



Fraser Milner Casgrain LLP
2900 Manulife Place
10180 - 101 Street
Edmonton, AB, Canada T5J 3V5

MAIN 780 423 7100
FAX 780 423 7276

October 26, 2012

Dean Hitesman
dean.hitesman@fmc-law.com
DIRECT 780-423-7284
File No.: 529227.7/RCR

TO THE ATTACHED SERVICE LIST

Dear

**RE: In the Matter of a Proposal of John Kenneth Purdy otherwise known as Jack Purdy
Court File No. BE03 568045 – And In the Matter of the CCAA Proceedings of the
Purdy Group of Companies - Court File No. 1103 18646**

We are the solicitors Alvarez & Marsal Canada Inc. in its capacity as Court appointed Monitor of the Applicants and the Proposal Trustee of John Kenneth Purdy. Please find enclosed for service upon you a filed copy of the Eighth Report of the Monitor and Seventh Report of the Proposal Trustee. Due to the volume, we have not enclosed copies of the Appendices and Exhibits to the Report. Should you require printed or electronic copies of any of the Appendices or Exhibits, please contact our office.

Yours truly,

Fraser Milner Casgrain LLP

A handwritten signature in black ink, appearing to be "D. Hitesman", written over a light blue circular stamp or watermark.

Dean Hitesman

DAH/cd

Enclosure

cc. Taylor Law Office/Att: Conan Taylor (via email)

cc. Alvarez and Marsal Canada Inc./Att: Tim Reid and Orest Konowalchuk (via email)

Service List:

Canada Revenue Agency - **Via Fax - (780) 495-3050**
Room 140
9700 Jasper Avenue
Edmonton, Alberta
Attention: Rosemarie Taitinger

Her Majesty the Queen in the Right of Canada, as represented
by the Minister of National Revenue and Canada Revenue
Agency - **Via Fax - (403) 292-5699**
c/o Mr. Michael Pollock
9700 Jasper Avenue
Edmonton, Alberta T5J 4V8

Department of Justice - **Via Email: christine.matthews@justice.gc.ca**
900 - 840 Howe Street,
Vancouver, BC, V6Z 2S9
Attention: Christine Matthews - Legal Counsel, Tax Law Services

S & D International Group Ltd.
Byron Loewen
c/o Mintz Law - **Via Email: bmintz@mintzlaw.ca**
Barristers & Solicitors
400 the Dorchester
10357 - 109 Street
Edmonton, Alberta T5J 1N3
Attention: Bruce E. Mintz

Axcess Capital
c/o Borden Ladner Gervais LLP - **Via Email: amaciag@blg.com**
Barristers & Solicitors
1900 Centennial Place, East Tower
520 - 3rd Avenue S.W.
Calgary, Alberta T2P OR3
Attention: Andrew K. Maciag

Ladysmith & District Credit Union - **Via Email: jdeleeuw@ldcu.ca**
330 - First Avenue
PO Box 430
Ladysmith, BC V9G 1A3
Attention: Mr. John de Leeuw

Her Majesty the Queen in Right of the Province of British Columbia - **Via Fax: (250) 387-0700**
Minister of the Attorney General, Legal Services Branch
Suite 400, 1675 Douglas Street
Victoria, B.C. V8W 9J7
Attention: Mr. Aaron Welch

Bank of Montreal
c/o Lawson Lundell - **Via Fax (604) 641-4428**
Barristers & Solicitors
1600 Cathedral Place, 925 West Georgia street
Vancouver, B.C. V6C 3L3
Attention: Ms. Kimberley Robertson

Royal Bank of Canada
c/o Witten LLP - **Via Email: sshafir@wittenlaw.com**
2500, 10303 Jasper Avenue
Edmonton, Alberta T5J 3N6
Attention: Steven M. Shafir

County of Strathcona
c/o Brownlee LLP Via Fax: 780-424-3254
2200, 10155 - 102 Street
Edmonton, AB T5J 4G8
Mr. Al Kozak

Reynolds Mirth - **Via Email: dtkachuk@rmrf.com**
3200, 10180 - 101 Street N.W.
Edmonton, Alberta T5J OB3
Attention: Douglas Tkachuk

Justice Canada, Prairie Region
Epcor Tower, 300, 10423 - 101 Street
Edmonton, Alberta T5H OE7
Attention: George F. Body - **Via Email: george.body@justice.gc.ca**

Kim Galavan
c/o McCarthy Tetrault LLP - **Via Email: wmacleod@mccarthy.ca**
3300, 421 – 7th Avenue S.W.
Calgary, Alberta T2P 4K9
Attention: Walker MacLeod

Mike Bilida
C/o Thunderbird Mfg Ltd. (as assignee)
374-52313 R.R. 232
Sherwood Park, Alberta T8B 1B7
Fax: 780-476-8745

James A. Wright
1195 Maclean Road
Qualicum Beach, BC
V9K 1W5
Email: jam426@mail.com
orusnak@telusplanet.net

Blaine Hedley Bishop
Box 1; Site 270 RR2
Stony Plain, Alberta
T5Z 1X2

Blain Hedley Bishop
Box 1; Site 270 RR2
Stony Plain, Alberta
T7Z 1Y4

COURT FILE NUMBER

1103-18646

COURT

COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE

EDMONTON

APPLICANTS

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 ARRANGMENT OF ARMAC INVESTMENTS LTD.
(AB), LAKE EDEN PROJECTS INC. (AB), 1204583
ALBERTA INC. (AB), 1317517 ALBERTA INC. (AB),
WESTRIDGE PARK LODGE DEVELOPMENT CORP
(AB), and WESTRIDGE PARK LODGE AND GOLF
RESORT LTD. (AB), HALF MOON LAKE RESORT
LTD. (AB), NO. 50 CORPORATE VENTURES LTD.
(BC), FISHPATH RESORTS CORPORATION (BC),
ARMAC INVESTMENT LTD. (BC), OSTROM ESTATES
LTD. (BC), HAWKEYE MARINE GROUP LTD. (BC),
JUBILEE MOUNTAIN HOLDINGS LTD. (BC), GIANT
MOUNTAIN PROPERTIES LTD. (BC), and CHERRY
BLOSSOM PARK DEVELOPMENT CORP (BC)
(individually an "Applicant" and collectively, the "Purdy
Group" or the "Applicants")

