



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 SECOND REPORT TO COURT

JANUARY 30, 2015



PRETTY ESTATES LTD.
MONITOR'S SECOND REPORT TO COURT
JANUARY 30, 2015

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PRETTY ESTATES LTD.

MONITOR'S SECOND REPORT TO COURT

JANUARY 30, 2015

BACKGROUND AND PURPOSE 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**"). G. Powroznik Group Inc. of G-Force Group was appointed as Monitor in the CCAA proceeding (the "**Monitor**"). The date of the Comeback Hearing was set for Wednesday, December 10, 2014.
2. On December 10, 2014, the Comeback Hearing was adjourned by consent until December 15, 2014. At the Comeback Hearing the Court made an order (the "**December 15 Order**") authorizing an extension of the stay of proceedings to April 30, 2015. Also, the Company received authorization for further advances under the DIP Facility up to a maximum of \$750,000 ("**DIP Financing**"). The Monitor has posted a copy of the December 15 Order to its website dedicated to the CCAA proceeding.
3. Also pursuant to the December 15 Order, at the request of the secured creditors, the Monitor was ordered to file, by the last day of each month commencing in January 2015, a written report with the Court, with a copy to the secured creditors, outlining the progress being made by the Company with respect to its restructuring efforts. Accordingly, this report represents the Second Report ("**Second Report**") of the Monitor with respect to the CCAA filing of the Company.
4. This Second Report should be read in conjunction with the Monitor's Preliminary Report dated November 5, 2014 ("**Preliminary Report**") and the Monitor's First Report dated December 5, 2014 ("**First Report**"). For reference, the summary version of the Company's statement of projected cash flows consisting of the period November 1, 2014 to October 31, 2015 (the "**Cash Flow Statement**") was included as Appendix "D" to the First Report.
5. The purposes of this report are to provide this Honourable Court with:
 - a) an update on the Monitor's activities since the First Report was issued;
 - b) an update on the actual financial performance of the Company during the restructuring and particularly during the period ending December 2014;
 - c) a summary of key operating performance indicators over the two-month period of operations under the CCAA;

- d) an update on the operations improvements and cost containment measures implemented at the Resort by IHM since the First Report was issued; and
 - e) an update on the Company's progress with respect to its restructuring plan, and commentary on next steps leading to the next Court hearing which will occur on or before April 30, 2015.
6. In preparing this report, the Monitor has maintained discussions with the Company, its legal counsel Lawson Lundell LLP ("**Lawson**"), IHM, the Company's second mortgagee and third parties potentially interested in participating with the Company's restructuring plan. The Monitor was given access to information relating to the operations of the Company including financial and operations information.

MONITOR'S ACTIVITIES

7. The following is a summary, without limitation, of the Monitor's activities since the First Report was submitted:
- a) maintained contact with the Company's second mortgagee and DIP lender, Mr. James Young, to update him on the status of CCAA proceedings and respond to his queries. The Monitor also met at its office with Mr. Young on January 26, 2015 to discuss the status of the proceeding and to answer Mr. Young's questions;
 - b) attempted to contact the first mortgagee to provide an update but was unable to connect prior to the issuance of this report;
 - c) maintained regular correspondence with the Company's legal counsel, Lawson, and IHM to obtain ongoing updates on the Company's restructuring activities, and current events at the Resort and the status of operations improvements and financial performance;
 - d) reviewed financial and operational reports from IHM for the month ending December 31, 2014, and considered this information in connection with Cash Flow Statement, and the Company's current position with respect to the DIP Financing;
 - e) continued to discuss with the Company, and its legal counsel, its restructuring plans; and
 - f) began to identify additional potential candidates for assisting the Company in its restructuring plan.

STATUS OF OPERATIONS IMPROVEMENTS AND COST CONTAINMENT MEASURES

8. Included as **Appendix "A"** to this Report is the IHM Operations and Cash Flow Report for December 2014 including the following exhibits: Exhibit 1 - Status of Operations Initiatives; Exhibit 2.0 - Monthly Cash Flow - December 2014; and Exhibit 2.1 - Summary Operating Statement - December 2014 (collectively, the "**IHM December Report**").
9. In summary, the IHM December Report contains details on the Resort's financial performance for the month of December 2014, as well as for the 2 months ending December 31, 2014, including its actual performance compared to projected cash flows to December 31, 2014, and status of borrowings under the DIP Financing. 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.
10. The Monitor has reviewed the IHM December Report and has discussed it with IHM and the Company's legal counsel. The Monitor recommends that stakeholders review the IHM December Report as it contains a significant amount of information about the Resort's operations since the commencement of the CCAA to December 31, 2014 and also for January 2015.
11. IHM has made advancements in several key operations areas in its management of the Resort, and reports that significant progress has been achieved in the following areas:
 - relocation of the food & beverage service to the dining room and lower drawing room of Rowena's Inn;
 - realignment of food service menus;
 - relocation of the guest reception to the golf pro shop;
 - a review of the monthly financial statements with department managers;
 - a daily departmental labour cost analysis;
 - modifications to the wedding and event contract; and
 - changes to the Resort's financial reporting systems.
12. The Monitor is satisfied that IHM has completed a significant number of its planned operations improvements since it took over management of the Resort, and that it continues to implement improvements consistent with its plan. The Monitor recognizes that it was initially anticipated that IHM would be appointed in September 2014 and that it needed time to implement a number of the more significant initiatives prior to the Christmas period which is traditionally a higher-revenue generating season. Unfortunately, as a result of delays in IHM's appointment and the filing of the CCAA, the initiatives that required significant operational changes were mostly completed in the second half of December subsequent to most of the Christmas season functions. Consequently, revenue initiatives anticipated to enhance the Christmas season could not be implemented in time and December's financial results were not as favourable as initially budgeted. A summary of the Resort's December 2014 financial results follows.

