report, and confirm the Company's need for interim financing during the restructuring has not changed materially from what was estimated in the Preliminary Report; and
 - f) general commentary on the Company's preliminary views about its restructuring plan, and a recommendation for granting to the Company of an extension of the stay of proceedings to June 15, 2015.
6. The Monitor has set up a dedicated web-page for this proceeding which can be located at <http://www.g-forcegroup.ca/pretty-estates-ltd/>. The web page contains copies of pertinent documents in the proceeding including the Initial Order, the Preliminary Report, and other Court and statutory documents/filings.
 7. Prior to the commencement of the CCAA proceeding, the Company retained Integrated Hospitality Management ("**IHM**") to manage the Resort during the restructuring. Commentary on the experience and qualifications of IHM was included in the Preliminary Report.
 8. In the Initial Order, the Company received approval for a new credit facility ("**DIP Financing**"), not to exceed \$725,000. The initial amount of DIP Financing approved was \$250,000 ("**DIP Loan**"). On November 20, 2014 the Company drew down \$170,000, not including interest reserve, from the DIP Loan facility. On December 3, 2014, the Company requested a further advance of \$60,000, not including interest reserve. The Company expects to receive the second tranche of funding before the date of the Comeback Hearing.
 9. In preparing this report, the Monitor has maintained discussions with the Company, its legal counsel Lawson Lundell LLP ("**Lawson**"), IHM, and the Company's first and second mortgagees. The Monitor was given access to information relating to the operations of the Company including financial information and information on the Company's assets and their estimated values.

MONITOR'S ACTIVITIES TO DATE

10. The following is a summary, without limitation, of the Monitor's activities since the Initial Order:
 - a) arranged for a representative ("**Monitor's Representative**") to attend at the Resort on November 10, 2014 to confirm the CCAA filing by the Company and its appointment as Monitor. The Monitor's Representative also observed the initial meetings between

IHM, the Company's owner and various managers/employees of the Resort's various departments;

- b) created a dedicated web page for the Company's CCAA proceeding;
- c) prepared a list showing the names and addresses of every known creditor who has a claim against the Company of more than \$1,000 (the "**Creditor List**");
- d) mailed (by regular mail) to creditors with claims in excess of \$1,000 the statutory notice required under CCAA s. 23(1)(a)(ii)(B) and (C) including:
 - i. notification of the web site where a copy of the Initial Order could be downloaded; and
 - ii. the Creditor List.

Thirty four creditors, including Firstwest Credit Union, formerly known as Envision Financial ("**Envision**"), and Mr. James Young, the Company's first and second mortgages respectively, were given this notification;
- e) published in two consecutive newspaper publications of the Vancouver Province (Nov. 14 and Nov. 21) and Mission Times (Nov. 21 and Nov. 28) the statutory notice of the proceeding pursuant to CCAA s. 23(1)(a)(i);
- f) created a dedicated web-page for the CCAA proceeding which can be located at <http://www.g-forcegroup.ca/pretty-estates-ltd/>
- g) filed the required statutory documents, including Form 1 and Form 2, with the Office of the Superintendent of Bankruptcy;
- h) discussed the proceeding, and provided information about it, with certain creditors and employees of the Company;
- i) maintained contact with the Company's secured creditors, including Envision and Mr. James Young, to update them on the status of CCAA proceedings and respond to their queries;
- j) maintained regular correspondence with the Company's legal counsel, Lawson, and IHM to obtain ongoing updates on current events at the Resort and the status of operations improvements including the Company's efforts to re-zone its undeveloped land adjacent to the Golf Course;
- k) reviewed preliminary financial and operational reports from IHM for the month ending November 30, 2014, and considered this information in connection with the

Seven Week Cash Flow Statement, the Twelve Month Cash Flow Statement, and the Company's requirement for advances with respect to the DIP Financing to maintain Resort operations through the winter months;

- l) reviewed a letter from RDR Financial Services Inc. ("**RDR**") to the Company expressing RDR's interest in potentially refinancing the mortgage debt secured by the assets of the Company depending on the results of the operations improvements. A copy of the RDR letter is included as **Appendix "A"** to this First Report. The Monitor also briefly discussed the interest and potential services of RDR with RDR's principal, Robert Reichelt; and
- m) continued to discuss generally with the Company and its legal counsel its preliminary restructuring plans.

STATUS OF OPERATIONS IMPROVEMENT AND COST CONTAINMENT MEASURES

- 11. Included as **Appendix "B"** to this Report is the IHM Operations and Cash Flow Report for November 2014 including the following exhibits: Exhibit 1.0 - Schedule of Cost Containment, Operations Efficiency and Revenue Enhancement Initiatives, Schedule 2.0 - Preliminary Statement of Monthly Cash Flow from Operations for the month ending November 30, 2014, and Exhibit 2.1 - Preliminary Summary Operating Statement for the month ended November 30, 2014 (collectively, the "**IHM Update Report**").
- 12. In summary, the IHM Update Report contains details on the Resort's financial performance for the month of November 2014, including its actual performance compared to projected cash flows, status of borrowings against the DIP Loan, and general comments on the need to assess ongoing results and re-assess the status of the Resort's performance in late Spring 2015 so that the Company at that time can better understand its restructuring alternatives. The IHM Update Report also contains a summary of the status of the various cost containment and operations improvements initiatives that were initially recommended by IHM in the summer of 2014.
- 13. The Monitor has reviewed the IHM Update Report and has discussed it with IHM and the Company's legal counsel. The Monitor recommends that stakeholders review the IHM Update Report as it contains a significant amount of information about the Resort's operations during the initial portion of the CCAA proceeding.

COMPANY'S FINANCIAL PERFORMANCE SINCE INITIAL ORDER

- 14. The Seven Week Cash Flow Statement including notes was attached as Exhibit 3.0 to the IHM Operations Report which was included as Appendix "A" to the Preliminary Report. For reference, we again attach the first (summary) page of the Seven Week Cash Flow Statement as **Appendix "C"** to this First Report.

15. The Monitor's review of, and report on, the Seven Week Cash Flow Statement was included in the Preliminary Report.
16. The IHM Update Report contains a summary financial statement for Resort operations for the month ending November 30, 2014. This month end corresponds to the first four weeks of the Seven Week Cash Flow Statement. The Monitor has observed that the Company is generally on pace with forecasted cash flows, except that the opening cash balance on November 1, 2014 was approximately \$44,000 lower than what was originally projected. Accordingly, the Monitor makes the general comment that the Company's accelerated borrowing from the DIP Loan facility, approximately \$50,000 higher today than what was originally anticipated, mainly results from the difference in the actual opening cash balance to what was anticipated.

