



NO. S148656
VANCOUVER REGISTRY

IN THE SUPREME COURT OF BRITISH COLUMBIA

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*
*R.S.C., 1985, c. C-36, AS AMENDED***

AND

**IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT
OF PRETTY ESTATES LTD.**

MONITOR'S TENTH AND FINAL REPORT TO COURT

MARCH 4, 2016



PRETTY ESTATES LTD.
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PRETTY ESTATES LTD.

MONITOR'S TENTH AND FINAL REPORT TO COURT

MARCH 4, 2016

BACKGROUND AND PURPOSE OF REPORT

1. On November 10, 2014, Pretty Estates Ltd. (the "**Company**") commenced a proceeding under the *Companies' Creditors Arrangement Act* ("**CCAA**"), and on that same date this Honourable Court granted an Initial CCAA Order (the "**Initial Order**"). G. Powroznik Group Inc. of G-Force Group was appointed as Monitor in the CCAA proceeding (the "**Monitor**").
2. This report represents the Tenth and Final Report ("**Final Report**") of the Monitor with respect to the CCAA filing of the Company and should be read in conjunction with the Monitor's Preliminary Report dated November 5, 2014 which included the Company's Cash Flow Statement ("**Original Cash Flow Statement**"), and the Monitor's First Report dated December 5, 2014 ("**First Report**"), the Monitor's Second Report dated January 30, 2015 ("**Second Report**") the Monitor's Third Report ("**Third Report**") dated February 27, 2015, the Monitor's Fourth Report dated March 31, 2015 ("**Fourth Report**"), the Monitor's Fifth Report dated April 23, 2015 ("**Fifth Report**"), the Monitor's Sixth Report dated July 21, 2015 ("**Sixth Report**"), and the Monitor's Seventh Report ("**Seventh Report**") dated September 28, 2015, the Monitor's Eighth Report ("**Eighth Report**") dated December 9, 2015, and the Monitor's Ninth Report dated February 24, 2016 ("**Ninth Report**") The capitalized terms used in this Final Report are defined herein or in earlier reports.
3. Copies of all pertinent reports, Court Orders, and other filings related to this proceeding are posted to the Monitor's website at the following URL: <http://www.g-forcegroup.ca/pretty-estates-ltd/>
4. The purposes of this report are to provide this Honourable Court with:
 - a) a brief update of the Monitor's activities since the issuing of the Ninth Report;
 - b) the results of the March 3, 2016 creditors meeting and vote on the Company's Restructuring Plan dated for reference February 22, 2016 and filed on March 3, 2015, under the CCAA (the "**Restructuring Plan**");
 - c) the Monitor's recommendation relating to the Court's acceptance of the Restructuring Plan; and

- d) a summary of the steps required for the Company to complete its Restructuring Plan and conclude the CCAA proceeding.
- 5. In preparing this report, the Monitor has relied upon information received from the Company, its legal counsel, Lawson Lundell LLP ("**Lawson**"), IHM, the Monitor's legal counsel, Borden Ladner Gervais LLP ("**BLG**"), the Company's first and second mortgagees and their respective counsel and third parties interested in participating with the Company in its Restructuring Plan. The Monitor continues to receive uninhibited access to information relating to the operations of the Company including financial and operations information.

MONITOR'S ACTIVITIES

- 6. The following is a brief summary, without limitation, of the Monitor's activities since the Ninth Report was submitted:
 - a) served by e-mail copies of:
 - i. the February 24, 2016 Consent Order ("**Meeting Order**");
 - ii. the Notice of Meeting of Creditors;
 - iii. the Restructuring Plan;
 - iv. the Monitor's Ninth Report dated February 24, 2016;
 - v. a proxy; and
 - vi. a voting letter,

on the General Creditors, prior to 5:00pm on Friday, February 26, 2016 that being the deadline for delivery as set out in paragraph 7 of the meeting process order pronounced February 24, 2016 (the "**Meeting Process Order**");
 - b) posted the documents listed above to the Monitor's website;
 - c) received, reviewed, and tabulated the results of creditors' voting letters and/or proxy forms, submitted by creditors between February 26 and March 2, 2016;
 - d) attended the Company's meeting of creditors ("**Creditors Meeting**"), held on Thursday, March 3, 2016. Mr. Gary Powroznik of the Monitor acted as Chair for the meeting;
 - e) filed a Monitor's Certificate with the Court on March 3, 2016, as directed in the February 24, 2016 Consent Order ("**February Consent Order**"), confirming the General Creditors had accepted the Company's Restructuring Plan at the Creditors' Meeting;
 - f) continued to respond to various queries from the preferred purchaser and continued with facilitating the purchaser's process to complete its acquisition of the shares of the Company;

g) continued to facilitate completion of the due diligence by the back-up purchaser and completion of the schedules to the asset purchase agreement; and

h) received confirmation that the back-up purchaser had cleared its subject conditions on March 1, 2016 and placed its \$1,000,000 deposit into trust.

