



This is the 1st Affidavit of Kimberley Manderson sworn  
in this case and was made on November 7, 2014

NO.: \_\_\_\_\_  
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**

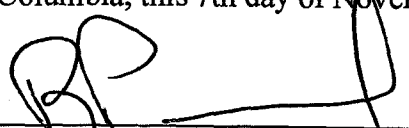
**AFFIDAVIT**

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. The Petitioner entered into a Term Sheet for Debtor-in-Possession Credit Facility with Crest Capital Corporation dated November 5, 2014, a true copy of which is attached as **Exhibit "A"** to this my Affidavit.

4. I am advised that on November 6, 2014, the Petitioner engaged Integrated Hospitality Management Ltd. to manage the Petitioner's operations during the restructuring pursuant to the petition under the *Companies' Creditors Arrangement Act* filed herein.

SWORN BEFORE ME at the City of )  
Vancouver, in the Province of British )  
Columbia, this 7th day of November, 2014. )

  
\_\_\_\_\_  
A Commissioner for taking Affidavits in  
British Columbia )

  
\_\_\_\_\_  
KIMBERLEY MANDERSON )

**J. REILLY POLLARD**  
*Barrister & Solicitor*  
1600 - 925 WEST GEORGIA ST.  
VANCOUVER, B.C. V6C 3L2  
(804) 685-3456

**CREST CAPITAL CORPORATION**

104 – 3920 Norland Ave.  
Burnaby, BC V5G 4K7

November 5, 2014

Pretty Estates Ltd.  
Suite 2300, Bentall 5  
550 Burrard Street, Box 30  
Vancouver, BC  
V6C 2B5

**Attention:** Betty-Ann Faulkner

This is Exhibit " A " referred to in the  
affidavit of KIMBERLEY MANDERSON  
Sworn this 7<sup>th</sup> day of NOVEMBER 2014.  
A Commissioner for taking Affidavits for British Columbia

Dear Sirs:

**Term Sheet for Debtor-in-Possession Credit Facility**

**I. GENERAL**

**Background:**

Pretty Estates Ltd. ("Pretty") has represented to Crest Capital Corporation (the "Lender") that it is the owner/operator of the following properties and assets (the "Assets"):

1. Sandpiper Golf Course – a regulation 18-hole golf course covering approximately 158 acres of land bordering the Harrison River (the "Golf Course").
2. Rowena's Inn – a two-storey, 6000+ sq. ft. wood frame heritage building with 4 suites used for rental accommodations (the "Inn"). The Inn also includes restaurant facilities and an outdoor swimming pool.
3. River's Edge Restaurant – a single storey approx.. 2000 sq. ft purpose built restaurant building with a licenced capacity of 80 seats with an additional 25-30 seats on a patio to the south side of the building (the "Restaurant").
4. 7.9 Acre Development Parcel – a portion of excess land to the north west of the River's Edge Restaurant identified for

subdivision and re-zoning for use as accommodation / conference facility (the "Development Parcel").

The Golf Course, the Inn, the Restaurant, and the Development Parcel are located on three contiguous legal parcels with the following PID and legal descriptions:

PID: 008-779-899

DISTRICT LOT 542 GROUP 1 EXCEPT: PART SHOWN ON HIGHWAY PLAN 67884 NEW WESTMINSTER DISTRICT

PID: 008-779-961

THAT PORTION OF THE WEST HALF SECTION 35 TOWNSHIP 3 RANGE 30 WEST OF THE SIXTH MERIDIAN WHICH LIES TO THE WEST OF DISTRICT LOT 542 GROUP 1 EXCEPT: PART SHOWN ON HIGHWAY PLAN 67884, NEW WESTMINSTER DISTRICT

PID: 013-177-672

THAT PORTION OF THE NORTH WEST QUARTER SECTION 26 TOWNSHIP 3 RANGE 30 WEST OF THE SIXTH MERIDIAN LYING NORTH OF HARRISON RIVER EXCEPT: PART SHOWN RED ON PLAN 24394, NEW WESTMINSTER DISTRICT

(Collectively, the "Lands").

The Lands are subject to the following registered financial encumbrances:

Mortgage BT409571 in favour of Envision Credit Union  
Assignment of Rents BT409572 in favour of Envision Credit Union

Mortgage BJ384726 in favour of James Young

Mortgage BJ384727 in favour of James Young

Mortgage BM156680 in favour of 700256 B.C. Ltd.

