



This is the 2nd Affidavit of Kimberley Manderson sworn
in this case and was made on April 23, 2014

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

AND

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

AND

IN THE MATTER OF
PRETTY ESTATES LTD.

PETITIONER

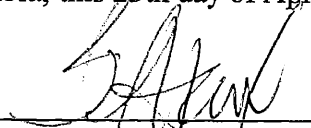
AFFIDAVIT

I, Kimberley Manderson, legal assistant, of the City of Vancouver, in the Province of British Columbia, of the above-named Pretty Estates Ltd., MAKE OATH AND SAY THAT:

1. I am a legal assistant with the law firm Lawson Lundell LLP, counsel for the Petitioner herein, and as such have personal knowledge of the matters herein deposed to except where stated to be based upon information and belief.
2. I am authorized to make this Affidavit on behalf of the Petitioner.
3. Attached as **Exhibit "A"** to this my Affidavit is the memorandum of Integrated Hospitality Management Ltd. dated April 14, 2015, with respect to the operations and cash flow report for Pretty Estates Ltd.
4. Attached as **Exhibit "B"** to this my Affidavit is a letter from Dennis K. Fitzpatrick,

counsel for Jim Young, the DIP lender, dated April 22, 2015, with respect to the extension of the stay of proceedings and modification of the DIP Financing agreement.

SWORN BEFORE ME at the City of
Vancouver, in the Province of British
Columbia, this 23th day of April, 2015.



A Commissioner for taking Affidavits in
British Columbia

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KIMBERLEY MANDERSON

BONITA LEWIS-HAND
Barrister & Solicitor
1600 - 925 WEST GEORGIA ST.
VANCOUVER, B.C. V6C 3L2
(604) 685-3456

This is Exhibit "A" referred to in the
affidavit of Kimberley Manderson
sworn before me at Vancouver
this 23rd day of April, 2015.

A COMMISSIONER FOR TAKING
AFFIDAVITS FOR BRITISH COLUMBIA



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: April 14, 2015
Re: Pretty Estate Resort – Operations and Cash Flow Report, March 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 Exhibits 1 and 1A, we set out our status report in respect of the various initiatives as at April 13, 2015; all initiatives have been actioned and highlighted initiatives indicate areas of significant advancement.

For the 5 month period ended March 31, 2015 we provide the following summary:

	2015 \$	2014 \$	Improvement \$
Total Revenue	456,700	393,800	62,900
Labour Costs	413,400	482,400	69,000
Other Costs	<u>279,200</u>	<u>368,400</u>	<u>89,200</u>
EBITDA (Before Restructuring Costs)	<u>(235,900)</u>	<u>(457,000)</u>	<u>221,100</u>

Our revenue enhancement, cost control and mitigation, and efficiency are focused on the company's operations; revenue enhancement initiatives, especially as they related to golf operations appear to be gaining momentum, generating additional revenues.

On a comparative basis for the 5 months period ended March 31, revenues have been increased \$62,900, labour costs have been reduced \$69,000, and other operating costs have been reduced by \$89,200, resulting in a reduction in the operating loss for the 5 month period of \$221,100.

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 \$69,000 in labour cost

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savings, approximately 15% of the prior year labour cost, has been achieved in the 5 months ended March 31, 2015 without sacrificing guest satisfaction.

Other cost savings have been recorded in and across multiple expense classifications. For example, for the 5 months ended March 31, 2015 the cost of food and beverage was 36.5% of food and beverage revenues, 14.6 percentage points better than the 51.1% cost of food and beverage revenues reported in the 5 months ended March 31, 2014 (measured in absolute dollars, the food and beverage cost reduction is \$27,970 over the 5 month period).

Some of our revenue enhancement initiatives were delayed as a result of 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.

Our business and operating philosophy continues to promote changes that improve the business paradigm at the Resort. 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. In accepting new commitments for 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, for the unlimited season pass, we have developed a payment program to assist in mitigating the perception of additional risk associated with the Sandpiper Golf Course as a result of the restructuring process.

Operating Earnings (Loss) for the Month Ended March 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 March 31, 2015, and provide the following discussion thereon.

Total Operating Revenue recorded for March 2015 was \$117,800, (\$18,400) below projected levels, with golf revenues \$14,700 above expectations and rooms and food and beverage combined to be (\$33,100) below expectations.

The Earnings (Loss) before Interest Taxes Depreciation and Amortization ("EBITDA") and Restructuring Costs for the month of March 2015 was (\$22,900); (\$6,700) worse than the projected EBITDA and Restructuring Costs of (\$16,200).

By comparison the Total Operating Revenue and EBITDA reported for the month of March 2014 was \$82,700 and (\$85,500) respectfully.



Rooms department revenue for March was \$22,000, approximately (\$10,200) less than projected levels. 142 guest rooms were sold, (26) less than the projected guest room sales of 168; the average room rate achieved was \$153.08, approximately (\$34.97) worse than the projection of \$188.05.

Food & Beverage department revenues for March were \$43,600, approximately (\$21,900) less than the projected levels.

Golf department revenues for March were \$52,100, approximately \$14,700 more than the golf revenues projected; 1,388 paid rounds of golf were recorded, 488 more than projected; the average green fee realized was \$20.97, (\$4.03) less than \$25.00 green fee projected.

Non-Operating Income for March was \$2,260; \$1,760 more than projected.

Total labour costs for the month of March 2015 were \$86,383, (\$961) more than the projected labour costs of \$85,422, and \$9,991 less than the labour costs incurred in the month of March 2014. For March 2015 labour costs represented 73.4% of total operating revenues, approximately 10.6 percentage points worse than the projected labour costs of 62.8% of total projected revenue.

An overall operating earnings (loss), represented by EBITDA before Restructuring Costs, of (\$22,900) was recorded for the month of March 2015, (\$6,700) worse than the projected operating earnings (loss) for the month of (\$16,200).

On a year to date basis (5 months to March 31, 2015), EBITDA and Restructuring Costs of (\$235,900) have been reported; (\$77,000) worse than the projected EBITDA and Restructuring Costs of (\$158,900). Total operating revenues of \$456,700 were recorded in the 5 month period, (\$70,600) less than the projected operating revenue, and \$62,900 more revenue than was recorded in the 5 month period ended March 31, 2014.

By comparison the EBITDA and Restructuring Costs reported for the 5 months ended March 31, 2015 was (\$235,900), \$221,100 better than the EBITDA and Restructuring Costs of (\$457,000) reported for 5 months ended March 31, 2014.