COMPANY'S FINANCIAL RESULTS - DECEMBER 2014 AND TWO MONTHS TO DECEMBER 31, 2014

13. As part of its review of the IHM December Report, the Monitor has reviewed the Resort's actual to budgeted cash flows and operating (income) statements, both for the month of December 2014 and for the two month period ending December 31, 2014.
14. The IHM December Report summarizes the variances in actual results compared to the projections included in the Cash Flow Statement. For the two month period ending December 31, 2014, the Resort's actual earnings before interest, taxes, depreciation and amortization ("EBITDA") are approximately \$46,000 less than budgeted EBITDA. A majority of the unfavourable variance results from the fact the Resort's actual revenues in December 2014 were \$43,000 lower than budget.
15. IHM reports that revenues recorded for December 2014 were below projected levels largely as a result of it having inadequate time to implement revenue enhancement initiatives prior to the Christmas function season. The Monitor understands that in the hospitality industry, a lead time of many weeks or months is required to implement operational plans and initiatives in advance of major functions or high revenue periods. Whereas IHM had initially expected to commence its assignment as Resort manager in September 2014, it was not retained until some two months later and commenced its role on November 10, 2014, only five weeks before the Christmas season.
16. IHM informs the Monitor that it remains cautiously optimistic the Resort can still meet its overall budgeted targets for the year ended October 31, 2015 now that many of the operations initiatives and improvements have been successfully implemented. The Monitor's opinion is that, in the hospitality industry, initiatives of this nature take several months to gain traction and operating/financial results will take a similar length of time before the significant improvement in operating results can be fully achieved.
17. The Monitor is of the opinion that the negative financial variances experienced for the period ending December 31, 2014 do not represent a material adverse change in the Company's projected Cash Flow Statement at this time. The Monitor's view is that although December 2014 results did not meet budgeted targets, the financial performance of the Resort has to be viewed in a broader scale over a period of more than one month. We expect that since IHM has already made progress on many of its planning operations improvements, that some of the operating gains not achieved during December 2014 can be picked up later in 2015. Early results for January appear much better when compared to budget relative to December's results.
18. Although IHM's actual EBITDA results for the two months ended December 31, 2014 are lower than its targeted levels by \$46,000, there were in fact higher by \$97,000 than for the same period a year earlier. Further, the forecast EBITDA for January 2015 is \$25,000 higher than for the prior year's results.
19. The Monitor respectfully submits that a period of at least one financial quarter in 2015 (i.e. three months) should be assessed, including a period that covers at least part of the

early golf season, before it will be possible to determine a clear trend from the significant restructuring activities.

STATUS OF BORROWINGS/DIP FINANCING

20. As outlined in the IHM December Report, as at December 31, 2014, the Company had drawn \$284,152 on account of the DIP Financing. This is approximately \$64,300 more than the \$219,800 borrowing position as at December 31 as projected in the Company's Cash Flow Statement. Additionally, at the time of writing this Second Report, the Company has received advances totaling \$459,152 under the DIP Financing. This is \$127,700 more than the \$331,485 projected borrowing position in the Company's Cash Flow Statement as at the end of January 2015. However, the amount of the DIP Financing requirement currently set at \$750,000 was increased from \$600,000 which was what was in IHM's operating budget for the year ending October 31, 2015. The higher levels took into account the expected higher professional costs and continued deterioration of the Company's operations during the delays in originally filing the CCAA and in engaging IHM to improve the operating performance. IHM's budget was not adjusted for these expected additional costs or DIP Financing levels.
21. The IHM report summarizes the reasons why an additional \$127,700 in DIP Financing has been required to date which was more than offset with the \$150,000 higher DIP Financing that was approved. The most significant areas of unfavourable budget variances are:
 - a \$47,000 unfavourable variance in the Resort's EBITDA to December 31, 2014;
 - higher-than-expected legal fees of the Company's legal counsel (\$43,000 over budget to December 31, 2014) and higher Monitor's fees (\$16,000 over budget to December 31, 2014); and
 - the opening cash balance at the time IHM commenced management of the Resort was \$44,000 lower than the opening cash balance for November 1, 2014 that IHM had projected as part of its initial operations review.
22. With respect to professional fees, the Monitor's fees are higher than projected as additional efforts were required to produce its Preliminary Report well as its First Report in order to ensure the secured creditors were supportive of the restructuring. Also, the Monitor had several discussions/correspondence with the secured creditors, particularly Mr. Young, to explain the restructuring process and how it could benefit the stakeholders. The Monitor also reports that its monthly fees for the next several months will be higher than initially budgeted due to the additional monthly reporting requirement included in the December 15 Order.
23. The Monitor understands that the Company's legal counsel, Lawson, has higher-than-expected fees for the period ending December 31, 2014 as it has spent more time than initially planned in responding to concerns raised by the secured creditors with respect to the operations and the Comeback Hearing. Lawson has indicated that it has significantly

curtailed its activity on this matter since December and hopes to minimize its activity until the next planned Court application in April 2015.