AND:

COURT FILE NUMBER

BE03-568045

ESTATE NUMBER

24-1568045

COURT

COURT OF QUEEN'S BENCH OF ALBERTA

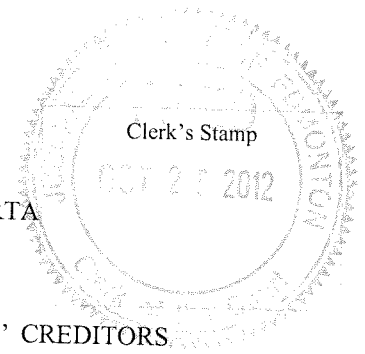
JUDICIAL CENTRE

EDMONTON

APPLICANT

IN THE MATTER OF THE BANKRUPTCY AND
INSOLVENCY ACT, RSC 1985, c B-3, AS AMENDED

AND IN THE MATTER OF THE PROPOSAL OF JOHN
KENNETH PURDY OTHERWISE KNOWN AS JACK
PURDY



DOCUMENT

**EIGHTH REPORT OF THE MONITOR
SEVENTH REPORT OF THE PROPOSAL TRUSTEE**

OCTOBER 26, 2012

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTY FILING THIS
DOCUMENT

MONITOR & PROPOSAL TRUSTEE

ALVAREZ & MARSAL CANADA INC.
Bow Valley Square II
Suite 3300, 205 – 5th Avenue SW
Calgary, Alberta T2P 2V7
Tim Reid/Orest Konowalchuk
Telephone: (403) 538-4756 / (403) 538-4736
Email: treid@alvarezandmarsal.com
okonowalchuk@alvarezandmarsal.com

COUNSEL

FRASER MILNER CASGRAIN LLP
Barristers & Solicitors
Ray Rutman
2900 Manulife Place, 10180 – 101 Street
Edmonton, Alberta T5J 3V5
Phone: (780) 423-7246 / (780) 423-7284
Fax: (780) 423-7276
Email: Ray.Rutman@FMC-Law.com
Dean.Hitesman@fmc-law.com
File: 529227.7/RCR

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INTRODUCTION

1. On December 1, 2011, the Purdy Group sought and obtained protection from its creditors under the Companies' Creditors Arrangement Act, R.S.C. 1985, c.C-36, as amended (the "CCAA") pursuant to an order of the Court of Queen's Bench of Alberta (the "Initial Order"). In this Report, the word "Court" is intended to refer to the Court of Queen's Bench of Alberta or the Court of Queen's Bench of Alberta in Bankruptcy depending upon the context.
2. Pursuant to the Initial Order, Alvarez & Marsal Canada Inc. was appointed monitor of the Purdy Group (the "Monitor").
3. On February 15, 2012, the Court granted a claims procedure order (the "Claims Procedure Order") in the CCAA proceedings.
4. On September 28, 2012, the Monitor sought and the Court granted an order to establish a procedure to resolve dispute notices (the "Dispute Procedural Order") with respect to claims filed in accordance with the Claims Procedure Order.
5. On September 28, 2012, the Purdy Group sought and obtained an order extending the stay of proceedings under the CCAA until December 21, 2012.
6. The Purdy Group entities are owned 100% by its sole owner, director and officer, Mr. John (Jack) Kenneth Purdy ("Purdy"), either directly or through holding companies, legally and beneficially. Purdy is operating under the proposal provisions of the BIA and has presented a proposal to his creditors. Alvarez and Marsal Canada Inc. is also the Proposal Trustee. The meeting of creditors to consider the proposal was held on June 22, 2012 and the meeting was adjourned to October 9, 2012 (the "Reconvened Meeting"). The Reconvened Meeting to consider the proposal was held and that meeting was further adjourned with unanimous consent of the creditors to January 25, 2013.

7. On September 28, 2012, the Proposal Trustee sought and the Court granted an order to establish a process to resolve appeals of disallowances of claims (the “Appeal Procedural Order”) filed in the proposal proceedings (the “Proposal”).
8. The purpose of this Eighth Report of the Monitor and this Seventh Report of the Proposal Trustee (the “Claims Report”) is to provide the Court with a summary of the notice of disputes (“NOD’s”) received in the CCAA proceedings and the appeals filed by claimants in the Proposal proceedings (“Appeals”), together with related information as required by paragraph 2(a) of the Dispute Procedural Order. A number of the proofs of claims, NOD’s/Appeals, concern claims against Purdy as a director of one or more of the Applicants (a “Director Claim”). Often the documentation filed in relation to the Director Claim is not clear as to which of the Applicants the Director Claims relates. For the purpose of its analysis of a Director Claim the Monitor has assumed that any Director Claim provided with a claim against one or more of the Applicants ought to be considered a claim against Purdy as director of those Applicants.
9. Capitalized terms not defined in this Claims Report are as defined in the Initial Order, the First Report, the Second Report, the Third Report, the Fourth Report, the Fifth Report, the Sixth Report, the Seventh Report, the Claims Procedure Order and the Dispute Procedural Order (all in the CCAA proceedings).
10. The style of cause has either an (AB) or (BC) after each of the corporate Applicant company names. The Monitor understands this was done to indicate in which province the corporate applicants are located, and that those letters do not form a part of the legal name of the company. There are two different corporate entities with the name Armac Investments Ltd, one is a British Columbia (“B.C.”) corporation and the other is an Alberta corporation.
11. All references to dollars are in Canadian currency unless otherwise noted.