COMPANY'S REQUIREMENT FOR INCREASED DIP FINANCING

17. The Company's Twelve Month Cash Flow Statement, including supporting schedules and notes, was attached as Exhibit 2.0 to the IHM Operations Report, which was included as Appendix "A" to the Preliminary Report. For reference, we again attach the first (summary) page of the Twelve Month Cash Flow Statement as **Appendix "D"** to this First Report.
18. The Monitor's review of, and report on, the Twelve Month Cash Flow Statement was included in the Preliminary Report.
19. Based on the Monitor's review of the IHM Update Report, nothing has come to the Monitor's attention to suggest that the assumptions originally used by the Company in developing the Twelve Month Cash Flow were incorrect or have changed materially.
20. Furthermore, the Monitor reports that based on its review of financial information for November 2014, in all material respects, the Company appears to be on pace compared to its forecasted cash flows. Therefore, the Monitor is of the opinion that the Twelve Month Cash Flow remains appropriate for use in this CCAA proceeding.
21. The Monitor continues to express no assurance as to whether the Twelve Month Cash Flow Statement will be achieved. The Monitor expresses no opinion or other form of assurance with respect to the accuracy of any financial information presented in this or any report, or relied upon by it, in preparing this First Report.
22. Based on the Twelve Month Cash Flow Statement, and as reported in the Preliminary Report, the Company will require a sum of \$725,000 of DIP Financing to its operations to October 31, 2015. In the Initial Order, this Honourable Court approved DIP Financing not to exceed \$250,000. Accordingly, the Company will require approval for additional DIP Financing of \$475,000. The Company has agreed on terms for a DIP facility in the maximum amount of \$725,000 with the DIP lender, James Young.
23. Accordingly, the Monitor respectfully recommends the granting of an increased priority for DIP Financing, not to exceed \$725,000 in total, so that the Company can continue its

going-concern operation while it attempts to preserve and enhance values for its stakeholders.

RESTRUCTURING PLAN AND EXTENSION OF THE STAY OF PROCEEDINGS


24. The Monitor understands that due to scheduling conflicts, legal counsel to Envision is not able to attend the Comeback Hearing until December 15, 2014. We understand that the Company will request adjournment of the December 10 Comeback Hearing, and a brief extension of the stay of proceedings, for a period of one week so that the Comeback Hearing can be held on December 15 and allow participation by Envision's legal counsel. The following section is written under the assumption this Honourable Court will extend the initial 30 day stay of proceedings for a period of one week for the reasons described above. If further information pertinent to the proceeding arises between the date of this First Report and the re-scheduled Comeback Hearing, the Monitor will submit a further Report to the Court.
25. The Company and IHM are currently focusing immediate efforts on implementing operations improvements and cost containment measures in order to minimize and eliminate the significant operating losses than have plagued the Company for the past several years. IHM estimates that it will take a number of months for the operational changes to fully take effect.
26. The Company is currently considering the following two most significant options in its restructuring:
 - a) **Re-financing the debt.** The Monitor understands that one party, RDR, has already expressed preliminary interest in this option. The Monitor expects that over time, other third parties will consider this option as well. The likelihood of a re-financing by any party will be largely dependent on the ability of IHM and the Company to achieve the improved financial results resulted from IHM's recommended operational improvements and cost containment measures. The full result of these measures will not become evident for a period of several months; or
 - b) **Sale of the Resort.** IHM has advised the Monitor that, in its professional opinion, from its experience with hospitality and resort properties the optimal time to realize the best recovery for the creditors and other stakeholders is to potentially offer the Resort for sale is at such time the Company can show the impact of the operational changes that IHM is making. IHM anticipates that the impact of the improvements will be more visible sometime in the late spring or late summer of 2015. Therefore, assuming the Company's restructuring plan is not based on a refinancing, the optimal time to initiate the offering of the Resort for sale is in the June to August 2015 period. The Monitor has confirmed with the Company, and Lawson, that it supports this approach. The Monitor however wishes to further consider the best strategy for selling the Resort after evaluating the progress made in improving operating results

and will report further on this matter at a future Court hearing. The timing of the expected initial impact of operations improvements coincides with the Company's requested length of extension for the stay of proceedings.

27. The Monitor notes that it is obliged to immediately report to the Court if there is a material adverse change ("MAC") in the Company's projected cash flows. Therefore, even if there is an extended stay of proceedings granted to the Company, based on the detailed financial reporting received from IHM each month, the Monitor will be able to immediately identify, and inform the Court and stakeholders, if a MAC occurs.
28. The Monitor's continues to be of the opinion that the Company's going-concern operation (i.e. the Resort) should be maintained to allow it to:
 - avoid liquidating the Resort on a creditor driven, forced-sale basis which will unnecessarily erode value for the various stakeholders;
 - allow IHM to substantially reduce the operating losses and reposition the Resort's operations to be profitable on a sustainable basis;
 - potentially provide for an orderly marketing and sale or refinancing of the Resort in due course during the CCAA to maximize its net value;
 - allow the Company time to negotiate a plan of arrangement with its creditors;
 - fulfill existing reservations for wedding events scheduled over the next several months;
 - continue operating the golf course during the fall and winter months while undertaking the costs associated with maintenance for the golf course and operations to ensure it is ready for the 2015 golf season; and
 - pay all ongoing obligations, including without limitation, wages, payroll and GST remittances, contractual obligations and supplier amounts.
29. Accordingly, the Proposed Monitor respectfully recommends that this Honourable Court grants the Company of an extension of the stay of proceedings until June 15, 2015 so that the Company can continue its efforts to preserve and enhance values for its stakeholders in the restructuring.

All of which is respectfully submitted this 5th day of December, 2014.

**G. Powroznik Group Inc. of G-Force Group
In its capacity as Court Appointed Monitor
of Pretty Estates Ltd.**



Per: Mr. Gary D. Powroznik
Managing Director

Appendix "A"

Letter from RDR Financial Services Inc. dated December 3, 2014



RDR Financial Services Inc.

#302 - 3750 Edgemont Boulevard
North Vancouver, BC
V7R 2P8
604-341-5524

December 3, 2014

Pretty Estates Ltd.
14282 Morris Valley Road
Harrison Mills, BC
V0M 1L0

Attention: Betty Ann Faulkner

Dear Sirs/Mesdames:

RE: Sandpiper Golf Course and Rowena's Inn on the River Resort

I am aware of and have read the preliminary report dated November 5, 2014 by G. Powroznik Group Inc. of G-Force Group regarding Pretty Estates Ltd.

I am quite familiar with the assets and surroundings which comprise this property, having stayed on numerous occasions at the resort in the private cabins during both summer and winter seasons. I have played the Sandpiper Golf Course at least 10 times during my visits and attended several functions in the restaurant and the Inn.

I am also familiar with G-Force Group, Integrated Hospitality Management Ltd., (IHM) and both Gary Powroznik and Ralph Miller, having personally worked with them to restructure the operations and management of previously troubled hotels, for the purpose of maximizing asset value and assistance in loan recovery. I am aware of other hotels and resorts for which they have restructured the management and operations to enhance value for the purpose of resale.

Based on the projected operating budget to October 31, 2015 prepared by IHM Ltd. contained in the Preliminary Report by G. Powroznik Group Inc., and dependent on improved results in line with the projections, I would be interested in working with you to refinance the mortgage debt secured by the assets of Pretty Estates Ltd. The goal would be to repay the existing first and second mortgage debt and DIP loan with a new first mortgage loan secured by the same assets. I believe this goal can be achieved if the anticipated improved operating results are realized.

Let me know if I can be of further assistance at this point.

Yours truly,

Robert D. Reichelt, RI,
President, RDR Financial Services Inc.

