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December 11, 2012

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File No.: 529227.7/RCR

TO THE ATTACHED SERVICE LIST

Dear

**RE: 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 in the above CCAA filing. Please find enclosed for service upon you a filed copy of the Ninth Report of the Monitor.

Yours truly,

Fraser Milner Casgrain LLP

A handwritten signature in black ink, appearing to be "AR", written over a light grey circular stamp.

Ray Rutman

RCR/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:

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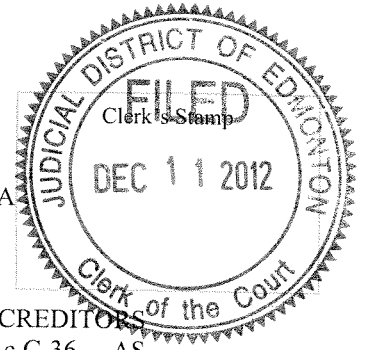
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COURT FILE NUMBER 1103-18646  
COURT COURT OF QUEEN'S BENCH OF ALBERTA  
JUDICIAL CENTRE EDMONTON  
APPLICANTS IN THE MATTER OF THE COMPANIES' CREDITORS  
ARRANGEMENT ACT, R.S.C. 1985, c.C-36, AS  
AMENDED



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) (collectively, the "Purdy Group" or the "Applicant's")

DOCUMENT **NINTH REPORT OF THE MONITOR**

**DECEMBER 11, 2012**

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT

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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 ("Court") (the "Initial Order").
2. Pursuant to the Initial Order, Alvarez & Marsal Canada Inc. was appointed monitor of the Purdy Group (the "Monitor").
3. The purpose of this ninth report of the Monitor (the "Ninth Report") is to provide the Court with an update in respect of the following:
  - a) operational and restructuring activities since the seventh report of the Monitor (the "Seventh Report");
  - b) the claims process since the Seventh Report of the Monitor;
  - c) the actual to forecast cash flow results for the period from September 8, 2012 to November 30, 2012 (the "Reporting Period");
  - d) the revised cash flow projections (the "Updated Forecast") from December 1, 2012 through February 8, 2012 (the "Forecast Period");
  - e) the Purdy Group's request for an extension to the current stay period until, and including February 8, 2013; and
  - f) the Monitor's recommendations.
4. Capitalized terms not defined in this Ninth 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, Seventh Report, Eight Report, the Claims Procedure Order and the Dispute Procedural Order.

5. 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 (“AB”).
6. All references to dollars are in Canadian currency unless otherwise noted.

#### **TERMS OF REFERENCE**

7. In preparing this Ninth Report, the Monitor has relied upon unaudited financial information, company records and discussions with management of the Purdy Group. The Monitor has not 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**

8. 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.
9. The Purdy Group entities are owned 100% by its sole owner, director and officer, Mr. John (Jack) Kenneth Purdy (“Jack Purdy”), either directly or through holding companies, legally and beneficially. Jack 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. At that meeting, the creditors voted to further adjourn the meeting to January 25, 2013 at the same time and place.

10. 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 six reports of the Monitor. These documents, together with other information regarding this CCAA proceeding, have been posted by the Monitor on its website at: [www.amcanadadocs.com/purdy](http://www.amcanadadocs.com/purdy).

## **OPERATIONAL UPDATE**

*Fishpath Resorts Corporation (“Fishpath Resort”) & Armac Investments Ltd. (BC)  
 (“Armac BC”) (collectively, the “Hawkeye Properties”)*

### LBVR Agreement

11. As previously reported, on September 17, 2012, LBVR took over management responsibility for the Hawkeye Properties (the “Effective Date”). The assets of the Hawkeye Properties consist of three properties in Port Alberni, B.C. and 16 properties in Bamfield, B.C. (as are fully described in Schedule A to the Management Agreement).
12. Under the terms of the LBVR agreement, the net operating revenue from the Hawkeye Properties will be dedicated to and available for LBVR to utilize in providing its services under the Management Agreement. Any operating deficiency will be funded from the \$650,000 required to be reserved by the Applicants under the terms of the LBVR agreement. Accordingly, no receipts and disbursements are included in the actual cash flows attached as Appendix A.
13. In addition, LBVR is to provide a financial report to the Applicants and the Monitor on a monthly basis within 10 days of the month end. The LBVR financial cash flow report for the month ended October 31, 2012 is attached as

Appendix B to this report. Since the Effective Date and up to October 31, 2012, LBVR was advanced \$150,000 by the Applicants. The month of October is considered the start of the “off season” for the Hawkeye Group properties. Receipts were limited (hotel and restaurant) during this period as only approximately \$6,500 was collected, while costs for management fees, other operating expenses and capital costs totaled approximately \$70,300. As a result, this reduced LBVR’s cash position from \$150,000 (original advance from the Applicants) to \$86,115 at the end of October 2012.

14. A further \$100,000 was requested and advanced to LBVR at the end of November 2012. Although the Monitor and the Purdy Group have yet to be provided the financial report for the month of November, LBVR advised that its ending cash balance in its bank account at November 30, 2012 was approximately \$161,000 and it anticipated to incurring capital expenditures in the range of \$125,000 in December, mainly for the completion of fuel operating facilities.
15. The Monitor understands that the total funding required for the operations, marketing and improvement of the LBVR managed properties during these proceedings will be incorporated into the LBVR’s proposed business plan, as discussed further below.

4356 Gertrude Street, Port Alberni

16. On November 3, 2012, the Monitor was informed that a fire took place in a building in Port Alberni, BC, owned by Armac BC. The extent of the damage is currently being investigated. The Purdy Group does not carry insurance on this property (as indicated in prior Monitor reports), which is consistent with the Purdy Group’s policy of self-insurance on all of its properties.

