



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 THIRD REPORT TO COURT

FEBRUARY 27, 2015

G-FORCE GROUP

PRETTY ESTATES LTD.
MONITOR'S THIRD REPORT TO COURT
FEBRUARY 27, 2015

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PRETTY ESTATES LTD.
MONITOR'S THIRD REPORT TO COURT
FEBRUARY 27, 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 Third Report ("**Third Report**") of the Monitor with respect to the CCAA filing of the Company.
4. This Third 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**"), and the Monitor's Second Report dated January 30, 2015 ("**Second 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 Second Report was issued;
 - b) an update on the actual financial performance of the Company during the restructuring period and particularly during the period ending January 31, 2015;

- c) a summary of key operating performance indicators over the three-month period of operations under the CCAA;
 - d) an update on the operations improvements and cost containment measures implemented at the Resort by IHM; 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 Second 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.
 - b) contacted Mr. Samman with Envision Financial, the first mortgagee, to review the Second Report, provide an update on the Monitor's activities with the Company to consider options for the restructuring plan and discuss the criteria the Company would likely have to meet to attract first tier lenders for refinancing;
 - 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 January 31, 2015, 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 proposed a formal process for the Company to consider prospects who may be interested in participating in the restructuring plan; and
 - f) continued to identify additional potential candidates for assisting the Company in its restructuring plan.

SUMMARY OF KEY FINDINGS AND ACTIVITES

8. The Monitor summarizes it key findings and the activities as follows:

- a) IHM has implemented most of the performance improvement initiatives which are producing immediate improvements in operating results. The two month delay in the fall of 2014 in Company hiring them has resulted in reduced levels of improvements of EBITDA over their initial budget which was produced in August 2014. This budget was not adjusted for their later start or to account for the Company's activities for September and October. For the first three months of their operation ending January 31, 2015, the Company has fallen short of their aggressive budgeted results by \$75,000. However, the performance exceeds the Company's results for the same period a year earlier by \$104,000. Early indications are that they will be close to achieving the February budget. IHM is optimistic that it can still meet the budgeted operating results for the year ending October 31, 2015;
- b) IHM reports that an additional \$127,000 in DIP Financing, in excess of what was initially projected in their budget, has been required to February 23, 2015 which is approximately the same variance that existed at January 23, 2015. This variance relates to unbudgeted costs and initial transition losses which were explained in paragraph 21 in the Second Report. These variances were anticipated in arranging the DIP Financing limit of \$750,000 but IHM's budget was not adjusted for this higher DIP loan requirement. The DIP loan is expected to continue to be drawn down until June and then expected to start declining when the high summer revenue levels are anticipated;
- c) There are higher professional costs for the Monitor and the Company's legal counsel than originally anticipated due to the initial positions taken by the secured creditors and the more frequent reporting by the Monitor as required by the Court;
- d) Now that IHM is fully entrenched with the performance improvement initiatives, the Company is focussed on finding a partner to assist it with the balance of its restructuring plan, including providing new financing. It has asked for assistance from the Monitor in identifying the key elements and an efficient process for developing a successful Restructuring Plan within the timeframe available. The Company and Monitor have identified six prime prospects who have shown interest in the Resort that the Company will pursue immediately;
- e) The Monitor's opinion that the negative operating variances from budget experienced for the period ending January 31, 2015 do not represent a material adverse change in the Company's projected Cash Flow Statement at this time and that early progress is being achieved by the Company towards its objective of filing a Restructuring Plan that will be acceptable to its creditors.

STATUS OF OPERATIONS IMPROVEMENTS AND COST CONTAINMENT MEASURES

9. Included as **Appendix "A"** to this Report is the IHM Operations and Cash Flow Report for January 2015 including the following exhibits: Exhibit 1 - Status of Operations Initiatives; Exhibit 2.0 - Monthly Cash Flow - Period Ending January 31, 2015; and Exhibit 2.1 - Summary Operating Statement - Period ending January 31, 2015 (collectively, the "**IHM January Report**").
10. In summary, the IHM January Report contains details on the Resort's financial performance for the month of January 2015, as well as for the 3 months ending January 31, 2015 (i.e. first quarter of the 2015 fiscal year), including its actual performance compared to projected cash flows to January 31, 2015, and status of borrowings under the DIP Financing. The IHM January Report also contains a summary of the status of the various cost containment and operations improvements initiatives that IHM has implemented since its appointment.
11. The Monitor has reviewed the IHM January Report and has discussed it with IHM and the Company's legal counsel. The Monitor recommends that stakeholders review the IHM January Report as it contains a significant amount of information about the Resort's operations since the commencement of the CCAA to January 31, 2015, and also contains brief commentary about estimated projected operating results for the month of February 2015.
12. IHM has made advancements in several key operations areas in its management of the Resort, and reports that all of its planned initiatives have now been commenced. It is clear that the initiatives, especially on the cost containment front, are taking hold, as IHM reports significantly improved financial results for the first quarter of fiscal 2015 compared to the first quarter of fiscal 2014.
13. A brief summary of the Resort's January 2015 financial results follows.