Appendix "B"

IHM Operations and Cash Flow Report for November 2014



INTEGRATED HOSPITALITY MANAGEMENT LTD

Memorandum

To: Betty-Anne Faulkner, Pretty Estates Ltd.
CC: G. Powroznik Group Inc. as Court Appointed Monitor of Pretty Estates Ltd.
Bonita Lewis-Hand, Lawson Lundell LLP
From: Ralph Miller, Integrated Hospitality Management Ltd.
Date: December 5, 2014
Re: Pretty Estate Resort – Operations and Cash Flow Report, November 2014

Betty-Anne:

As you are aware, IHM took control of the management of Pretty Estate Resort (the "Resort") on November 10, 2014, with the mandate to implement approximately 80 cost containment, operations efficiency, and revenue enhancement initiatives, which we previously identified. In Exhibit 1, we set out our status report in respect of the various initiatives as at December 5, 2014; highlighted initiatives indicate areas of significant advancement.

At the time of our arrival on site on November 10, 2014, approximately 60 employees had been terminated or laid off; 10 of the laid off employees remain on call. In some respects the remaining staff complement is just sufficient to service wedding and Christmas party commitments in addition to daily operating requirements.

By way of summary we advise that progress has been made on a number of the initiatives, most significantly all of the research and ground work has been completed for the relocation of the food & beverage service to the dining room and lower drawing room of Rowena's Inn, and for the relocation of the guest reception to the golf pro shop, both scheduled to be completed December 15 to 18, 2014. We have also initiated ongoing labour management practices for all departments, and implemented a purchase order system and made changes to financial reporting procedures.

As you are aware, we have:

1. Terminated the employment of the Food & Beverage Manager ("Former F&B Manager") effective December 7, 2014. The Former F&B Manager has been granted permission to continue to use his RV parked at the Resort until January 7, 2015.
2. Removed the General Manager ("Former GM") of the resort. We have offered the Former GM a part-time position as Manager of Building and Infrastructure Maintenance at approximately 50% of his previous General Manager salary; we are waiting to receive

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confirmation from the Former GM that he will accept the new position. The Former GM is on vacation until January 2, 2015, and is expected to start in the new position at that time.

3. We have installed Randy LaRoche, an Associate of IHM, as the new General Manager for the Resort; Randy will be supported by Bill Rheame and myself in the ongoing supervision and management of the operation of the Resort.

Since November 10, 2014 when the Court granted the Initial Order pursuant to the CCAA Application, we have been busy communicating with unsecured trade creditors, who for the most part have taken the Stay of Proceeding in stride and have continued to supply good and services, on cash on delivery or very limited account payment terms. Only one supplier has been difficult to deal with; we have made arrangements with an alternative supplier to replace them, at least temporarily.

We are currently finalizing the ongoing reporting requirement with the Court Appointed Monitor, G. Powroznik Group Inc of G-Force Group.

The balance of the cost containment, operating efficiency and revenue enhancement initiatives will be implemented as soon as practical, after satisfying the short term requirements for wedding and Christmas party commitments.

We met with the Account Manager with Envision Financial to confirm the Resort could continue to use the line of credit, within the existing terms and limits. IHM personnel have been added to all of the bank accounts as authorized signatories.

In addition, we intend to conduct an equipment audit to determine the state of repair of all operating equipment necessary for continuing the operation of the Resort into and through the next summer season.

Preliminary Operating Earnings (Loss) for the Month Ended November 30, 2014

In respect of the financial performance of the Resort, we attach a Preliminary Statement of Monthly Cash Flow from Operations (Exhibit 2.0) and a Preliminary Summary Operating Statement (Exhibit 2.1) for the month ended November 30, 2014, and provide the following discussion thereon.

The Earnings (Loss) before Interest Taxes Depreciation and Amortization "EBITDA" for the month of November 2014 was (35,400); (\$1,639) worse than the projected EBITDA of (\$33,762). Total operating revenues of \$109,164 were recorded in the month, \$6,948 more than the operating revenue projected.

Room department revenue for November was \$26,710 approximately (\$3,010) less than projected levels. 148 guest rooms were sold, (10) less than the projected guest room sales of 158; the average room rate achieved was \$180.47, approximately (\$7.63) worse than the projection of \$188.10.

Food & Beverage department revenues for November were \$65,779, approximately \$15,598 better than the projection, largely as a result of increased weddings and events, and restaurant patronage related to the Fraser Valley Eagle Festival, which occurred from November 12 to 30, 2014.



b

Golf department revenues for November 2014 were \$16,675, approximately (\$4,640) less than the golf department revenues of \$21,315 projected; 451 rounds of golf were recorded, (99) less than projected, as a result of rainy weather conditions in the last half of the month. The average green fee realized was approximately equal to the amount projected.

Non-Operating Income for November 2014 \$8,609, approximately \$8,109 greater than the projection of \$500, as a result of recording boat launch fees earned over the summer.

Total labour costs for the month were \$91,157, \$18,628 more than the projected labour costs of \$72,529. Labour costs represented 77.8% of total revenues, 6.8 percentage points worse than the projected labour costs of 71.0%.

Overall an operating earnings (loss) of (\$35,400) were recorded for the month of November 2014, (\$1,639) worse than the projected earnings (loss) for the month of (\$33,762).

We anticipate finalizing the Summary Operating Statement and supporting schedules before December 15, but do not expect significant changes.

Preliminary Statement of Monthly Cash Flow from Operations

The Cash Flow from operations is determined after considering changes in the working capital accounts and before interest, depreciation, and other non-operating items. The EBITDA for November 2014 was (\$35,400).

The cash flow surplus (deficiency) from operations for November 2014 was approximately (\$40,372), and consider all of the changes in the working capital accounts for the Resort. Overall, a favorable cash flow variance of \$73,625 was realized, when compared against the projected working capital impacts.

The cash flow projections included estimates for the opening balances for the working capital accounts as at November 1, 2014 based on financial information as at September 30, 2014, and estimates for Resort operations for October 2014, resulting in significant variances between the projected and actual balances for the working capital accounts as at November 1, 2014.

More than 50% of the favorable cash flow variance of \$73,625, noted above, results from the variances in the working capital account balances as at November 1, 2014.

Non-Operating cash flow items generally include the financing activities and restructuring costs incurred. The cash flow projections did not include provision for the DIP Financing, made available through the Initial Order granted on November 10, 2014. The actual non-operating cash flow items are in total approximately equal to the total amounts projected.

DIP Financing

During the month ended November 30, 2014 DIP Financing totaling \$184,500 was advanced, as follows:



X

	\$
1 st cash flow advance	170,000
Commitment Fee	14,500
	184,500

In addition an Interest Reserve Account of \$6,250 was established by the Lender.

We calculate the interest on the DIP Financing for November 2014 to be \$505.48, slightly lower than the interest calculated by the Lender of \$522.60.

Subsequent to November 30, 2014 a request for an additional cash flow advance in the amount of \$60,000 in DIP Funding has been requested for fulfillment on December 5, 2014.

Considering the 2nd cash flow advance, we calculate the total DIP Funding advanced to be \$245,005.48, slightly less than the DIP Financing limit of \$250,000 referenced in the Initial Order issued on November 10, 2014.