***Half Moon Lake Resort Ltd. (“Half Moon”)***

17. As outlined in previous reports of the Monitor, Half Moon Lake is a 139 acre seasonal resort located in the County of Strathcona (the “County”). It operates

216 serviced customer RV sites, a general store and other recreational facilities for the enjoyment of its clients.

18. Half Moon closed for the season on October 15, 2012 and expects to open on the May long weekend in 2013. As previously reported, Half Moon was closed in 2010 and remained closed through 2011 due to Orders issued by Alberta Health and Alberta Environment. The Applicants worked diligently to rectify the issues and a Consent Order to open the resort was granted on June 15, 2012, resulting in a later start to this year than normal. In order to open in May of 2013 the Applicants must complete an upgrading waste water system. The upgrade is substantially complete and Half Moon intends to complete it in the early spring of 2013 in time of opening for May 2013. The expenditures required, in that regard, are estimated at \$25,000 and have been included in the Updated forecast.
19. The resort projected to operate on a cash positive basis through the operating season (the resort is now closed for the winter). Half Moon generated operating cash flow of approximately \$73,000 for the period June 15 to September 28 versus a projected operating cash flow of \$109,000 (see Appendix D of the Fourth Report). The negative variance of \$24,000 occurred largely in the period June 16 to July 20, 2012 and was discussed in the Sixth Report. During this Reporting Period, Half Moon had a cash flow deficiency of approximately \$16,600, which was slightly more than the forecast deficiency of \$12,600. However, there are at least \$15,000 of expenses relating to this Reporting Period that will be paid in the next Forecast Period. Property taxes for 2012 of approximately \$40,000 remain unpaid.
20. Operating expenses during the off season to winterize and operate the resort through to February 8, 2013 should be minimal as set out in the Updated Forecast attached as Appendix C. Some of these expenses are defrayed by monthly maintenance fees to be received from Leaseholders, which are reflected in the Updated Forecast.

### *Insurance*

21. As discussed in previous reports of the Monitor, the Purdy Group does not carry property insurance.
22. The Monitor has discussed this with the Purdy Group and it does not feel the cost of the insurance is warranted in light of the coverage that could be obtained. However, the Purdy Group did renew its corporate liability insurance on Half Moon on May 15, 2012 and coverage extends to May 14, 2013. The Monitor further understands that the Purdy Group has arranged for corporate liability insurance in relation to Bamfield Trails Motel (226 Frigate Road).
23. The Monitor has been advised that LBVR does not intend on obtaining property insurance on the properties it manages in BC.

### **RESTRUCTURING UPDATE**

#### *Overall strategy*

24. In the Seventh Report, the Monitor advised that the Applicants' intentions for its Plan would likely require creditors to remain patient for at least a further six (6) months before a formal Plan is circulated. The Applicants have made progress with their restructuring efforts over the past 2.5 months, but will require the remaining four months prior to being in a position to put forward a plan to its creditors.
25. The Applicants' restructuring efforts continue to be consistent with what was outlined in previous reports of the Monitor, which, in summary, include:
  - a) the sale of Half Moon RV lots, if and when the lease issue is resolved or the subdivision plan is approved by the County;
  - b) restoring certain of their B.C. resort properties to full operating capability to enhance their marketability for sale or refinancing; and

- c) the sale of the Non-Core Properties and the Alberta properties in foreclosure.

Each of these is discussed in more detail below.

26. In addition to the operating and restructuring issues, the Applicants need to finalize the validity of substantial claims that have been filed and disputed. Hearing of the appeals will commence on December 18 and 19, 2012 and continue to the extent necessary during the week of January 14, 2013, as discussed further below.
27. Because of the significant quantum of the disputed claims, the Monitor believes it is necessary to determine the validity of the claims before a formal Plan can be presented to creditors. This is important, as the Plan may involve seeking financing for the Half Moon and/or the Hawkeye Group properties or an equity contribution to satisfy claims. Consequently, the outcome of the disputed claim appeals is necessary for the Applicants to understand what funding would be required to satisfy the claims of creditors,

### *Hawkeye Properties*

#### LBVR Business Plan

28. On December 10, 2012, the Purdy Group and the Monitor received a draft form of the LBVR business plan. The draft business plan includes annual forecasts, sales and marketing plan for the assets and a capital plan for the maintenance and development of the properties. The Monitor and the Purdy Group are currently reviewing the draft LBVR business plan and will report back to this Honourable Court on the LBVR business plan by the next Proposed Stay Extension (as defined below).

### Shore Leases

29. The Monitor understands that Armac BC had five shore leases attached to its ocean front properties in Bamfield that were cancelled by the Ministry of Environment, Lands and Parks (Province of BC) (“MELP”) in or around the Spring of 2011 for the non-payment of its lease and property tax payments. The shore leases are required for the proper operation of the properties. The Monitor has been advised that the Purdy Group is currently re-applying to obtain these leases from the MELP.

### *Half Moon*

30. As previously reported, the Applicants’ intentions for Half Moon have always been to develop the resort into a fully owner occupied RV resort. There are 216 RV lots which have been surveyed and approved for lease by the County of which 44 are leased to third parties and 172 are either retained by Half Moon or leased to Armac (AB) under a Campsite Rental Agreement (“Leases”). The Leases had an initial term of 35 years and there are now 26 years remaining. The terms of the Leases are subject to a Court Order obtained by the County some years ago.
31. There has been no change in the Applicants’ restructuring strategy and plan for Half Moon. The Applicants continue with their litigation with the County so as to be able to grant leases with an initial term of 35 years and renewals of 35 years. This is more fully discussed in the Seventh Report.
32. The litigation continues and Justice Burrows, the case management justice, is seized to hear all matters pertaining to this litigation. In mid-October 2012, Justice Burrow advised the Purdy Group that he would not be able to hear the matter until 2013 and once his schedule is known, he would provide the parties involved with his available dates. Justice Burrow has not yet advised the Purdy Group of the available dates.