Mortgage BN334457 in favour of Elizabeth Anne Faulkner

Pretty intends to commence proceedings (the "CCAA Proceedings") in the Supreme Court of British Columbia (the "Court") for court protection pursuant to the *Companies' Creditors Arrangement Act* (Canada) (the "CCAA"). Pretty will be applying to the Court for an order (the "Initial Order"), *inter alia*, for:

- (a) the appointment of G. Powroznik Group Inc. of G-Force as monitor (the "Monitor");
- (b) approval, with the consent of the Monitor, to obtain and borrow under a debtor-in-possession credit facility from a lender, and upon terms approved by the Monitor, in order to finance the costs described under "Use of Proceeds" below, provided that borrowings do not exceed \$725,000 unless permitted by further order of the Court.

Pretty has applied to the Lender for the debtor-in-possession credit facility, which the Lender is prepared to provide on and subject to the terms and conditions set out in this Term Sheet.

**Borrower:** Pretty Estates Ltd. ("Pretty" or the "Borrower")

**Lender:** Crest Capital Corp. (the "Lender")

**DIP Facility:** The Lender has agreed to provide a senior secured super-priority, debtor-in-possession credit facility (the "DIP Facility") in the maximum amount of up to \$725,000 (the "Maximum DIP Credit Amount") by way of multiple advances in Canadian dollars. The minimum amount of each advance must be not less than \$25,000. All requests for an advance must be made on at least three (3) days prior notice, unless the Lender, in its sole discretion, agrees otherwise.

**Term:** Eighteen (18) months from the date of the first advance of the DIP Facility.

**Interest:** Interest on each advance under the DIP Facility shall accrue at the rate of 10% per annum calculated. Interest shall be paid monthly, in arrears, on the first day of each month from the Interest Reserve Account. The interest rate shall increase from 10% per annum to 12% per annum effective sixteen (16) months from the date of the first advance of the DIP Facility.

**Interest Reserve Account** From the Maximum DIP Credit Amount, an interest reserve account will be established by the Lender for the benefit of the Borrower. The Interest Reserve Account will be used to pay the interest payments due with respect to the DIP Facility during the Term. The Lender will be entitled to withdraw the amount of the interest payment due each month with respect to the advances made under the DIP Facility without prior notice to the Borrower.

**Repayment:** All obligations of the Borrower in respect of the DIP Facility (including principal, accrued and unpaid interest, fees and any other amounts) are repayable on the date (the "Termination

**Date**) that is the earlier of (i) eighteen months from the date of the first advance under the DIP Facility or such later date as the Borrower and the Lender may agree in writing, and (ii) two business days after the Lender has demanded repayment from the Borrower, upon being able to do so once the stay of proceedings ordered in the CCAA Proceedings has been lifted or terminated.

**Commitment Fee:**

The Borrower shall pay to the Lender a non-refundable commitment fee of Cdn \$14,500, being 2% of the Maximum DIP Credit Amount, which shall be due and be paid to the Lender upon the making of the initial advance under the DIP Facility.

**Prepayment:**

The Borrower shall have the right to repay the DIP Facility in whole or in part, at any time upon not less than 2 business days written notice without penalty.

## II. DIP FACILITY

**DIP Availability:**

Availability of advances ("DIP Advances") under the DIP Facility is subject to the Maximum DIP Credit Amount and to the other conditions described herein. DIP Advances shall be made payable to the Borrower.

## III. TERMS AND CONDITIONS

**Use of Proceeds:**

The DIP Facility shall be used for the following purposes:

- i. to pay ongoing operating expenses of the Borrower;
- ii. to pay fees and expenses associated with the DIP Facility;
- iii. to assist Pretty with a court monitored reorganization of its financial affairs under the CCAA; and
- iv. to pay professional fees and expenses of counsel for the Borrower, and the Monitor and its counsel, with respect to the CCAA.

**Security:**

To secure all obligations of the Borrower under or in connection with the DIP Facility, the Lender is to be granted, pursuant to the Initial Order, a fully perfected super priority security interest and Court ordered charge (the "DIP Charge") to be registered on all of the existing and after-acquired real and personal, property, assets and undertaking of the Borrower, (collectively, the "Collateral").

**Permitted Encumbrances**

**and Priority:** All Collateral will be free and clear of liens, mortgages, security interests, encumbrances and claims other than the DIP Charge, except for (a) the Administration Charge of up to \$25,000 as defined in and created under the Initial Order, (b) the Director's Charge of up to \$50,000 (c) the liens, encumbrances and claims charging the Collateral and the Assets described in the Background set forth herein, (d) liens and encumbrances in favour of Her Majesty the Queen in Right of the Province of British Columbia, (collectively, the "Permitted Encumbrances"). Except for the Administration Charge, Director's Charge, and as otherwise may be set forth in the Initial Order, all Permitted Encumbrances, shall be fully subordinate to the DIP Charge.