TERMS OF REFERENCE

12. In preparing this Claims Report, the Monitor and the Proposal Trustee have relied upon unaudited financial information, proofs of claims, notices of disputes, appeals application materials, company records and discussions with management of the Purdy Group. Neither the Monitor nor the Proposal Trustee has performed an audit, review or other verification of such information. An examination of the financial forecast as outlined in the Canadian Institute of Chartered Accountants (“CICA”) Handbook has not been performed. Future oriented financial information relied upon in this report is based on management’s assumptions regarding future events and actual results achieved will vary from this information and the variations may be material.

BACKGROUND

13. The Purdy Group is a group of privately-held companies engaged in the business of property acquisition, development and sale in the Provinces of Alberta and British Columbia, as well as the management of operating businesses on the lands. The primary assets are geographically located mainly on the West Coast of Vancouver Island, British Columbia and in or around Edmonton, Alberta.
14. Further background to the Purdy Group and its operations and description of the Purdy Group properties are contained in the materials filed relating to the Initial Order including the various affidavits of Jack Purdy and in the previous reports of the Monitor and Proposal Trustee. These documents, together with other information regarding this CCAA proceeding, have been posted by the Monitor on its website at: www.amcanadadocs.com/purdy .

DISPUTED CLAIMS SUMMARY

Overview

15. The Claims Procedure Order granted in the CCAA proceedings provides in paragraph 2(j) that if the Notices of Dispute cannot be consensually resolved, the

Monitor shall make an application to the Court for the determination of the validity and priority of the claim on notice to the affected claimant.

16. On September 28, 2012, on application by the Monitor, the Dispute Procedural Order and Appeal Procedural Order was granted by this Honourable Court that provides for a process to address NOD's and Appeal that could not be consensually resolved. A copy of the orders is attached as Appendix A and can also be found on the Monitor's website.
17. The Monitor understands that Court time has been set aside on December 18 and 19, 2012 and the week of January 14, 2012 to hear the disputed claims in the CCAA proceedings and the appeals of claims disallowed in the Proposal proceedings. Since many of these disallowed claims are similar in nature and overlap both proceedings, the Court granted both the Dispute Procedural Order and the Appeal Procedural Order to allow the disputed and appealed claims to be heard at the same time. Accordingly, the claims that will be before the Court in both proceedings are addressed in this report. Any additional NOD's that are received after the date of this report will be address in a subsequent report of the Monitor and Proposal Trustee.
18. The Monitor has prepared a schedule, attached as Appendix B, identifying the Claimants which have had their proofs of claim in the CCAA proceedings and/or Proposal proceedings (POC's) revised or disallowed and which in response have served a NOD on the Monitor or filed an appeal with the Court as required under the BIA (the "Disputed Claims Schedule"). The Disputed Claims Schedule discloses the claims filed against various Applicants in the CCAA proceedings and against Purdy in the Proposal proceedings. Notwithstanding that many of the claims are duplicates of one another, the Monitor and Proposal Trustee, with the assistance of the Applicant and Purdy, had to address each of the claims in the CCAA and Proposal proceedings.
19. Although the Monitor has received sixty-one (61) NOD's and the Proposal Trustee twelve (12) appeals, they relate to only eleven (11) Claimants who have

disputed a notice of revision (“NOR”) and/or a notice of disallowance (“NDA”). Many of these Claimants filed multiple claims against particular Applicants or filed the same claim against more than one Applicant or Purdy as a director. The POC’s disallowed and disputed total approximately \$169.8 million across the fifteen (15) Applicant entities (includes Purdy as a director) and the Proposal. Of the seventy-three (73) claims disallowed, the maximum allowable claim that may be allowed to vote and be subject to receipt of distributions would total approximately \$17 million in the case of a consolidated plan or the Proposal.

20. Below is a summary of the claims filed by Claimants for which a NOR and/or NDA was issued by the Monitor or Proposal Trustee and a subsequent NOD or Appeal was submitted by the Claimant disputing the NOR and/or NDA. This summary should be read in conjunction with Appendix B.

Summary of Claims by Claimant

Allan Dawson MacMullin (“MacMullin”)

21. MacMullin filed thirty-one (31) POC’s against the Applicants and Purdy as a director of Armac AB, which were all disallowed by the Monitor. The nature of these POC’s can be grouped into five (5) “specific” claims categories:
 - a) Bhatti Unpaid Vendor’s Lien claim. MacMullin filed the same Unpaid Bhatti Vendor’s Lien claim against two (2) Applicants, Armac Investments Ltd. (AB) (“Armac AB”), Westridge Park Lodge & Golf Resort Ltd. (“WPLGR”) and one (1) against Purdy by way of a Director Claim. This specific claim totals \$400,000 and it relates to an asserted unpaid vendor’s lien for the purchase price of shares of WPLGR that was allegedly required to be paid by Armac AB and/or Purdy based upon an asserted purchase agreement dated October 9, 2007 between Armac AB (or potentially Purdy or a nominee of Purdy) and MacMullin to purchase shares of WPLGR (formerly 1061702 Alberta Ltd) (“Westridge Share Purchase”).

This claim was disallowed by the Monitor, with concurrence of Applicants, as the POC did not include any substantive documentation or evidence to support an amount owing for an unpaid vendor's lien against any of these Applicants or Purdy. The current owner of the shares appears to be Westridge Park Lodge Development Corp ("WPLDC") one of the other Applicants. Further, a settlement agreement between MacMullin and Armac AB and Purdy dated March 4, 2010, attached as Exhibit I, was located in the files of the Applicants' indicating the claims of these parties were settled and full mutual releases were granted ("MacMullin Settlement Agreement"). The claim appears to have arisen in October 2007 and no statement of claim appears to have been filed, so alternatively, the claim may also be outside the applicable limitation period.

MacMullin is the named creditor in the POC, but the POC indicates the claim was assigned to Dave & Mamta Bhatti. No evidence of an assignment was filed beyond the statement that was included in the POC that the claim was assigned. The Applicants have no record having ever received a notice of assignment of the claim. The Bhatti's filed a NOD as the creditor, but did not file a POC as a creditor and would now, without court approval, be barred from filing a claim. Copies of the filed POC's, NDA's and NOD's are attached as Appendix C. The POC's filed against the various Applicants contain the same or similar information in support of the claim. Accordingly, the Monitor has only copied the duplicate supporting documentation to the POC's once and these documents can be found in Appendix C.4 to this report.