33. Until the lease matter is settled, it is difficult for the Applicants to move forward with a plan for Half Moon.
34. The Applicants also continue to pursue the subdivision of the Half Moon land into bare land strata titles. The Applicants advise a further approximate 530 serviced sites could be developed given the current zoning of the lands. A development permit was previously submitted to the County on February 28, 2012, but has so far not been accepted. The Monitor is aware that the Applicant is working diligently to satisfy the County as to any of its concerns in this regard.

#### ***Non-Core Properties***

35. As previously reported, the Non-Core Properties have been listed for sale with Colliers MacAulay Nicolls Inc. (“Colliers” or the “Listing Agent”)
36. An offer has been accepted on the 8335 Mesher Road, Port Alberni, BC property (owned directly by Jack Purdy). The due diligence conditions of the purchaser were to expire on December 10, 2012, but an extension was requested by the purchaser and Purdy has agreed to an extension to December 14, 2012, to allow the purchaser to satisfy its due diligence conditions. Colliers advises there has been some interest in the other properties, but no offers have been received. The Applicants and the Monitor will review and discuss the sales process further on the Non-Core Properties with Colliers before January 31, 2013 (the expiration of the listing agreements).

#### ***Alberta Properties in Foreclosure***

37. The Alberta properties in foreclosure at the commencement of the CCAA proceedings include the property at 15625 Stony Plain Road and the Westridge property west of Edmonton.
38. The Stony Plain property is listed for sale with Trikon Properties, but as previously reported, this property is the subject of an ownership dispute that is impeding the sale of the property. The Monitor is assessing this dispute in

connection with the proof of claim review process. This building was recently significantly vandalized and as previously reported there is was no insurance on the building. This will impact the sale value of the property.

39. The Purdy Group is updating its appraisals on this property to assist in assessing whether to list the Westridge property or enter into a consent foreclosure with its secured lender.
40. It is unlikely there will be any equity over the first mortgage in either of the two above mentioned properties.

## **UPDATE ON CLAIMS PROCESS**

### Overview

41. As discussed in the Third Report, a Claims Procedure Order was approved by this Honourable Court on February 15, 2012, which required Creditors to submit their Claims by the Claims Bar Date (April 2, 2012).
42. Since the Third Report, the Monitor (with the assistance of the Applicants) spent significant time reviewing and addressing the 199 filed POC's totalling (in aggregate) approximately \$191.6 million, many of which were considered duplicative in nature (as discussed below). The Eighth Report outlines all the POC's that are presently being contested and the process that the Monitor understood to be utilized by this Honourable Court to determine the claims.
43. The Monitor is concerned that if the claims are not determined by this Honourable Court on a summary basis during the presently scheduled hearings, the Applicants may not have the ability to fund these proceedings over the coming months without further interim financing or sale of Non Core Properties. Additionally, any delay in resolving the claims will ultimately delay the Applicants' ability to formulate a Plan to their creditors until the claims are resolved.



44. A breakdown of the claims received and the current status of these claims is summarized in the chart below:

<b>Purdy Companies Claims Summary Breakdown December 11, 2012</b>			
	<b>Values</b>		<b>Claims Filed</b>
Proof of Claims Filed (since Feb.15/12)	\$ 191,639,942.06		199
Less:			
Duplicative Claims (disallowed)	146,777,459.58		73
Intercompany / Shareholder claims	9,678,772.37		7
Disallowed (not disputed)	3,102,472.01		35
<b>Total possible 3rd party creditors claims</b>	<b>\$ 32,081,238.10</b>		<b>84</b>
<b>Total possible 3rd party creditors claims</b>	<b>\$ 32,081,238.10</b>		
		<b>% of total claim</b>	
<b>Status of Submitted Claims</b>			
Accepted in full	\$ 8,602,180.22	26.81%	13
Revised	264,915.00	0.83%	11
Revised (not disputed)	65,065.58	0.20%	4
<b>Total accepted claims</b>	<b>\$ 8,932,160.80</b>	<b>27.84%</b>	<b>28</b>
Revised (disputed)	26,241.98	0.08%	3
Disallowed	933,090.80	2.91%	8
Disallowed (disputed)	16,862,572.37	52.56%	12
Claims under review**	5,327,172.15	16.61%	33
<b>Total possible 3rd party creditor claims</b>	<b>\$ 32,081,238.10</b>	<b>100.00%</b>	<b>84</b>

\*\*30 of the 33 remaining claims to be reviewed relate to CRA claims.

45. The Monitor has received 199 Proofs of Claims ("POC's) in respect of the Applicants totalling approximately \$191.6 million. Some of the POC's are for significant amounts, have been disputed and are currently being determined as part of the Dispute Procedural Order as discussed in the Eighth Report.

46. As shown in the above chart, of the \$191.6 million POC originally filed, the Monitor has determined that after taking into consideration duplicative claims and claims filed by the Applicants and shareholder claims, the maximum claims possible in these proceedings currently totals approximately \$32 million. That amount may be reduced when the NOD's are determined by the Court at the scheduled hearings. In addition to the filed POC's, there is an Administration Charge of \$500,000 and \$2.15 million in Interim Financing that are in priority to all other claims.
47. The chart above and the summary below represent an update from the Seventh Report.

#### **Status of submitted claims**

##### Duplicative Claims (disallowed)

48. This category represents filed POC's from Claimants that have been reviewed and disallowed by the Monitor and the Applicants and as a result, have been deducted from the total proof of claims filed. A Claimant cannot receive dividends on more than 100% of its total claim. In these instances, Claimants filed claims that may or may not have been valid in one Applicant entity, but they also filed the same claim against other Applicant entities in these CCAA proceedings that lacked validity. Currently, there are 73 such duplicative claims totalling approximately \$146.7 million.