COMPANY'S FINANCIAL RESULTS - JANUARY 2015 AND THREE MONTHS TO JANUARY 31, 2015

14. As part of its review of the IHM January Report, the Monitor has reviewed the Resort's actual to budgeted cash flows and operating (income) statements, both for the month of January 2015 and for the three month period ending January 31, 2015.
15. The IHM January Report summarizes the variances in actual results compared to the projections included in the Cash Flow Statement. The results as reported in the IHM January Report are self-explanatory and will not be repeated by the Monitor except to highlight the most significant financial results at a high level as follows:
 - a) for the month ending January 31, 2015, the Resort's earnings before interest, taxes, depreciation and amortization ("**EBITDA**") is approximately \$29,100 less than budgeted EBITDA (loss) of (\$44,700);

- b) for the three month period ending January 31, 2015, the Resort's EBITDA is approximately \$75,000 less than budgeted EBITDA (loss) of (\$98,000). A majority of the unfavourable variance results from the fact the Resort's actual revenues for the period were \$57,500 lower than budget. This continues to relate to the fact that IHM, initially expecting to commence implementing its revenue enhancement initiatives during the late summer or early fall of 2014, did not commence its role until mid-November 2014; however, the Resort's EBITDA has improved by approximately \$104,000 for the first quarter of fiscal 2015 compared to the first quarter of fiscal 2014;
16. The Monitor notes that IHM plans to start to pre-sell golf play packages for the golf season, and it continues to accept future wedding bookings for the Resort. These activities are appropriate as it continues to be "business as usual" at the Resort during the restructuring period. It is the Monitor's view that it is proper for IHM to accept commitments for future event obligations as these events will generate revenue for the Resort and help contribute toward a positive restructuring outcome.
 17. The Monitor remains of the opinion that the negative financial variances experienced for the period ending January 31, 2015 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 results for the three month period ending January 31, 2015 did not meet budgeted targets, the financial performance of the Resort has significantly improved as compared to the prior year. In addition, IHM has made significant progress on many of its planning operations improvements, and the Monitor expects that operating gains will be continue to improve during fiscal 2015. Early results for February 2015 appear to reflect the fact that IHM's operations improvements as a whole are taking hold at the Resort, and that the Resort appears to be on budget for the month.

STATUS OF BORROWINGS/DIP FINANCING

18. As outlined in the IHM December Report, as at January 31, 2015, the Company had drawn \$462,553 on account of the DIP Financing. This is approximately \$131,000 more than the \$331,500 borrowing position as at January 31 as projected in the Company's Cash Flow Statement. However, this variance is offset by the fact the Company still held \$57,508 of cash in its bank account as at January 31, 2015. Also, the variance is also caused by the Unbudgeted Costs and Initial Transition Losses as defined below.
19. Additionally, at the time of writing this Third Report, the Company has received advances totaling \$553,553 under the DIP Financing. This is approximately \$127,000 more than the \$426,115 projected borrowing position, as at the end of February 2015, in the Company's Cash Flow Statement. 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 (see paragraph 21 in the Second Report) (the

"Unbudgeted Costs and Initial Transition Losses"). IHM's budget was not adjusted for these expected additional costs or DIP Financing levels.

20. The IHM report summarizes that an additional \$127,000 in DIP Financing, in excess of what was initially projected, has been required to February 23, 2015 which is approximately the same variance that existed at January 23, 2015. In other words, the actual position of DIP Financing compared to the budgeted position has not worsened in the last month of operations.
21. The Monitor expects that the fees for both the Company's legal counsel, Lawson, and the Monitor will continue to exceed the budget which was prepared in October 2014. These negative variances relate to the additional time required to deal with the additional and more frequent reporting now required by the Monitor than originally expected and additional time for Lawson's relating to positions taken by the secured creditors with respect to the operations and the Comeback Hearing, and legal services with respect to other operational issues including, without limitation, employment matters, insurance related matters, issues relating to suppliers, sale of equipment, and banking matters.
22. The Company originally expected to see IHM's operating performance to the end of May before it would produce a definitive restructuring plan. Due to the shorter stay provided by the Court at the urging of the secured creditors, the Company needs to accelerate the time required to consider all options for a restructuring plan. It will need assistance for this from the Monitor and others which will result in costs that were not budgeted this early in the budget period. However, the time required is crucial in order to ensure the Company puts forth an acceptable and realistic plan.

RESTRUCTURING PLAN AND NEXT STEPS

23. The Monitor has continued its discussions with the Company regarding its options for developing a realistic restructuring plan for the creditors. The Company has asked for some assistance from the Monitor in considering the options which has included:
 - a) Speaking to two prospects who have expressed an interest in acquiring or, refinancing the Resort or in partnering with the Company;
 - b) Developing a summary of the primary objectives of the Company's restructuring plan and the qualities of a suitable partner who could be involved with implementing the Plan;
 - c) Designing a process to help coordinate the elements required for the Company to attract and evaluate a potential partner within a short time frame and consider the most suitable form of restructuring plan, including refinancing, sale of all or a part of the Resort assets or the shares of the Company and possibly listing the assets for sale.
24. The Monitor has introduced the Company to an affiliated firm, G-Force Real Estate Inc., which has substantial experience with similar restructurings and real estate expertise that can assist the Company in determining which options to pursue. The priorities are to

assist the Company to begin meaningful discussions with six prospects who have expressed interest in the Resort to the Company, the Monitor and G-Force Real Estate Inc.