Projected Cash Flow for the Year ending October 31, 2015

In November 2014 we provided monthly projections for the operation and cash flow of the Resort for the year ending October 31, 2015 based on our assessment of the operation of the Resort completed in August 2014, our recommended cost containment, operations efficiency, and revenue enhancement initiatives, and the actual operating results for the eleven months ended September 30, 2014.

The operating projections assumed that some of the recommended cost containment, operations efficiency, and revenue enhancement initiatives, would have been initiated prior to IHM taking control of the management of the Resort.

The cash flow projections included estimates for working capital account balances as at November 1, 2014, which were based on financial information as at September 30, 2014, and estimates for Resort operations for October 2014, which resulted in variances between the projected and actual working capital account balances as at November 1, 2014.

The impacts from these two issues largely offset each other during the month of November, with the actual to projected operating results a little less favorable, and the actual to projected cash flow impacts a little more favorable than previously estimated. Going forward, we have reconciled balance sheet accounts to rely upon for more accurate working capital balances.

Based on the three weeks we have actively been on property, the actual operating results achieved for November 2014, and the expected financial impact of the changes being introduced, we remain confident that the financial projections for the operations and cash flow of the Resort, presented in November 2014, are still achievable in total over the balance of the year ending October 31, 2015.



Path Forward

In our experience it usually takes 2 to 3 months to fully implement and entrench the extent of operational changes required at the Resort; and a further 2 to 3 months to fully document and prove the financial impacts going forward.

From our perspective, the Resort will be in a position to realistically assess the restructuring alternatives (refinancing, business partnerships, or realization), after the financial results for May 2015 (the beginning of the seasonal upswing) are known.

In a perfect world, we would recommend returning to Court in mid June 2015 to provide recommendations in respect of the restructuring alternatives. If realization is the most appropriate alternative, this timing would still allow the opportunity to begin to market the Resort in advance of the most important high season operating period.

Conclusion

The foregoing represents our report on the operations and cash flow for the Resort for November 2014.

We are pleased to review this draft report provided with you, the Resort, or the Monitor at your convenience.

If you have any questions related to this memorandum please do not hesitate to contact me directly by email or at 403.619.9767 (mobile).



Exhibit 1

Pretty Estate Resort

Schedule of Cost Containment, Operations Efficiency and Revenue Enhancement Initiatives
Related to August 2014 Operations Review, Recommendations

Status as of Dec 5, 2014

Initiative

Customer Service Standards

Establish and document operational efficient customer service standards for each area of the operation; for example:

- 1 shorten tee time intervals from 10 minutes to 9 minutes during periods of peak golf demand;
- 2 eliminate the inclusion of a hot breakfast with guest rooms, substitute a good quality continental breakfast;
- 3 eliminate the inclusion of a cottage in the wedding package, substitute the two room suite in Rowena's Inn
- 4 reduce golf pro shop merchandise inventory to essentials and proven high volume/margin items, to reduce appearance of being overstocked
- 5 create a welcome desk near the Pro Shop to greet and direct all incoming guests and patrons

Develop an understanding of the cost matrix for various components of the services provided (right size the service delivery model to make a profit).

Sandpiper Golf Course

Reduce off-season Golf Course hours of operation to reflect only prime golf days and

- 1 golf able hours
- 2 Reduce off-season Pro Shop hours of operation to reflect reduced golf course operations
- 3 Reduce off-season course maintenance to reflect reduced golf course operations
- 4 Through the off season provide minimum food & beverage service at pro shop
- 5 Liquidate Pro Shop merchandise inventory to convert inventory to cash flow

Included in 2015 seasonal planning.

Breakfast delivery to cottages discontinued as of November 29, adjusted breakfast menu offered in Rowena's dining room effective December 1; additional initiatives to be implemented after Christmas.

Contracting new wedding bookings suspended until package adjustments are made.

Seasonal inventory clearance sale in progress, no 2015 purchasing commitments made.

Scheduled for completion for Dec 15, 2014

Hours reduced, ongoing monitoring.

Hours reduced, ongoing monitoring; hourly staffing limited to Director of Golf Operations days off only if business levels dictate.

Hours reduced, ongoing monitoring; hourly staffing limited to requirements essential to the opening of the course.

Only limited F&B service currently required, to be re-visited as part of 2015 seasonal operating plan

Seasonal inventory clearance sale in progress; Pre-Christmas Sale to commence Dec 5.

05/12/2014

Exhibit 1

Pretty Estate Resort

Schedule of Cost Containment, Operations Efficiency and Revenue Enhancement Initiatives Related to August 2014 Operations Review, Recommendations

Initiative

Status as of Dec 5, 2014

6 Reduce purchasing plans for 2015 Pro Shop merchandise to essentials and proven high volume/margin items to reduce cash requirements

No pre-booking of 2015 merchandise undertaken, spring purchasing plan will be limited to essentials and proven high volume/margin items

7 Incentivize on-line bookings for tee times

Strategies in development to enhanced online promotions, software developed being researched at our request. Dynamic pricing structures will reward on-line bookings.

8 Incentivize repeat visitation through the use of time activated coupons

Coupon programs in development for launch in Jan/Feb 2015.

9 Develop a more demand based, dynamic pricing model for green fees
Energize messaging and touch point opportunities through social media and loyalty program members

Strategies in development, software provider is researching new dynamic pricing models, Tee sheet programming will commence as available.

10 Enhance league play programs (F&B features, attendance and performance prizes)

Social media and loyalty programs will be largely golf centric going forward.

11 Explore opportunity of partnering with Harrison Hot Springs Hotels, guest houses, RV Lots, etc., for seasonal golf player opportunities, consider a small commission or other compensation for referrals or wholesale pricing options for packaging

Included in 2015 seasonal planning.

12 Energize a season's pass / punch card sales program in time for Christmas gift purchases.

Contact and opportunity lists will be created in Dec./Jan with sales programs to be rolled out in Feb. Contact made with Harrison Beach Hotel.

13 Eliminate breakfast service in River's Edge Restaurant; provide breakfast service in Rowena's Inn. Provide a good quality continental breakfast in Rowena's Inn for all room guests, eliminate breakfast delivery to the cottages.

12 Days of Christmas Promotion includes a 10 game and 50 game pass component. Seasons pass renewal program to be devised for Jan.

River's Edge Restaurant

1 Close the River's Edge Restaurant immediately after Thanksgiving with re-opening for Easter. Relocate daily meal service to the Rowena's Inn and use the River's Edge Restaurant space for off-season events and catering functions.

All meal service to be relocated from Rivers Edge restaurant to Rowena's Inn effective Dec. 18, 2014. Breakfast delivery to cottages now discontinued. Strategies for package pricing of hot breakfast in development

2 On re-opening for Easter 2015, River's edge to provide lunch and dinner service only, breakfast service to remain at Rowena's Inn

Scheduled for Dec 18. Surplus furnishings scheduled to move Dec 8.

Included in 2015 seasonal planning.

Exhibit 1
Pretty Estate Resort
Schedule of Cost Containment, Operations Efficiency and Revenue Enhancement Initiatives
Related to August 2014 Operations Review, Recommendations

Initiative

Status as of Dec 5, 2014

- 4 Re-engineer the menu offerings and pricing, taking into consideration kitchen production and storage capabilities as well as competitive market pricing.

Completed for implementation effective Dec 18, 2014. current menu inventory items being depleted.