##### Disallowed (not disputed)

49. This category represents claims (other than duplicative claims) that have been reviewed and disallowed by the Monitor, with the concurrence of the Applicants, where a NDA was sent by the Monitor for each filed proof of claim and the claimant did not dispute the NDA. As a result, if a NDA is not disputed within Dispute Deadline, the disallowed claim is then considered accepted and final.

Currently, there is 30 Claimants with 35 claims totalling approximately \$3.1 million that are represented in this category.

Accepted in full

50. This category represents filed POC's from Claimants that have been reviewed and based on information available to date accepted by the Monitor and Applicants and not disallowed or revised. Currently, there are 13 such POC's totalling approximately \$8.6 million.

Revised

51. This category represents POC's that were reviewed and revised by the Monitor, with the concurrence of the Applicants, where a notice of revision ("NOR") was filed by the Monitor for each filed proof of claim. The Monitor sent a NOR along with a copy of a notice of dispute ("NOD"), if the Claimant wished to dispute the NOR. The NOD must be delivered from the Claimant to the Monitor before the Dispute Deadline. If these NOR's are disputed by the Claimant within the Dispute Deadline, they will be re-categorized (for purposes of the chart above) as "Revised (disputed)" and will be subject to further determination from this Honourable Court (likely at the Second Claims Hearing Date). If the NOR's are not disputed by the Dispute Deadline, they will be re-categorized as "Revised (not disputed)" and will be considered accepted and final. There are 11 NOR's in this category that were sent by the Monitor to each Claimant on or around December 4, 2012 totalling approximately \$265,000 in this category.

Revised (not disputed)

52. This category includes POC's that have been reviewed and revised by the Monitor, with the concurrence of the Applicants, where a NOR was sent by the Monitor for each filed proof of claim and the claimant did not dispute the NOR. As a result, since the NOR was not disputed within the Dispute Deadline, the

revised claim is accepted and final. There are currently four (4) claims totalling approximately \$65,000 in this category.

Revised (disputed)

53. This category includes POC's that were reviewed and revised by the Monitor, with the concurrence of the Applicants. The Monitor filed a NOR for the submitted POC and in response, the claimant filed a NOD to challenge the NOR. There are currently three (3) claims totalling approximately \$26,000 in this category. The claims in this category will be address in the upcoming Claims Hearing.

Disallowed

54. This category represents POC's that were reviewed and disallowed by the Monitor, with the concurrence of the Applicants. The Monitor sent a notice of disallowance ("NDA") for each of the POC's. If these NDA's are not disputed by the Claimants by the Dispute Deadline, they will be re-categorized as "Disallowed (not disputed)". If these NDA's are disputed by the Claimant within the Dispute Deadline, they will be re-categorized as "Disallowed (disputed)" and will be subject to further determination from this Honourable Court (likely at the Second Claims Hearing Date). There are currently eight (8) Claimants having claims totalling approximately \$933,000, excluding 3 duplicate claims filed, disallowed and disputed that are represented in this category. The majority of the NDA's in this category were sent by the Monitor to each Claimant on or around December 4, 2012.

Disallowed (disputed)

55. This category represents POC's that were reviewed and disallowed by the Monitor, with the concurrence of the Applicants. The Monitor sent a NDA for the submitted POC and in response to the NDA, the claimant filed a NOD to challenge the NDA. There are currently ten (10) Claimants with claims totalling

approximately \$16.8 million, excluding 47 duplicate claims filed disallowed and disputed that are represented in this category.

56. The claims in this category will be addressed at the scheduled hearings on December 18 and 19, 2012 and the week of January 14, 2013.

#### Claims under review

57. This category represents POC's that are currently being reviewed by the Monitor. There are 33 claims totalling approximately \$5.3 million represented in this category. The majority of these claims (30 claims) relate to CRA claims that the Monitor is currently reviewing and assessing. The Monitor has not completed its review (due to the financial reporting delays by the Purdy Group as discussed in previous reports), but believes the majority of the CRA claims are valid (with the exception of a possible duplicative claim totalling \$1.3 million that would adjust the total value of these claims in this category to approximately \$4.1 million). It is extremely important that the Applicant's complete all outstanding regulatory filings (GST returns, corporate returns) and its remaining financial statements in order to allow the Monitor to evaluate each of the CRA POC's. The Monitor believes that it will be able to complete its review of the remaining 3 POC's in the next week (other than the CRA claims).

#### **Late Claim**

58. Included in the claims schedule above, the Monitor received one claim after the Claims Bar Date, totalling approximately \$65,000 (the "Late Claim"). The Late Claim relates to secured mortgage claim from Bank of Montreal against one of the properties owned by one of the Applicants.
59. There does not appear to be any prejudice to the creditors, as a whole, as a result of the Late Claim being filed. The Late Claim has been included in the chart above, but has not yet been approved by this Honourable Court, as a claim to be accepted for this claims process.

60. The Monitor understands that the Applicants are seeking approval from this Honourable Court to allow the Late Claim to be filed with the Monitor. The Late Claims is currently being reviewed by the Monitor, with the assistance of the Applicants. The Monitor recommends that the Late Claim be accepted by this Honourable Court for the reasons for the reason outlined above.