In our report on the operations for February 2015, dated March 19, 2015, we provided an estimate for the anticipated operating loss for March 2015 at (\$20,000) based on the daily revenue and labour cost reporting to March 17, 2015, implemented at the Resort. An actual operating loss of (\$22,900) was incurred, approximately (\$2,900) worse than the estimate.

April 2015

According to the revenue and labour cost tracking/monitoring systems installed at the Resort, as of April 12, 2015, the Resort is reporting an actual revenue to projection surplus in the range of \$2,000 month-to-date and an actual labour cost to projection surplus in the range of \$2,000 month-to-date. Booking and reservation activity indicates that non-golf revenues in the last half of the month will be stronger than that experienced in the first half of the month. Golf revenues vary with weather conditions, which in the first half of April were mixed. Overall for April 2015 we projected



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EBITDA of (\$20,000); based on the experience to April 12, 2015 we anticipate achieving the EBITDA projection of (\$20,000).

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 before Restructuring Costs for March 2015 was (\$22,900).

The adjusted cash flow surplus (deficiency) from operations for March 2015 was approximately (\$43,300), and consider all of the changes in the working capital accounts for the Resort. Overall, there is an unfavorable cash flow from operations of (\$47,500), when compared against the projected operating cash flow requirements, largely as a result of the timing for recognizing the previously unbilled professional services accounts and their planned payments.

Non-Operating cash flow items generally include the financing activities and restructuring costs incurred. In March 2015 approximately \$8,600 in capital replacements were made; \$6,700 to replace the main water pump and motor and \$1,700 for a replacement (used) for the main ice machine for the Resort. In addition, \$18,232 in legal fees and disbursements related to the Envision Financial 1st mortgage were recorded; these legal fees and related taxes were added to the principle amount of the 1st mortgage outstanding. As noted in previous reports, the cash flow projections did not include a specific monthly provision for the DIP Financing costs.

For the month of March 2015 a cash flow deficiency of (\$89,000) was incurred, (\$49,000) worse than the projected cash flow deficiency of (\$40,000). On a year to date basis (5 months to March 31, 2015), a cash flow deficiency of (\$608,000) has been incurred, (\$60,000) worse than the projected cash flow deficiency of (\$548,000).

Our cash flow projections anticipated that no changes would be made to the Envision Line of Credit, which was effectively fully drawn down as at November 10, 2014, and that only nominal cash balances would be carried at each month-end. However, as at March 31, 2015 there was \$52,500 in un-projected cash balances on deposit in the Royal Bank of Canada accounts and \$9,000 available on the Envision Financial Line of Credit. The un-projected cash balances and line of credit resources which total \$61,500 as at March 31, 2015, effectively offset the unfavourable variance in the cash flow deficiency for the month of March 2015 (\$49,000) and the 5 month period ended March 31, 2015 (\$60,000).

DIP Financing

As at March 31, 2015 DIP Financing totaling \$622,598 had been advanced, approximately \$156,408 more than the \$466,190 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. As at March 31, 2015, cash balances of \$52,490 were available in the Royal Bank of Canada accounts, and approximately \$9,000 was available on the Envision Financial Line of Credit. Our projection anticipated 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 resources of \$61,500 as at March 31, 2015, these resources effectively reduce the unfavourable DIP Funding variance from (\$156,000) to (\$95,000).

As at April 13, 2015 DIP Financing totaling \$672,598 had been advanced, \$137,000 more than the \$535,402 projected for the end of April 2015. Allowing for the April 2015 DIP interest, and the three month interest reserve, there is approximately \$48,000 in remaining borrowing available under the approved DIP Financing of \$750,000.

The additional \$156,000 in DIP Financing as at March 31, 2015, has been required as a result of a number of actual to projected cash flow variances, including:

	\$
DIP Financing Costs	30,000
Additional Legal Costs, paid	56,000
Additional Monitor costs, paid	28,000
Unfavorable Variance in beginning cash balance	44,000
Rounding	(2,000)
	<u>156,000</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 \$84,000, and are not within the control of management. \$18,000 of the additional legal costs relate to the legal fees and disbursements for Envision Financial which were added to the outstanding 1st mortgage balance.

Projected Cash Flow for the Year ending October 31, 2015

Based on the operating performance achieved since November 10, 2014, and the expected financial impacts of the operational changes and revenue enhancement initiatives 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.

Previously we recommended that the Resort revise the monthly operating and cash flow forecasts for the balance of the year ending October 31, 2015. The Resort tabled our recommendation in the short term, citing the need to avoid any additional professional fees.

As instructed we revised only the professional fees section of the monthly cash flow projections, prepared previously, obtaining new estimates for professional fees. In addition, the cash flow projection model was adjusted to include estimates for the costs associated with the DIP Financing (interest, commitment fees, etc.).



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The revisions made to the cash flow projections for Pretty Estates Ltd. for the year ending October 31, 2015, increased the estimates for professional fees related to the CCAA application and restructuring process by approximately \$320,000; with approximately \$150,000 related to increased legal fees and approximately \$170,000 in increased costs and fees related to work anticipated by the Court Appointed Monitor and the formal restructuring process.

The revised cash flow projections are presented in Exhibit 3.0 with the Notes to the revised cash flow projections presented in Exhibit 3.1. The revised cash flow projections indicate that additional DIP Financing in the range of \$200,000 will be required to support the operation at the Resort and fund the restructuring initiatives, plus an additional provision of \$50,000 in DIP Financing should be provided to fund additional commitment fees and provide for expanded interest reserves. This would increase the DIP Financing to \$1,000,000.

The revised cash flow projection indicates that the additional DIP Financing will be required in the months of May and June 2015; with DIP repayments of approximately \$200,000 occurring in July and August 2015. In the event that we are successful in achieving the level of projected operating earnings originally presented in November 2014, additional repayment of DIP Financing will be available.

Conclusion

The foregoing represents our report on the operations and cash flow for the Resort for March 2015 and the 5 months then ended.

We are pleased to report a 5 month period – 2015 EBIDTA improvement of \$221,000, when compared to the same 5 month period – 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 \$4,675; March 2015 (\$6,605); April 2015 – Forecast – No Variance.

Based on the revised cash flow projections, a \$250,000 increase in DIP Financing to \$1,000,000 appears to be required.