RESTRUCTURING PLAN AND NEXT STEPS

24. The Monitor has discussed the primary objectives of the Company's restructuring plan with its principal, Ms. Betty-Ann Faulkner and also with IHM in order to have a clear view of the key elements that need to be addressed. The restructuring plan can include continued restructuring of operations, a refinancing, a sale or partial sale or some combination of these elements. The restructuring and performance improvement activities with IHM are well underway.
25. The Monitor has also discussed the existing prospects and a process to find additional prospects to potentially participate in the restructuring plan with the Company, IHM and RDR. RDR is an independent mortgage broker referred to in the Monitor's First Report who is very familiar with the Company's assets and similar restructurings in this industry. The Company has asked the Monitor to begin discussions with some of the identified prospects to determine if they are willing to participate in a restructuring plan, which we will begin to do so in early February.
26. IHM and the Company continue to be optimistic that the Resort's financial results can be improved and that results will be in line with the overall projections presented in the Cash Flow Statement for the 12 months ending October 31, 2015. The Monitor will continue to closely observe the Resort's financial statements leading up to the next planned Court hearing in April 2015.
27. The Monitor continues to be of the opinion that the Company has acted, and is acting, in good faith and with due diligence during the restructuring process.
28. The Monitor will submit its next report to this Honourable Court no later than February 27, 2015.

All of which is respectfully submitted this 30th day of January, 2015.

**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"

IHM Operations and Cash Flow Report for December 2014 (including exhibits)



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: January 26, 2014
Re: Pretty Estate Resort – Operations and Cash Flow Report, December 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 January 26, 2015; all initiatives have been actioned and highlighted initiatives indicate areas of significant advancement.

Initially it was anticipated that IHM would be engaged to manage the operations at the Resort in September of 2014; to allow sufficient time to implement a number of the more significant initiatives prior to the Christmas function season. Unfortunately, as a result of delays in our appointment; unforeseen delays in implementing those initiatives that required significant operational changes were incurred. Most of the initiatives were not implemented until the last half of December, subsequent to most of the Christmas season functions; and revenue initiatives anticipated to enhance the Christmas season revenues were not realized.

Unfavorable weather conditions also reduced the number of golf play days available in December to 18; and in the first three weeks of January only 12 golf play days have been available.

As of the third week of January 2015, we advise that progress has been made on a significant number of the initiatives, most importantly we completed/implemented:

- the relocation of the food & beverage service to the dining room and lower drawing room of Rowena's Inn;
- realignment of food service menus;
- the relocation of the guest reception to the golf pro shop;
- a review of the monthly financial statements with department managers;
- a daily departmental labour cost analysis;
- modifications to the wedding and event contract; and

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- changes to the financial reporting systems.

We continue to communicate 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.

For Christmas, approximately \$19,500 in golf related gift certificates and prepaid golf cards were sold, a positive indication that patrons generally are not concerned with the CCAA restructuring process. At this time the gift certificates sold have been recorded as a current liability and will be converted to revenue at the time the gift certificates are presented for redemption. In addition we have successfully retained a small number of wedding function/event who considered cancelation as a result of the publication of the CCAA application.

The initiative to automate payroll processing has been delayed as a result of the January 7, 2015 decision by Envision Financial to not provide this service to the Resort, we are investigating the use of EFT services with the Royal Bank of Canada.

Operating Earnings (Loss) for the Month Ended December 31, 2014

In respect of the financial performance of the Resort, we attach a Statement of Monthly Cash Flow from Operations (Exhibit 2.0) and a Summary Operating Statement (Exhibit 2.1) for the period ended December 31, 2014, and provide the following discussion thereon.

Revenues recorded for December 2014 were below projected levels largely as a result of inadequate time to implement revenue enhancement initiatives prior to the Christmas function season.

The Earnings (Loss) before Interest Taxes Depreciation and Amortization "EBITDA") for the month of December 2014 was (62,500); (\$42,700) worse than the projected EBITDA of (\$19,800). Total operating revenues of \$78,000 were recorded in the month, \$43,000 less than the operating revenue projected.

By comparison the EBITDA reported for the month of December 2013 was (\$75,000), (\$13,000) worse than the EBITDA reported for December 2014.

Room department revenue for December was \$24,200 approximately (\$11,500) 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 \$178.75, approximately (\$31.55) worse than the projection of \$210.29.

Food & Beverage department revenues for December were \$39,400, approximately (\$28,300) less than the projected levels.

Golf department revenues for December were \$14,500, approximately (\$2,000) less than the golf revenues projected; 163 rounds of golf were recorded, (37) less than projected; the average green fee realized was \$15.75, (\$4.25) less than \$20.00 green fee projected.

Non-Operating Income for December was \$550, all in respect of rental revenue and approximately equal to the amounts projected.