Rowena's Inn (Food & Beverage)

- 1 Transfer breakfast service to the main floor of Rowena's Inn (upper room)

Completed Dec 1, 2014

- 2 Commencing with Thanksgiving weekend, provide lunch and dinner service in Rowena's Inn (main floor living room and dining room). Menu offerings should be limited, focusing on kitchen efficiency and quality standards. Dinner service may feature a chef's table, wine tasting dinners, farm-to-table and theme dinners; which should be sold into the local market as well as being available for overnight guests.

Relocation of lunch & dinner service effective Dec 18, 2014. Menu planning complete, reassessment scheduled for Jan/Feb 2015

- 3 Afternoon tea service (individual or group) should be serviced by F&B employees

Scheduled for implementation Dec 18, 2014

Events and Catering

- 1 Audit the costing of Facility Fee components to ensure pricing reflects all inclusions
- 2 Re-evaluate listing of Facility Fee inclusions, to clarify the description and simplify the billing process.
Amend the Event/Catering contract to add/change information based on accommodation requirements, additional charges for statutory holiday labour and clean-up fees.
- 3 Neither the "Old" or the "New" Event/Catering contract guarantees pricing; events booked for December 2014 and beyond could have price adjustments if appropriate (cost increases for food & beverage products, etc.).
Eliminate the requirement for weddings to book-out all accommodation; wedding package should be changed to include the two-room suite in Rowena's Inn as the Bride & Groom's accommodation, and only include the INN rooms in the wedding block. This will allow Cottages to continue to be sold into the transient accommodation market for potentially higher rates.

Included for 2015 seasonal planning, future wedding commitments suspended pending adjustments
 Included for 2015 seasonal planning, future wedding commitments suspended pending adjustments
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 Included for 2015 seasonal planning, future wedding commitments suspended pending adjustments

Exhibit 1

Pretty Estate Resort

Schedule of Cost Containment, Operations Efficiency and Revenue Enhancement Initiatives Related to August 2014 Operations Review, Recommendations

Initiative

Status as of Dec 5, 2014

- 6 When quoting on events one year out, use current pricing with an anticipated % escalation (i.e. dinner price of \$50 plus 5%).
- 7 Implement a 'displacement analysis' approach to the decision when evaluating the acceptance of a booking (considers profitability of the function in the decision)
- 8 Explore opportunity of partnering with Harrison Hot Springs Hotel for reciprocal commissions on referrals.
- 9 Eliminate awarding Classic Reward points on catering functions

Included for 2015 seasonal planning, future wedding commitments suspended pending adjustments

Included for 2015 seasonal planning, future wedding commitments suspended pending adjustments

Contact made with Harrison Beach Resort; Harrison Hot Springs will be more difficult because of \$14,500 trade account outstanding.

Included for 2015 seasonal planning, future wedding commitments suspended pending adjustments

Food & Beverage General

- 1 The kitchen should occupy 100% of the 'domestic kitchen' in Rowena's Inn (including the atrium), to provide adequate space for preparation and production for events/catering and a la carte service; personal items should be removed and stored.

Work in Progress, implementation for Dec 18; assessing equipment requirements and status; Solarium to be re-purposed as server/bar area for Rowena's Inn Dining Room.

- 2 Basement storage areas should be cleaned and organized to provide efficient access to dry stores and tableware, glassware, and cutlery; obsolete items should be removed.
- 3 Actual food cost needs to be determined for all a la carte and catering menu items; the continued use of theoretical product costs is misleading. Regular audits of actual product cost and product yields need to be performed.
- 4 Non-employee use of the kitchen passage to River's Edge to be eliminated (especially during meal periods).
- 5 Inventory control procedures, especially related to events/catering functions need to be upgraded; including a liquor requisitioning system, opening par stocks and ending inventory counts need to be recorded to ensure that all product dispensed is recorded as sales.
- 6 Centralized storage for liquor, beer and wine products is required.
- 7 Review employee scheduling procedure in all Front of House and Back of House areas to improve labour productivity, (i.e. based on server to customer standard ratios)
- 8 Assign/schedule all FOH service staff from one F&B staff pool.

Planned for Jan/Feb 2015

Cost Management practises effective for Dec 18th menus. Catering menu costing to be determined Jan/Feb 2015.

Deferred to spring 2015 as kitchen will not be in use

Baseline inventories conducted Nov 30, 2014. Control procedures to be rolled out Jan 2015.

Work in Progress for Jan 2015 rollout

Employee performance evaluations in progress; Completed implementation of departmental schedules approval by GM / IHM personnel.

Completed, events service staff amalgamated with F&B service staff

Exhibit 1

Pretty Estate Resort

Schedule of Cost Containment, Operations Efficiency and Revenue Enhancement Initiatives Related to August 2014 Operations Review, Recommendations

Initiative

Status as of Dec 5, 2014

- Maximize the use of permitted labour scheduling tools, as defined in the Labour Standards, (short shifts, split shifts, etc.) to maximize availability of service during expected busy periods.

Scheduling practices are being reviewed weekly by GM / IHM personnel.

Rowena's Inn (Bed & Breakfast)

Inventory

- 1 Maximize the transient use of the Cottages and Gatehouse by excluding them from the wedding block.
- 2 Develop yield management practises to maximize the pricing for all rooms during high demand periods
- 3 Replace all incandescent light bulbs in guest room areas.
- 4 Establish a policy for gift certificate redemption/expiration to ensure the maximum number of rooms and cottages are available for transient use at any given time.

Included for 2015 seasonal planning, future wedding commitments suspended pending adjustments

Included for 2015 seasonal planning

Work in Progress; Energy efficient bulbs are being used for replacements.

Included in 2015 seasonal planning; issuing of gift certificates and coupons for accommodation has been suspended pending policy review.

Rooms Operations

- 1 Establish a welcome desk within the Pro Shop building to include guest check-in and out transactions as well as a central switchboard operation.
- 2 Rowena's main floor facilities need to be accessible to room guests in the evening (should not be an issue while dinner service is being offered there).
- 3 Wedding guest check- out and check-in needs to be structured to allow time for servicing guest rooms.
- 4 Daily Room inspections to identify maintenance and housekeeping deficiencies, prioritize outstanding maintenance repairs as well as upgrades as capital becomes available.
- 5 Set and maintain a standard of amenities and supplies by room type such as glassware, china cups, plates and cutlery.
- 6 Provide a single serving coffee service to the second floor sitting room for 24-hour guest room use (i.e. Nespresso)

Scheduled for completion Dec 15, 2014

Will be accessible with the relocation of dining services to Rowena's Inn.

Effective as of Dec 18, 2014

Included in 2015 seasonal planning, future contracting suspended pending adjustments

Initial inspections have identified major maintenance and deficiency issues. New Guest Services Manager to conduct some inspections daily.

New Guest Services Manager to conduct some inspections daily.