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 April 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;	Implemented for peak time period each day.
2	eliminate the inclusion of a hot breakfast with guest rooms, substitute a good quality continental breakfast;	Breakfast delivery to cottages discontinued as of November 29; adjusted breakfast menu offered in Rowena's dining room effective December 1.
3	eliminate the inclusion of a cottage in the wedding package, substitute the two room suite in Rowena's Inn	Wedding package has been updated to reflect new menu prices, calculation of the resort fee per person. Cabins are excluded as a standard inclusion.
4	reduce golf pro shop merchandise inventory to essentials and proven high volume/margin items, to reduce appearance of being overstocked	Purchasing for 2015 season is occurring with an emphasis on high volume/margin items and expected golf service items, only.
5	create a welcome desk near the Pro Shop to greet and direct all incoming guests and patrons	Front desk / welcome desk has been relocated to the Pro Shop Building
6	Develop an understanding of the revenue / cost matrix for various components of the services provided (right size the service delivery model to make a profit).	Ongoing developoment and evaluation.

Sandpiper Golf Course

1	Reduce off-season Golf Course hours of operation to reflect only prime golf days and golf able hours	Completed for Off-Season. Hours are being expanded to reflect the increase in demand and lengthening daylight hours.
2	Reduce off-season Pro Shop hours of operation to reflect reduced golf course operations	Completed for Off-Season. Daily savings time schedule have been implemented, based on expected volumes by day as well as being adjusted for weather. Cross training of front desk clerk allows for efficient coverage when required.
3	Reduce off-season course maintenance to reflect reduced golf course operations	Completed for Off-Season. Course maintenance hours are increasing to reflect the needs of course maintenance and preparation for the upcoming season

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 April 15, 2015
4 Through the off season provide minimum food & beverage service at pro shop	Completed for Off-Season. F&B service in the Pro Shop is being enhanced to reflect the increased golfers passing thru the shop. On course F&B is being provided when bookings indicate demand potential and/or to meet golfer expectations.
5 Liquidate Pro Shop merchandise inventory to convert inventory to cash flow	Stale merchandise continues to be cleared with a return to normal margins on new and in-demand merchandise
6 Reduce purchasing plans for 2015 Pro Shop merchandise to essentials and proven high volume/margin items to reduce cash requirements	Orders for spring 2015 retail merchandise are being placed, increasing the depth of inventory available for sale as volume of golfers increases.
7 Incentivize on-line bookings for tee times	The "Flex pricing" program and a "March Madness" promotion have served to increase the percentage of bookings made online. In March 2015 32% of bookings were made online compared to 6% in 2014.
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	Dynamic pricing was implemented in February resulting in a positive increase in bookings. 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 has been updated for 2015.
11 Enhance league play programs (F&B features, attendance and performance prizes)	Men's, Ladies, and Couples League play will commence at the end of April. F&B programs and prize structures are being developed.
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. An improved seasons pass program has been launched and is being proposed to local RV parks etc. for distribution.
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. 210 Game packs were sold at the February Vancouver Golf Show. A spring launch of the seasons pass / pass card program is underway.

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

Initiative

Status as of April 15, 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 April 15, 2015
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.
2 Close the River's Edge Restaurant immediately after Thanksgiving with re-opening for Easter. Relocate daily meal service to the Rowena's Inn and use the River's Edge Restaurant space for off-season events and catering functions.	Rivers Edge Restaurant closed Dec 18. Restaurant space is being promoted for catering and events. River's Edge Restaurant was re-opened April 1, 2015.
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	Rivers Edge Restaurant was re-opened April 1. Due to demand and logistics breakfast and lunch (afternoon) service being provided in Rivers Edge with dinner service continuing in Rowenas Inn until demand indicates otherwise.
4 Re-engineer the menu offerings and pricing, taking into consideration kitchen production and storage capabilities as well as competitive market pricing.	New Menu commenced Dec 18, 2014. Menu continues to be tweaked for efficiencies and market feedback. New spring menu was rolled out April 1, 2015.
Rowena's Inn (Food & Beverage)	
1 Transfer breakfast service to the main floor of Rowena's Inn (upper room)	Completed Dec 1, 2014
2 Commencing with Thanksgiving weekend, provide lunch and dinner service in Rowena's Inn (main floor living room and dining room). Menu offerings should be limited, focusing on kitchen efficiency and quality standards. Dinner service may feature a chef's table, wine tasting dinners, farm-to-table and theme dinners; which should be sold into the local market as well as being available for overnight guests.	Relocation of lunch & dinner service effective Dec 18, 2014. Menu planning complete, reassessment scheduled for Jan/Feb 2015. Feature dining in effect on a rotational basis.
3 Afternoon tea service (individual or group) should be serviced by F&B employees	Initiative was implemented Dec 18, 2014
4 Continue Rowena's Inn dining through the summer months as an alternative to River's Edge casual menu.	Dinner service continues in Rowena's Dining Room with a new menu launched April 1. Outdoor summer service on the Inn portico is being developed.

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 April 15, 2015
Events and Catering	
1 Audit the costing of Facility Fee components to ensure pricing reflects all inclusions	New facility fee structure and pricing has been implemented for new wedding commitments.
2 Re-evaluate listing of Facility Fee inclusions, to clarify the description and simplify the billing process.	As above.
3 Amend the Event/Catering contract to add/change information based on accommodation requirements, additional charges for statutory holiday labour and clean-up fees.	Completed and implemented.
4 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.).	Catering menu pricing has been amended. Increases will be passed on when reasonable.
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.	Amended wedding package information addresses the issues of accommodation blocks and packaging. Effective Jan 25, 2015
6 When quoting on events one year out, use current pricing with an anticipated % escalation (i.e. dinner price of \$50 plus 5%).	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.
7 Implement a 'displacement analysis' approach to the decision when evaluating the acceptance of a booking (considers profitability of the function in the decision)	Discussions initiated with onsite staff, training will follow through spring 2015.
8 Explore opportunity of partnering with Harrison Hot Springs Hotel for reciprocal commissions on referrals.	Contact made with Harrison Beach Resort and commissionable room rate in place. Harrison Hot Springs Resort is unlikely to be convinced to participate.
9 Eliminate awarding Classic Reward points on catering functions	Classic Reward points are no longer be awarded on catering functions

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

Initiative	Status as of April 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. Actual costing for catering buffets will be completed on the June 13, 2015 wedding buffet.
4 Non-employee use of the kitchen passage to River's Edge to be eliminated (especially during meal periods).	Kitchen passage way no longer in use for non-employee 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. Updated control procedures will be established for the April 2015 month end.
6 Centralized storage for liquor, beer and wine products is required.	A suitable space for centralized liquor storage is not available without a cash expenditure. Inventory Audit controls are in place to monitor/control shrinkage.
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 April 15, 2015

Rowena's Inn (Bed & Breakfast)

Inventory

1	Maximize the transient use of the Cottages and Gatehouse by excluding them from the wedding block.	Cottages & gatehouse are no longer required in the wedding package format
2	Develop yield management practises to maximize the pricing for all rooms during high demand periods	New pricing structures and yield management processes have been implemented
3	Replace all incandescent light bulbs in guest room areas.	Energy efficient bulbs are being used for replacements where reasonable.
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.	Gift certificate redemption has been reviewed and new direction provided. The Gift certificate SOP will be ready for distribution by April 30, 2015.