Total labour costs for the month were \$83,757, \$4,145 more than the projected labour costs of \$79,612. Labour costs represented 107.2% of total revenues.

Overall an operating earnings (loss) of (\$62,500) was recorded for the month of December 2014, (\$42,700) worse than the projected earnings (loss) for the month of (\$19,800).

On a year to date basis (2 months to December 31, 2014), EBITDA of (\$100,000) has been reported; (\$46,000) worse than the projected EBITDA of (\$54,000). Total operating revenues of \$188,000 were recorded in the period, (\$35,000) less than the operating revenue projected.

By comparison the EBITDA reported for the 2 months ended December 31, 2013 was (\$197,000), (\$97,000) worse than the EBITDA reported for 2 months ended December 31, 2014.

January 2015

According to the revenue and labour cost tracking systems we installed at the Resort, as of January 26, 2015; the Resort is reporting an actual revenue to projection shortfall in the range of (\$12,000) for the month and an actual labour cost to projection savings in the range of \$2,000.

For January 2015 we projected EBITDA of (\$45,000); at this time we anticipate a negative actual EBITDA to projection variance in the range of (\$10,000) for a revised forecasted EBITDA of (\$55,000); the forecast to projection variance is significant less than the negative EBITDA variance of (\$42,000) realized in December 2014, and the forecasted EBITDA is significantly better than the EBITDA of (\$80,000) reported for January 2014..

As previously noted, delays were encountered in implementing the cost containment, operations efficiency, and revenue enhancement initiatives, until the last ½ of December 2014. The majority of those initiatives have now been actioned and monetary benefits are beginning to materialize. We are of the view that with the initial initiatives implemented the financial projections for the balance of the year ending October 31, 2015 are fully achievable.

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 December 2014 was (\$62,500).

The cash flow surplus (deficiency) from operations for December 2014 was approximately (\$53,000), and consider all of the changes in the working capital accounts for the Resort. Overall, an unfavorable cash flow variance of (\$31,500) was realized, when compared against the projected working capital impacts.

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 costs. For the month of December 2014 a cash flow deficiency of (\$151,000) was incurred, (\$65,000) worse than the projected cash flow deficiency of (\$86,000).



On a year to date basis (2 months to December 31, 2014), a cash flow deficiency of (\$249,000) has been incurred \$52,000 better than the projected cash flow deficiency of (\$301,000).

DIP Financing

As at December 31, 2014 DIP Financing totaling \$284,152.38 had been advanced, approximately \$64,000 more than the \$219,800 projected. Also at December 31, 2014, cash balances of \$72,900 were available in the Royal Bank of Canada accounts, \$72,900 more than the zero cash balances projected.

As at January 23, 2015 DIP Financing totaling \$459,152 had been advanced, \$128,000 more than the \$331,485 projected for the end of January 2015. The additional \$127,700 in DIP Financing has been required as a result of a number of actual to projected cash flow variances, including:

	\$
DIP Financing Costs	17,000
Additional Legal Costs	43,000
Additional Monitoring costs	16,000
Unfavorable Variance in beginning cash balance	44,000
Unfavorable variance in period to date EBITDA	46,000
New Wedding Booking Deposits	(21,000)
New Gift Certificates	(19,000)
Rounding	<u>2,000</u>
	<u>127,000</u>

DIP Financing costs were not specifically included in the monthly cash flow projections, but were included in the total DIP Funding application made in November 2014. Originally the DIP Funding request for \$725,000 included the maximum operating funds projected were \$600,000 plus DIP Financing and related costs.

It is unlikely that the additional legal and monitoring costs totaling \$59,000 will be recovered over the projection period.

The new wedding booking and new gift certificate deposits will be converted to revenue over the projection period.

Please see our comments in respect of the projected cash flow for the year ending October 31, 2015.

Management Compensation

One of the secured creditors requested details related to compensation levels for department managers at the Resort. We report that base compensation for individual department managers is in the range of \$50,000 to \$60,000 per annum. These base compensation levels are at the lower end of market ranges experienced in the industry.



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.

Delays were encountered in implementing some of the revenue enhancement, operations efficiency, and cost control initiatives through the Christmas function season. The majority of the cost containment initiatives are now in place along with monitoring tools to report on departmental manager performance.

Revenue enhancement programs are being implemented to increase business volumes and increase the average spend of individual patrons. However, especially on the golf side of the business, continued unfavorable weather conditions may continue to eliminate golf play days.

Based on the operating performance achieved in the 11 weeks since November 10, 2014, and the expected financial impacts of the operational changes and revenue enhancement initiatives being introduced, we remain cautiously optimistic 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.

Conclusion

The foregoing represents our report on the operations and cash flow for the Resort for December 2014 and the two months then ended.

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

Initiative

Status as of January 25, 2015

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

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.

Wedding package has been updated to reflect new menu prices, calculation of the resort fee per person. Cabins are excluded as a standard inclusion.

Inventory continues to be reduced; no 2015 purchasing commitments have yet been made.

Front desk / welcome desk has been relocated to the Pro Shop Building

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

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

Hours reduced, ongoing monitoring.

Hours reduced, ongoing monitoring; hourly staffing limited to Director of Golf Operations days off only if business levels dictate. Cross training of front desk clerk allows for efficient coverage when required.