**ACTUAL TO FORECAST RESULTS – SEPTEMBER 8, 2012 TO NOVEMBER 30, 2012**

*Actual to Forecast Summary Results*

61. The actual to forecast cash flow presented at Appendix A to this report for the Reporting Period contains the actual cash receipts and disbursements relating to the Purdy Group as compared to the cash flow forecasts previously provided to this Court in the Seventh Report (the “Seventh Report Forecast”).
62. The table below provides a summary of the actual to forecast cash flow for the Reporting Period:

<b>Purdy Group</b>	<b>Sept. 8/12 to</b>	<b>Sept. 8/12 to</b>	<b>Sept. 8/12 to</b>
<b>Actual to Budget Cash Flow Results</b>	<b>Nov. 30/12</b>	<b>Nov. 30/12</b>	<b>Nov. 30/12</b>
	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
Operating receipts	\$ 82,500	\$ 52,346	\$ (30,154)
Funds from Interim Financing	1,292,947	1,345,087	52,140
Total receipts	<u>\$ 1,375,447</u>	<u>\$ 1,397,432</u>	<u>\$ 21,985</u>
Operating disbursements	947,800	1,053,166	(105,366)
Restructuring professional fees	435,000	311,766	123,234
Total operating disbursements	<u>\$ 1,382,800</u>	<u>\$ 1,364,932</u>	<u>\$ 17,868</u>
Net change in Applicant cash	\$ (7,353)	\$ 32,500	\$ 39,853
Applicant cash balance, opening	20,842	20,842	-
Applicant cash balance, ending	<u>13,489</u>	<u>53,342</u>	<u>39,853</u>
<b>FUNDS HELD IN TRUST BY MONITOR</b>			
Trust Opening Cash	\$ 100,000	\$ 100,000	\$ -
Collection of Interim Financing Advances	1,792,947	1,792,947	-
Collection of other receipts	1,191	1,191	-
Release of funds to LBVR	(150,000)	(250,000)	(100,000)
Release of funds to Applicants	<u>(1,142,947)</u>	<u>(1,095,087)</u>	<u>47,860</u>
Trust Ending cash	<u>\$ 601,191</u>	<u>\$ 549,051</u>	<u>\$ (52,140)</u>
<b>TOTAL AVAILABLE CASH</b>			
Applicant ending cash balance	\$ 13,489	\$ 53,342	\$ 39,853
Trust cash balance	601,191	549,051	(52,140)
Less: cash not available per Court Order	(100,000)	(100,000)	-
Less: cash held for LBVR	<u>(500,000)</u>	<u>(400,000)</u>	<u>100,000</u>
	1,191	49,051	47,860
Available Cash	<u>\$ 14,680</u>	<u>\$ 102,394</u>	<u>\$ 87,714</u>

63. Receipts, including the release by the Monitor of previously received Interim Financing to the Applicant, for the Reporting Period totaled \$1,397,432,

representing a positive variance of \$21,985 from the receipts set out in the Seventh Report Forecast. This positive variance was primarily due to:

- a) a positive variance of approximately \$16,000 and \$13,000 relating to higher than expected rental and hotel revenues collected in Fishpath and the timing of operating costs payments from leaseholders of Half Moon, respectively;
- b) a positive variance of approximately \$52,000 relating to the timing of funds received from the Monitor's trust account with respect to the release of interim financing for the Applicants' operations and restructuring purposes; and
- c) a negative variance of approximately \$60,000 relating to the timing of collecting the reimbursement of funds from Purdy relating to outstanding property taxes paid by the Applicants on two of Purdy's personally owned BC properties as well as for the reimbursement of funds authorized to be allocated for the Proposal proceedings at the inception of these proceedings. This reimbursement has been included in the Updated Forecast;

64. Operating disbursements for the Reporting Period totaled \$1,053,166 representing a negative variance of \$105,366. This variance was primarily due to:

- a) a positive timing variance of approximately \$13,000 relating to management and contractor fees that are expected to be paid in the Forecast Period;
- b) a positive timing variance of approximately \$8,800 relating to certain remaining capital costs at Half Moon that was not incurred in the Reporting Period;
- c) a positive permanent variance of approximately \$8,100 relating to \$6,000 in Bamfield contingency costs that were originally forecast but



did not occur in the Reporting Period and approximately \$2,100 in lower than expected outstanding property taxes paid in BC;

- d) a negative permanent variance of approximately \$35,000 relating to higher than expected operating costs incurred by both Fishpath and Half Moon (i.e. utility payments, contractor fees, etc); and
- e) a negative timing variance of approximately \$100,000 relating to the advance of funds to LBVR for its use in accordance with the Management Agreement.

- 65. Restructuring fees of \$311,766 were paid for professional services rendered during this Reporting Period. Due the Purdy Group's cash constraints in these proceedings, the Purdy Group was unable to advance the remaining approximate \$125,000 forecast in the Reporting Period. Currently, the Monitor and its counsel have unpaid invoices of approximately \$240,000 from September 1, 2012 to November 30, 2012 and the Purdy Group's counsel has unpaid invoices of approximately \$15,000.
- 66. The Applicant's ending cash balance as at November 30, 2012 was \$53,342 compared to the forecast cash balance amount of \$13,489, for the reasons discussed above. By combining the ending available cash balance in the Monitor's trust account of \$49,051 and the Applicant ending cash balance above, resulted in an overall ending available cash balance of \$102,394.

#### **UPDATED CASH FLOW FORECAST THROUGH FEBRUARY 8, 2013**

- 67. The Purdy Group, with the assistance of the Monitor, has prepared an Updated Forecast for the Forecast Period, which is attached as Appendix C. Management has prepared the Updated Forecast based on the most current information available.
- 68. The table below summarizes cash flow for the Forecast Period:

<b>Purdy Group Actual to Budget Cash Flow Results</b>	<b>Dec.1/12 to Feb.8/13 Budget</b>
Operating receipts	\$ 69,000
Funds from Interim Financing	45,000
Total receipts	<u>\$ 114,000</u>
Operating disbursements	70,000
Restructuring professional fees	75,000
Total operating disbursements	<u>\$ 145,000</u>
Net change in Applicant cash	\$ (31,000)
Applicant cash balance, opening	53,342
Applicant cash balance, ending	<u>22,342</u>
<b>FUNDS HELD IN TRUST BY MONITOR</b>	
Trust Opening Cash	\$ 549,051
Release of funds to LBVR	-
Release of funds to Applicants	<u>(45,000)</u>
	<u>(45,000)</u>
Trust Ending cash	<u>\$ 504,051</u>
<b>TOTAL AVAILABLE CASH</b>	
Applicant ending cash balance	\$ 22,342
Trust cash balance	504,051
Less: cash not available per Court Order	(100,000)
Less: cash held for LBVR	<u>(400,000)</u>
	4,051
Available Cash	<u>\$ 26,393</u>