- b) MacMullin Unpaid Vendor's Lien claim. MacMullin filed the same Unpaid MacMullin Vendor's Lien claim against two (2) Applicants, Armac AB and WPLGR as well as one (1) Director Claim. This claim relates to the same share purchase transaction as the Unpaid

Bhatti Vendor's Lien claim discussed in a) above. This specific POC totals \$2,060,000 and it relates to MacMullin alleging to have been owed various amounts by Purdy and/or Armac AB with respect to the Westridge Share Purchase. This claim was disallowed by the Monitor, with concurrence of Applicants, as the POC did not include substantive documentation or evidence to support the claim. Further, any related claims against Armac or Purdy arising under this transaction would have been released under the MacMullin Settlement Agreement attached as Exhibit I. Lastly, the purchase transaction appears to have been in October 2007 and there does not appear to be a statement of claim filed by MacMullin. Therefore, in the alternative, the claim may also be outside the applicable limitation period.

MacMullin is the named creditor in the POC, but the POC indicates the claim was assigned to Dawson Ventures Inc. No evidence of an assignment was filed beyond the statement that was indicated in the filed POC that the POC was assigned. The Applicants have no record of having ever received a notice of assignment of the claim. Dawson Ventures Inc. filed a NOD as the creditor, but did not file a POC as a creditor and would now, without court approval, be barred from filing a claim. Copies of the filed POC's, NDA's and NOD's are attached as Appendix D. The POC's filed against the various Applicants contain the same or similar information in support of the claim. Accordingly, the Monitor has only copied the duplicate supporting documentation to the POC's once and these documents can be found in Appendix D.4 to this report.

A similar claim was also filed in the Proposal proceedings and was disallowed by the Proposal Trustee for similar reasons and by reason of there being no evidence outlining why Purdy would be personally liable for the claim. The Trustee's disallowance was appealed. A

copy of the POC, NDA and appeal application materials is attached as Appendix E.

- c) Management & Compensation claims. MacMullin filed the same Management & Compensation claim against all fifteen (15) Applicants and filed one (1) similar Director Claim. The Monitor disallowed each of the sixteen (16) POC's and MacMullin filed fifteen (15) NOD's in response to the NDA's filed by the Monitor (MacMullin did not file a NOD against Hawkeye Marine Group Ltd.). This specific claim totals \$8 million and it relates to MacMullin alleging to have an interest in 10% of Purdy's assets pursuant to an agreement dated September 5, 2008 between MacMullin, Legacy Builders Inc., Purdy and Armac Investments Inc.

The purported value by MacMullin of Purdy's "holdings" was estimated at \$80 million. This claim was disallowed by the Monitor, with concurrence of Applicants, as the POC did not include substantive documentation or evidence to support the claim. MacMullin filed a lien and caveat on February 9, 2009 against a number of the Applicant companies and on June 3, 2009 discharged those liens and caveats on the basis that payment had been received for all monies due and that he had no interest under the Caveat on the lands. A copy of the discharge of lien and caveat is attached as Exhibit III. Further, any claims arising under this transaction against Purdy or Armac would have been released under the MacMullin Settlement Agreement attached as Exhibit I. The asserted claim arose on September 5, 2008 and may be outside the applicable limitation period as no statement of claim appears to have been filed.

MacMullin is the named creditor in the POC, but the POC indicates the claim was assigned to Dawson Ventures Inc. No evidence of an assignment was filed beyond the statement that was indicated in the

filed POC that the POC was assigned. The Applicants have no record having ever received a notice of assignment of the POC. Dawson Venture Inc. filed a NOD as the creditor, but did not file a POC as a creditor and would now, without court approval, be barred from filing a claim. Copies of the filed POC's, NDA's and NOD's are attached as Appendix F. The POC's filed against the various Applicants contain the same or similar information in support of the claim. Accordingly, the Monitor has only copied the duplicate supporting documentation to the POC's once and these documents can be found in Appendix F.16 to this report.

A similar claim was also filed in the Proposal proceedings and was disallowed by the Proposal Trustee for similar reasons and because there is no evidence that shows Purdy is personally liable for the claim. The Trustee's disallowance was appealed. A copy of the POC, NDA and appeal application materials is attached as Appendix G.

- d) Builders' Lien Claim. MacMullin filed the same Builders Lien Claim against five (5) Applicants, Armac AB, Half Moon, Lake Eden Projects Inc. ("Lake Eden"), 1317517 Alberta Inc. ("131") and WPLGR and filed one (1) Director Claim. This specific claim totals \$1,450,000 and it relates to MacMullin alleging to have entered into a contract in August 2008 with Purdy and several of the Applicants for a fee of \$10,000/month and payment of invoices for construction services. This claim was disallowed by the Monitor, with concurrence of the Applicants, as the POC did not include substantive documentation or evidence (i.e. invoices, purchases orders or other source documents) to support the claim filed.

The lien and a caveat were filed on February 9, 2009 and discharged by MacMullin on June 3, 2009 indicating the amount had been

satisfied in full. Copies of the lien and caveat discharge are attached as Exhibit III. Further, any claims arising under this transaction against Purdy or Armac would have been released under the MacMullin Settlement Agreement. No statement of claim has been provided and accordingly the claims may be also be outside the applicable limitation period.

MacMullin is the named creditor in the POC, but the POC indicates the claim was assigned to Dawson Ventures Inc. No evidence of an assignment was filed beyond the statement that was indicated in the filed POC that the POC was assigned. The Applicants have no record having ever received a notice of assignment of the POC. Dawson Venture Inc. filed a NOD as the creditor, but did not file a POC as a creditor and would now, without court approval, be barred from filing a claim. Copies of the filed POC's, NDA's and NOD's are attached as Appendix H. The POC's filed against the various Applicants contain the same or similar information in support of the claim. Accordingly, the Monitor has only copied the duplicate supporting documentation to the POC's once and these documents can be found in Appendix H.7 to this report.