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

Only limited F&B service currently required, additional food services will be added when business volumes dictate.

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 January 25, 2015

- 5 Liquidate Pro Shop merchandise inventory to convert inventory to cash flow
- 6 Reduce purchasing plans for 2015 Pro Shop merchandise to essentials and proven high volume/margin items to reduce cash requirements
- 7 Incentivize on-line bookings for tee times
- 8 Incentivize repeat visitation through the use of time activated coupons
- 9 Develop a more demand based, dynamic pricing model for green fees
- 10 Energize messaging and touch point opportunities through social media and loyalty program members
- 11 Enhance league play programs (F&B features, attendance and performance prizes)
- 12 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
- 13 Energize a season's pass / punch card sales program in time for Christmas gift purchases.

Pro Shop merchandise continues to be moved at slightly better than cost margins

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

Strategies in development to enhanced online promotions, software developed being researched at our request. Dynamic / yield pricing structures will be effective February 15, 2015.

Coupon programs will be eliminated in favour of price yielding theories and models.

Strategies in development, Tee sheet programing will commence soon utilizing yielding theories. Our software provider is indicating that new dynamic pricing models may be available in April 2015.

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

Included in 2015 seasonal planning.

Commissionable room rates for wedding business has been secured at Harrison Beach Hotel. We have committed to provide green fee commissions to the Harrison Beach Hotel and Harrison Hot Springs Hotel. Community relationships to be pursued in February/March 2015

12 Days of Christmas Promotion includes a 10 game and 50 game pass component; successful outcome approximately \$19,500 in gift certificate and golf card sales during Christmas period.

River's Edge Restaurant

- 1 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.

All meal service was relocated from Rivers Edge restaurant to Rowena's Inn effective Dec. 18, 2014. Breakfast delivery to cottages now discontinued. Package pricing of hot breakfast was re-defined and is now allocated in Accommodation pricing.

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 January 25, 2015
<p>Close the River's Edge Restaurant immediately after Thanksgiving with re-opening for</p> <p>2 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.</p> <p>3 On re-opening for Easter 2015, River's edge to provide lunch and dinner service only, breakfast service to remain at Rowena's Inn</p> <p>4 Re-engineer the menu offerings and pricing, taking into consideration kitchen production and storage capabilities as well as competitive market pricing.</p>	<p>Rivers Edge Restaurant closed Dec 18. Restaurant space is being promoted for catering and events.</p> <p>Included in 2015 seasonal planning.</p> <p>New Menu commenced Dec 18, 2014. Menu continues to be tweaked for efficiencies and market feedback.</p>
<p>Rowena's Inn (Food & Beverage)</p> <p>1 Transfer breakfast service to the main floor of Rowena's Inn (upper room)</p> <p>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,</p> <p>2 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.</p> <p>3 Afternoon tea service (individual or group) should be serviced by F&B employees</p>	<p>Completed Dec 1, 2014</p> <p>Relocation of lunch & dinner service effective Dec 18, 2014. Menu planning complete, reassessment scheduled for Jan/Feb 2015. Promotional calendar has been established for 2015 season.</p> <p>Initiative was implemented Dec 18, 2014</p>
<p>Events and Catering</p> <p>1 Audit the costing of Facility Fee components to ensure pricing reflects all inclusions</p> <p>2 Re-evaluate listing of Facility Fee inclusions, to clarify the description and simplify the billing process.</p> <p>Amend the Event/Catering contract to add/change information based on</p> <p>3 accommodation requirements, additional charges for statutory holiday labour and clean-up fees.</p> <p>Neither the "Old" or the "New" Event/Catering contract guarantees pricing; events</p> <p>4 booked for December 2014 and beyond could have price adjustments if appropriate (cost increases for food & beverage products, etc.).</p>	<p>New facility fee structure and pricing has been implemented for new wedding commitments.</p> <p>As above.</p> <p>Completed and implemented.</p> <p>Catering menu pricing has been amended. Increases will be passed on when reasonable.</p>

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 January 25, 2015

- 5 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.
- 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

Amended wedding package information addresses the issues of accommodation blocks and packaging. Effective Jan 25, 2015

Quotes for weddings will not be confirmed farther than 1 year out, menu quotes will be based on percentage increase over current pricing and will not be guaranteed until 90 days prior to event.

Discussions initiated with onsite staff, training will follow through spring 2015.

Contact made with Harrison Beach Resort and commissionable room rate in place. Harrison Hot Springs Resort is unlikely to be convinced to participate.

Classic Reward points will no longer be awarded on catering functions

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.
- 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).

Kitchen has recovered necessary space in domestic kitchen to facilitate efficient service of Rowena's Dining Room. Solarium has been repurposed as buffet space and dining room staging.

Non functioning equipment to be removed in the short term, remaining items to be addressed as time permits.

Chefs action plan includes food cost audits on selected menu items. Theoretical costing for catering buffets to be determined as provided.

Deferred to spring 2015 as kitchen passageway is not currently in use

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 January 25, 2015

- 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.

A location for central storage needs to be identified prior to SOP development. Control procedures to be established for month end Jan 2015.

Liquor, Beer & wine storage has been re-aligned. Central storage opportunity still to be determined.

Completed implementation of departmental schedules approval by GM / IHM personnel. Labour requirements continually monitored through the daily report.