Scheduled for completion Dec 15, 2014

Exhibit 1
Pretty Estate Resort

Schedule of Cost Containment, Operations Efficiency and Revenue Enhancement Initiatives
Related to August 2014 Operations Review, Recommendations

Initiative

Status as of Dec 5, 2014

- 7 Change the included breakfast offering to a Continental Breakfast and charge extra for a la carte hot breakfast items.
- 8 Provide an incentive for guests to book rooms on-line and reduce phone time

Elimination of Cottage breakfast delivery complete. Transition of breakfast service to Rowena's dining room completed. Further adjustments considered for 2015 planning

Strategies under consideration; initiative included for 2015 planning

Technology

- 1 Only proceed with moving to iHotelier if it is supported by a proper business case.
- 2 Make use of the management tools and reporting available on WebRez.
- 3 Make use of the management tools and reporting available through Squirrel.
- 4 Make use of the management tools and reporting available through Tee On.

Consideration of iHotelier suspended

Training of Guest Services Manager and Accounting Assistant to be coordinated in Jan 2015.

Training of Dining Room Supervisor, Chef and Accounting Assistant to be coordinated in Jan 2015.

Training of Director of Golf Operations and the Accountant to be coordinated for Jan 2015.

General and Administrative

Develop and implement a "Team" culture within the department heads; break down departmental "silos" to achieve operating efficiencies available through the use of effective communication and shared resources.

In Progress, weekly management meetings and team meetings coordinated to encourage collaborative decision making and responsibilities .

- 2 Retain an experienced sales and food & beverage oriented General Manager, to monitor the delivery of premium guest experience and direct the sales strategy
- 3 Regular meetings with department managers should be convened to review monthly financial results, coordinate weekly bookings, activity, and special events (weddings and tournaments)
- 4 Establish a process for continuous budgeting and goal setting to foster collaboration and reinforce accountability
- 5 Eliminate F&B Manager position, a FOH Service Supervisor can work with the Events Coordinator and report to the General Manager.

In Progress, weekly department managers meetings commenced Nov 14th and are ongoing.

Financial Results and budget process reviewed monthly through out the fiscal year.

F&B Manager position has been eliminated effective Dec 7; reporting relationships established with Guest Services Manager and Events Coordinator.

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Exhibit 1

Pretty Estate Resort

Schedule of Cost Containment, Operations Efficiency and Revenue Enhancement Initiatives
Related to August 2014 Operations Review, Recommendations

Initiative

Status as of Dec 5, 2014

- 6 Golf sales responsibility should be aligned with the Director of Golf Operations
- 7 The Front Desk Manager position should be eliminated, with continued use of a Rooms Supervisor.
- 8 Implement automated payroll and vendor payment systems.

Director of Golf Operations to lead golf sales function.
New Guest Services Manager was in place upon arrival, work is progressing to evolve position to fill requirements
Automated payroll to commence with Dec 31 pay period cut-off. Vendor payments to evolve over Jan/Feb 2015.

Sales & Marketing

- 1 Re-assess sales and marketing strategy, focus on message targeting audiences for each of the resorts amenities.

Several meetings with the Marketing contractor have occurred to this end. New processes (such as purchase order system) allowing for closer oversight of ongoing expenses are in place.

- 2 Create/distribute off season promotions for loyalty program members and local residents (Agassiz, Harrison Mills, Harrison Hot Springs, Chilliwack, Mission) for participation in resort F&B activities (Chef Tables, Wine Dinners, etc.)
- 3 Reassess pricing strategies for guest rooms, event/catering, and food & beverage offerings

F&B activity promotions will commence with the relocation of dining services to Rowena's Inn December 18th.

Ongoing initiative; pricing strategies are being assessed and altered at every opportunity.

Property Operations and Maintenance

- 1 Landscaping and Maintenance Program should be amalgamated under the direction of the Golf Course Superintendent.

Amalgamation in progress; Course Superintendent has the lead for 2015 landscaping program.

- 2 Review employee scheduling procedure in all Front of House and Back of House areas to improve labour productivity.

Department managers have evaluated current employees and availability and weekly schedules are being reviewed by the General Manager.

- 3 Reduce off-season golf course and other maintenance to reflect reduced operations

Golf course and other maintenance reduced to necessary practices only.

- 4 Relocate fuel storage to maintenance yard and institute access controls

Fuel storage locks have been changed, access controls in place, operational access program to be developed in Jan 2015. Relocation of storage to be investigated as per environmental practices.

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Exhibit 1

Pretty Estate Resort

Schedule of Cost Containment, Operations Efficiency and Revenue Enhancement Initiatives
Related to August 2014 Operations Review, Recommendations

Initiative

Status as of Dec 5, 2014

Internal Control Procedures

- 1 Provide and review monthly financial statements with Department Managers to set short term objectives
- 2 Develop an appropriate purchase order authorization system
- 3 Develop purchasing and inventory control procedures for the purchasing, receiving, storage, issue, and use of food products.
- 4 Develop purchasing and inventory control procedures for the purchase, receiving, storage, issue, recovery, and recording of sales for alcoholic beverages.
- 5 Develop inventory control procedure for storage and issuing petroleum products as well as turf & grass chemicals.

To commence with availability of November financials

Purchase Order system was established Nov 17, 2014

Purchase Order system in place, subsequent food product handling policies review and practice is ongoing.

Purchase Order system in place, subsequent alcoholic product handling policies review and practice is ongoing.

Purchase Order system in place, subsequent product handling policies review and practice is ongoing.

General Risks

- 1 Compliance with Food Safe regulations needs to be documented.
- 2 Compliance with Liquor Licensing regulation issues need to be addressed
- 3 Potential environmental contamination from petroleum storage tanks and turf chemicals needs to be monitored

Exhibit 2.0

Pretty Estate Resort Ltd.
Preliminary Statement of Monthly Cash Flow from Operations
for the Month Ended November 30, 2014

	Nov 2014 Projection	Nov 2014 Actual	Nov 2014 Variance
Rooms Occupied	158	148	(10)
Average Room Rate	\$ 188.10	\$ 180.47	-\$ 7.63
			0
Golf Rounds Played	550	451	(99)
Golf Average Realization	\$ 20.00	\$ 19.48	-\$ 0.52
Earnings (Loss) Before Interest, Taxes, Depreciation, and Amortization	(33,762)	(35,400)	(1,639)
Cash Flow Adjustments			
Change Accounts Receivable	1,022	4,125	3,103
Change in Inventory	1,554	11,149	9,595
Change in Prepaid Insurance (P, C, BI)	2,322	2,813	491
Change in Prepaid Insurance (Auto)	200	-	(200)
Change in Prepaid Property Tax	3,846	3,693	(153)
Change in General Accounts Payable	(20,329)	16,259	36,587
Change in Current Crown Claims	(47,362)	(38,225)	9,136
Change in Customer Deposits	(4,850)	10,216	15,066
Change in Delinquent Crown Claims	(15,000)	(15,000)	0
Adjusted Cash Flow from Operations	(78,596)	(4,971)	73,625
	(112,358)	(40,372)	71,986
Non-Operating Cash Flow items			
Capital Replacements	(10,000)	-	10,000
Envision Financial LOC Interest	(1,174)	(1,151)	23
Envision Financial LOC Advance (Repayment)	-	(8,415)	(8,415)
Envision Financial - Loan Interest	(6,387)	(6,507)	(120)
Envision Financial - Loan Principal Payment			0
Equipment Lease Payments	(5,061)	(553)	4,508
Car Loan Payments	(1,875)	(1,602)	273
2nd Mortgage Interest	(6,116)	(6,223)	(107)
DIP Commitment Fee		(14,500)	(14,500)
DIP Financing Interest		(523)	(523)
	(30,613)	(39,474)	(8,860)
Restructuring Costs			
Restructuring Legal	30,000	52,150	
Appraisal	10,000		
Operations Restructuring / Management	25,000	9,360	
CCAA Monitor	7,500	6,039	
	72,500	67,548	(4,952)
Cash Flow Surplus (Deficiency)	(215,471)	(147,394)	68,078
Cash Balance			
Beginning Cash Balance (RBC Accounts)	81,845	37,841	(44,004)
DIP Financing Advanced	133,626	184,500	50,874
Ending Cash Balance (RBC Accounts)	(0)	74,947	74,948