Rooms Operations

1	Establish a welcome desk within the Pro Shop building to include guest check-in and out transactions as well as a central switchboard operation.	Complete
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).	Will be accessible with the relocation of dining services to Rowena's Inn. Effective as of Dec 18, 2014
3	Wedding guest check- out and check-in needs to be structured to allow time for servicing guest rooms.	This initiative has been addressed in the revised wedding contract now in place.
4	Daily Room inspections to identify maintenance and housekeeping deficiencies, prioritize outstanding maintenance repairs as well as upgrades as capital becomes available.	inspections have identified major maintenance and deficiency issues. Work order priority list has been prepared and will be attended to through the end of May.
5	Set and maintain a standard of amenities and supplies by room type such as glassware, china cups, plates and cutlery.	New standards of amenities and supplies have been finalized and are in place. Complimentary room amenities have been adjusted to include Keurig coffee and bottled water.
6	Provide a single serving coffee service to the second floor sitting room for 24-hour guest room use (i.e. Nespresso)	Keurig coffee makers now available for Inn guests as well as cottage guests.

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Initiative	Status as of April 15, 2015
7 Change the included breakfast offering to a Continental Breakfast and charge extra for a la carte hot breakfast items.	Elimination of Cottage breakfast delivery complete. Transition of breakfast service to Rowena's dining room completed. A decision has been reached to continue offering dinner service in Rowena's through the summer, providing an additional dinner option to River's Edge.
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.	Consideration of iHotelier suspended
2 Make use of the management tools and reporting available on WebRez.	Training ongoing. Reports and user parameters have been reviewed and software provider contacted to clarify procedures.
3 Make use of the management tools and reporting available through Squirrel.	Accounting assistant becoming proficient with squirrel reporting.
4 Make use of the management tools and reporting available through Tee On.	Director of Golf Operations and the Accountant have identified necessary reporting tools required at this time..
General and Administrative	
1 Develop and implement a "Team" culture within the department heads; break down departmental "silos" to achieve operating efficiencies available through the use of effective communication and shared resources.	In Progress, weekly management meetings and team meetings coordinated to encourage collaborative decision making and responsibilities .
2 Retain an experienced sales and food & beverage oriented General Manager, to monitor the delivery of premium guest experience and direct the sales strategy	IHM personnel onsite
3 Regular meetings with department managers should be convened to review monthly financial results, coordinate weekly bookings, activity, and special events (weddings and tournaments)	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.

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 April 15, 2015
4 Establish a process for continuous budgeting and goal setting to foster collaboration and reinforce accountability	Financial Results and budget process reviewed monthly throughout the fiscal year. Weekly objectives review were added Jan 27, 2015.
5 Eliminate F&B Manager position, a FOH Service Supervisor can work with the Events Coordinator and report to the General Manager.	Completed.
6 Golf sales responsibility should be aligned with the Director of Golf Operations	Completed.
7 The Front Desk Manager position should be eliminated, with continued use of a Rooms Supervisor.	Guest Services Manager position evolving to fill requirements.
8 Implement automated payroll and vendor payment systems.	An EFT system has been implemented for payroll, vendor payment opportunities to be developed.
Sales & Marketing	
1 Re-assess sales and marketing strategy, focus on message targeting audiences for each of the resorts amenities.	Several meetings with the Marketing contractor have occurred to this end. Recommendations for targeting social media are being assessed and implemented as required.
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.)	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.
3 Reassess pricing strategies for guest rooms, event/catering, and food & beverage offerings	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.	Landscaping requirements are now under the direction of the Golf Course Superintendent. As a result of the Superintendent change the maintenance department continues to report to the GM

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 April 15, 2015
2 Review employee scheduling procedure in all Front of House and Back of House areas to improve labour productivity.	Department managers have evaluated current employees and availability and weekly schedules are being reviewed by the General Manager.

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 April 15, 2015
3 Reduce off-season golf course and other maintenance to reflect reduced operations	Golf course and other maintenance are now being expanded in preparation for the season ahead.
4 Relocate fuel storage to maintenance yard and institute access controls	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.
Internal Control Procedures	
1 Provide and review monthly financial statements with Department Managers to set short term objectives	Monthly financials are distributed to department managers for their review. GM meets with each manager to discuss the results, current month trend and projections.
2 Develop an appropriate purchase order authorization system	Purchase Order system was established Nov 17, 2014 with procedure updated in February 2015.
3 Develop purchasing and inventory control procedures for the purchasing, receiving, storage, issue, and use of food products.	Purchase Order system in place.
4 Develop purchasing and inventory control procedures for the purchase, receiving, storage, issue, recovery, and recording of sales for alcoholic beverages.	Purchase Order system in place, awaiting central stores implementation.
5 Develop inventory control procedure for storage and issuing petroleum products as well as turf & grass chemicals.	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.	Fraser Valley Health confirmed compliance during a January inspection.
2 Compliance with Liquor Licensing regulation issues need to be addressed	A meeting with the liquor inspector has resulted in a clarification of regulation deficiencies, appropriate applications are being prepared.
3 Potential environmental contamination from petroleum storage tanks and turf chemicals needs to be monitored	Ongoing monitoring by GM and Golf Superintendent.

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

Initiative

Status as of April 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.	The core menu items were adjusted to suit customer preferences at the end of December and again at the end of January. Nightly features continue to augment the menu. Complete menu revisions were implemented on April 1 including a return to "casual fare" in the Rivcers Edge
2	Monitor the Table D'Hote menu offering to ensure a reasonable rotation and sales activity.	The Table D'Hote offering was amended in January to a three course meal at \$40 per person. TDH continues on the spring menu in the Inn.
3	Develop a monthly promotional calendar, identifying special event offers and recurring features to encourage repeat customers.	The monthly calendar of events is updated as needed. The first event featured was Valentine's Day weekend which generated \$4200 in F&B sales on the Friday and Saturday. The March 10 Farm to Table dinner was cancelled because of poor advance sales. The format of this event will be amended to focus on feature partners throughout the month rather than a single event. The Easter weekend was very strong. Tulips of the Valley Festival in Agassiz has been a strong draw for the resort.
4	Find new revenue streams for non-peak dining.	Current initiatives include contacting previous wedding couples, inviting them to return and celebrate anniversaries, birthdays, reunions and other special occasions.
5	Extend Rowena's dining through the summer months	Rowena's evening dining will continue. Monthly monitoring will provide indicators of demand.
6	Sales promotion activity through the web and social media	Updated website with new information - Farm to Table dinner as well as revised menus. Utilized Facebook, Instagram and Twitter to announce dining specials including Easter weekend. Sent newsletter email blasts to subscribers.