- e) A similar claim was also filed in the Proposal proceedings and was disallowed by the Proposal Trustee for similar reasons and because there is no evidence Purdy is personally liable for the claim. The Trustee's disallowance was appealed. A copy of the POC, NDA and appeal application materials is attached as Appendix I; and
- f) Half Moon RV Lot claim. MacMullin filed the same Half Moon RV Lot claim against two (2) Applicants, (Armac AB and Half Moon Lake Resort Ltd. ("Half Moon")) and filed one (1) similar Director Claim. Each claim totals \$178,673 and each relates to MacMullin alleging that he was the owner of two (2) leased RV lots at Half

Moon. He is claiming a full refund for the value of the lots, together with interest and lost rental income for the time he asserts he owned the lots. This claim was disallowed by the Monitor, with concurrence of Applicants, as the POC did not include evidence to substantiate a cause of action or claim against the Applicants. Enclosed as Exhibit II is a copy of a bill of sale (the "Bill of Sale") indicating MacMullin sold the two (2) leased lots to Armac on August 8, 2009. Further, any claims arising under this transaction against Purdy or Armac would have been released under the MacMullin Settlement Agreement attached as Exhibit I.

The claim arose in August 2009 and no statement of claim appears to have been filed so the claim may be outside the applicable limitation period. MacMullin is the named creditor in the POC, but the POC indicates the claim was assigned to Hora Vamos Ventures Inc. ("HVV") as MacMullin purports to have sold the Half Moon leases to HVV on August 25, 2009, which is after the date of the bill of sale to Armac AB. HVV filed a NOD as the creditor, but did not file a POC as a creditor. HVV is barred from filing a claim without approval of the court. Copies of the filed POC's, NDA's and NOD's are attached as Appendix J. The POC's filed against the various Applicants contain the same or similar information in support of the claim. Accordingly, the Monitor has only copied the duplicate supporting documentation to the POC's once and these documents can be found in Appendix J.4 to this report.

A similar claim was also filed in the Proposal proceedings and was disallowed by the Proposal Trustee for similar reasons and because there is no evidence Purdy is personally liable for the claim. The Trustee's disallowance was appealed. A copy of the POC, NDA and appeal application materials is attached as Appendix K.

S&D International Group Ltd. ("S&D")

22. S&D filed the same claim against two (2) Applicants; Armac AB and WPLGR, and one (1) similar Director Claim. The individual claim totals \$2,245,000 and relates to an alleged Vendor's lien claim (\$1.6 million plus interest and costs) for monies allegedly owing on the sale of the shares of WPLGR owned by S&D to Armac AB. WPLGR (formerly 1061702 Alberta Ltd) owned the Westridge golf and resort property ("Westridge Property") southwest of Edmonton prior to the share sale transaction with Armac AB and the foreclosure of the Westridge Property by each of S&D and Melcor Developments Ltd. The S&D claim was disallowed by the Monitor, with concurrence of Applicants, as the evidence reviewed by the Monitor contained in the POC filed and in the records obtained from the Applicants indicates S&D released Armac AB from any claim it had to payments from Armac AB when the terms of the original share sale transaction changed and S&D and Melcor commenced foreclosure actions.
23. Attached as Exhibit IV is July 5, 2010 correspondence from Simons & Stephens, solicitor for the Applicants, to the Law Society, which sets out the sequence of events leading to the terms what appears to be the final arrangement between the parties (the "Simons & Stephens Steps Memorandum"). Attached as Exhibit V to this report, is October 1, 2008 correspondence from Luthra Law (solicitors for S&D) to Simons & Stephens returning the nineteen (19) lot transfers (the "Luthra Law Correspondence"), which had been forwarded by Simons on April 3, 2008 (Exhibit VI) (the "Simons & Stephens Correspondence").
24. In brief, Armac entered into an agreement to purchase the shares of WPLGR from S&D sometime in or about October, 2007. WPLGR's only asset was the Westridge Property, which was encumbered by a Melcor mortgage and an S&D mortgage, as well as a number of liens and other encumbrances. It appears that as part of the share transaction, Armac AB or its nominee was to pay out the debt of WPLGR to S&D and to Melcor and obtain a discharge of the security each party

had against the Westridge Property. The security of S&D against the Westridge Property was subordinate to security in favour of Melcor Developments.

25. Sometime before the share sale closed, the Monitor understands that it was agreed that S&D would foreclose in order to remove the encumbrances subordinate to its security and S&D agreed to accept the transfer nineteen (19) Half Moon RV lots from Armac AB as payment for the Westridge Property. Those lot transfers were provided to S&D's counsel by Armac AB's counsel.
26. Armac AB was also to arrange for the pay out of the Melcor mortgage. Certain principals of S&D had also guaranteed the indebtedness of WPLGR to Melcor and Armac AB was also to obtain releases of the Melcor guarantees from the principals of S&D. It appears Armac AB was, however, having difficulty in arranging financing to payout the Melcor mortgage as subsequent to the foreclosure by S&D. Melcor commenced its own foreclosure action with the apparent consent of S&D, but not of Armac AB, which continued to pursue financing to payout the Melcor mortgage. Around that time, S&D's legal counsel wrote to Armac AB's legal counsel advising the deal had changed as they were allowing Melcor to foreclose and they returned to Armac AB the transfers of the nineteen (19) Half Moon lots S&D had previously agreed to accept as payment.
27. Armac AB was subsequently successful in raising the funds to redeem the Westridge Property prior to the completion of the Melcor foreclosure. The WPLGR share transfer also continued and appears to have closed without the requirement of any further payments by the Applicants to S&D. Copies of the filed POC's, NDA's and NOD's are attached as Appendix L. The POC's filed against the various Applicants contain the same or similar information in support of the claim. Accordingly, the Monitor has only copied the duplicate supporting documentation to the POC's once and these documents can be found in Appendix L.5 to this report.
28. A similar claim was also filed by S&D in the Proposal proceedings and was disallowed by the Proposal Trustee for similar reasons and because there is no

evidence Purdy is personally liable for the claim. The Trustee's disallowance was appealed. A copy of the POC, NDA and appeal application materials is attached as Appendix M.