25. IHM and the Company continue to be optimistic that the Resort's financial operating results can be improved and that results will be in line over the balance of the year ending October 31, 2015 with the overall projections presented in the Company's cash flow statement for the Company's operations. However, IHM has commenced work on revising certain operating and cash flow estimates based on the information it has had since taking over management in November 2014. The Monitor will continue to closely observe the Resort's financial performance and report on a monthly basis to the Court and the secured creditors leading up to the next planned Court hearing in April 2015.
26. 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.
27. The Monitor will submit its next report to this Honourable Court no later than March 31, 2015.

All of which is respectfully submitted this 27th day of February, 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 January 2015
(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: February 23, 2015
Re: Pretty Estate Resort – Operations and Cash Flow Report, January 2015

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 February 15, 2015; all initiatives have been actioned and highlighted initiatives indicate areas of significant advancement.

For Q1 – 2015 (three months ended January 31, 2015) we provide the following snapshot:

	2015 \$	2014 \$	Improvement \$
Total Revenue	260,000	255,000	5,000
Labour Costs	247,000	295,000	48,000
Other Costs	<u>186,000</u>	<u>237,000</u>	<u>51,000</u>
EBITDA	<u>(173,000)</u>	<u>(277,000)</u>	<u>104,000</u>

Our initiatives, especially as they relate to cost control and mitigation, and efficiency appear to be taking hold.

Labour cost, the single most important expense in any hospitality business, is now monitored on a daily and weekly basis. When compared against same period last year \$48,000 in labour cost savings have been achieved in Q1 – 2015 without sacrificing guest satisfaction.

Other cost savings have been recorded in and across multiple expense classifications. For example, the Q1 – 2015 cost of food and beverage was 40% of food and beverage revenues, 12 percentage points better than the 52% cost of food and beverage revenues reported in Q1 – 2014.

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Q1 – 2015 revenues were at substantially the same level and sales mix as Q1 – 2014. Our revenue enhancement initiatives were delayed as a result of only being appointed in November 2014 rather than in September 2014, eliminating opportunities to leverage on the 2014 Christmas season. Our revenue enhancement initiatives are a series of building blocks, which unlike cost containment initiatives, require specific sequencing for each target sector. In Exhibit 1A, we set out our revised revenue enhancement initiatives that will carry the Resort well into the spring golf season.

Because of the delay in our appointment and the resulting impact on the revenue enhancement initiatives, we believe it prudent to recommend re-forecasting the monthly operating and cash flow projections for the period from April 1, 2015 through October 31, 2015 (the 2015 fiscal year end). We anticipate having the re-forecast complete by the end of March 2015 and will review with you prior to finalizing.

Our business and operating philosophy continues to change and improve the business paradigm at the Resort. We believe that in providing the stay of proceedings, the Courts provided the Resort with an opportunity to improve its business operations and determine the most appropriate restructuring plan. We operate the business on a go-forward basis making suitable arrangements for the continued operations of the Resort and making appropriate business decisions to that end. Various operating decisions need to be implemented for the upcoming golf season; for example the Resort needs to commence the promotion and sale of seasonal golf play memberships and pre-paid multiple round golf cards in March in order to build suitable base demand for golf activities. In accepting commitments for new future event obligations such as weddings, which are often booked a year or more in advance, we segregate customer deposits and hold them in a separate bank account, not comingled with general operating cash balances. In respect of pre-selling golf play entitlements, we acknowledge that any purchaser has immediate access for use of the golf course. In addition, we anticipate that the golf course will operate through the 2015 season, to maximize the repayment of DIP Funding advanced and business value, independent of corporate or ownership structure. Such pre-selling of golf play will largely be consumed during the current season and is not at significantly greater risk of fulfillment than the pre-sale of golf play at any other golf course in the Fraser Valley.

Operating Earnings (Loss) for the Month Ended January 31, 2015

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 January 31, 2015, and provide the following discussion thereon.

Total Operating Revenue recorded for January 2015 was \$60,000, (\$22,000) below projected levels, with golf revenues \$4,000 above expectations and rooms and food and beverage combined to be (\$26,000) below expectations.

The Earnings (Loss) before Interest Taxes Depreciation and Amortization (“EBITDA”) for the month of January 2015 was (\$73,800); (\$29,100) worse than the projected EBITDA of (\$44,700).

By comparison the Total Operating Revenue and EBITDA reported for the month of January 2014 was \$65,000 and (\$80,000) respectfully.



Rooms department revenue for January was \$20,800, approximately (\$17,900) less than projected levels. 126 guest rooms were sold, (22) less than the projected guest room sales of 148; the average room rate achieved was \$162.71, approximately (\$31.01) worse than the projection of \$193.72.

Food & Beverage department revenues for January were \$27,200, approximately (\$17,600) less than the projected levels.

Golf department revenues for January were \$12,100, approximately \$4,000 more than the golf revenues projected; 369 rounds of golf were recorded, 119 more than projected; the average green fee realized was \$14.11, (\$5.89) less than \$20.00 green fee projected.