Exhibit 2.1

Pretty Estate Resort Ltd.
Preliminary Summary Operating Statement
for the Month Ended November 30, 2014

	Nov 2014 Projection	Nov 2014 Actual	Nov 2014 Variance		
Rooms Available:	270	270	-		
Rooms Sold:	158	148	(10)		
Occupancy:	58.5%	54.8%	-3.7%		
ADR:	\$ 188.10	\$ 180.47	-\$ 7.63		
Rooms RevPAR:	\$ 110.07	\$ 98.93	-\$ 11.15		
Golf Rounds Played	550	451	(99)		
Average Green Fee Realized	\$ 20.00	\$ 19.48	-\$ 0.52		
	\$	\$	\$	%	%
Operating Revenue					
Rooms	29,720	26,710	(3,010)	29.1%	24.5%
Food and Beverage	50,181	65,779	15,598	49.1%	60.3%
Golf and Pro Shop	21,315	16,675	(4,640)	20.9%	15.3%
Other Operated Departments			0	0.0%	0.0%
Miscellaneous Income	1,000		(1,000)	1.0%	0.0%
Total Operating Revenue	102,216	109,164	6,948	100.0%	100.0%
Departmental Expenses					
Rooms	8,429	14,191	5,762	28.4%	53.1%
Food and Beverage	46,997	65,009	18,012	93.7%	98.8%
Golf and Pro Shop	25,052	25,086	33	117.5%	150.4%
Other Operated Departments			0	#DIV/0!	#DIV/0!
Total Departmental Expenses	80,478	104,285	23,807	78.7%	95.5%
Total Departmental Profit	21,738	4,879	16,859	21.3%	4.5%
Undistributed Operating Expenses					
Administrative and General	24,864	25,212	348	24.3%	23.1%
Information and Telecommunications Systems	2,652	2,365	(287)	2.6%	2.2%
Sales and Marketing	9,285	6,574	(2,711)	9.1%	6.0%
Property Operation and Maintenance	7,474	5,669	(1,805)	7.3%	5.2%
Utilities	4,983	2,293	(2,691)	4.9%	2.1%
Total Undistributed Expenses	49,258	42,114	7,144	48.2%	38.6%
Gross Operating Profit	(27,520)	(37,235)	(9,715)	(26.9%)	(34.1%)
Income Before Non-Operating Income and Expenses	(27,520)	(37,235)	(9,715)	(26.9%)	(34.1%)
Non-Operating Income and Expenses					
Income	500	8,609	8,109	0.5%	7.9%
Rent	-	-	0	0.0%	0.0%
Property and Other Taxes	3,846	3,693	(154)	3.8%	3.4%
Insurance	2,895	3,082	187	2.8%	2.8%
Other	-	-	0	0.0%	0.0%
Total Non-Operating Income and Expenses	6,242	(1,835)	(8,076)	6.1%	-1.7%
Earnings (Loss) Before Interest, Taxes, Depreciation, and Amortization	(33,762)	(35,400)	(1,639)	(33.0%)	(32.4%)
Interest					
Envision	7,561	7,658	97		
2nd Mortgage	6,616	6,223	(393)		
DIP Financing		15,023	15,023		
Restructuring Costs	14,177	28,903	14,726		
Legal	30,000	52,150	22,150		
Appraisal	10,000		(10,000)		
Monitor	7,500	6,039	(1,461)		
Management	25,000	9,360	(15,640)		
Depreciation & Amortization	72,500	67,548	(4,952)		
Income Taxes					
Net income (Loss)	(120,439)	(131,852)	(11,413)		

Appendix "C"

**Forecasted cash flows for the period November 1, 2014 to December 19, 2014
(summary version)**

RESTRICTED INFORMATION

Pretty Estate Resort Ltd.
CCAA Cash Flow Forecast (note 1)
for the 7 Week Period Ending December 19, 2014

2014-2015 Financial Forecast	Nov 1-7 2014	Nov 8-14 2014	Nov 15-21 2014	Nov 22-28 2014	Nov 29-Dec 5 2014	Dec 6-12 2014	Dec 13-19 2014	TOTAL
Rooms Occupied	40	40	32	32	41	43	43	271
Average Room Rate	\$ 188.10	\$ 188.10	\$ 188.10	\$ 188.10	\$ 203.95	\$ 210.29	\$ 210.29	\$ 196.70
Golf Rounds Played	138	138	110	110	85	50	50	681
Golf Average Realization	\$ 31.00	\$ 31.00	\$ 31.00	\$ 31.00	\$ 23.14	\$ 20.00	\$ 20.00	\$ 26.73
Forecasted EBITDA (Note 2)	(8,441)	(8,441)	(6,752)	(6,752)	(6,353)	(4,961)	(4,961)	(46,661)
Cash Flow Adjustments (Note 3 (a))								
Change Accounts Receivable	256	256	204	204	284	303	303	1,809
Change in Inventory	389	389	311	311	240	141	141	1,921
Change in Prepaid Insurance (P, C, B)					2,322			2,322
Change in Prepaid Property Tax					200			200
Change in General Accounts Payable					3,846			3,846
Change in Current Crown Claims (Note 3 (b))	(22,467)	12,303	(21,451)	13,319	(21,361)	18,349	(15,617)	(36,925)
Change in Customer Deposits (Note 3 (c))	5,456	5,456	(17,460)	4,364	(42,380)	5,996	(15,826)	(54,394)
Change in Delinquent Crown Claims (Note 3 (d))	(1,213)	(1,213)	(970)	(970)	(815)	(550)	(550)	(6,280)
Adjusted Cash Flow from Operations	(17,580)	17,190	(39,365)	17,229	(72,664)	24,239	(31,549)	(102,500)
	(26,021)	8,749	(46,117)	10,477	(79,017)	19,278	(36,510)	(149,161)
Non-Operating Cash Flow Items (Notes 4, 5 & 6)								
Capital Replacements		(4,000)	(1,000)	(5,000)				(10,000)
Envision Financial LOC Interest					(1,174)			(1,174)
Envision Financial LOC Advance (Repayment)								
Envision Financial - Loan Interest					(6,387)			(6,387)
Envision Financial - Loan Principal Payment								
Equipment Lease Payments	(5,061)				(654)			(5,715)
Car Loan Payments	(1,875)				(1,875)			(3,750)
2nd Mortgage Payments					(6,116)			(6,116)
Professional Fees (Note 7)	(6,936)	(4,000)	(1,000)	(5,000)	(16,206)			(33,142)
Restructuring Legal	15,000	15,000				7,500		37,500
Appraisal		10,000						10,000
Operations Restructuring / Management	25,000					28,000		53,000
CCAA Monitor	7,500					13,000		20,500
Cash Flow Surplus (Deficiency)	(80,457)	(20,251)	(47,117)	5,477	(95,223)	(29,222)	(36,510)	(303,303)
Cash Balance								
Beginning Cash Balance (RBC Accounts)	81,845	1,388	(18,864)	(65,981)	(60,504)	(155,727)	(184,948)	81,845
Additional Funding Required								
Ending Cash Balance (RBC Accounts)	1,388	(18,864)	(65,981)	(60,504)	(155,727)	(184,948)	(221,458)	(221,458)

