

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

SEVENTH REPORT OF THE MONITOR

SEPTEMBER 21, 2012

ADDRESS FOR SERVICE AND
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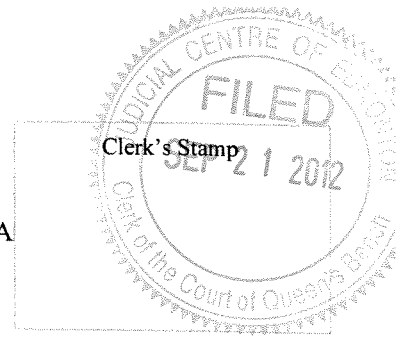


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INTRODUCTION

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 seventh report of the Monitor (the "Seventh Report") is to provide the Court with an update in respect of the following:
 - a) operational and restructuring activities since the sixth report of the Monitor (the "Sixth Report");
 - b) the status of interim financing that was previously approved by this Honourable Court in an Order dated August 10, 2012;
 - c) the outstanding property tax arrears and redemption of properties from the B.C. Crown;
 - d) the execution of the resort management agreement (the "Management Agreement") between La Bella Vita Resorts Ltd. ("LBVR") and Armac Investments Ltd. (BC) ("Armac BC") with respect to properties located in Bamfield and Port Alberni, B.C.;
 - e) the claims process since the fourth report of the Monitor (the "Fourth Report"), and the Monitor's request for this Honourable Court to approve a process to adjudicate and determine disputed claims in the CCAA and similar filed claims in the personal proposal proceedings of Jack Purdy;
 - f) the actual to forecast cash flow results for the period from July 21, 2012 to September 7, 2012 (the "Reporting Period");

- g) the revised cash flow projections (the “Updated Forecast”) from September 8, 2012 through December 21, 2012 (the “Forecast Period”);
 - h) the Purdy Group’s request from this Honourable Court to increase the maximum expenditure limit of \$100,000 to \$250,000 for any one property and the aggregate limit from \$500,000 to \$1 million pursuant to paragraph 6(a) of the Initial Order; and
 - i) the Monitor’s recommendations.
- 4. Capitalized terms not defined in this Seventh 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 and the Claims Procedure 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.
- 6. All references to dollars are in Canadian currency unless otherwise noted.

TERMS OF REFERENCE

- 7. In preparing this Seventh 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 within 10 days after September 28, 2012 (the current stay extension date).
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.

OPERATIONAL UPDATE

Fishpath Resorts Corporation ("Fishpath Resort") & Armac Investments Ltd. (BC) ("Armac BC")

11. Bamfield Trails Motel, along with the Hawkeye House, King Fisher Lodge & Marina were open and fully operational over the Reporting Period, but did not achieve the net operating results expected. This was due to the delay to put in place interim financing to achieve anticipated sales from fuel operations and the hiring of a professional resort property management company.

12. The Applicants have budgeted in the Updated Forecast (below) lower sales receipts collected as operations are generally at their lowest peak in the late fall and winter months. The slow-down is also attributed to the delay in both parties (LBVR and the Applicants) not signing and agreeing to the terms and conditions of the Management Agreement until September 18, 2012. The Management Agreement is discussed in detail further below in this report.
13. The Applicants incurred preservation costs to ensure continued operation of these properties and to commence restoration and other projects it believed would be completed by LBVR under the Management Agreement. LBVR has made no commitments on whether the costs incurred and projects commenced will be completed by it.
14. Fishpath Resort and Armac BC projected to operate on a cash positive basis through the operating season. The main operating season for Fishpath Resort and Armac BC is essentially coming to an end (around the end of September 2012). Fishpath Resort & Armac BC generated operating cash flow of \$15,000 for the period June 15 to September 7, 2012 versus a projected operating cash flow of \$85,000 (see Appendix D of the Fourth Report). The negative variance of \$70,000 occurred largely in the period June 16 to July 20, 2012 and was discussed in the Sixth Report.
15. There are minimal receipts and disbursements forecast for Fishpath Resort and Armac BC for the Forecast Period through to December 21, 2012 as the Monitor understand cash flow for these operations will come from the Set Aside Funds (defined below) and accounted for under the Management Agreement discussed below.

