

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

ORDER MADE AFTER APPLICATION

BEFORE THE HONOURABLE ) TUESDAY THE 15TH DAY  
MR. JUSTICE BURNYEAT ) OF DECEMBER, 2015

THE APPLICATION of the Petitioner coming on for hearing at Vancouver, British Columbia, on this day; AND ON HEARING Bonita Lewis-Hand, counsel for the Petitioner and the other counsel appearing on Appendix "A" hereto, AND UPON READING the material filed herein;

THIS COURT ORDERS THAT:

1. The time for service of the Notice of Application herein be and is hereby abridged and the Notice of Application is properly returnable today and service thereof upon any interested party other than those parties on the Service List is hereby dispensed with.
2. Capitalized terms used but not defined in this Order shall have the meaning set out in the Initial Order pronounced herein November 10, 2014.
3. The Initial Order pronounced herein November 10, 2014, as extended by court orders pronounced on December 10, 2014, December 15, 2014, April 28, 2015, July 23, 2015, September 30, 2015, November 2, 2015 and December 7, 2015 be and is hereby further

extended to March 30, 2016, and all provisions and terms of the Initial Order shall remain in full force and effect.

4. The stay of proceedings in the Initial Order shall be extended and remain in full force and effect until:

(a) December 31, 2015 at 11:59 pm; and

(b) March 4, 2016 at 11:59 pm if the Monitor files a certificate with the Court on or before December 31, 2015 confirming that the Petitioner or its shareholders, as the case may be, have entered into a share purchase agreement or asset purchase agreement that includes the following terms:

(i) the purchase price is sufficient to pay in full all charges ranking ahead of the mortgages of First West Credit Union and James Young (the "Mortgagees"), the transaction costs, and the amounts secured by the mortgages in favour of the Mortgagees; ✓ YOUNG ✓ JY

(ii) all subject conditions will be removed on or before March 3, 2016 (other than approval of the Purchase Agreement and any required vesting order in respect thereof as may be required in this proceeding) ("Subject Removal");

(iii) a non-refundable deposit of not less than \$1 million will be paid upon Subject Removal; and JY

(iv) completion of the Purchase Agreement will be no later than 30 days after ✓ MARCH 30, 2016 ✓ JY

✓ (✓) Subject Removal; and - JY  
A COPY OF THE PURCHASE AGREEMENT HAS BEEN PROVIDED TO THE MORTGAGEES  
(the "Purchase Agreement"). ✓ JY

5. The stay of proceedings in the Initial Order shall not be extended past December 31, 2015 without the consent of James Young and First West Credit Agreement if the Purchase Agreement has not been entered into on or before that date;

6. The stay of proceedings in the Initial Order shall not be extended past March 4, 2015 without the consent of James Young and First West Credit ~~Agreement~~ *✓ UNION ✓* unless Subject Removal has occurred on or before March 3, 2015;
7. Upon payment of the amount outstanding to the DIP Lender under the DIP Facility, as those terms are defined in the Initial Order and Schedule "C" thereto, the Initial Order shall be varied such that James Young shall be replaced as DIP Lender by Varsity Capital Corporation and in order to effect same, upon the receipt of such payment by James Young, the following amendments shall be made to the Initial Order, *nunc pro tunc*;
- (a) in Paragraph 31, "James Young" shall be deleted and replaced with Varsity Capital Corporation;
  - (b) Paragraph 32 shall be deleted in its entirety and replaced with the following:
 

32. Such credit facility shall be on the terms described in the commitment letter between the Petitioner and the DIP Lender dated as of December 10, 2015 (the "**Commitment Letter**").
  - (c) Schedule "C" shall be deleted in its entirety and replaced with a new Schedule "C" in the form appended hereto as Appendix "B";
  - (d) the authority granted to the Petitioner in Paragraph 33 shall be confirmed with respect to the commitment letter with Varsity Capital Corporation appended hereto as Appendix "B";
  - (e) the authority granted to the DIP Lender in Paragraph 35 shall be confirmed with respect to Varsity Capital Corporation as the DIP Lender; and
  - (f) all other references to the DIP Lender in the Initial Order shall refer to Varsity Capital Corporation.
8. Upon repayment of the DIP Facility owing to James Young, James Young shall execute any and all documents required to transfer his rights under the charge registered on title to the Lands under charge number CA4105876, and the financing statement registered under Base Registration Number 314804I in the Personal Property Registry (both of

which were registered pursuant to Paragraph 42 of the Initial Order) to Varsity Capital Corporation.