**Mandatory Prepayments  
and Commitment  
Reduction:**

All proceeds of the disposition of Assets shall be applied firstly in permanent reduction of the amounts owing by the Borrower to the Lender under the DIP Facility, unless otherwise ordered by the Court.

**Documentation:**

All documentation relating to the DIP Facility shall be in form and substance satisfactory to the Lender and be registrable in the Land Title Office and Personal Property Registry. The Borrower shall execute and deliver to the Lender or as the Lender may request, such further documents and assurances to give full force and effect to this Term Sheet and the DIP Charge (collectively the "Lender Security"). At the option of the Lender, the Borrower shall execute and deliver such further acknowledgements, mortgages, security agreements and charges as the Lender may from time to time request. All orders of the Court (including, without limitation, the Initial Order), and all motions relating thereto, shall be in form and substance acceptable to the Lender.

**Conditions to Initial  
Availability under  
DIP Facility:**

- (1) The Initial Order shall have been entered by the Court approving and authorizing the DIP Facility, in form substance satisfactory to the Lender, and the Initial Order shall not have been reversed, modified, amended or stayed.
- (2) Either:
  - (i) The period for filing an appeal of the Initial Order shall have expired without an appeal being filed, or the Borrower shall have received written confirmation from Envision Credit Union and

James Young waiving their respective rights of appeal; or

(ii) An appeal of the Initial Order shall have been filed and there shall have been a final determination of the appeal confirming the validity of the Initial Order.

- (3) Confirmation of the Monitor's consent and approval to the terms and conditions of the DIP Facility and this Term Sheet.
- (4) Satisfactory review of title to Collateral.
- (5) The Borrower shall not be in default of any of its obligations hereunder.

**Continuing Conditions to Availability under DIP Loan Facility:**

- (1) The Initial Order shall have become final and shall be in full force and effect without any variation, amendment, stay or other modification to which the Lender has not consented to in writing in its sole discretion.
- (2) If requested by the Lender, the Borrower shall have executed and delivered the Lender Security to the Lender to secure the DIP Facility.
- (3) The Lender being named as additional insured and loss payee on any casualty insurance in existence and required by the Lender, including insurance with respect to any real property Collateral.
- (4) The Borrower shall not be in default of any of its obligations hereunder.

**Representations and Warranties:**

The Borrower represents and warrants to the Lender as follows:

- (a) it is a corporation duly incorporated, organized and validly existing under the laws of its jurisdiction of incorporation;
- (b) it has all requisite power and authority to enter into and perform its obligations hereunder;
- (c) its execution and delivery hereof and the performance of its obligations hereunder have been duly authorized by all necessary action including, without limitation, the



obtaining of all necessary shareholder or partner consents;  
and

- (d) this Term Sheet has been duly executed and delivered by it and constitutes a legal, valid and binding obligation enforceable against it in accordance with its terms.

**Covenants:**

The Borrower covenants, acknowledges and agrees that:

- (a) subject to the terms of the Initial Order, it shall comply with all laws, rules, regulations and orders, including without limitation, environmental laws and regulations and shall immediately notify the Lender of any action, claim, lawsuit, demand, investigation or proceeding pending, or to its knowledge, threatened, against it, before any court, governmental authority, regulatory authority, arbitrator or tribunal;
- (b) it shall maintain in good standing at all times all insurance coverage as is customarily carried by companies which are engaged in the same or similar business to the business of the Borrower, or as may be required by the Lender;
- (c) it shall not convey, sell, assign, lease, transfer or otherwise dispose of any of its Assets without the prior written consent of the Lender;
- (d) it shall not incur, create or permit to exist any indebtedness (including, without limitation, guarantees and contingent obligations) other than existing indebtedness secured by Permitted Encumbrances and any other indebtedness acceptable to the Lender in its sole discretion and shall not incur, create, assume, suffer to exist or permit any other superiority claim which is *pari passu* with or senior to the claims of the Lender under the DIP Charge against any or all of its assets;
- (e) it shall not create, incur, assume or suffer to exist any liens upon the Collateral other than Permitted Encumbrances without the prior written consent of the Lender;
- (f) it shall not enter into any merger, amalgamation, consolidation, reorganization or recapitalization or change ownership or control without the prior written consent of the Lender;
- (g) it shall not make any pre-filing payment other than as permitted in the Initial Order or as permitted in any other

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court order to which the Lender has consented, and shall not waive, amend, modify, terminate or release the provisions of (i) any pre-filing debt, or (ii) any document, agreement or instrument evidencing, creating or governing any post-filing indebtedness or any other material pre-filing or post-filing agreement if, in the case of clause (i) or (ii), the same could reasonably be expected to adversely affect the Lender.