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 January 25, 2015
<p>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.</p>	<p>Scheduling practices are being reviewed weekly by GM / IHM personnel.</p>
<p>Rowena's Inn (Bed & Breakfast)</p>	
<p>Inventory</p> <ol style="list-style-type: none"> Maximize the transient use of the Cottages and Gatehouse by excluding them from the wedding block. Develop yield management practises to maximize the pricing for all rooms during high demand periods Replace all incandescent light bulbs in guest room areas. 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. 	<p>Cottages & gatehouse are no longer required in the wedding package format</p> <p>New pricing structures and yield management processes have been implemented</p> <p>Energy efficient bulbs are being used for replacements where reasonable.</p> <p>Gift certificate redemption has been reviewed and new policy is forthcoming.</p>
<p>Rooms Operations</p> <ol style="list-style-type: none"> Establish a welcome desk within the Pro Shop building to include guest check-in and out transactions as well as a central switchboard operation. 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). Wedding guest check- out and check-in needs to be structured to allow time for servicing guest rooms. Daily Room inspections to identify maintenance and housekeeping deficiencies, prioritize outstanding maintenance repairs as well as upgrades as capital becomes available. Set and maintain a standard of amenities and supplies by room type such as glassware, china cups, plates and cutlery. Provide a single serving coffee service to the second floor sitting room for 24-hour guest room use (i.e. Nespresso) 	<p>Complete</p> <p>Will be accessible with the relocation of dining services to Rowena's Inn. Effective as of Dec 18, 2014</p> <p>This initiative has been addressed in the revised wedding contract now in place.</p> <p>Initial inspections have identified major maintenance and deficiency issues. Work order SOP devised to address deficiencies.</p> <p>New standards of amenities and supplies in development. Complimentary room amenities has been adjusted to include Keurig coffee and bottled water.</p> <p>Keurig coffee makers now available for Inn guests as well as cottage guests.</p>

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 January 25, 2015

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 will be considered by spring 2015 planning
 Necessity for an incentive in this area has been deemed unnecessary given the yielding of room prices for online bookings.

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 ongoing, next step is a review with software provider.

Accounting assistant becoming proficient with squirrel reporting.

Director of Golf Operations and the Accountant have identified necessary reporting tools required at this time..

General and Administrative

Develop and implement a "Team" culture within the department heads; break down

1 departmental "silos" to achieve operating efficiencies available through the use of effective communication and shared resources.

2 Retain an experienced sales and food & beverage oriented General Manager, to monitor the delivery of premium guest experience and direct the sales strategy

Regular meetings with department managers should be convened to review monthly

3 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.

6 Golf sales responsibility should be aligned with the Director of Golf Operations

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

IHM personnel onsite

Weekly department managers meetings are conducted to review operating statistics, bookings and activities.

Financial Results and budget process reviewed monthly through out the fiscal year. Weekly objectives review are being implemented Jan 27, 2015

Completed.

Completed.

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 January 25, 2015
<p>7 The Front Desk Manager position should be eliminated, with continued use of a Rooms Supervisor.</p> <p>8 Implement automated payroll and vendor payment systems.</p>	<p>Guest Services Manager position evolving to fill requirements.</p> <p>Automated payroll services refused by Envision Credit Union, alternatives are being investigated. Vendor payments issues are addressed as required.</p>
<p>Sales & Marketing</p> <p>1 Re-assess sales and marketing strategy, focus on message targeting audiences for each of the resorts amenities.</p> <p>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.)</p> <p>3 Reassess pricing strategies for guest rooms, event/catering, and food & beverage offerings</p>	<p>Several meetings with the Marketing contractor have occurred to this end. Recommendations for targeting social media are being assessed and implemented as required.</p> <p>F&B activity promotions are under development and will be launched in first week of February. Golf / F&B partnered promotional activities are underway.</p> <p>Ongoing initiative; pricing strategies are being assessed and altered at every opportunity.</p>
<p>Property Operations and Maintenance</p> <p>1 Landscaping and Maintenance Program should be amalgamated under the direction of the Golf Course Superintendent.</p> <p>2 Review employee scheduling procedure in all Front of House and Back of House areas to improve labour productivity.</p> <p>3 Reduce off-season golf course and other maintenance to reflect reduced operations</p> <p>4 Relocate fuel storage to maintenance yard and institute access controls</p>	<p>Recent developments indicate a reassessment of this initiative.</p> <p>Department managers have evaluated current employees and availability and weekly schedules are being reviewed by the General Manager.</p> <p>Golf course and other maintenance reduced to necessary practices only.</p> <p>Fuel storage locks have been changed, access controls in place, operational access program has been implemented. Relocation of storage to be investigated as per environmental practices.</p>

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 January 25, 2015

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.

December financials have been used to advise and inform department managers.

Purchase Order system was established Nov 17, 2014. Electronic PO system in development.

Purchase Order system in place.

Purchase Order system in place, awaiting central stores implementation.