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

16. As discussed in the previous reports of the Monitor, Half Moon Lake is a 139 acre seasonal resort located in the County of Strathcona and operates 216 serviced customer RV sites, a general store and other recreational facilities for the enjoyment of its clients, which at this time are mainly daily campers.
17. Half Moon generally opens on the May long weekend and closes on October 15 of each year. As previously reported, Half Moon was closed in 2010 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, meaning a later start to this year than normal.
18. The resort projected to operate on a cash positive basis through the operating season. Although the resort is open to October 15, 2012, the season is now basically at an end. Half Moon generated operating cash flow of \$76,000 for the period June 15 to September 7 versus a projected operating cash flow of \$100,000 (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 achieved cash flow of approximately \$50,000, which was slightly above forecast of \$46,000. However, there are at least \$18,000 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.
19. Operating expenses during the off season to winterize and operate the resort through to December 21, 2012 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.
20. Half Moon has been operating a temporary waste water pump out system which has been approved by Alberta Environment until the earlier of October 15, 2012

or until the permanent wastewater system is completed. That system is substantially complete and Half Moon intends to complete the system in the fall and early spring in time for opening in May of 2013. The expenditures required are estimated at \$25,000 and have been included in the Updated forecast.

Financial Statements, Regulatory Filing Requirements and Banking Information
Financial Statements

21. As discussed in the Fourth Report, the Purdy Group has been working to complete the outstanding financial statements of certain Applicants.
22. The Purdy Group has been able to complete, in draft, the following remaining outstanding financial statements as attached to the September 20, 2012 affidavit of Mr. John (Jack) Kenneth Purdy (the “September 20th Purdy Affidavit”):
 - a) Jubilee Mountain Holdings Ltd. (BC) (“Jubilee”);
 - b) Giant Mountain Properties Ltd. (BC) (“Giant”);
 - c) Westridge Park Lodge Development Corp. (AB) (“WPLDC”);
 - d) Westridge Park Lodge and Golf Resort Ltd. (AB) (“WPLGR”);
 - e) Lake Eden Projects Inc. (“Lake Eden”); and
 - f) Cherry Blossom Park Development Corp. (“Cherry”)
23. These draft financial statements were provided to the Monitor on September 19, 2012 by the Applicants. The Monitor will review these financial statements.
24. The contract accountant of the Purdy Companies has indicated that he needs additional time to complete the financial statements from draft to “final” form.
25. The completion of all financial statements from draft to “final” form will not only be important for the Monitor (with the assistance of the Applicants) to complete its review of the CRA POC’s, GST forms, corporate tax returns and other regulatory filing requirements (as discussed further below), but will be essential in

determining the accuracy of all the Applicants intercompany accounts and its ability to file a consolidated plan.

Regulatory Filings

26. The Applicants continue to have multiple pre & post-CCAA GST and corporate income tax returns outstanding. In order to assist the Applicants in bringing their regulatory filings current, the Applicants sought and were granted an order by this Honourable Court on August 10, 2012 to expand the Monitor's powers (the "Expanded Powers Order"). The application for the Expanded Powers Order sought to direct CRA to provide the Monitor with any and all tax and financial information in possession or control of CRA with respect to the Application. However, CRA would not agree to a court orders as a means of granting the Monitor access to the financial and tax records of the Applicants. As a result, the Purdy Group agreed to sign a "business consent" form for each of the Applicant companies giving authority for CRA to release various information to the Monitor
27. The Monitor, forthwith, prepared the "business consent" forms so that the only thing the Applicants were required to do was to sign the forms. However, the soonest the Monitor could get the attention of the Applicants was on September 12, 2012, when the director of the Applicants (Purdy) signed the required "business consent" forms for CRA. Obtaining authorization of any tax and financial information from CRA for the Monitor, will allow the Monitor to assist the Applicants in preparing all outstanding Applicant regulatory returns and addressing the 30 filed proof of claims by CRA to the Monitor in the claims process.
28. The Monitor has filed the forms and is now currently awaiting CRA to acknowledge the Monitor as an authorized representative of the Applicants that can obtain tax and financial information directly from CRA.
29. The Applicants have advised the Monitor that they will make a concerted attempt to have all of their GST returns (pre and post-CCAA) completed and filed by the

end of October 2012. In addition, the Monitor has been advised that the Applicants will work with CRA and the Monitor to complete all outstanding corporate income tax returns for the Applicants and should have this completed before the next proposed Stay Extension (as defined below).