Non-Operating Income for January was \$2,400; \$1,900 more than projected.

Total labour costs for the month were \$79,565, \$3,415 more than the projected labour costs of \$76,150. Labour costs represented 132.4% of total operating revenues.

Utilities expenses recorded in January were \$12,000, \$8,000 more than projected. On review we discovered that some of the utility accounts are billed bi-monthly and quarterly and unfortunately the utility expense accruals recorded in November and December were not adequate. We have revised the month-end accrual process to better capture current utility consumption.

Overall operating earnings (loss) of (\$73,800) was recorded for the month of January 2015, (\$29,100) worse than the projected earnings (loss) for the month of (\$44,700).

On a year to date basis (3 months to January 31, 2015), EBITDA of (\$173,000) has been reported; (\$75,000) worse than the projected EBITDA of (\$98,000). Total operating revenues of \$248,000 were recorded in the period, (\$58,000) less than the operating revenue projected.

By comparison the EBITDA reported for the 3 months ended January 31, 2015 was (\$173,000), \$104,000 better than the EBITDA of (\$277,000) reported for 3 months ended January 31, 2014.

In our report on the operations for December 2014, dated January 26, 2015, we provided an updated estimate for the anticipated operating loss for January 2015 at (\$55,000) based on the daily revenue and labour cost reporting implemented at the Resort. An actual operating loss of (\$73,800) was incurred, approximately (\$18,000) worse than the revised estimate. One of the reasons was the (\$8,000) in under accrued utility expenses, referenced above. The remaining negative variance of (\$10,000) related to estimation errors in the daily information being monitored; for example labour costs were being tracked without reference to the cost of employee benefits and employment taxes, and food revenues were being tracked without reference to adjustments required for the breakfast included with the guest room packages. We are improving the information being monitored so that these types of estimation errors become negligible.



February 2015

According to the revenue and labour cost tracking/monitoring systems we installed at the Resort, as of February 23, the Resort is reporting an actual revenue to projection surplus in the range of \$4,000 for the month and an actual labour cost to projection shortfall in the range of \$4,000.

For February 2015 we projected EBITDA of (\$45,000); at this time we anticipate achieving the projection.

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 January 2015 was (\$73,800).

The cash flow surplus (deficiency) from operations for January 2015 was approximately (\$126,000), and consider all of the changes in the working capital accounts for the Resort. Overall, there is an unfavorable cash flow from operations of (\$66,000), when compared against the projected operating cash flow requirements, as a result of revenue shortfalls and the timing of necessary purchases and payments, 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 a specific monthly provision for the DIP Financing costs. For the month of January 2015 a cash flow deficiency of (\$194,000) was incurred, (\$82,000) worse than the projected cash flow deficiency of (\$112,000).

Our cash flow projections anticipated no changes being made to the extent the Envision Line of Credit was drawn down, and only carrying nominal cash balances. On a year to date basis (3 months to January 31, 2015), a cash flow deficiency of (\$443,000) has been incurred, only (\$30,000) worse than the projected cash flow deficiency of (\$413,000).

DIP Financing

As at January 31, 2015 DIP Financing totaling \$462,553 had been advanced, approximately \$131,000 more than the \$331,500 projected. Our DIP Funding cycle is estimated semi-monthly in advance and the timing of any specific month-end can indicate potential over borrowing or additional short term cash flow deficiencies. At January 31, 2015, cash balances of \$57,508 were available in the Royal Bank of Canada accounts, and approximately \$20,000 has been temporarily paid down on the Envision Line of Credit to enable the processing of certain approved payments. Our projection anticipates that the Envision Line of Credit balance would remain unchanged and that there would be no cash balances at any month-end. Taking into consideration the unbudgeted cash balances of \$57,500 and made available Line of Credit balance of \$20,000, the result is total unbudgeted cash flow available of \$77,500, as at January 31, 2015, which reduces the unfavourable DIP Funding variance from (\$131,000) to (\$53,500).



As at February 23, 2015 DIP Financing totaling \$553,553 had been advanced, \$127,000 more than the \$426,115 projected for the end of February 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	21,000
Additional Legal Costs	36,000
Additional Monitoring costs	21,000
Unfavorable Variance in beginning cash balance	44,000
Unfavorable variance in period to date EBITDA	58,000
New Wedding Booking Deposits	(15,000)
New Gift Certificates	(16,000)
Increase in Actual Month-end Cash Balances	(20,000)
Rounding	(2,000)
	<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. The approved DIP Funding of \$750,000 includes the \$600,000 in projected operating funds plus DIP Financing and related costs.

The additional legal and monitoring costs total \$57,000, and are not within the control of management. Given the monthly Monitor reporting requirements and anticipating additional legal and Monitor costs to prepare for the April 30 court date, significantly greater costs legal and monitor cost will need to be included in the planned revision to the operating and cash flow forecast.

As disclosed above, we segregate the new wedding deposits from general operating funds.

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 the revenue enhancement initiatives; however most of the operations efficiency and cost control initiatives were implemented through the Christmas season, and are now in place along with monitoring tools to report on departmental manager performance.