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

Pretty Estate Resort Ltd.
Statement of Monthly Cash Flow from Operations
for the Period Ended December 31, 2014

	Month End December 31, 2014			2 Months - Ended December 31, 2014		
	Actual	Projection	Variance	Actual	Projection	Variance
Rooms Occupied	148	170	(22)	296	328	(32)
Average Room Rate	\$ 178.75	\$ 210.29	\$ (31.54)	\$ 178.89	\$ 199.60	\$ (20.71)
Golf Rounds Played	163	200	(37)	614	750	(136)
Golf Average Realization	\$ 15.75	\$ 20.00	\$ (4.25)	\$ 19.71	\$ 20.00	\$ (0.29)
Earnings (Loss) Before Interest, Taxes, Depreciation, and Amortization	(62,496)	(19,846)	(42,650)	(99,705)	(53,607)	(46,098)
Cash Flow Adjustments						
Change Accounts Receivable	(9,977)	1,211	(11,188)	(5,603)	2,233	(7,836)
Change in Inventory	7,542	565	6,977	18,426	2,119	16,307
Change in Prepaid Insurance (P, C, BI)	2,882	2,322	560	5,695	4,644	1,051
Change in Prepaid Insurance (Auto)	(269)	-	(269)	(269)	200	(469)
Change in Prepaid Property Tax	3,693	3,846	(153)	7,386	7,692	(306)
Change in General Accounts Payable	16,349	5,464	10,885	34,484	(14,865)	49,349
Change in Current Crown Claims	(6,717)	2,163	(8,880)	(45,521)	(45,199)	(322)
Change in Customer Deposits	11,000	(2,200)	13,200	21,216	(7,050)	28,266
Change in Delinquent Crown Claims	(15,000)	(15,000)	0	(30,000)	(30,000)	0
	9,504	(1,629)	11,133	5,813	(80,226)	86,039
Adjusted Cash Flow from Operations	(52,992)	(21,475)	(31,517)	(93,892)	(133,833)	39,941
Non-Operating Cash Flow items						
Capital Replacements	(3,910)	-	(3,910)	(3,910)	(10,000)	6,090
Envision Financial LOC Interest	(1,175)	(1,174)	(1)	(2,326)	(2,349)	23
Envision Financial LOC Advance (Repayment)	1,641	-	1,641	43,226	0	43,226
Envision Financial - Loan Interest	(6,250)	(6,387)	137	(12,757)	(12,774)	17
Envision Financial - Loan Principal Payment	-	-	0	0	0	0
Equipment Lease Payments	(553)	(654)	101	(1,106)	(5,715)	4,609
Car Loan Payments	(1,761)	(1,875)	114	(3,353)	(3,750)	397
2nd Mortgage Interest	(6,431)	(6,116)	(315)	(12,654)	(12,232)	(422)
DIP Commitment Fee	-	-	0	(14,500)	0	(14,500)
DIP Financing Interest	(2,147)	-	(2,147)	(2,652)	0	(2,652)
Shareholder Loans	(1,135)	-	(1,135)	(1,135)	0	(1,135)
	(21,722)	(16,206)	(5,516)	(11,167)	(46,820)	35,653
Restructuring Costs						
Restructuring Legal	36,023	7,500	(28,523)	88,173	37,500	(50,673)
Appraisal	-	-	0	0	10,000	10,000
Operations Restructuring / Management	19,916	28,000	8,084	29,276	53,000	23,724
CCAA Monitor	20,573	13,000	(7,573)	26,612	20,500	(6,112)
	76,512	48,500	(28,012)	144,061	121,000	(23,061)
Cash Flow Surplus (Deficiency)	(151,226)	(86,181)	(65,045)	(249,120)	(301,653)	52,533
Cash Balance						
Beginning Cash Balance (RBC Accounts)	124,952	-	(124,952)	37,841	81,845	44,004
DIP Financing Advanced	99,147	86,181	(12,966)	284,152	219,808	(64,344)
Ending Cash Balance (RBC Accounts)	72,873	-	(72,873)	72,873	-	(72,873)

Pretty Estates Ltd.
Summary Operating Statement
For the Period Ended December 31, 2014

EXHIBIT 2.1

Rooms Available:
Rooms Sold:
Occupancy:
ADR:
Rooms RevPAR:

Month End December 31, 2014			2 Months - Ended December 31, 2014		
Actual	Projection	Variance	Actual	Projection	Variance
270	270	0	540	540	0
148	170	-22	296	328	-32
55%	63%	(8.1%)	55%	61%	(5.9%)
\$178.75	\$210.29	(\$31.55)	\$178.89	\$199.60	(\$20.71)
\$89.73	\$132.41	(\$42.68)	\$94.18	\$121.24	(\$27.06)

Operating Revenue

Rooms
Food and Beverage
Golf Course
Miscellaneous Income
Total Operating Revenue

Month End December 31, 2014						2 Months - Ended December 31, 2014					
Actual		Budget		Variance		Actual		Budget		Variance	
\$	%	\$	%	\$	%	\$	%	\$	%	\$	%
24,226	31.0%	35,750	29.5%	(11,524)	(32.2%)	50,856	27.1%	65,470	29.3%	(14,614)	(22.3%)
39,414	50.5%	67,668	55.9%	(28,253)	(41.8%)	105,993	56.4%	117,849	52.8%	(11,856)	(10.1%)
14,480	18.5%	16,660	13.8%	(2,180)	(13.1%)	31,155	16.6%	37,975	17.0%	(6,820)	(18.0%)
	0.0%	1,000	0.8%	(1,000)	(100.0%)	-	0.0%	2,000	0.9%	(2,000)	(100.0%)
78,120	100.0%	121,078	100.0%	(42,958)	(35.5%)	188,003	100.0%	223,294	100.0%	(35,290)	(15.8%)