**Reporting Covenants:**

The Borrower shall deliver to the Lender:

- (a) such further reports and information as the Lender may reasonably request from time to time; and
- (b) copies of all pleadings, motions, applications, judicial information, financial information, and other documents filed by or on behalf of the Borrower with the court or distributed by or on behalf of the Borrower to the Monitor or any other person in the CCAA proceeding and all reports prepared by the Monitor and such other reports and information respecting the Borrower's business, financial condition or prospects, on a confidential basis, as the Lender may, from time to time, request. All reports and financial statements shall be in form and scope reasonably acceptable to the Lender.

**Inspection Covenants:**

The Lender shall be provided the financial reporting contemplated in subparagraph (b) above, and is entitled to undertake inspections periodically, to review the status of management for the Assets. If the Lender identifies a deficiency it shall have the right to increase the frequency of the required reporting or inspections.

The Lender shall have the right to appoint a consultant or monitor who shall have the power to attend at the Assets to review the physical status of the Assets and the financial status of the operation of the Assets and shall be fully permitted to report to the Lender. The consultant or monitor will not take possession or control and will not exercise management determinations.

**Remedies:**

On the Termination Date, the right of the Borrower to receive any advance or other accommodation of credit shall be immediately terminated and any further advances made thereafter being in the sole discretion of the Lender, and the Lender shall be entitled, in addition to all other remedies at law and under any security or other agreement, to continue to exercise its rights to notify and direct account debtors of the Borrower to pay accounts receivable directly to the Lender. In addition, on the Termination Date, all indebtedness of the Borrower to the Lender shall become immediately due and payable.

Without limiting the foregoing, but subject to the Initial Order, on the Termination Date the Lender shall have the right to exercise all other customary remedies, including, without limitation, the right to realize on all Collateral securing the obligations under the DIP Facility without the necessity of obtaining further relief or order from any court.

For greater certainty, nothing shall prevent the Lender from applying to the Court on four days' notice, or such shorter notice as the court may permit, for such relief as the Lender may determine is necessary or appropriate, prior to or following the Termination Date.

**Events of Default**

The terms and conditions described in Schedule "A" hereto shall form part of this Term Sheet and are incorporated herein.

**Expenses:**

The Borrower shall pay on demand all of the Lender's reasonable costs and expenses, including those incurred for transportation, computers, copying, appraisals, audits, insurance, consultants, searches, filing and recording fees, and all other out-of-pocket costs and expenses incurred by the Lender (including the fees and expenses of its legal counsel with respect to the preparation of the DIP Facility). The Borrower shall also pay the costs and expenses of the Lender in connection with any enforcement. All such costs and expenses shall be secured by the DIP Charge.

**Indemnity:**

The Borrower shall indemnify and hold harmless the Lender, its affiliates and its officers, directors, employees, agents and advisors (each, an "Indemnified Person") from and against any and all suits, actions, proceedings, orders, claims, damages, losses, liabilities and expenses (including legal fees and disbursements and other costs of investigation or defence, including those incurred upon any appeal) that may be instituted or asserted against or incurred by any such Indemnified Person as a result of or in connection with credit having been extended, suspended or terminated under or in relation to the DIP Facility, or the use of the

proceeds thereof, and the administration of such credit, and in connection with or arising out of the transactions contemplated hereunder an any actions of failures to act in connection therewith including the taking of any enforcement actions by the Lender, including any and all environmental liabilities and legal costs and expenses arising out of or incurred in connection with disputes between or among any parties hereto. All such indemnified amounts shall be payable by the Borrower on demand and shall be secured by the DIP Charge.


**Taxes:** All payments shall be free and clear of any present or future taxes, withholdings or other deductions whatsoever.

**Governing Law:** Province of British Columbia.

**Counterparts:** This Term Sheet may be executed in several counterparts, each of which, when so executed, shall be deemed to be an original and which counterparts together shall constitute one and the same agreement. This Term Sheet may be executed by facsimile or pdf, and any signature contained hereon by facsimile or pdf shall be deemed to be equivalent to an original signature for all purposes.