69. As summarized above, the Purdy Group is projecting:
- a) total operating cash receipts of approximately \$69,000;
  - b) funds received from the Monitor's trust account to be used in its operations of approximately \$45,000;

- c) cash disbursements for operations of approximately \$70,000; and
  - d) restructuring fees and costs accrued of approximately \$75,000.
70. The above results in a net decrease in cash within the Applicant's cash balance of approximately \$31,000 during the Forecast Period. The net decrease in cash from the Applicant's bank account will reduce the Applicants ending cash position to approximately \$22,342. This, combined with the ending available cash for use from the Monitor's trust account of \$4,051, results in an overall ending available cash balance of approximately \$26,393.
71. The Monitor has reviewed the assumptions supporting the Updated Forecast with Purdy Group management and believes the assumptions to be reasonable. The Applicants' operations are seasonal in nature and have now entered the off season. Accordingly, as expected they are forecasting lower operating receipts being collected and operating disbursements being made in the Forecast Period.
72. Significant assumptions made by Purdy Group management with respect to the Updated Forecast are:
- a) LBVR is now operating the B.C. resort properties in Bamfield and has not provided, at the time of this report, a complete operating budget for the Forecast Period other than what was already discussed above;
  - b) strata fee collection and rental RV receipts from Half Moon Lake of approximately \$9,000;
  - c) other receipts of approximately \$60,000 relate to the reimbursement of outstanding property taxes on two of Purdy's personally owned BC properties as well as for the reimbursement of funds authorized to be allocated for the Proposal proceedings at the inception of these proceedings;

- d) operating costs relating to Half Moon and certain remaining costs to be paid on the Applicants B.C. resort properties that are currently being managed by LBVR (cost incurred prior Effective Date that the Applicants are responsible to pay, not LBVR) of approximately \$6,000 and \$18,000, respectively;
- e) management fees, wages and salaries and contractor fees of approximately \$18,700;
- f) capital cost expenditures remaining at Half Moon for approximately \$25,000;
- g) contingency costs of approximately \$2,000;
- h) LBVR management agreement Set Aside Funds to be advanced are unknown, as LBVR has not provided an operating or capital budget to the Purdy Group at this time. However, it is expected that some of the \$400,000 of funds reserved for LBVR will be advanced; and
- i) restructuring costs for the Monitor, its counsel and the Applicants' counsel are based on the cash flow available and are not indicative of the outstanding fees as discussed above.

73. Based on the Purdy Group's assumptions, the Updated Forecast indicates that the Purdy Group will continue to have sufficient available cash to meet its current operating obligations through the Forecast Period but not to pay its professional fees. The monitor and counsel have an Administration Charge of \$500,000 to secure their fees. This is currently sufficient to cover the outstanding fees incurred (but not paid) to date. The Purdy Group will need to obtain additional cash flow (either through the sale of Non-Core Properties or additional interim financing) during the next proposed Stay Extension in order to fund its restructuring efforts.

## **FINANCIAL STATEMENT, REGULATORY FILING REQUIREMENTS AND BANKING INFORMATION**

### Financial Statements

74. As previously reported, the Purdy Group has been working to complete all of the Applicants' financial statements. The Monitor recently received financial statements, which it understands to be substantially complete and is currently reviewing draft copies with the Applicants.

### Regulatory Filings

75. To date, the Monitor understands that the Applicants has not completed and/or filed certain of its GST remittances and corporate tax returns (pre and post-CCAA), as it has been focusing on completing the Applicants financial statements.
76. The Purdy Group acknowledges that these regulatory filings are important to complete and expects to have them completed forthwith.

### Banking Information

77. The Monitor has been provided with the Applicants' banking information to enable the Monitor to conduct a review and analysis of the Purdy Group's cash flow position throughout these CCAA proceedings.
78. The Monitor has also been provided with the five (5) bank statements of Prairie Resort Management Ltd. ("Prairie") by Purdy in order to review purported related party transactions between Prairie and the Applicants at the request of a creditor. The Monitor has been able to trace the flow of funds that were received in the Prairie accounts to the Applicant's account from these five bank statements. The cash receipts transfers from the Purdy account to the Applicants account were not material and mainly related to the collection of monthly maintenance costs

received from Half Moon's leaseholders. The Monitor requires from Purdy six (6) additional Prairie bank statements to complete its review.

### **THE PURDY GROUP'S REQUEST FOR AN EXTENSION TO THE STAY PERIOD**

79. Pursuant to the Initial Order, the Purdy's Group's stay period expires at midnight on December 21, 2012 (the "Stay Period"). The Purdy Group is seeking an extension of the Stay Period, until and including February 8, 2012 (the "Proposed Stay Extension").
80. The Proposed Stay Extension is necessary for the Purdy Group to have the contest claims heard by this Honourable Court at the scheduled hearings on December 18 and 19, 2012, complete and address the remaining claims in accordance with the Claims Procedure Order, further its restructuring initiatives and develop a plan of arrangement and/or compromise.
81. In the Monitor's view, the Purdy Group, overall, is acting in good faith and with due diligence during this CCAA proceeding and no creditor will be materially prejudiced by an extension of the stay. The Monitor is of the view that that Stay Extension is appropriate in the circumstances.

### **RECOMMENDATION**


82. The Monitor recommends that this Honourable Court approve the:
  - a) Proposed Stay Extension; and
  - b) Late Claim.

All of which is respectfully submitted this 11<sup>th</sup> day of December, 2012.