We have revised the revenue enhancement programs necessary to increase business volumes and increase the average spend of individual patrons through the spring and into the summer period.

Based on the operating performance achieved 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. However, we have commenced work on revising the monthly operating and cash flow forecasts, because the timing associated with certain revenues / receipts and expenses / disbursements has changed, and better information is available now than was available in August 2014.

Conclusion

The foregoing represents our report on the operations and cash flow for the Resort for January 2015 and the three months then ended.

We are pleased to report Q1 – 2015 EBIDTA improvement of \$104,000, when compared to Q1 – 2014.

We are also encouraged by the improvement in the negative variance being achieved in the actual to projected EBITDA; December 2014 (\$42,700), January 2015 (\$29,100), February 2015 forecast (\$Nil).

We are pleased to review our report with you, the Monitor, or the Resort's legal advisors, 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 February 15, 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

As agreed, will be implemented commencing in April 2015

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 February 15, 2015
5 Liquidate Pro Shop merchandise inventory to convert inventory to cash flow	Pro Shop merchandise continues to be moved at slightly better than cost margins
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. <u>Dynamic / yield pricing structures are in effect.</u>
8 Incentivize repeat visitation through the use of time activated coupons	Coupon programs will be eliminated in favour of price yielding theories and models.
9 Develop a more demand based, dynamic pricing model for green fees	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.
10 Energize messaging and touch point opportunities through social media and loyalty program members	Social media and loyalty programs are promoting the golf product, pricing and specials. The Tournament website page is currently being revised.
11 Enhance league play programs (F&B features, attendance and performance prizes)	Being promoted through the website and data base contacts.
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	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 March 2015, prior to the start of the 2015 Golf season
13 Energize a season's pass / punch card sales program in time for Christmas gift purchases.	Successful 12 Days of Christmas Promotion included a 10 game and 50 game pass component. Participated in 3 Valley Course game pack, sold 210 packages at the Vancouver Golf Show in February 2015.

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 February 15, 2015

River's Edge Restaurant

- Eliminate breakfast service in River's Edge Restaurant; provide breakfast service in
- 1 Rowena's Inn. Provide a good quality continental breakfast in Rowena's Inn for all room guests, eliminate breakfast delivery to the cottages.
- Close the River's Edge Restaurant immediately after Thanksgiving with re-opening for
- 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.
- 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
- 4 Re-engineer the menu offerings and pricing, taking into consideration kitchen production and storage capabilities as well as competitive market pricing.

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.

Rivers Edge Restaurant closed Dec 18. Restaurant space is being promoted for catering and events.

Target date for re-opening River's Edge is April 1, 2015. New menu, hours of operation and service strategy will be finalized by March 13, 2015.

New Menu commenced Dec 18, 2014. Menu continues to be tweaked for efficiencies and market feedback.

Rowena's Inn (Food & Beverage)

- 1 Transfer breakfast service to the main floor of Rowena's Inn (upper room)
- Commencing with Thanksgiving weekend, provide lunch and dinner service in Rowena's
- 2 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.
- 3 Afternoon tea service (individual or group) should be serviced by F&B employees
- 4 Continue Rowena's Inn dining through the summer months as an alternative to River's Edge casual menu.

Completed Dec 1, 2014

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 and will feature monthly Chef's Farm to Table dinners commencing on March 10, 2015.

Initiative was implemented Dec 18, 2014

Plans to continue Rowena's Dining are in development - menu, hours and availability because of pre-booked weddings will be addressed by March 15.

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 February 15, 2015

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.
- 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

New facility fee structure and pricing has been implemented for new wedding commitments.

As above.

Completed and implemented.

Catering menu pricing has been amended. Increases will be passed on when reasonable.

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

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 February 15, 2015
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.	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.
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.	Non functioning equipment to be removed in the short term, remaining items to be addressed as time permits.
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.	Chefs action plan includes food cost audits on selected menu items. Theoretical costing for catering buffets to be determined as provided.
4 Non-employee use of the kitchen passage to River's Edge to be eliminated (especially during meal periods).	Deferred to spring 2015 as kitchen passageway is not currently in use
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.	A location for central storage needs to be identified prior to SOP development. Control procedures to be established for month end Jan 2015.
6 Centralized storage for liquor, beer and wine products is required.	Liquor, Beer & wine storage has been re-aligned. Central storage opportunity still to be determined.
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)	Completed implementation of departmental schedules approval by GM / IHM personnel. Labour requirements continually monitored through the daily report.
8 Assign/schedule all FOH service staff from one F&B staff pool.	Completed, events Service staff amalgamated with F&B service staff
9 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.

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 February 15, 2015

Rowena's Inn (Bed & Breakfast)

Inventory

- | | |
|---|--|
| <ol style="list-style-type: none"> 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. | <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 will be announced for April 1, 2015 implementation.</p> |
|---|--|

Rooms Operations

- | | |
|---|--|
| <ol style="list-style-type: none"> 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) 7 Change the included breakfast offering to a Continental Breakfast and charge extra for a la carte hot breakfast items. | <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 have been finalized and are in place. 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> <p>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</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 February 15, 2015

- 8 Provide an incentive for guests to book rooms on-line and reduce phone time

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. Reports and user parameters have been reviewed and software provider contacted to clarify procedures.