Departmental Expenses

Rooms
Food and Beverage
Golf Course
Total Departmental Expenses

11,940	49.3%	8,829	24.7%	3,111	35.2%	26,204	51.5%	17,258	26.4%	8,946	51.8%
56,868	144.3%	56,470	83.5%	398	0.7%	121,745	114.9%	103,467	87.8%	18,278	17.7%
21,150	146.1%	19,093	114.6%	2,057	10.8%	46,732	150.0%	44,145	116.2%	2,586	5.9%
89,958	115.2%	84,392	69.7%	5,566	6.6%	194,681	103.6%	164,870	73.8%	29,810	18.1%

Total Departmental Profit

(11,838)	(15.2%)	36,685	30.3%	(48,524)	(132.3%)	(6,677)	(3.6%)	58,423	26.2%	(65,100)	(111.4%)
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Undistributed Operating Expenses

Administrative and General
Information and Telecommunications Systems
Sales and Marketing
Property Operation and Maintenance
Utilities
Total Undistributed Expenses

26,741	34.2%	25,194	20.8%	1,547	6.1%	52,607	28.0%	50,058	22.4%	2,549	5.1%
4,671	6.0%	2,652	2.2%	2,019	76.1%	7,036	3.7%	5,304	2.4%	1,732	32.7%
5,833	7.5%	9,835	8.1%	(4,002)	(40.7%)	14,770	7.9%	19,120	8.6%	(4,350)	(22.8%)
5,226	6.7%	7,615	6.3%	(2,389)	(31.4%)	10,894	5.8%	15,089	6.8%	(4,194)	(27.8%)
2,162	2.8%	4,983	4.1%	(2,821)	(56.6%)	3,668	2.0%	9,967	4.5%	(6,298)	(63.2%)
44,633	57.1%	50,279	41.5%	(5,646)	(11.2%)	88,976	47.3%	99,537	44.6%	(10,561)	(10.6%)

Gross Operating Profit

(56,472)	(72.3%)	(13,594)	(11.2%)	(42,877)	315.4%	(95,653)	(50.9%)	(41,114)	(18.4%)	(54,539)	132.7%
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Income Before Non-Operating Income and Expenses

(56,472)	(72.3%)	(13,594)	(11.2%)	(42,877)	315.4%	(95,653)	(50.9%)	(41,114)	(18.4%)	(54,539)	132.7%
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Non-Operating Income and Expenses

Income
Rent
Property and Other Taxes
Insurance
Other
Total Non-Operating Income and Expenses

550	0.7%	500	0.4%	50	10.0%	9,298	4.9%	1,000	0.4%	8,298	829.8%
-	0.0%	-	0.0%	-	#DIV/0!	-	0.0%	-	0.0%	-	#DIV/0!
3,693	4.7%	3,846	3.2%	(154)	(4.0%)	7,386	3.9%	7,693	3.4%	(307)	(4.0%)
2,882	3.7%	2,905	2.4%	(23)	(0.8%)	5,964	3.2%	5,800	2.6%	163	2.8%
-	0.0%	-	0.0%	-	#DIV/0!	-	0.0%	-	0.0%	-	#DIV/0!
6,025	7.7%	6,252	5.2%	(227)	(3.6%)	4,052	2.2%	12,493	5.6%	(8,442)	(67.6%)

Earnings Before Interest, Taxes, Depreciation, and Amortization

(62,496)	(80.0%)	(19,846)	(16.4%)	(42,650)	214.9%	(99,705)	(53.0%)	(53,607)	(24.0%)	(46,098)	86.0%
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Interest

Envision
2nd Mortgage
DIP Financing
Total Interest

7,425	46.4%	8,215	57.3%	(790)		15,082	33.6%	15,776	55.3%	(694)	
6,431	40.2%	6,116	42.7%	315		12,654	28.2%	12,732	44.7%	(78)	
2,147	13.4%	-	0.0%	2,147		17,152	38.2%	-	0.0%	17,152	
16,002	100.0%	14,331	100.0%	1,671		44,888	100.0%	28,508	100.0%	16,380	

Restructuring Costs

Legal
Appraisal
Monitor
Management
Total Restructuring Costs

36,023	47.1%	7,500	15.5%	28,523		88,173	61.2%	37,500	31.0%	50,673	
-	0.0%	-	0.0%	-		-	0.0%	10,000	8.3%	(10,000)	
20,573	26.9%	13,000	26.8%	7,573		26,612	18.5%	20,500	16.9%	6,112	
19,916	26.0%	28,000	57.7%	(8,084)		29,276	20.3%	53,000	43.8%	(23,724)	
76,512	100.0%	48,500	100.0%	28,012		144,061	100.0%	121,000	100.0%	23,061	

Depreciation & Amortization

Income Taxes

Net Income (Loss)

(155,011)		(82,677)		(72,334)		(288,655)		(203,115)		(85,540)	
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