29. S&D has filed a statement of claim in respect of this matter, and Armac AB and Purdy have filed a statement of defense and counterclaim. The Court should consider whether material filed in these actions should form part of the record.

Orest Rusnak ("Rusnak") and P.D.Y. Management Services Ltd. ("PDY")

30. The Rusnak Claim and the PDY Mortgage Lien Claim have been before the Court prior to the CCAA proceedings being initiated and those proceedings are contained in action numbers 0803 10194 and 0803 10405, respectively. The Applicant (131 and Purdy personally) sought to strike the PDY Mortgage Lien Claim. The application was not successful and the court ordered that the two actions, although not consolidated, be heard at the same time. The Court should also consider whether the material filed in those actions form part of the record.

Rusnak (Zoobe Ventures Inc. ("Zoobe"))

31. Rusnak filed the same POC's against two (2) Applicants, Armac AB and 131 and filed one (1) similar Director Claim (collectively the "Rusnak Claim"). The Rusnak Claim totals \$906,321.42 and it relates to a statement of claim that was filed by Rusnak asserting a 50% ownership interest in a building owned by 131 (the "Stony Building") and for costs incurred by Rusnak in opposing an application for summary dismissal of the statement of claim. The Monitor allowed the claim for court awarded legal costs of \$3,577.70 for defending the application for summary dismissal. The remainder of the Rusnak Claim was disallowed by the Monitor, with concurrence of Applicants, as the POC did not contain substantive evidence to support the ownership claim to the Stony Building.

32. Rusnak claims an interest in the Stony Building which was purportedly obtained through a joint venture arrangement with MacMullin, which the joint venture is alleged to have entered into an agreement to purchase the Stony Building. No documentation was provided to evidence that any such a purchase agreement existed. There was evidence in the Applicants' files of a share purchase agreement dated June 7, 2007 between Armac AB and MacMullin. However Armac under correspondence of May 18, 2008 repudiates the agreement for non-performance and MacMullin by correspondence of May 20, 2008 accepts the repudiation and releases of Armac AB without payment of any "compensation". Copies of the joint venture agreement, share purchase agreement, letter of repudiation, acceptance of repudiation and related documents are attached as Exhibit VII (the "Stony Building Documents").
33. Rusnak is the named creditor in the POC, but the POC indicates the claim was assigned to Zoobe. No evidence of an assignment was filed beyond the statement that was indicated in the filed POC that the POC was assigned. The Applicants have no record having ever received a notice of assignment of the POC. Zoobe filed a NOD as the creditor, but did not file a POC as a creditor and would now, without court approval, be barred from filing a claim. Copies of the filed POC's, NOR's and NOD's attached as Appendix N. The POC's filed against the various Applicants contain the same or similar information in support of the claim. Accordingly, the Monitor has only copied the duplicate supporting documentation to the POC's once and these documents can be found in Appendix N.4 to this report.
34. A similar claim was also filed in the Proposal proceedings and was disallowed by the Proposal Trustee for similar reasons and because there is no evidence Purdy is personally liable for the claim. The Trustee's disallowance was appealed. A copy of the POC, NDA and appeal application materials is attached as Appendix O.

P.D.Y

35. PDY filed eight (8) POC's against the Applicants Armac AB, Half Moon, Armac Investments Ltd. (BC) ("Armac BC") and 131 and against Purdy as a director. These POC's can be grouped into two (2) claims categories:

- a) A Mortgage Lien claim (partially secured). PDY filed the same Mortgage Lien claim against two (2) Applicants; Armac AB and 131 and one (1) similar Director Claim. The Mortgage Lien Claim totals \$352,618.27 and it relates to an asserted loan made through MacMullin to 131 of \$200,000 sometime in 2007 to improve and purchase the Stony Building and interest and legal costs. The statement of claim filed by PDY against 131, Purdy and MacMullin alleges funds were advanced in trust by PDY through MacMullin to 131 to finance the acquisition of the building owned by 131.

PDY filed a caveat on title claiming an interest in the property. The property was refinance by 131 and during that process \$220,000 was placed in trust with Mr. Bruce Mintz pursuant to a Consent Order which provides the funds be held and paid only by agreement or court order.

The Applicants previously attempted to have the statement of claim struck on the basis that it was a duplicate of the Rusnak claim discussed above (Action # 0803 10194) and an abuse of process, but were not successful as the Court did not agree it was a duplicate claim. The Monitor accepted the claim for court awarded legal costs of \$15,664.28. The remainder of this claim was disallowed by the Monitor, with concurrence of Applicants, as the Mortgage Lien Claim did not include substantive documentation or evidence to support PDY's secured or unsecured claim. There was no documentation presented (bank drafts, cheques, etc) to indicate any advances were made or that any security was granted or to be granted. The caveat

included with the proof of claim references a written agreement dated May 15, 2007, but no agreement was provided. Correspondence in the files of the Applicant's from MacMullin indicates there was no May 15, 2007 agreement. A copy of the correspondence is attached as Exhibit VIII (the "MacMullin Correspondence")

The advances were purportedly made to 131 and security was taken from 131. There was no evidence provided to the Monitor or Proposal Trustee to indicate why Armac AB. or Purdy would be liable for the purported loans. Copies of the filed POC's, NOR's and NOD's are attached as Appendix P. The POC's filed against the various Applicants contain the same or similar information in support of the claim. Accordingly, the Monitor has only copied the duplicate supporting documentation to the POC's once and these documents can be found in Appendix P.4 to this report.