9. Notwithstanding anything to the contrary in the Initial Order, as amended, the proceeds of the DIP Loan <sup>WILL</sup> ~~may~~ be used to repay James Young in respect of amounts owing to him as the prior DIP Lender.
10. The DIP Lender's Charge, as defined in Paragraph 24 of the Initial Order (as amended), is hereby increased from \$1,000,000 to \$1,750,000 provided that without further Order, the Petitioner shall only be entitled to make draws on the DIP Facility as follows:
  - (a) to pay out James Young as the prior DIP Lender;
  - (b) \$162,150 to pay half of the outstanding professional fees (the "**Fees Owing to October 31, 2015**") owing as of October 31, 2015 (to the Monitor, counsel for the Petitioner, counsel for the Petitioner's shareholders in connection with a share purchase agreement, and InnTEGRATED Hospitality Management Ltd. (such parties, together with Borden Ladner Gervais LLP as counsel for the Monitor, the "**Secured Professionals**");
  - (c) \$17,500 to pay the DIP Lender's 1% commitment fee;
  - (d) \$40,000 as an interest reserve to be retained by the DIP Lender (not a cash draw by the Petitioner) in accordance with the term of the Commitment Letter;
  - (e) \$80,000 to fund the Petitioner's operating costs for the month of December 2015;
  - (f) \$120,000 to fund the Petitioner's operating costs for the month of January, 2016, but only if the Purchase Agreement has been entered into and the stay of proceedings herein extended in accordance with Paragraph 4(b) of this Order; and
  - (g) \$80,000 to fund the Petitioner's operating costs for the month of February, 2016, but only if the Purchase Agreement has been entered into and the stay of proceedings herein extended in accordance with Paragraph 4(b) of this Order,

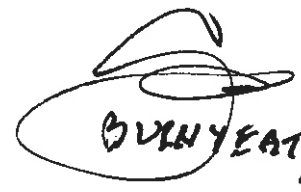

11. For greater certainty, the fees of the Secured Professionals shall not be paid from the proceeds of the DIP Facility except as expressly set out herein.
12. The Administration Charge, as defined in the Initial Order, is hereby increased from \$25,000 to \$195,000, and in connection therewith, Paragraph 30 of the Initial Order is hereby amended to replace the words "The Monitor, counsel to the Monitor, if any, and counsel to the Petitioner shall be..." with the words "The Monitor, counsel to the Monitor, counsel to the Petitioner's shareholders in connection with a Purchase Agreement, and Innegrated Hospitality Management Ltd. shall be...".
13. The Secured Professionals shall be entitled to the benefit of and are hereby granted a charge (the "**Subordinated Administration Charge**") on the Property, which charge shall not exceed an aggregate amount of \$300,000 as security for their respective fees and disbursements incurred at the standard rates and charges of the Secured Professionals, both before and after the making of this Order which are related to the Petitioner's restructuring. The Subordinated Administration Charge shall rank subsequent in priority to the mortgages of the Mortgagees, and otherwise shall have the priority set out in Paragraphs 37 and 39 of the Initial Order, as amended hereby. For greater certainty, the Subordinated Administration Charge shall secure the fees of the Secured Professionals that are not secured by the Administration Charge (including, without limitation, half of the Unpaid Fees to October 31, 2015).
- ✓ 14. ~~Notwithstanding Paragraph 13 hereof, the Subordinated Administration Charge may not be foreclosed pursuant to Order Absolute granted in favour of either Mortgagee in foreclosure proceedings commenced by it (in either case, the "**Foreclosure Proceedings**") unless the Property has first been the subject of reasonable exposure to the market in such Foreclosure Proceedings.~~ ✓ *hm*
15. Paragraph 37 of the Initial Order shall be amended to add "Fourth – Subordinated Administration Charge" to the end thereof, and Paragraph 39 shall be amended to add "the Subordinated Administration Charge" after the words "Director' Charge".
16. In the event that a Purchase Agreement is entered into and the stay of proceedings is extended in accordance with Paragraph 4(b) of this Order, then:

*JA*

- (a) the Administration Charge shall be increased by \$47,5000 to \$242,500 effective January 1, 2015;
  - (b) the Subordinated Administration Charge shall be increased by \$47,500 to \$342,500 effective January 1, 2015; and
  - (c) if a non-refundable deposit of not less than \$100,000 is paid by the purchaser under the Purchase Agreement on or before January 31, 2016, the Administration Charge shall increase by a further \$42,500 to \$285,000, and the Subordinated Administration Charge shall be reduced by \$42,500 to \$300,000.
17. In the event that these proceedings are terminated or the stay of proceedings is not extended pursuant to Paragraphs 5 or 6 hereof, or otherwise, then the redemption period with respect to any Foreclosure Proceedings shall be deemed to have commenced on January 1, 2016, provided that this Order shall not prejudice the Petitioner or either of the Mortgagees with respect to submissions on the length of the redemption period that would otherwise apply.
18. All of the Mortgagees' reasonable legal fees and expenses shall be paid from the proceeds of sale upon closing of the Purchase Agreement, and without limitation, the disputed portion of the Mortgagees' proofs of claim in this proceeding, relating to legal fees, shall be allowed in full.
19. This Order and all of its provisions are effective as of 12:01 a.m. local Vancouver time on December 15, 2015.

THE FOLLOWING PARTIES APPROVE THE FORM OF THIS ORDER AND CONSENT TO EACH OF THE ORDERS, IF ANY, THAT ARE INDICATED ABOVE AS BEING BY CONSENT:

  
 \_\_\_\_\_  
 Bonita Lewis-Hand  
 Solicitor for the Petitioner

  
 BURNYEAT, J.  






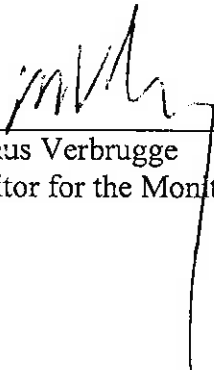
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Dennis Fitzpatrick  
Solicitor for James Young



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Tim Louman-Gardiner  
Solicitor for First West Credit Union



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Magnus Verbrugge  
Solicitor for the Monitor

BY THE COURT

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REGISTRAR

**APPENDIX "A"**

**Counsel Appearing on Application**

| <b>Name of Counsel</b> | <b>Name of Client</b>   |
|------------------------|-------------------------|
| Magnus Verbrugge       | G. Powroznik Group.     |
| Tim Louman-Gardiner    | First West Credit Union |
| Dennis Fitzpatrick     | James Young             |
|                        |                         |
|                        |                         |
|                        |                         |
|                        |                         |
|                        |                         |



**APPENDIX “B”**

**Commitment Letter with Varsity Capital Corporation**

## APPENDIX "B"

December 10, 2015

Varsity Capital Corporation  
3579 West 47<sup>th</sup>  
Vancouver, B.C.  
V6N 3N9

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

**Attention:** Betty-Ann Faulkner

Dear Madam:

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

#### I. GENERAL

**Background:**

Pretty Estates Ltd. ("Pretty") has represented to Varsity 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

Injunction CA4105876 in favour of Jim Young with respect to the Young DIP  
Facility ("**DIP Facility LTO Registration**")

Priority Agreement CA4273788 in favour of the DIP Facility LTO Registration  
over all other financial encumbrances registered on the title to the Lands

On November 10, 2014 Pretty commenced 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**") and it obtained 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 to obtain and borrow under a debtor-in-possession credit facility from Jim Young provided that borrowings

did not exceed \$725,000 (the “**Young DIP Facility**”) unless permitted by further order of the Court.

On April 28, 2015, the Court approved certain amendments to the Young DIP Facility including, without limitation, a \$250,000 increase in the amount available under that facility from \$750,000 to \$1,000,000 (the “**Amended Young DIP Facility**”).

|                          |  |
|--------------------------|--|
| Borrower:                | Pretty Estates Ltd. (“Pretty” or the “Borrower”)   |
| Lender:                  | Varsity Capital Corporation (the “Lender”)   |
| DIP Facility:            | The Lender has agreed to provide a senior secured super-priority, debtor-in-possession credit facility (the “ <b>VCC DIP Facility</b> ”) in the maximum amount of up to \$1,750,000 (the “Maximum VCC 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:                    | Twelve (12) months from the date of the first advance of the VCC DIP Facility.   |
| Interest:                | Interest on each advance under the VCC 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 eleven (11) months from the date of the first advance of the VCC DIP Facility.  |
| Interest Reserve Account | From the Maximum VCC DIP Credit Amount, a three (3) month 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 VCC 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 VCC DIP Facility without prior notice to the Borrower.          |
| Repayment                | The VCC DIP Facility will be on a current or running account, and the Lender may, on one or more occasions, advance and readvance all or part of the principal amount and the VCC DIP Charge, hereinafter defined: <ul style="list-style-type: none"> <li>(a) will be security for payment of the principal amount as advanced and readvanced and for all other money payable to the lender under the VCC Credit Facility;</li> </ul>  |

- (b) will not be considered to have been redeemed only because:
  - (i) the advances and readvances made to the Borrower have been repaid, or
  - (ii) the accounts of the Borrower with the Lender cease to be in debit in whole or in part, and
- (c) remains effective security for further advances and readvances until the Borrower has received a discharge of the VCC DIP Charge.