Banking Information

30. Since the Fourth Report, the Monitor has made repeated requests to the Applicants for direct access to information from its bank. The purpose of granting the Monitor on-line viewing access to the Applicants banking information was to allow the Monitor to conduct the timely monitoring of the Applicants' cash position as well as Prairie Resort Management Inc.'s ("Prairie") bank account (a company under Purdy's control that is not part of the CCAA), as was requested by a certain creditor in these proceedings.
31. On September 20, 2012, the Applicants arranged with its bank, Bank of Montreal, to grant the Monitor access to the Applicants and Prairie's bank account, but full access will not take place for another couple of days. Although the Monitor has the "paper" bank accounts statements of the Applicants, it does not have the "paper" bank statements for Prairie from December 2011 to March 2012 as well as for the months of August and September 2012.
32. The Monitor is therefore having difficulty completing the request of a creditor to review and report on purported related party transactions with Prairie and in monitoring the cash flow of the Applicants on a timely basis as is required. On a go-forward basis, the Monitor believes it will now in the position to conduct a more timely review of the Applicants and Prairie's cash position, since the Applicants have just granted access to the Monitor of its bank accounts.

INTERIM FINANCING UPDATE

33. On August 10, 2012, an order was granted by this Honourable Court to allow the Applicants (Armac BC, Ostroms and Fishpath Resorts) to obtain interim financing from Axxess Capital Partners Inc. ("Axxess") for \$2.15 million (the "Interim Financing Order") or its Assignee. (the "Lender")
34. The interim financing credit facility (the "Loan") called for funding of the Interim Financing Loan to occur within 10 days of the Interim Financing Order being granted by this Honourable Court. Prior to advancing the loan, Axxess assigned the Loan and the Lender's imposed an additional trust condition, which could not be met in 10 days. The Lenders condition required confirmation from the B.C. Crown that it would, allow the redemption of the certain B.C. properties back into the name of the previous owners (from the name of the B.C. Crown) if all outstanding property taxes were paid. The Applicants were able to use the Interim Financing Loan to fulfill the trust condition. As discussed in the Sixth Report, there were 19 B.C. properties that were identified as forfeiting in 2009 and 2010 and would have forfeited permanently to the B.C. crown for non-payment of property taxes as per section 39 of the *Taxation (Rural Area) Act* of British Columbia. Therefore, it was critical to pay the property taxes to retain the properties.
35. On August 25, 2012, the Applicant's counsel, with the assistance of the Monitor, prepared the required application to the B.C. Crown (Surveyor of Taxes) to revest 19 of the Applicants B.C. properties back into the name of the previous registered Applicant owners of the properties. The Applicants paid a \$10,640 revestment fee to have this application of revestment considered by the Surveyor of Taxes.
36. On September 11, 2012, Surveyor or Taxes approved the Purdy Companies application to revest the 19 B.C. properties and required \$566,786.48 to be paid to the Minister of Finance within 35 days from the date of the approval of the revestment application.

37. The Monitor provided the Lender confirmation of the revestment approval from the Surveyor of Taxes and the Loan was advanced to the Monitor's counsel on September 12, 2012. The Monitor's counsel paid the taxes and forward the balance of the Loan to the Monitor.

PROPERTY TAX ARREARS AND REDEMPTION OF PROPERTIES FROM B.C CROWN

38. On September 17, 2012, the B.C. Crown informed the Monitor that it received and accepted the payment of \$566,786.48 and that it was in the process of restoring title back into the original owners' names for each property. The B.C. Crown further advised the Monitor that once the paperwork is completed in this process, it will be sent to the Land Title and Survey Authority ("LTO"), where transfer of title could take another 7 to 10 days to complete. As a result, the Monitor expects that full title will be restored back into the name of the original owners (for these 19 Properties) by the end of September or beginning of October 2012.
39. On September 19, 2012, the Monitor paid on behalf of the Applicant's the outstanding properties tax arrears for its nine remaining B.C properties that were also going to forfeit to other municipalities. The amount totalled approximately \$136,000.
40. The Monitor understands that all of the Applicant's B.C. property taxes are now current and fully paid through to December 31, 2012.