Events

1	Develop a meeting package to take advantage of River's Edge as a meeting room.	Resort Corporate Retreat package featuring River's Edge, will be suspended for the summer season. Solicitation of group meal opportunities has replaced the Corporate Retreat.
2	Sales promotion activity through the web and social media	As above, promoting our golf tournaments, special events and activities using the website, Facebook and Twitter.
3	Sales promotion activity for Food & Beverage Functions	Current initiatives include contacting previous wedding couples, inviting them to return and celebrate anniversaries, birthdays, reunions and other special occasions; calls to Senior's Groups for lunches; contacting local schools for Graduation Functions.

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

Initiative	Status as of April 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.	A full Seasons Pass Program has been launched with promotions online, in print and PPC. Direct calls to RV parks and residential developments are underway.
3 Increase peak time rounds by reducing Tee time interval to 9 minutes	This will increase paid rounds by approximately 24 golfers during the primary 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. This has contributed to the success in achieving double the golf rounds over the previous best year of 2010.
5 Increase tournament bookings by mining existing data base and targeting previous tournament groups.	Sandpiper has now booked 11 large tournaments for this season to date with estimated revenues of \$137,000.
6 Maximize retail sales volumes by offering Sale pricing on selected merchandise.	Retail revenue for the first 13 days of April is \$879 ahead of projection.
7 Sales promotion activity through the web and social media	Tactics included: - website updates and announcements for flex pricing, tournament page, - promoting flex pricing and season's pass sales using 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 month period. Rates are adjusted to capitalize on remaining inventory and/or encourage bookings.
4 Explore participation on Expedia and Trip Advisor booking programs	The property is now featured on Expedia (effective April 1) Expedia promotional tools are being used to encourage spring bookings (to May 15)
5 Re-introduce room packages highlighting amenities and services available through the Resort as well as promoting mid-week business.	New room packages for April and May promoting extended stays, Golf as well as a Spring Get-away.
6 Enhance Spring room bookings with features & promotions	Late spring promotions such as "Play Free with Stay" and multi-night stay discounts are being promoted via Social Media, database e-blasts & PPC

Exhibit 2.0

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

	Month Ended February 28, 2015			5 Months Ended March 31, 2015		
	Actual	Projection	Variance	Actual	Projection	Variance
Rooms Occupied	142	168	(26)	671	772	(101)
Average Room Rate	\$ 153.08	\$ 191.79	\$ (38.71)	\$ 165.59	\$ 194.86	\$ (29.27)
Golf Rounds Played	1,623	900	723	3,554	2,200	1,354
Golf Average Realization	\$ 20.97	\$ 25.00	\$ (4.03)	\$ 22.77	\$ 22.05	\$ 0.72
EBITDA before Restructuring Costs	(22,843)	(16,238)	(6,605)	(235,924)	(158,932)	(76,992)
(Earnings before Interest, Taxes, Depreciation & Amortization)						
Cash Flow Adjustments						
Change Accounts Receivable	(311)	680	(991)	(5,631)	4,592	(10,223)
Change in Inventory	575	(17,458)	18,033	43,735	(13,785)	57,520
Change in Prepaid Insurance (P, C, BI)	2,322	2,322	0	11,610	11,610	0
Change in Prepaid Insurance (Auto)	0	0	0	856	200	656
Change in Prepaid Property Tax	0	4,039	(4,039)	7,386	19,809	(12,423)
Change in Prepaid Other	(108)	0	(108)	(16,288)	0	(16,288)
Change in General Accounts Payable	(17,161)	26,965	(44,126)	37,861	4,944	32,917
Change in Current Crown Claims	4,314	5,804	(1,490)	(42,487)	(43,724)	1,237
Change in Customer Deposits	1,910	(1,950)	3,860	21,503	(11,720)	33,223
Change in Delinquent Crown Claims	(12,000)	0	(12,000)	(66,500)	(53,561)	(12,939)
	(20,459)	20,402	(40,861)	(7,956)	(81,635)	73,679
Adjusted Cash Flow from Operations	(43,302)	4,164	(47,466)	(243,880)	(240,567)	(3,313)
Non-Operating Cash Flow items						
Capital Replacements	(8,581)	0	(8,581)	(12,491)	(10,000)	(2,491)
Envision Financial LOC Interest	(1,183)	(1,174)	(9)	(5,804)	(5,870)	66
Envision Financial LOC Advance (Repayment)	4,260	0	4,260	37,135	0	37,135
Envision Financial - Loan Interest	(5,761)	(6,387)	626	(31,350)	(31,935)	585
Envision Financial - Loan Principal Payment	19,143	0	19,143	10,239	0	10,239
Equipment Lease Payments	(554)	(654)	100	(16,247)	(7,677)	(8,570)
Car Loan Payments	(955)	(1,208)	253	14,870	(9,306)	24,176
2nd Mortgage Interest	(6,431)	(6,116)	(315)	(31,323)	(30,580)	(743)
DIP Commitment Fee	0	0	0	(14,500)	0	(14,500)
DIP Financing Interest	(5,162)	0	(5,162)	(15,098)	0	(15,098)
Shareholder Loans	0	0	0	0	0	0
	(5,222)	(15,539)	10,317	(64,568)	(95,368)	30,800
Restructuring Costs						
Restructuring Legal	18,232	7,500	(10,732)	167,387	60,000	(107,387)
Appraisal	0	0	0	0	10,000	10,000
Operations Restructuring / Management	11,505	18,000	6,495	73,690	112,000	38,310
CCAA Monitor	10,751	3,200	(7,551)	58,425	30,100	(28,325)
	40,488	28,700	(11,788)	299,502	212,100	(87,402)
Cash Flow Surplus (Deficiency)	(89,012)	(40,075)	(48,937)	(607,949)	(548,035)	(59,914)
Cash Balance						
Beginning Cash Balance (RBC Accounts)	76,340	0	(76,340)	37,841	81,845	44,004
DIP Financing Advanced	65,162	40,075	(25,087)	622,598	466,190	(156,408)
Ending Cash Balance (RBC Accounts)	52,490	0	(52,490)	52,490	0	(52,490)
Represented by:						
Unrestricted Cash	22,069					
Post November 10, 2014 Event Deposits, in Trust	30,421					
	52,490					