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. A Daily report allows for continuous monitoring of revenues and labour costs.

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 February 15, 2015

- 7 The Front Desk Manager position should be eliminated, with continued use of a Rooms Supervisor.
- 8 Implement automated payroll and vendor payment systems.

Guest Services Manager position evolving to fill requirements.

Automated payroll services refused by Envision Credit Union, alternatives are being investigated. Vendor payments issues are addressed as required.

Sales & Marketing

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

Several meetings with the Marketing contractor have occurred to this end. Recommendations for targeting social media are being assessed and implemented as required.

F&B activity promotions have been identified and promoted through the website, on social media and through the community information boards. Golf / F&B partnered promotional activities are underway.

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.
- 2 Review employee scheduling procedure in all Front of House and Back of House areas to improve labour productivity.
- 3 Reduce off-season golf course and other maintenance to reflect reduced operations
- 4 Relocate fuel storage to maintenance yard and institute access controls

Recent developments indicate a reassessment of this initiative.

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

Golf course and other maintenance reduced to necessary practices only.

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.

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 February 15, 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.

Monthly financials are distributed to department managers for their review. GM meets with each manager to discuss the results, current month trend and projections.

Purchase Order system was established Nov 17, 2014 with procedure updated in February 2015.

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.

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

Fraser Valley Heath confirmed compliance during a January 2015 inspection.

GM to contact Liquor inspector in March to confirm interpretation of the revised regulations and address issues.

Exhibit 1A
Pretty Estate Resort
Revenue Enhancement Initiatives
Related to Departmental Action Plans and Operations Recommendations

Initiative

Status as of February 15, 2015

Identify specific action items by department which will generate direct revenue as well as provide additional exposure through web based channels.

Food & Beverage

Rowena's Inn Dining

- 1 Introduce new menu features on a frequent basis to augment the core winter offerings.
- 2 Monitor the Table D'Hote menu offering to ensure a reasonable rotation and sales activity.
- 3 Develop a monthly promotional calendar, identifying special event offers and recurring features to encourage repeat customers.
- 4 Find new revenue streams for non-peak dining.
- 5 Extend Rowena's dining through the summer months
- 6 Sales promotion activity through the web and social media

The core menu items were adjusted to suit customer preferences at the end of December and again at the end of January. A \$10 pasta special was introduced in late January on Monday, Tuesday and Wednesday evenings to increase early week dining by appealing to the local seniors.

The Table D'Hote offering was amended in January to a three course meal at \$40 per person.

A monthly calendar of events has been developed. The first event featured was Valentine's Day weekend. On March 10, we are holding the first Farm to Table dinner featuring the Valley's famous Farm House Cheeses.

Special offer to 2015 wedding parties; an opportunity to sample their function dinner menu, in Rowena's at a price of \$35 per person, to assist with finalizing their menu selections and increasing mid week F&B Revenues.

Currently assessing the opportunity to add Rowena's as an added revenue stream in addition to River's Edge.

Promoted the re-opening of Rowena's Dining, menus and facility using the website. Call to action using 'Reserve a Table' and 'Book now' features. Facebook and Twitter are being used to reach customers and promote features and events - 'Fireside & Candlelight Dining', 'Valentine's Day Dinner', and 'Famous Farm House Cheeses'.

Events

- 1 Develop a meeting package to take advantage of River's Edge as a meeting room.

Sales promotion activity through the web and social media

Update and distribute the Resort's Corporate Retreat Package. Distribution channels include current client data base, website and telephone solicitation of Chilliwack, Abbotsford and Mission businesses.

Promotion of the 'Corporate Retreat Package' using the social media (Facebook, Twitter, etc.) directing traffic to the website and through a newsletter blast to existing data base clients.

Exhibit 1A
Pretty Estate Resort
Revenue Enhancement Initiatives
Related to Departmental Action Plans and Operations Recommendations

Initiative	Status as of February 15, 2015
Sandpiper Golf Course	
1 Promote pre-season golf rounds including a F&B component	Promoting a 'Nine & Dine' package through the website and local community advertising opportunities. Introduced lower green fees by demand period to encourage paid rounds.
2 Continue focus on season pass and game card sales on-line and golf events.	Participated in Fraser Valley 3-course game pack featured at the Vancouver golf show. Season's Pass and multiple game card prices have been reduced to reflect competitive market values to make them more competitive and achieve increased base golf play throughout the season. The season passes and game cards are promoted on the website and at golf events.
3 Increase peak time rounds by reducing Tee time interval to 9 minutes	Potentially will increase paid rounds by approximately 24 golfers per day during the peak demand periods. More golfers during peak times will also have a spill-over effect on F&B revenues.
4 Maintain a competitive approach to green fee pricing to capture a greater share of local and regional golfers	Introduced a dynamic pricing model and improved the on-line booking sheet to reflect green fee rates by time period. Golfers are able to see the various price points available over a 10 day period.
5 Increase tournament bookings by mining existing data base and targeting previous tournament groups.	Target to double the 2014 larger tournament business bookings.
6 Maximize retail sales volumes by offering Sale pricing on selected merchandise.	January's Pro Shop retail revenue exceeded projections by \$2500.
7 Sales promotion activity through the web and social media	Website updates and announcements (flex pricing and season Passes and multiple game cards), tournament page (promoting flex pr and seasons pass and multiple game card sale), Facebook, Twitter and Instagram (newsletter blasts to data base customers).
Rooms	
1 Develop a new room rate grid to capitalize on demand, primarily for cottages	New rates were implemented as of January 5, 2015. Breakfast is included as a package addition.
2 Provide 'advance of arrival communication' for guests to increase dining reservations	Guests receive a letter prior to arrival, describing changes to the Resort operation and suggesting they make dinner reservations to ensure availability. An estimated 33% are making reservations in advance.
3 Institute a Yield strategy to room pricing, ensuring rates coincide with demand	Introduced a weekly forecast meeting to review bookings over the next 2 months. Rates are adjusted to capitalize on remaining inventory and/or encourage bookings.
4 Explore participation on Expedia and Trip Advisor booking programs	Expedia has been contacted and process begun for inclusion of the Rowena's Inn Rooms in the 'Boutique Inns' category. Implementation is targeted for March 15. A mid-week feature rate for Rowena's Inn Rooms has been posted on Trip Advisor to encourage bookings.