RESTRUCTURING UPDATE

Overall strategy

41. Throughout the CCAA proceedings, the Monitor has had continuous discussions with Jack Purdy regarding restructuring options available to the Applicants and the progress being made towards putting forth a viable Plan to creditors. It is now apparent that the Applicant's intentions for a Plan will likely require all creditors

to remain patient for at least a further six (6) months before a formal Plan is circulated.

42. Previous reports of the Monitor outlined that the Applicants, with the assistance of the Monitor, segmented the properties into four groups based on the nature and preliminary intentions for each, including Half Moon Lake Resort, Hawkeye Group of Properties, Non Core Properties and Alberta Properties in Foreclosure. In summary, the Applicants believe that the best option for a viable Plan to satisfy the claims of its creditors can be achieved through the sale of Half Moon RV lots, through further restoring certain of their B.C. resort properties to full operating capability to enhance their marketability for sale or refinancing and through the sale of the Non-Core For Sale Properties and the Alberta properties in foreclosure. Each of these is discussed in more detail below.
43. In addition to the operating and restructuring issues, the Applicants need to finalize the validity of substantial claims that have been filed and disputed. A claim proving process was previously approved by the Court and a number of significant claims have been filed, disallowed by the Monitor in consultation with the Applicants and are now under appeal by the Claimants (as defined in the Claims Procedure Order). As discussed below, the Monitor is seeking an Order to set down a procedure for the Court to deal with the appeals of the disallowances in these proceedings and in the personal proposal proceedings of Jack Purdy. It is expected the appeals will be heard on December 18 and 19, 2012.
44. 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 understanding what funding would be required to satisfy the claims of creditors,

Hawkeye Group of Properties and LBVR Agreement

LBVR Management Contract

45. As previously reported, the Hawkeye Properties consist of three properties in Port Alberni, B.C. and 16 properties in Bamfield, B.C. The Applicants continue to be of the view that the most value can be achieved from these properties if they are restored to full operating capability which will enhance their cash flow and their marketability either in a sales process or in attracting financing to assist with funding a Plan to creditors.
46. The Purdy Group has done a considerable amount of preliminary work in preserving, protecting and improving certain of the operating properties in Bamfield. The main lodge, certain smaller lodges and the restaurant and bar have been operational for most of the summer, which is the main operating season. However, there is still considerable work to be completed to restore the operating properties and as previously discussed; the Applicants lack the necessary expertise and staff to bring the operations to their full potential.
47. As reported in the Sixth Report, the Applicants, entered into a letter of intent with La Bella Vita Resorts Ltd ("LBVR") to manage certain of the Hawkeye Group resort properties. It is believed, that LBVR has the necessary expertise to bring out the full earning potential of the resort and to enhance the marketability of the properties.
48. On September 17, 2012, the Applicants (namely, Armac (BC), Fishpath and Ostrom (the "Owners")) entered into a formal agreement with LBVR ("Management Agreement") to manage all of the Hawkeye Group properties, which includes all of the B.C. properties except those properties included as Non-Core For Sale Properties and as are fully described in Schedule A to the Management Agreement. The Management Agreement was effective on September 17, 2012 and is attached as Appendix A. Certain significant provisions of the Management Agreement include:

- a) The initial term is for one year, unless the CCAA proceedings are terminated earlier. The agreement automatically renews for one year terms unless terminated by either party 60 days prior to the anniversary of a term;
- b) The Owners must set aside from the Interim Financing proceeds the sum of \$650,000 (“Set Aside Funds”) for the exclusive use of LBVR in managing, improving and operating the properties including providing security for its fees for the initial year of the contract;
- c) Although no specific amount is provided in the agreement, it indicates the total cost to perform the LBVR services will exceed \$650,000 and the Owners have committed to use their best efforts to obtain such further funding as may be required by LBVR;
- d) LBVR will be responsible for the overall supervision, management, sales and marketing of the properties. LBVR will prepare as soon as possible a Business Plan for the operations, marketing and capital improvements, which will be reviewed with the Owners and the Monitor;
- e) LBVR will establish its own bank account exclusively for use in managing the properties. Any Set Aside Funds requisitioned from the Monitor and all operating revenues, expenses and capital costs will be deposited and disbursed from this account;
- f) LBVR will provide a monthly accounting for the funds within 10 days of each month end.