**ALVAREZ & MARSAL CANADA INC.,  
in its capacity as court-appointed Monitor of  
the Purdy Group**



Tim Reid, CA•CIRP  
Senior Vice-President



Orest Konowalchuk, CA•CIRP  
Senior Manager

# APPENDIX A



**Purdy Group of Companies**  
**Projected Cash Flow Statement**  
**For the period of September 8, 2012 to November 30, 2012 (the "Forecast Period")**  
**(in CDN dollars)**

	<b>Forecast</b>	<b>Actual</b>	<b>Variance</b>
	<b>Week 43 to</b>	<b>Week 43 to</b>	<b>Week 43 to</b>
	<b>Week 54</b>	<b>Week 54</b>	<b>Week 54</b>
	<b>September 8, 2012 to November 30, 2012</b>		
<b><u>Operating receipts</u></b>			
Fishpath trade sales and rental receipts	4,500	20,825	16,325
Half Moon Lake Resort receipts	18,000	31,520	13,520
Other receipts	60,000	-	(60,000)
<i>Total operating receipts</i>	<u>82,500</u>	<u>52,346</u>	<u>(30,154)</u>
<b><u>Funds received from Interim Financing</u></b>	1,292,947	1,345,087	52,140
<b>Total receipts</b>	<u><b>1,375,447</b></u>	<u><b>1,397,432</b></u>	<u><b>21,985</b></u>
<b><u>Operating Disbursements</u></b>			
Fishpath expenses	2,700	20,524	(17,824)
Half Moon Lake expenses	30,600	48,149	(17,549)
Management fees, wages and salaries	28,500	15,461	13,039
Half Moon Lake Capital Costs	25,000	16,135	8,865
BC Crown redemption property tax	567,000	567,000	-
Remaining BC property tax	138,000	135,897	2,103
Contingency - Non Bamfield	6,000	-	6,000
LBVR Managment agreement set aside funds	150,000	250,000	(100,000)
Ostrom fuel improvements	-	-	-
<i>Total operating disbursements</i>	<u><b>947,800</b></u>	<u><b>1,053,166</b></u>	<u><b>(105,366)</b></u>
<b><u>Restructuring professional fees</u></b>			
- Monitor	250,000	175,000	75,000
- Company Counsel	125,000	100,000	25,000
- Monitor Counsel	60,000	36,766	23,234
<i>Total restructuring professional fees</i>	<u>435,000</u>	<u>311,766</u>	<u>123,234</u>
<b>Total disbursements</b>	<u><b>1,382,800</b></u>	<u><b>1,364,932</b></u>	<u><b>17,868</b></u>
<b>Net change in Applicant cash</b>	<u>(7,353)</u>	<u>32,500</u>	<u>39,853</u>
<b>APPLICANT CASH BALANCE</b>			
Opening cash	20,842	20,842	-
Net change in operating cash	(7,353)	32,500	39,853
Ending Cash	<u>13,489</u>	<u>53,342</u>	<u>39,853</u>

**Purdy Group of Companies**  
**Projected Cash Flow Statement**  
**For the period of September 8, 2012 to November 30, 2012 (the "Forecast Period")**  
**(in CDN dollars)**

	Forecast	Actual	Variance
	Week 43 to Week 54	Week 43 to Week 54	Week 43 to Week 54
	September 8, 2012 to November 30, 2012		
<b>FUNDS HELD BY MONITOR</b>			
Opening Cash	100,000	100,000	-
Collection of Interim Financing Advances	1,792,947	1,792,947	-
Collection of Other Receipts	1,191	1,191	-
Release of funds to LBVR	(150,000)	(250,000)	(100,000)
Release of funds to Applicants	(1,142,947)	(1,095,087)	47,860
	501,191	449,051	(52,140)
Ending cash	601,191	549,051	(52,140)

<b>TOTAL AVAILABLE CASH FOR GENERAL RESTRUCTURING</b>			
Applicant ending cash balance	13,489	53,342	39,853
Total Funds held by Monitor	601,191	549,051	(52,140)
Less: Funds held for LBVR Agreement	(500,000)	(400,000)	100,000
Cash held in trust per Court Order	(100,000)	(100,000)	-
	1,191	49,051	47,860
Cash available for general restructuring	<b>14,680</b>	<b>102,394</b>	<b>87,714</b>

<b>DIP Loan Reconciliation</b>			
Max. borrow on DIP	2,150,000	2,150,000	-
Opening balance	-	-	-
DIP Advance to Monitor	1,792,947	1,792,947	-
Principal repayments on DIP	-	-	-
Legal costs and closing fees	8,753	8,753	-
DIP fee payment to Axxcess - 4.45%	95,675	95,675	-
DIP Interest reserve held by Axxcess - 11.75%	252,625	252,625	-
Ending balance	2,150,000	2,150,000	-

  
 Jack Purdy, President  
 Purdy Group

  
 Date

# APPENDIX B

**LBVR (Hawkeye Group Properties)****Actual Cash Flow Results**

For the period of September 17, 2012 to October 31, 2012 (the "Forecast Period")

(in CDN dollars)

**Operating receipts**

Funds received from the Purdy Group	\$	150,000
Fishpath sales and rental receipts		5,946
Other miscellaneous receipts		546
<i>Total operating receipts</i>	\$	<u>156,492</u>

**Operating Disbursements**

Management fees	\$	33,300
R&M and landscaping expenses		15,792
Restaurant food and beverage inventory		4,906
Fuel and utility costs		4,738
Travel expenses		2,798
Office, pub and cleaning supplies		2,350
GST paid on disbursements (recoverable)		1,877
Other miscellaneous		228
Bank service charges and other permit costs		415
<i>Total operating disbursements</i>	\$	<u>66,403</u>

**Capital costs**

Furniture and equipment purchases	\$	3,974
<i>Total capital costs</i>	\$	<u>3,974</u>
<i>Total operating and capital costs</i>	\$	<u>70,377</u>
<b>Net change in Applicant cash</b>	\$	<u>86,115</u>