Exhibit 2.0

Pretty Estate Resort Ltd.
Statement of Monthly Cash Flow from Operations
for the Period Ended January 31, 2015

	Month End January 31, 2015			3 Months Ended January 31, 2015		
	Actual	Projection	Variance	Actual	Projection	Variance
Rooms Occupied	126	148	(22)	409	476	(67)
Average Room Rate	\$ 162.71	\$ 193.72	\$ (31.01)	\$ 173.90	\$ 197.77	\$ (23.87)
Golf Rounds Played	369	250	119	983	1,000	(17)
Golf Average Realization	\$ 14.11	\$ 20.00	\$ (5.89)	\$ 17.61	\$ 20.00	\$ (2.39)
Earnings (Loss) Before Interest, Taxes, Depreciation, and Amortization	(73,756)	(44,702)	(29,054)	(173,371)	(98,310)	(75,061)
Cash Flow Adjustments						
Change Accounts Receivable	545	825	(280)	(5,059)	3,058	(8,117)
Change in Inventory	20,673	706	19,967	39,099	2,825	36,274
Change in Prepaid Insurance (P, C, BI)	2,882	2,322	560	8,577	6,966	1,611
Change in Prepaid Insurance (Auto)	0	0	0	(269)	200	(469)
Change in Prepaid Property Tax	3,800	4,039	(239)	11,186	11,731	(545)
Change in Prepaid Other	(19,973)	0	(19,973)	(19,973)	0	(19,973)
Change in General Accounts Payable	(41,204)	(6,918)	(34,286)	(6,811)	(21,781)	14,970
Change in Current Crown Claims	(1,280)	(3,780)	2,500	(46,801)	(48,979)	2,178
Change in Customer Deposits	(6,050)	(1,000)	(5,050)	15,165	(8,050)	23,215
Change in Delinquent Crown Claims	(12,000)	(12,000)	0	(42,000)	(42,000)	0
	(52,607)	(15,806)	(36,801)	(46,886)	(96,030)	49,144
Adjusted Cash Flow from Operations	(126,363)	(60,508)	(65,855)	(220,256)	(194,340)	(25,917)
Non-Operating Cash Flow items						
Capital Replacements	0	0	0	(3,910)	(10,000)	6,090
Envision Financial LOC Interest	(1,427)	(1,174)	(253)	(3,753)	(3,522)	(231)
Envision Financial LOC Advance (Repayment)	(19,120)	0	(19,120)	24,105	0	24,105
Envision Financial - Loan Interest	(6,250)	(6,387)	137	(19,006)	(19,161)	155
Envision Financial - Loan Principal Payment	(8,904)	0	(8,904)	(8,904)	0	(8,904)
Equipment Lease Payments	(14,033)	(654)	(13,379)	(15,139)	(6,369)	(8,770)
Car Loan Payments	20,776	(3,140)	23,916	17,422	(6,890)	24,312
2nd Mortgage Interest	(6,431)	(6,116)	(315)	(19,084)	(18,348)	(736)
DIP Commitment Fee	0	0	0	(14,500)	0	(14,500)
DIP Financing Interest	(3,401)	0	(3,401)	(6,053)	0	(6,053)
Shareholder Loans	1,135	0	1,135	0	0	0
	(37,655)	(17,471)	(20,184)	(48,822)	(64,290)	15,468
Restructuring Costs						
Restructuring Legal	0	7,500	7,500	88,173	45,000	(43,173)
Appraisal	0	0	0	0	10,000	10,000
Operations Restructuring / Management	16,726	3,200	(13,526)	46,002	76,000	29,998
CCAA Monitor	13,022	23,000	9,978	39,634	23,700	(15,934)
	29,748	33,700	3,952	173,809	154,700	(19,109)
Cash Flow Surplus (Deficiency)	(193,766)	(111,679)	(82,087)	(442,887)	(413,330)	(29,557)
Cash Balance						
Beginning Cash Balance (RBC Accounts)	72,873	0	(72,873)	37,841	81,845	44,004
DIP Financing Advanced	178,401	111,679	(66,722)	462,553	331,485	(131,068)
Ending Cash Balance (RBC Accounts)	57,508	0	(57,508)	57,508	0	(57,507)