A similar claim was also filed in the Proposal proceedings and was disallowed by the Proposal Trustee for similar reasons and because there is no evidence Purdy is personally liable for the claim. The Trustee's disallowance was appealed. A copy of the POC, NDA and appeal application materials is attached as Appendix Q; and

- b) A Bankruptcy Legal Cost claim. PDY filed the same Bankruptcy Legal Cost claim against four (4) Applicants, Armac AB, Half Moon, Armac BC and 131 and one (1) similar Director Claim. The Bankruptcy Legal Cost claim totals \$60,723.16 and it relates to costs allegedly incurred by PDY to bring forward a bankruptcy application against Purdy personally that was not granted by this Honourable Court. The Bankruptcy Legal Cost claim was disallowed by the Monitor, with concurrence of Applicants, as the Monitor is of the view that this claim has no legal basis against any of the Applicants or Purdy as a Director. A copy of the filed POC, NDA and NOR is

attached as Appendix R. The POC's filed against the various Applicants contain the same or similar information in support of the claim. Accordingly, the Monitor has only copied the duplicate supporting documentation to the POC's once and these documents can be found in Appendix R.6 to this report.

A similar claim was also filed in the Proposal proceedings and was disallowed by the Proposal Trustee for similar reasons and because there is no evidence the estate is liable for the claim. The Trustee's disallowance was appealed. A copy of the POC, NDA and appeal application materials is attached as Appendix S;

Blaine Bishop ("Bishop")

36. Bishop filed the same POC's against three (3) Applicants, Armac AB, Half Moon, and Lake Eden and filed one (1) similar Director Claim (collectively the "Bishop Claims"). The Bishop Claims total \$400,000 and relate to alleged outstanding amounts under an independent contractor agreement dated January 2, 2006 (for the period January 1 to December 31, 2006) and for other amounts purportedly promised to Bishop by Purdy. The Bishop Claims were disallowed by the Monitor, with concurrence of the Applicants, as the POC's did not include substantive documentation or evidence to support the POC's. The claim also appeared to be outside the applicable limitation period as the asserted debt appears to be over two (2) years old and no statement of claim appears to have been filed. In the NOD's filed with the Monitor, Bishop appears to be attempting to increase the value of his claim to \$1.2 million from \$400,000. However the time for filing claims has passed and Bishop cannot increase his claim without court approval. Copies of the filed POC's, NDA's and NOD's are attached as Appendix T. The POC's filed against the various Applicants contain the same or similar information in support of the claim. Accordingly, the Monitor has only copied the duplicate supporting documentation to the POC's once and these documents can be found in Appendix T.5 to this report.

37. A similar claim was also filed in the Proposal proceedings and was disallowed by the Proposal Trustee for similar reasons and because there is no evidence Purdy is personally liable for the claim. The Trustee's disallowance was appealed. A copy of the POC, NDA and appeal application materials is attached as Appendix U.

Dawson John MacMullin ("Dawson")

38. Dawson filed the same POC's against four (4) Applicants, Armac AB, Half Moon, Lake Eden and 131 and filed one (1) similar Director Claim, (collectively the "Dawson Claims"). The Dawson POC's total \$218,625 and relates to construction work alleged to have been completed by Dawson on certain of these Applicants' properties as listed in the POC's. On February 12, 2009 Dawson filed a lien for \$18,625 on various lands owned by these Applicants. Dawson also claims two (2) lots in a proposed future subdivision at WPLGR were promised to him by Purdy as additional compensation Dawson provided to Purdy and his companies. Dawson claims the value of these lots were \$100,000 each. The Dawson Claims were disallowed by the Monitor, with concurrence of Applicants, as the POC's did not include substantive documentation or evidence (i.e. invoices, contracts, etc.) to show the services were completed by Dawson. Further, a discharge of the lien placed on the 131 properties was located in the records of the Applicant's indicating payment was received for all monies due. A copy of the discharge dated March 11, 2009 is attached as Exhibit IX (the "Dawson Lien Discharge"). Copies of the filed POC's, NDA's and NOD's are attached as Appendix V. The POC's filed against the various Applicants contain the same or similar information in support of the claim. Accordingly, the Monitor has only copied the duplicate supporting documentation to the POC's once and these documents can be found in Appendix V.6 to this report.
39. A similar claim was also filed in the Proposal proceedings and was disallowed by the Proposal Trustee for similar reasons and because there is no evidence Purdy is

personally liable for the claim. The Trustee's disallowance was appealed. A copy of the POC, NDA and appeal application materials is attached as Appendix W.

Mike Bilida ("Mike Bilida")

40. Bilida filed the same POC claim against three (3) Applicants, Armac AB, Half Moon, and WPLGR and filed one (1) similar Director Claim, which were disallowed by the Monitor (collectively the "Bilida Claims"). The Bilida Claims total \$57,500 and relate to materials and equipment allegedly supplied by Bilida to the three Applicants at the request of Purdy and that as a result of the non-payment of the invoices, a builder's lien was filed against certain lands of the Applicants on July 16, 2010 as security. The Bilida Claims were disallowed by the Monitor, with concurrence of the Applicants, as the Bilida claim did not include substantive documentation or evidence to support its claim and there was no evidence that materials were ever ordered by the Applicants from Bilida.
41. Bilida is the named creditor in the POC, but the POC indicates the claim was assigned to Thunderbird Mfg. Ltd ("TML"). No evidence of an assignment was filed beyond the statement that was indicated in the filed POC that the POC was assigned. The Applicants have no record having ever received a notice of assignment of the POC. TML filed a NOD as the creditor, but did not file a POC as a creditor and may potentially now, without court approval, be barred from filing a claim. Copies of the filed POC's, NDA's and NOD's are attached as Appendix X. The POC's filed against the various Applicants contain the same or similar information in support of the claim. Accordingly, the Monitor has only copied the duplicate supporting documentation to the POC's once and these documents can be found in Appendix X.5 to this report.
42. A similar claim was also filed in the Proposal proceedings and was disallowed by the Proposal Trustee for similar reasons and because there is no evidence Purdy is personally liable for the claim. The Trustee's disallowance was appealed. A copy of the POC, NDA and appeal application materials is attached as Appendix Y.