This Term Sheet may be accepted by the Borrower by signing and returning it to the Lender on or before 5:00 pm on November 6, 2014. Failing such acceptance the offer of credit contained in this Term Sheet shall be of no further force or effect.

**CREST CAPITAL CORPORATION**

By:   
 Authorized, Signatory  
 Mark Nordman

The foregoing is accepted and agreed as of the date of this Term Sheet:

**PRETTY ESTATES LTD.**

By: \_\_\_\_\_  
 Name: Betty Ann Faulkner  
 Title: President

proceeds thereof, and the administration of such credit, and in connection with or arising out of the transactions contemplated hereunder an any actions of failures to act in connection therewith including the taking of any enforcement actions by the Lender, including any and all environmental liabilities and legal costs and expenses arising out of or incurred in connection with disputes between or among any parties hereto. All such indemnified amounts shall be payable by the Borrower on demand and shall be secured by the DIP Charge.

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**CREST CAPITAL CORPORATION**

By: \_\_\_\_\_

Authorized, Signatory

The foregoing is accepted and agreed as of the date of this Term Sheet:

**PRETTY ESTATES LTD.**

By: 

Name: Betty Ann Faulkner

Title: President

## Schedule "A"

### 1. Defaults

**1.1 Events of Default.** A default (a "Default") occurs under the Term Sheet in the sole and unfettered discretion of the Lender if:

- a. the Borrower does not make a payment under the Indebtedness at the time and in the manner required by the terms of the Term Sheet;
- b. any statement, representation, covenant or agreement of the Borrower given to the Lender in connection with the Indebtedness or any Obligations is or becomes untrue or misleading;
- c. the Borrower is in default in performing any Obligations at the time and in the manner required by the terms of the Term Sheet;
- d. the Borrower breaches any promise, condition or agreement which the Borrower has made to the Lender in the Term Sheet (or there is an occurrence that is deemed a Default under the Term Sheet);
- e. the Property is abandoned or is left unoccupied for thirty or more consecutive days;
- f. the Property or any part of it is expropriated or condemned;
- g. the Borrower gives another mortgage of the Property to someone other than the Lender without the prior consent of the Court.
- h. adverse weather conditions give rise to flooding; and
- i. an event occurs which is stated to be a Default under this Term Sheet.

### 2. Consequences of Default

**2.1 Borrower's Rights Cease Upon Default.** Upon a Default occurring, the Borrower is not entitled to exercise any rights or entitlements under the Term Sheet until such Default is cured by the Borrower.

**2.2 Lender's Rights on Default.** If a Default occurs, and is not cured by the Borrower within 5 business days after the Borrower receives written notice from the Lender that a Default has occurred, the Lender, where and to the extent permitted by law, and then in any order that the Lender chooses, may do any one or more of the following:

- a. demand immediate payment of all the Indebtedness, in which case the Indebtedness will become immediately due and payable;
- b. demand immediate performance of all Obligations, in which case the performance of the Obligations will become immediately due;
- c. sue the Borrower for money that is due in respect of the Indebtedness;
- d. take proceedings and any other legal steps to compel the Borrower to satisfy the Indebtedness;

- e. upon expiry of the stay of proceedings or upon order of the court in any proceeding commenced by the Borrower pursuant to any insolvency law of Canada, including without limitation the Companies' Creditor Arrangement Act, enter upon and take possession of the Property;
- f. apply to a Court for an order that the Property be sold on terms approved by the Court;
- g. apply to a Court to foreclose the Borrower's interest in the Property so that when the Court makes its final order of foreclosure the Borrower's Interest in the Property will be absolutely vested in and belong to the Lender;
- h. apply to a Court to have a receiver or receiver and manager or comparable officer of the Court appointed with respect to the Property;
- i. enter upon and take possession of the Property without the permission of anyone and make any arrangements the Lender considers necessary to:
  - (i) inspect, lease, collect rents or manage the Property;
  - (ii) complete the construction of any building on the Property; or
  - (iii) repair any building on the Property; and
- j. take whatever action is necessary to take, recover and keep possession of the Property.

**Definitions:**

Unless otherwise indicated in this schedule, all capitalized terms have the meaning ascribed to them in the Term Sheet.

**"Indebtedness"** means the Dip Facility

**"Obligations"** means: obligations described of the Borrower described in the Term Sheet

**"Property"** means: the Assets and the Lands