Pretty Estates Ltd.
Summary Operating Statement
For the Period Ended January 31, 2015

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

Month End January 31, 2015						3 Months - Ended January 31, 2015					
Actual		Projection		Variance		Actual		Projection		Variance	
279		279		0		828		828		0	
126		148		-22		409		476		-67	
45%		53%		(7.9%)		49%		57%		(8.1%)	
\$162.71		\$193.72		(\$31.01)		\$173.90		\$197.77		(\$23.87)	
\$74.56		\$102.76		(\$28.20)		\$86.54		\$113.70		(\$27.15)	

Month End January 31, 2015						3 Months - Ended January 31, 2015					
Actual		Projection		Variance		Actual		Projection		Variance	
\$	%	\$	%	\$	%	\$	%	\$	%	\$	%
20,802	34.6%	28,670	34.8%	(7,868)	35.1%	71,658	28.9%	94,140	30.8%	(22,482)	39.1%
27,174	45.2%	44,743	54.2%	(17,569)	78.4%	133,167	53.6%	162,592	53.2%	(29,425)	51.1%
12,096	20.1%	8,075	9.8%	4,021	(17.9%)	43,408	17.5%	46,050	15.1%	(2,642)	4.6%
	0.0%	1,000	1.2%	(1,000)	4.5%	-	0.0%	3,000	1.0%	(3,000)	5.2%
60,072	100.0%	82,488	100.0%	(22,416)	100.0%	248,232	100.0%	305,782	100.0%	(57,549)	100.0%
13,014	62.6%	8,096	28.2%	4,918	(62.5%)	39,285	54.8%	25,354	26.9%	13,930	(62.0%)
38,729	142.5%	45,734	102.2%	(7,005)	39.9%	160,473	120.5%	149,201	91.8%	11,273	(38.3%)
23,240	192.1%	19,346	239.6%	3,894	96.8%	69,972	161.2%	63,492	137.9%	6,480	(245.2%)
74,983	124.8%	73,176	88.7%	1,807	(8.1%)	269,730	108.7%	238,047	77.8%	31,683	(55.1%)
(14,911)	(24.8%)	9,312	11.3%	(24,223)	108.1%	(21,498)	(8.7%)	67,735	22.2%	(89,233)	155.1%
29,345	48.9%	24,519	29.7%	4,826	19.7%	81,953	33.0%	74,577	24.4%	7,376	9.9%
1,735	2.9%	2,652	3.2%	(917)	(34.6%)	8,771	3.5%	7,956	2.6%	815	10.2%
5,568	9.3%	7,685	9.3%	(2,117)	(27.6%)	20,337	8.2%	26,805	8.8%	(6,468)	(24.1%)
4,913	8.2%	7,615	9.2%	(2,702)	(35.5%)	15,807	6.4%	22,704	7.4%	(6,897)	(30.4%)
12,990	21.6%	4,983	6.0%	8,007	160.7%	16,659	6.7%	14,950	4.9%	1,709	11.4%
54,551	90.8%	47,454	57.5%	7,097	(31.7%)	143,527	57.8%	146,991	48.1%	(3,464)	6.0%
(69,462)	(115.6%)	(38,142)	(46.2%)	(31,320)	139.7%	(165,025)	(66.5%)	(79,256)	(25.9%)	(85,768)	149.0%
(69,462)	(115.6%)	(38,142)	(46.2%)	(31,320)	139.7%	(165,025)	(66.5%)	(79,256)	(25.9%)	(85,768)	149.0%
2,387	4.0%	500	0.6%	1,887	(8.4%)	11,685	4.7%	1,500	0.5%	10,185	(17.7%)
-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
3,800	6.3%	4,039	4.9%	(239)	(1.1%)	11,186	4.5%	11,732	3.8%	(546)	(0.9%)
2,882	4.8%	3,021	3.7%	(139)	(0.6%)	8,845	3.6%	8,821	2.9%	24	(0.0%)
-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
(4,294)	(7.1%)	(6,560)	(8.0%)	1,509	(6.7%)	(8,346)	(3.4%)	(19,053)	(6.2%)	10,707	18.6%
(73,756)	(122.8%)	(44,702)	(54.2%)	(29,810)	133.0%	(173,371)	(69.8%)	(98,310)	(32.2%)	(75,061)	130.4%
7,677		8,215		(538)		22,759		23,991		(1,232)	
6,431		6,116		315		19,084		18,848		236	
3,401				3,401		20,553		-		20,553	
17,508		14,331		3,177		62,397		42,839		19,558	
-		7,500		(7,500)		88,173		45,000		43,173	
-		-		-		-		10,000		(10,000)	
13,022		3,200		9,822		39,634		23,700		15,934	
16,726		23,000		(6,274)		46,002		76,000		(29,998)	
29,748		33,700		(3,952)		173,809		154,700		19,109	
(121,012)		(92,733)		(29,035)		(409,576)		(295,849)		(113,728)	