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

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

Month End March 31, 2015			5 Months - Ended March 31, 2015		
Actual	Projection	Variance	Actual	Projection	Variance
279	279	0	1359	1359	0
142	168	-26	671	772	-101
51%	60%	(9.3%)	49%	57%	(7.4%)
\$153.08	\$188.05	(\$34.97)	\$165.59	\$194.86	(\$29.26)
\$78.78	\$115.48	(\$36.70)	\$82.51	\$110.69	(\$28.18)

Operating Revenue

Rooms
Food and Beverage
Golf Course
Miscellaneous Income
Total Operating Revenue

Month End March 31, 2015						5 Months - Ended March 31, 2015					
Actual		Projection		Variance		Actual		Projection		Variance	
\$	%	\$	%	\$	%	\$	%	\$	%	\$	%
21,980	18.7%	32,220	23.7%	(10,240)	55.7%	112,131	24.6%	150,430	28.5%	(38,299)	54.2%
43,581	37.0%	65,440	48.1%	(21,859)	118.9%	212,402	46.5%	272,398	51.7%	(59,996)	84.9%
52,146	44.3%	37,438	27.5%	14,708	(80.0%)	132,134	28.9%	99,478	18.9%	32,656	(46.2%)
	0.0%	1,000	0.7%	(1,000)	5.4%	-	0.0%	5,000	0.9%	(5,000)	7.1%
117,707	100.0%	136,098	100.0%	(18,391)	100.0%	456,667	100.0%	527,306	100.0%	(70,639)	100.0%

Departmental Expenses

Rooms
Food and Beverage
Golf Course
Total Departmental Expenses

10,965	49.9%	8,763	27.2%	2,202	(21.5%)	60,047	53.6%	41,547	27.6%	18,499	(48.3%)
43,633	100.1%	55,709	85.1%	(12,076)	55.2%	243,385	114.6%	250,002	91.8%	(6,617)	11.0%
34,004	65.2%	31,512	84.2%	2,493	16.9%	132,095	100.0%	114,400	115.0%	17,695	54.2%
88,602	75.3%	95,984	70.5%	(7,382)	40.1%	435,526	95.4%	405,949	77.0%	29,577	(41.9%)

Total Departmental Profit

29,105	24.7%	40,115	29.5%	(11,009)	59.9%	21,141	4.6%	121,357	23.0%	(100,216)	141.9%
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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

28,633	24.3%	26,457	19.4%	2,176	8.2%	136,788	30.0%	125,604	23.8%	11,184	8.9%
2,528	2.1%	2,652	1.9%	(124)	(4.7%)	14,863	3.3%	13,260	2.5%	1,603	12.1%
5,237	4.4%	7,585	5.6%	(2,348)	(31.0%)	32,395	7.1%	46,325	8.8%	(13,931)	(30.1%)
6,465	5.5%	7,865	5.8%	(1,400)	(17.8%)	27,144	5.9%	37,761	7.2%	(10,617)	(28.1%)
4,353	3.7%	5,233	3.8%	(880)	(16.8%)	27,097	5.9%	25,166	4.8%	1,932	7.7%
47,216	40.1%	49,792	36.6%	(2,576)	14.0%	238,287	52.2%	248,115	47.1%	(9,829)	13.9%

Gross Operating Profit

(18,111)	(15.4%)	(9,678)	(7.1%)	(8,433)	45.9%	(217,146)	(47.6%)	(126,758)	(24.0%)	(90,387)	128.0%
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Income Before Non-Operating Income and Expenses

(18,111)	(15.4%)	(9,678)	(7.1%)	(8,433)	45.9%	(217,146)	(47.6%)	(126,758)	(24.0%)	(90,387)	128.0%
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Non-Operating Income and Expenses

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

2,260	1.9%	500	0.4%	1,760	(9.6%)	14,773	3.2%	2,500	0.5%	12,273	(17.4%)
-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
3,800	3.2%	4,039	3.0%	(239)	(1.3%)	18,786	4.1%	19,810	3.8%	(1,024)	(1.4%)
3,192	2.7%	3,021	2.2%	171	0.9%	14,765	3.2%	14,863	2.8%	(98)	0.1%
-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
(4,732)	(4.0%)	(6,560)	(4.8%)	1,693	(9.2%)	(18,778)	(4.1%)	(32,173)	(6.1%)	13,395	19.0%

EBITDA before Restructuring Costs

(Earnings Before Interest, Taxes, Depreciation & Amortization)

(22,843)	(19.4%)	(16,238)	(11.9%)	(6,741)	36.7%	(235,924)	(51.7%)	(158,932)	(30.1%)	(76,992)	109.0%
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Interest

Envision
2nd Mortgage
DIP Financing
Total Interest

6,943		7,561		(618)		37,154		37,803		(649)	
6,431		6,116		315		31,323		31,080		243	
5,162		-		5,162		29,598		-		29,598	
18,535		13,677		4,858		98,074		68,883		29,191	

Restructuring Costs

Legal
Appraisal
Monitor
Management
Total Restructuring Costs

18,232		7,500		10,732		167,387		60,000		107,387	
-		-		-		-		10,000		(10,000)	
10,751		3,200		7,551		58,425		30,100		28,325	
11,505		18,000		(6,495)		73,690		112,000		(38,310)	
40,488		28,700		11,788		299,502		212,100		87,402	

Depreciation & Amortization

Income Taxes

Net Income (Loss)

(81,866)		(58,615)		(23,387)		(633,500)		(439,915)		(193,586)	
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Pretty Estate Resort Ltd.
Revised Projection for Monthly Cash Flow from Operations
for the 12 Month Period Ending October 31, 2015