MEETING OF CREDITORS AND VOTE/APPROVAL OF RESTRUCTURING PLAN

7. On Thursday, March 3, 2016 the Company held the Creditors' Meeting for the purpose of voting on the Restructuring Plan. The Creditors' Meeting was held at the offices of the Company's legal counsel, Lawson Lundell LLP.
8. Prior to the Creditors' Meeting, the Monitor satisfied itself that the terms and conditions of the Meeting Process Order were complied with in terms of the calling and holding of the Creditors' Meeting.
9. In total, there are 44 General Creditors with total admitted claims of \$190,839.20. Of those, a total of 38 votes were lodged, including one proxy, with respect to the Plan in advance of the Creditors' Meeting, representing a total of \$160,860.09 in dollar value of claims voted. Of the votes received, 19 were creditors with deemed votes in favour of the Restructuring Plan, pursuant to the February Consent Order, as their claims were \$1,000 or less. None of the creditors with claims of \$1,000 or less voted against the Restructuring Plan.
10. The General Creditors' vote on the Restructuring Plan is hereby summarized as follows:

| Vote | Number of Creditors | Dollar value of votes and percentage of total dollar value |
|-------------------------|----------------------------|---|
| FOR the Plan | 37 | \$146,685.09 (91.2%) |
| AGAINST the Plan | 1 | \$14,175.00 (8.8%) |
| TOTAL | 38 | \$160,860.09 (100%) |

11. Accordingly, the requisite majority in number of creditors, representing over 66.67% of the dollar value of claims voted, have voted in favour of the Restructuring Plan.
12. Accordingly, the Monitor confirms that the General Creditors have accepted the Company's Restructuring Plan.
13. The Company now seeks the Court's approval of the Restructuring Plan at the Wednesday, March 9, 2016 Sanction Hearing ("**Sanction Hearing**").

PASSING OF ACCOUNTS

14. At the Sanction Hearing, the Monitor will also be seeking passing of its accounts for services rendered during the period October 20, 2014 to February 19, 2016. Paragraph 29 of the Initial CCAA Order allows for a passing of the accounts of the Monitor and its legal counsel on a summary basis, before a Judge of the Court.
15. The Petitioner and 0700256 BC Ltd., the projected “bubble creditor”, have been kept fully apprised of the Monitor’s fees and activities, and consent to them.
16. Also at the Sanction Hearing, the Monitor will seek passing of the accounts of its independent legal counsel, Borden Ladner Gervais LLP (“BLG”), for its services rendered during the period December 8, 2015 to February 19, 2016.
17. Details of the accounts of the Monitor and BLG, including copies of the detailed invoices rendered by those firms, will be provided in a separate affidavit of Mr. Gary Powroznik that will be filed in advance of the Sanction hearing.
18. The final accounts of the Monitor and BLG, for services rendered after February 19, 2016, will be passed at the final discharge application.

FINAL STEPS

19. The Monitor’s view is that the Restructuring Plan is proceeding very well. The Monitor reports that the preferred purchaser appears to be on target to complete the transaction to acquire the Company’s shares on or before April 7, 2016. There are no indications the preferred purchaser will not complete the sale. Also, all of the voting creditors but one voted in favour of the Company’s Restructuring Plan which the Monitor views as a very strong endorsement of the Restructuring Plan.
20. Assuming this Honourable Court approves the Company’s Restructuring Plan at the Sanction Hearing, the Monitor summarizes below the final steps that are expected to occur in the CCAA proceeding:
 - a) on the day that is 5 business days after the expiry of the 21 day appeal period (after the Sanction Hearing), the preferred purchaser is expected to close the transaction. This date is projected to be April 7, 2016;
 - b) total proceeds of sale will flow between the purchaser and the vendor, resulting in there being sufficient cash for the Company to pay:
 - i. the outstanding balance on the DIP loan including interest;
 - ii. the claims of the first and second secured creditors;
 - iii. outstanding professional fees;

- iv. required payments to the General Creditors pursuant to the Restructuring Plan; and
 - v. the negotiated break fee of the back-up purchaser.
- c) after payment of those items above, a portion of the secured claim of the third secured creditor, 0700256 BC Ltd., will be paid;
- d) because the contemplated transaction is a share purchase, the post-filing payables and other liabilities of the company will continue to be paid in the normal course of business; and
- e) the Company will apply for discharge of the Monitor and terminate the CCAA proceeding.

All of the above is expected to occur before April 21, 2016, which is the current date of expiry of the stay of proceedings.

CONCLUSIONS AND RECOMMENDATIONS

21. The Monitor has concluded that with acceptance of the Company's Restructuring Plan, various stakeholders will receive a benefit whereas, in the absence of approval of the Restructuring Plan, many creditors would not have received any recovery. In the absence of a Restructuring Plan, there would have been a foreclosure and unsecured creditors would have been unlikely to receive anything, and it is uncertain what recovery the secured creditors, subordinate to the first chargeholder, would have received in that scenario. In addition, the continued and uninterrupted operation of the Company's business provides an ongoing benefit to various stakeholders such as staff and suppliers.
22. Accordingly, the Monitor hereby respectfully recommends this Honourable Court's approval of the Company's Restructuring Plan, as accepted by the General Creditors on March 3, 2016.
23. The Company and its principal, Mrs. Faulkner, have been very co-operative with the Monitor in the process to finalize a SPA or an APA. The Monitor continues to be of the opinion that the Company has acted, and is acting, in good faith and with due diligence during the restructuring process.

All of which is respectfully submitted this 4th day of March, 2016

G. Powroznik Group Inc. of G-Force Group
In its capacity as Court Appointed Monitor
of Pretty Estates Ltd.

 Per: Mr. Gary D. Powroznik
 Managing Director