**APPLICANT CASH BALANCE**

Opening cash		-
Net change in operating cash		86,115
Ending Cash	\$	<u>86,115</u>

# APPENDIX C

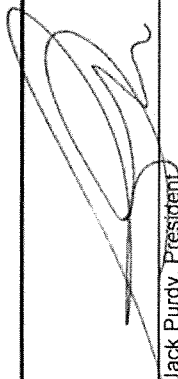
Purdy Group of Companies  
 Projected Cash Flow Statement  
 For the period of December 1, 2012 to February 8, 2013 (the "Forecast Period")  
 (in CDN dollars)

	Forecast Week 51 7-Dec-12	Forecast Week 52 14-Dec-12	Forecast Week 53 21-Dec-12	Forecast Week 54 28-Dec-12	Forecast Week 55 4-Jan-13	Forecast Week 56 11-Jan-13	Forecast Week 57 18-Jan-13	Forecast Week 58 25-Jan-13	Forecast Week 59 1-Feb-13	Forecast Week 60 8-Feb-13	TOTAL
<b>Operating receipts</b>											
Fishpath trade sales and rental receipts	-	-	-	-	-	-	-	-	-	-	9,000
Half Moon Lake Resort receipts	5,000	-	-	-	2,000	-	-	-	-	2,000	60,000
Other receipts	-	-	-	-	-	60,000	-	-	-	-	69,000
<i>Total operating receipts</i>	5,000	-	-	-	2,000	60,000	-	-	-	2,000	45,000
<b>Funds from Monitor's Trust Account</b>											
<b>Total receipts</b>	5,000	-	-	-	2,000	105,000	-	-	-	2,000	114,000
<b>Operating Disbursements</b>											
Fishpath expenses	6,300	-	-	-	-	-	-	-	-	-	6,300
Half Moon Lake expenses	10,000	4,000	-	-	-	-	4,000	-	-	-	18,000
Management fees, wages and salaries	12,000	-	-	-	-	6,700	-	-	-	-	18,700
Half Moon Lake Capital Costs	25,000	-	-	-	-	-	-	-	-	-	25,000
Contingency - Non Bamfield	-	-	-	1,000	-	-	-	1,000	-	-	2,000
LBVR Managment agreement set aside funds	-	-	-	-	-	-	-	-	-	-	-
<i>Total operating disbursements</i>	53,300	4,000	-	1,000	-	6,700	4,000	1,000	-	-	70,000
<b>Restructuring professional fees</b>											
- Monitor	-	-	-	-	-	25,000	-	-	-	-	25,000
- Company Counsel	-	-	-	-	-	25,000	-	-	-	-	25,000
- Monitor Counsel	-	-	-	-	-	25,000	-	-	-	-	75,000
<i>Total restructuring professional fees</i>	-	-	-	-	-	75,000	-	-	-	-	145,000
<b>Total disbursements</b>	53,300	4,000	-	1,000	-	81,700	4,000	1,000	-	-	(31,000)
<b>Net change in Applicant cash</b>	(48,300)	(4,000)	-	(1,000)	2,000	23,300	(4,000)	(1,000)	-	2,000	53,342
<b>APPLICANT CASH BALANCE</b>											
Opening cash	53,342	5,042	1,042	1,042	42	2,042	25,342	21,342	20,342	20,342	53,342
Net change in operating cash	(48,300)	(4,000)	-	(1,000)	2,000	23,300	(4,000)	(1,000)	-	2,000	(31,000)
Ending Cash	5,042	1,042	1,042	42	2,042	25,342	21,342	20,342	20,342	22,342	22,342

Purdy Group of Companies  
 Projected Cash Flow Statement  
 For the period of December 1, 2012 to February 8, 2013 (the "Forecast Period")  
 (in CDN dollars)

	Forecast Week 51 7-Dec-12	Forecast Week 52 14-Dec-12	Forecast Week 53 21-Dec-12	Forecast Week 54 28-Dec-12	Forecast Week 55 4-Jan-13	Forecast Week 56 11-Jan-13	Forecast Week 57 18-Jan-13	Forecast Week 58 25-Jan-13	Forecast Week 59 1-Feb-13	Forecast Week 60 8-Feb-13	TOTAL
<b>FUNDS HELD BY MONITOR</b>											
Opening Cash	549,051	549,051	549,051	549,051	549,051	549,051	549,051	549,051	549,051	549,051	549,051
Collection of Interim Financing Advances	-	-	-	-	-	-	-	-	-	-	-
Release of funds to LBVR	-	-	-	-	-	-	-	-	-	-	-
Release of funds to Applicants	-	-	-	-	-	(45,000)	-	-	-	-	(45,000)
	-	-	-	-	-	(45,000)	-	-	-	-	(45,000)
Ending cash	549,051	549,051	549,051	549,051	549,051	504,051	504,051	504,051	504,051	504,051	504,051

	5,042	1,042	1,042	42	2,042	25,342	21,342	20,342	20,342	22,342	22,342
<b>TOTAL AVAILABLE CASH FOR GENERAL RESTRUCTURING</b>											
Applicant ending cash balance	5,042	1,042	1,042	42	2,042	25,342	21,342	20,342	20,342	22,342	22,342
Total Funds held by Monitor	549,051	549,051	549,051	549,051	549,051	504,051	504,051	504,051	504,051	504,051	504,051
Less: Funds held for LBVR Agreement	(400,000)	(400,000)	(400,000)	(400,000)	(400,000)	(400,000)	(400,000)	(400,000)	(400,000)	(400,000)	(400,000)
Cash held in trust per Court Order	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)
	49,051	49,051	49,051	49,051	49,051	4,051	4,051	4,051	4,051	4,051	4,051
Cash available for general restructuring	54,093	50,093	50,093	49,093	51,093	29,393	25,393	24,393	24,393	26,393	26,393

  
 Jack Purdy, President  
 Purdy Group

*Dec 6/2012*  
 Date