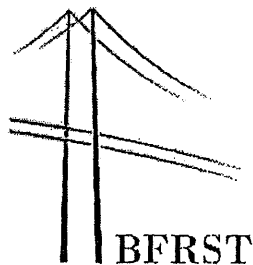
	5 Months 01-Nov-14 31-Mar-15 (Actual)	Apr 2015 (Projection)	May 2015 (Projection)	June 2015 (Projection)	July 2015 (Projection)	Aug 2015 (Projection)	Sept 2015 (Projection)	Oct 2015 (Projection)	Total
Rooms Occupied	671	145	178	188	206	206	198	168	1,960
Average Room Rate	\$ 165.59	\$ 194.59	\$ 204.66	\$ 216.70	\$ 217.14	\$ 217.14	\$ 204.19	\$ 198.21	\$ 203.30
Golf Rounds Played	3,554	1,450	2,500	2,700	3,750	4,300	2,400	2,050	22,704
Golf Average Realization	\$ 22.77	\$ 25.00	\$ 28.00	\$ 35.00	\$ 35.00	\$ 35.00	\$ 32.00	\$ 31.00	\$ 31.00
Forecasted EBITDA (Note 2)	(235,924)	(19,829)	59,957	92,130	181,886	214,089	79,166	54,279	425,754
Cash Flow Adjustments (Note 3 (a))									
Change Accounts Receivable	(5,631)	964	(4,504)	(5,313)	2,369	5,328	1,709	1,299	(3,779)
Change in Inventory	43,735	(10,904)	(7,938)	7,628	10,891	12,148	6,780	5,791	68,131
Change in Prepaid Insurance (P, C, BI)	11,610	2,322	2,322	(26,877)	2,438	2,438	2,438	2,438	(871)
Change in Prepaid Insurance (Auto)	856	-	-	-	-	-	-	-	856
Change in Prepaid Property Tax	7,386	4,039	4,039	(44,427)	4,039	4,039	4,039	4,039	(12,807)
Change in Prepaid Other	(16,288)	-	-	-	-	-	-	-	(16,288)
Change in General Accounts Payable (Note 3(b))	37,861	(2,229)	(4,418)	(21,784)	6,777	9,660	(27,241)	(11,296)	(12,670)
Change in Current Crown Claims (Note 3 (c))	(42,487)	8,963	9,301	4,796	9,701	4,808	(14,567)	(11,781)	(31,266)
Change in Customer Deposits (Note 3 (d))	21,503	(4,300)	(5,130)	(11,800)	(16,273)	(23,600)	(3,210)	-	(42,810)
Change in Delinquent Crown Claims (Note 3 (e))	(66,500)	(12,000)	(9,500)	-	-	-	-	-	(88,000)
	(7,955)	(13,145)	(15,828)	(97,777)	19,942	14,821	(30,052)	(9,510)	(139,504)
Adjusted Cash Flow from Operations	(243,879)	(32,974)	44,129	(5,647)	201,828	228,910	49,114	44,769	286,250
Non-Operating Cash Flow Items (Notes 4, 5 & 6)									
Capital Replacements	(12,491)	(9,000)	(20,000)	(16,000)	(10,000)	-	-	-	(67,491)
Envision Financial LOC Interest	(5,804)	(1,174)	(1,174)	(1,174)	(1,174)	(1,174)	(1,174)	(1,174)	(14,022)
Envision Financial LOC Advance (Repayment)	37,135	-	-	-	-	-	-	-	37,135
Envision Financial - Loan Interest	(31,350)	(6,387)	(6,387)	(6,387)	(6,387)	(6,387)	(6,387)	(6,387)	(76,059)
Envision Financial - Loan Principal Payment	10,239	-	-	-	-	-	-	-	10,239
Equipment Lease Payments	(16,247)	(654)	(4,240)	(8,647)	(8,647)	(8,647)	(8,647)	(8,647)	(64,376)
Car Loan Payments	14,870	(1,208)	(1,208)	(1,208)	(1,208)	(1,208)	(1,208)	(1,208)	6,414
2nd Mortgage Payments	(31,323)	(6,116)	(6,116)	(6,116)	(6,116)	(6,116)	(6,116)	(6,116)	(74,135)
DIP Commitment Fee	(14,500)	-	(5,000)	-	-	-	-	-	(19,500)
DIP Financing Interest	(15,098)	(5,584)	(6,355)	(7,147)	(7,251)	(6,417)	(5,897)	(5,897)	(59,645)
Shareholder Loans	-	-	-	-	-	-	-	-	-
	(64,569)	(30,123)	(50,480)	(46,679)	(40,783)	(29,949)	(29,429)	(29,429)	(321,440)
Professional Fees (Note 7)									
Restructuring Legal (Note 7(a))	167,387	-	25,000	20,000	25,000	9,000	9,000	9,000	264,387
Operations Restructuring / Management (Note 7 (b))	73,690	13,000	17,000	17,000	17,000	12,000	12,000	12,000	173,690
CCAA Monitor / Investor Search (Notes 7 (c) and 7 (d))	58,425	-	50,000	40,000	35,000	27,500	7,500	25,000	243,425
	299,502	13,000	92,000	77,000	77,000	48,500	28,500	46,000	681,502
Cash Flow Surplus (Deficiency)	(607,950)	(76,097)	(98,351)	(129,326)	84,045	150,461	(8,815)	(30,660)	(716,692)
Cash Balance									
Beginning Cash Balance (RBC Accounts)	37,841	52,489	71,392	63,041	33,715	42,760	68,221	59,406	37,841
DIP Financing Advanced (Repaid)	622,598	95,000	90,000	100,000	(75,000)	(125,000)	-	-	707,598
Ending Cash Balance (RBC Accounts)	52,489	71,392	63,041	33,715	42,760	68,221	59,406	28,747	28,747
Represented By:									
Unrestricted Cash	22,068	40,971	32,620	3,294	12,339	37,800	28,985	(1,674)	
Post November 10, 2014, Event Deposits in Trust	30,421	30,421	30,421	30,421	30,421	30,421	30,421	30,421	
	52,489	71,392	63,041	33,715	42,760	68,221	59,406	28,747	
DIP Financing									
Beginning DIP Financing	-	622,598	717,598	807,598	907,598	832,598	707,598	707,598	-
DIP Financing Advanced (Repaid)	622,598	95,000	90,000	100,000	(75,000)	(125,000)	-	-	707,598
Ending DIP Financing	622,598	717,598	807,598	907,598	832,598	707,598	707,598	707,598	707,598