All obligations of the Borrower in respect of the VCC 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) twelve months from the date of the first advance under the VCC 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 \$17,500, being 1% of the Maximum VCC DIP Credit Amount, which shall be due and be paid to the Lender upon the making of the initial advance under the VCC DIP Facility.  |
| Standby Fee:    | The Borrower shall pay to the Lender a non-refundable 1% standby fee of any DIP Facility (other than the VCC DIP Facility) that may be approved by the Court in favour of any other lender in connection with the Borrower's notice of application that is scheduled to be heard on December 14, 2015 (the " <b>Pending Court Application</b> "). |
| Prepayment:     | The Borrower shall have the right to repay the VCC DIP Facility in whole or in part, at any time upon not less than 2 business days written notice without penalty.   |

## II. VCC DIP FACILITY

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

## III. TERMS AND CONDITIONS

|   |   |
|---|---|
| Use of Proceeds:                                | <p>The VCC DIP Facility shall be used for the following purposes:</p> <ul style="list-style-type: none"> <li>(i) to repay the amount outstanding on the Amended Young DIP Facility;</li> <li>(ii) to pay ongoing operating expenses of the Borrower;</li> <li>(iii) to pay fees and expenses associated with the VCC DIP Facility;</li> <li>(iv) to assist the Borrower with a court monitored reorganization of its financial affairs under the CCAA; and</li> <li>(v) to pay professional fees and expenses of counsel for the Borrower, and the Monitor and its counsel, with respect to the CCAA.</li> </ul>  |
| Security:                                       | <p>To secure all obligations of the Borrower under or in connection with the VCC DIP Facility, the Lender is to be granted, pursuant to an Order of the Court in the CCAA Proceedings, a fully perfected super priority security interest and Court ordered charge (the “<b>VCC DIP Charge</b>”) to be registered on all of the existing and after-acquired real and personal, property, assets and undertaking of the Borrower, (collectively, the “<b>Collateral</b>”).</p>   |
| Permitted Encumbrances and Priority:            | <p>All Collateral will be free and clear of liens, mortgages, security interests, encumbrances and claims other than the VCC DIP Charge, except for (a) an Administration Charge as defined in and created under the Initial Order, as may be amended from time to time thereafter, up to a maximum of \$250,000; (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 “<b>Permitted Encumbrances</b>”). 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 VCC DIP Charge.</p> |
| Mandatory Prepayments and Commitment Reduction: | <p>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 VCC DIP Facility, unless otherwise ordered by the Court.</p>  |

## Documentation:

All documentation relating to the VCC 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 VCC DIP Charge (collectively the "**VCC 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  
VCC DIP Facility:

- (1) An order shall have been entered by the Court approving and authorizing the VCC DIP Facility (the "**VCC DIP Approval Order**"), in a form substance satisfactory to the Lender.
- (2) Confirmation of the Monitor's consent and approval to the terms and conditions of the VCC DIP Facility and this Term Sheet.
- (3) Satisfactory review of title to Collateral.
- (4) The Borrower shall not be in default of any of its obligations hereunder.

Continuing Conditions to  
Availability under  
VCC DIP Loan Facility:

- (1) The VCC DIP Approval 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 VCC DIP Facility.
- (3) The Borrower shall not be in default of any of its obligations hereunder.

- (4) Confirmation of the Monitor's consent and approval to the terms and conditions of the VCC DIP Facility and this Term Sheet.

**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 VCC DIP Approval 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 VCC 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 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 the report of the Lender. The consultant or monitor will not take the 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 VCC 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 VCC 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 VCC 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 an appeal) that may be instituted or asserted against or incurred with credit having been extended, suspended or terminated under or in relation to the VCC 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 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 VCC 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 December 11, 2015. Failing such acceptance the offer of credit contained in this Term Sheet shall be of no further force or effect.

  
Varsity Capital Corporation

The foregoing is accepted and agreed as of the date of this Term Sheet: PRETTY ESTATES LTD.

By:

  
Name: Betty Ann Faulkner Title: President

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## 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 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;
- g. 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 VCC Dip Facility

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

"Property" means: the Assets and the Lands