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Appendix "D"

**Forecasted cash flows for the period November 1, 2014 to October 31, 2015
(summary version)**

Pretty Estate Resort Ltd.
Revised Projection for Monthly Cash Flow from Operations
for the 12 Month Period Ending October 31, 2015

2014-2015 Financial Forecast

	Nov 2014	Dec 2014	Jan 2015	Feb 2015	Mar 2015	Apr 2015	May 2015	June 2015	July 2015	Aug 2015	Sept 2015	Oct 2015	Total
Rooms Occupied	158	170	148	128	168	145	178	188	206	206	198	168	2,061
Average Room Rate	\$ 188.10	\$ 210.29	\$ 193.72	\$ 188.05	\$ 191.79	\$ 194.59	\$ 204.66	\$ 216.70	\$ 217.14	\$ 217.14	\$ 204.19	\$ 198.21	\$ 203.30
Golf Rounds Played	550	200	250	300	900	1,450	2,500	2,700	3,750	4,300	2,400	2,050	21,350
Golf Average Realization	\$ 20.00	\$ 20.00	\$ 20.00	\$ 20.00	\$ 25.00	\$ 25.00	\$ 28.00	\$ 35.00	\$ 35.00	\$ 35.00	\$ 32.00	\$ 31.00	\$ 31.00
Forecasted EBITDA (Note 2)	(33,762)	(19,845)	(44,700)	(44,386)	(16,238)	(19,829)	59,957	92,130	181,886	214,089	79,166	54,279	502,747
Cash Flow Adjustments (Note 3 (a))													
Change Accounts Receivable	1,022	1,211	825	854	580	964	(4,504)	(5,313)	2,369	5,328	1,709	1,299	6,444
Change in Inventory	1,554	565	706	848	(17,458)	(10,904)	(7,938)	7,628	10,891	12,148	5,780	5,791	10,611
Change in Prepaid Insurance (P. C. Bi)	2,322	2,322	2,322	2,322	2,322	2,322	2,322	(26,877)	2,438	2,438	2,438	2,438	(870)
Change in Prepaid Insurance (Auto)	200	-	-	-	-	-	-	-	-	-	-	-	200
Change in Prepaid Property Tax	3,846	3,846	4,039	4,039	4,039	4,039	4,039	(44,427)	4,039	4,039	4,039	4,039	(385)
Change in General Accounts Payable	(20,329)	5,464	(6,918)	(237)	26,964	10,271	8,082	(9,284)	20,638	9,660	(27,241)	(11,296)	5,774
Change in Current Crown Claims (Note 3 (8))	(47,362)	2,163	(3,780)	(551)	5,804	8,963	9,301	4,796	9,701	4,808	(14,567)	(11,781)	(32,506)
Change in Customer Deposits (Note 3 (c))	(4,850)	(2,200)	(1,000)	(1,720)	(1,950)	(4,300)	(5,130)	(11,800)	(16,273)	(23,600)	(3,210)	-	(76,033)
Change in Delinquent/Crown Claims (Note 3 (d))	(15,000)	(15,000)	(12,000)	(11,561)	-	-	-	-	-	-	-	-	(53,561)
Adjusted Cash Flow from Operations	(78,596)	(1,629)	(15,806)	(6,006)	20,402	11,355	6,172	(85,278)	33,803	14,820	(30,052)	(9,511)	(140,325)
	(112,358)	(21,475)	(60,506)	(50,392)	4,164	(8,474)	66,129	6,852	215,689	228,910	49,114	44,768	362,422

Non-Operating Cash Flow Items (Notes 4, 5 & 6)

Capital Replacements	(10,000)	-	-	-	-	(9,000)	(20,000)	(16,000)	(10,000)	-	-	-	(65,000)
Envision Financial LOC Interest	(1,174)	(1,174)	(1,174)	(1,174)	(1,174)	(1,174)	(1,174)	(1,174)	(1,174)	(1,174)	(1,174)	(1,174)	(14,087)
Envision Financial LOC Advance (Repayment)	-	-	-	-	-	-	-	-	-	-	-	-	-
Envision Financial - Loan Interest	(6,387)	(6,387)	(6,387)	(6,387)	(6,387)	(6,387)	(6,387)	(6,387)	(6,387)	(6,387)	(6,387)	(6,387)	(76,641)
Envision Financial - Loan Principal Payment	-	-	-	-	-	-	-	-	-	-	-	-	-
Equipment Lease Payments	(5,061)	(654)	(654)	(654)	(654)	(654)	(4,240)	(8,647)	(8,647)	(8,647)	(8,647)	(8,647)	(55,807)
Car Loan Payments	(1,875)	(1,875)	(3,140)	(1,208)	(1,208)	(1,208)	(1,208)	(1,208)	(1,208)	(1,208)	(1,208)	(1,208)	(17,760)
2nd Mortgage Payments	(6,116)	(6,116)	(6,116)	(6,116)	(6,116)	(6,116)	(6,116)	(6,116)	(6,116)	(6,116)	(6,116)	(6,116)	(73,394)
Professional Fees (Note 7)	(30,613)	(16,206)	(17,471)	(15,539)	(15,539)	(24,539)	(39,124)	(39,531)	(33,531)	(23,531)	(23,531)	(23,531)	(302,688)
Restructuring Legal	30,000	7,500	7,500	7,500	7,500	15,000	3,000	3,000	3,000	3,000	3,000	3,000	93,000
Appraisal	10,000	-	-	-	-	-	-	-	-	-	-	-	10,000
Operations Restructuring / Management	25,000	28,000	23,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	238,000
CCAA Monitor	7,500	13,000	3,200	3,200	3,200	3,200	13,000	5,400	5,400	5,400	5,400	5,400	73,300
Cash Flow Surplus (Deficiency)	(215,471)	(86,181)	(111,677)	(94,630)	(40,075)	(69,212)	(6,995)	(59,080)	155,757	178,978	(817)	(5,164)	(354,566)

Cash Balance

Beginning Cash Balance (RBC Accounts)	81,845	(133,626)	(219,808)	(331,485)	(426,115)	(466,190)	(535,402)	(542,397)	(601,476)	(445,719)	(266,741)	(267,558)	81,845
Additional Funding Required	-	-	-	-	-	-	-	-	-	-	-	-	-
Ending Cash Balance (RBC Accounts)	(133,626)	(219,808)	(331,485)	(426,115)	(466,190)	(535,402)	(542,397)	(601,476)	(445,719)	(266,741)	(267,558)	(272,722)	(272,722)

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

MONITOR'S FIRST REPORT TO COURT



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