Exhibit 3.1

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

- 1 The purpose of this Cash Flow Projection is to demonstrate the monthly liquidity requirements for Pretty Estates Ltd. (the "Company") during the 12 month period ending October 31, 2015.
- 2 This projected Cash Flow Statement is based on the actual results of operations for the 5 month period from November 1, 2014 to March 31, 2015 and projected operating results for the period from April 1, 2015 to October 31, 2015 which are based on the assumption that the Company will continue operations in the normal course, except where otherwise stated, and will incorporate the initiatives outlined in the Integrated Hospitality Management Ltd. report dated August 29, 2014.
- (a) Revenues are based on the Company's estimate of future sales forecast and are highly seasonal in nature (e.g. golf rounds drop significantly during the fall and winter months).
- (b) Revenues are based on the Company's estimate of future sales forecast and are highly seasonal in nature (e.g. golf rounds drop significantly during the fall and winter months).
- 3 (a) It is assumed that all recurring obligations for hourly and salaried payroll, regular purchases from trade creditors, utilities and other operating costs, are paid in the normal course of operations.
- (b) It is assumed that recurring obligations for purchases of operating supplies are settled on a net 14-day terms. In addition approximately \$50,000 in legal fees are being settled through a monthly payment program at \$12,500 per month.
- (c) It is assumed that all recurring crown claims including, payroll source deductions and employment taxes, hotel tax, and federal and provincial and sales taxes, are paid monthly in arrears, in the normal course of operations.
- (d) Customer deposits balance will be drawn down as certain guest events are held and the related revenue is earned (e.g. weddings).
- The Company has agreed to a payment plan with Canada Revenue Agency for payment of arrears of payroll source deductions which would rank as a deemed trust and be paid in priority to other claims in any event. The payment plan will see CRA paid in full on account of approximately \$88k of payroll deduction arrears by May 2015.
- 4 (e) The Company has agreed to a payment plan with Canada Revenue Agency for payment of arrears of payroll source deductions which would rank as a deemed trust and be paid in priority to other claims in any event. The payment plan will see CRA paid in full on account of approximately \$88k of payroll deduction arrears by May 2015.
- 4 It is assumed that all recurring obligations for lease payments, automobile loans, and interest to secured creditors, are paid in the normal course of operations.
- 5 Capital Replacements are based on requirements deemed necessary to continue the operations as planned and include items such as kitchen and food service equipment and utility system equipment and maintenance.
- 6 The cash flow projections include provision for all costs related to the DIP Financing and assume that the Company will continue to make interest payments on secured debt but will not pay mortgage principal during the restructuring.
- 7 Professional fees for legal counsel to the Company, are estimated based on the timing for payment in arrears and assume that the Company may enter into a transaction that will allow it to file its restructuring plan with the Court by July 2015. If the transaction and Court application occur later, some of these estimated costs will be deferred until then, likely by October 2015.
- (a) Professional fees for legal counsel to the Company, are estimated based on the timing for payment in arrears and assume that the Company may enter into a transaction that will allow it to file its restructuring plan with the Court by July 2015. If the transaction and Court application occur later, some of these estimated costs will be deferred until then, likely by October 2015.
- (b) Professional fees for operations restructuring / management are based on the timing for payment in arrears as provided for in the engagement letter with Integrated Hospitality Management plus some additional amounts related to assisting with the investor search and the development of the restructuring plan.
- (c) Professional fees for the Court Approved Monitor and restructuring advisor for the Company are estimated based for payment in arrears and assume that the Company may enter into a transaction that will allow it to file its restructuring plan with the Court by July 2015. If the transaction and Court application occur later, some of these estimated costs will be deferred until then, likely by October 2015. In the event that a suitable transaction partner is not found by the end of May 2015, the Company's assets will be listed for sale; brokerage commissions related to a sale of the Company's assets, through a listing, are not included in these estimates as any commission will not be paid out of the cash flow from operations, rather it is assumed that any brokerage commissions will be paid from the proceeds of sale.

These cash flow projections are based on currently-available information and estimates which may not prove to be correct. All projections involve risks, variables, and uncertainties. The actual operating results may differ from the projections. Consequently, no guarantee is presented or implied as to the accuracy of the projections.



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File No. 018442

April 22, 2015

Lawson Lundell LLP
1600 - 925 West Georgia Street,
Vancouver, BC V6C 3L2
Attention: Ms. Bonita Lewis-Hand

This is Exhibit "B" referred to in the
affidavit of Kimberly Manderson
sworn before me at Vancouver
this 23rd day of April, 2015
[Signature]
A COMMISSIONER FOR TAKING
AFFIDAVITS FOR BRITISH COLUMBIA

Dear Mmes. and Messrs.:

**Re: In The Matter of The Companies' Creditors Arrangement Act ("CCAA") and
Pretty Estates Ltd. (the "Debtor")**

We are instructed to set our position our client for the upcoming hearing. Our client supports the current CCAA process as follows:

- (1) Our client consents to extension of the stay to July 31, 2015.
- (2) Our client agrees to modify the DIP Financing as follows, subject to modifications if necessary to the Loan agreement:
 - a. Increase by \$250,000;
 - b. Fee calculated as before 2%, therefore \$5,000;
 - c. Interest reserve as before 3 months at 12%, therefore \$7,500; and
 - d. End date on the DIP be moved forward from the original date of May 2016 to October 31, 2015.
- (3) We are instructed that the best alternative is to sell this property.
- (4) Our client is in favour of the business approach undertaken by G-Force Group. We are instructed that G-Force Group are making quantifiable improvements which may increase the value of the property. We say that subject to appraisal. The value may increase as we get to the summer months when the golf revenue increases. Our client expects that the company will not reach its estimate of EBITDA of \$500,000 this year but that it may get to \$300,000.
- (5) Our client is advised by the Monitor that there are prospects now doing their due diligence. He seeks to avoid a dispute while marketing has been started. The premise of financing the losses

through the winter was to get more money for the assets in the summer and our client wishes the present sale process to continue.

(6) Our client is in favour of the quickest possible sales process. It is our client who is on the equity fringe and he seeks the status quo until July 31, 2014, provided that he preserves the right to reevaluate the process in July; based on appraisal evidence and, if necessary, to advocate for a termination of the stay of proceedings at that time.

(7) Our client relies on the following provisions of the Initial Order as follows:

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

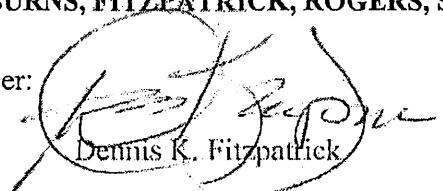
(k) report directly to the creditors holding security over the Lands on a confidential basis regarding any expression of interest, any offer to purchase, letter of intent or other document received at any time which evidences a willingness to initiate a sale or purchase of the Petitioner's assets;

(8) Our client is in the process of obtaining its own appraisal which will be protective disbursement under the mortgage.

Yours truly,

BURNS, FITZPATRICK, ROGERS, SCHWARTZ & TURNER LLP

Per:


Dennis K. Fitzpatrick

DKF/lj

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

AND

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

AND

IN THE MATTER OF
PRETTY ESTATES LTD.

PETITIONER

AFFIDAVIT # 2 OF K. MANDERSON



Barristers & Solicitors
1600 Cathedral Place
925 West Georgia Street
Vancouver, British Columbia
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Phone: (604) 685-3456
Attention: Bonita Lewis-Hand