Double Dutch Rentals Ltd. (“Double Dutch”)

43. Double Dutch filed one (1) POC against Armac AB, which was disallowed by the Monitor (the “Double Dutch Claim”). The Double Dutch Claim totals \$37,365 and relates to an outstanding deposit on Half Moon RV lots paid by Double Dutch to Armac AB with respect to an unfulfilled leased lot sales contract between Armac AB and Double Dutch. Double Dutch did not proceed with the acquisition as the construction of cabins on the lots at Half Moon was not completed. The Double Dutch Claim was disallowed by the Monitor, with concurrence of Applicants, as the evidence indicates that Double Dutch was bound to its campsite sales lease agreement and Double Dutch had full use of the lots at Half Moon as set out in the agreement. Double Dutch filed a NOD in response to the NDA submitted by the Monitor. A copy of the filed POC, NDA and NOD is attached as Appendix Z.
44. No claim was filed in the Proposal proceedings.

Pinto Ventures Ltd. (“Pinto”)

45. Pinto filed one (1) POC against Half Moon, which was disallowed by the Monitor (the “Pinto Claim”). The Pinto Claim totals \$500,000 and relates to amounts allegedly owing to Pinto from Half Moon with respect to a purchase and sales agreement (the “P&S Agreement”) between the parties. The Pinto Claim was disallowed by the Monitor, with concurrence of Applicants, as the POC filed did not contain the P&S Agreement or any substantive evidence to support this claim. Pinto filed a NOD and included copy of the P&S Agreement dated May 6, 2004 and some additional support.
46. Upon review of the support provided by Pinto in its NOD, the support does not indicate that Half Moon is a named party to the P&S Agreement. The P&S Agreement is between Armac AB and Pinto (not Half Moon and Pinto) and as a result the NDA was not revised by the Monitor. Further, Pinto did not file a POC as a creditor against Armac AB. Pinto is barred from filing a claim without

approval of the court. In addition, the claim appears to have arisen on or around May 2004 and no statement of claim appears to have been filed, so alternatively, the claim may also be outside the applicable limitation period. Notwithstanding the foregoing, the Applicant has advised the Monitor that Pinto's claim was previously paid in full to Pinto by Armac AB. A copy of the filed POC, NDA and NOD is attached as Appendix AA.

47. No claim was filed in the Proposal proceedings.

Brayford Trucking Ltd. ("Brayford")

48. Brayford filed one (1) POC against Half Moon, which was revised by the Monitor (the "Brayford Claim"). The Brayford Claim totals \$21,988.50 and relates to purported trucking, mulching and other services purportedly rendered by Brayford for Half Moon. Brayford indicates that it has two (2) invoices issued to Half Moon that remain outstanding since April and May 2004. The Brayford Claim was revised by the Monitor, with concurrence of Applicant, to an unsecured claim of \$7,000 as the Applicant advised the Monitor that not all services were completed to the satisfactory and specifications of the Applicant. Brayford filed a NOD with respect to the NOR filed by the Monitor.
49. A statement of lien was filed on June 2, 2004 and a copy of which was provided by Brayford in its POC. Although Brayford did not provide a copy of the statement of claim with respect to the lien, the Monitor notes that a Certificate of *Lis Pendens* was filed on November 24, 2004 with respect to the Brayford lien indicating that an action was commenced. Brayford did provide in its POC an order awarding costs of \$300 in relation to an application for an Examination of Discovery dated July 9, 2010. A copy of the filed POC, NOR and NOD is attached as Appendix BB.
50. No claim was filed in the Proposal proceedings.

James A. Wright (“Wright”)

51. Wright filed four (4) POC’s against Armac (AB), Half Moon, WPLGR and WPLDC in the CCAA proceedings (collectively the “Wright Claims”) and the Wright Claims were disallowed on the basis that they did not include substantive documentation or evidence to support the claim filed. In particular, evidence was not submitted that demonstrated the provision of services that Wright asserts he provided to the Applicants. Wright’s asserted services were purported to have been rendered in 2009 or earlier and there did not appear to be a statement of claim filed by Wright. Therefore, in the alternative, the claim may also be beyond the applicable limitation period.
52. Wright did not dispute the NDA filed by the Monitor in the CCAA proceedings.
53. However, a similar claim was also filed in the Proposal proceedings and was disallowed by the Proposal Trustee for similar reasons and because there is no evidence Purdy is personally liable for the claim. The Trustee’s disallowance of this claim was appealed by Wright. A copy of the POC, NDA and appeal application materials is attached as Appendix CC.

Brenda Lane Professional Corporation (“BLPC”)

54. BLPC filed the same two (2) POC’s against the Director and 1204583 Alberta Inc. (“Wild Rose”), which were disallowed by the Monitor (the “BLPC Claim”). The Monitor, with concurrence of the Applicants originally disallowed the BPLC Claim of \$28,761.98 as the BLPC Claim did not provide information (i.e. contract/agreement) to show that professional accounting services were authorized or approved by BLPC for Wildrose. BLPC filed one NOD against Wildrose and did not file one against the Director. On October 17, 2012, based upon additional information that was provided by BLPC to the Monitor, the Monitor, with concurrence of the Applicant, revised its NDA to an unsecured claim of \$18,416.59.

55. On October 20, 2012, BLPC accepted the revised NOR. No further action is required on the notice of dispute by this Honourable Court.
56. No claim was filed in the Proposal proceedings.

All of which is respectfully submitted this 26th day of October, 2012.

**ALVAREZ & MARSAL CANADA INC.,
in its capacity as court-appointed Monitor of
the Purdy Group and as Trustee under the Notice
of Intention to Make a Proposal of John (Jack)
Kenneth Purdy**



Tim Reid, CA•CIRP
Senior Vice-President



Orest Konowalchuk, CA•CIRP
Senior Manager