49. In the Sixth Report, it was reported that the Management Agreement would include only the operating resort properties in Bamfield and not the remainder of the B.C. undeveloped lands nor the three lodges in Port Alberni described under “Remaining Hawkeye and Other Properties” in Schedule A to the Management

Agreement. It was understood that the restructuring strategy for these properties would be further evaluated by the Applicants and included in the then contemplated Panterra Phase 2 Report. The Applicants have since determined that these properties can best be evaluated and their restructuring strategy considered in conjunction with the other Hawkeye Group Properties. The interim financing request did not contemplate any funding for these properties nor did the last forecast consider any expenditure for them.

50. Until the Business Plan is prepared it is uncertain what total funding will be required for the operations, marketing and improvement of the LBVR managed properties, although the Monitor understands that LBVR will be incorporating into its business plan some of the recommendations as set out in the initial Panterra report previously filed with the Court in an affidavit of Purdy. Setting aside \$650,000 of funds or the LBVR agreement will place considerable pressure on the cash resources of the Applicants and unless other sources of cash can be found it will have difficulty meeting future commitments. The only other significant sources of cash available to the Applicant's will be from the sale of the Non-Core Properties or from increased interim financing and it is noted that the Applicants may be seeking authorization to utilize funds from the sale of the Non-Core Properties to further fund the requirements under the Management Agreement and other cash needs. The Updated forecast provided by the Applicants (attached as Appendix C) indicates the Applicants should have sufficient funds to operate through to the end of the stay extension being sought. However, as noted below a further stay extension will likely be required before a Plan is able to be presented to creditors. The Monitor will be working with the Applicants to identify and secure further sources of funding.
51. The Initial CCAA Order provided capital improvements to individual properties that required the consent of the Monitor and are limited to \$50,000 for any one property (later amended to \$100,000) and to \$500,000 in aggregate unless approved by the Court. Although specifics of the expenditures to be made by LBVR will not be known until the Business Plan is complete, it is likely the

business plan will contemplate expenditures such that both the current individual property maximum and the aggregate maximum thresholds will be exceeded unless the Court approves an increase in those amounts, as discussed further below.

52. The Management Agreement and the improvements likely to be completed under that Management Agreement are consistent with the Monitors understanding of the restructuring initiative for the Hawkeye properties and the Applicants' intentions for a future Plan to its creditors. On that basis, the Monitor is supportive of the Management Agreement.
53. The Monitor believes the Applicants' current intentions are to retain and restore the Hawkeye operating properties to full operations which will enhance the marketability of the properties and allow the Applicants to raise funds through a financing or sale of some or all of the properties which will be utilized to fund payments to creditors under a Plan.
54. This restructuring strategy will take further time to complete and will require the claims to be determined more accurately.

Panterra Phase 2 Report

55. The Applicants had previously contemplated undertaking a second phase of the initial Panterra report. In light of the Management Agreement and the services and information to be provided under that agreement, the Applicants are deferring a separate phase 2 report until the Business Plan is completed.

Half Moon

56. The Applicants' initial restructuring efforts for Half Moon were focused on rectifying various deferred maintenance problems and regulatory violations that gave rise to the closure in order to restore the resort back to full operations so that it could fund ongoing operating costs and demonstrate to potential purchasers of

RV lots that Half Moon is a viable resort that is sustainable into the future. This was accomplished when the facility reopened in June of 2012.

57. The Applicant's intentions for Half Moon have always been to develop the resort into a fully owner occupied RV resort. As noted previously, there are 216 RV lots which have been surveyed and approved for lease by Strathcona County ("County") of which 44 are leased to third parties and 172 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.
58. In addition to the closure in 2012, the Applicants' have been frustrated in their efforts to sell further Leased lots because of a lengthy dispute with the County over the length of the term of the Leases. The County is of the view the Leases are diminishing leases and cannot be renewed. The Applicants disagree and are engaged in a legal dispute with the County to determine this issue. The Applicants believe, and the Monitor concurs, that the value of the Leases would be increased if the term could be extended beyond the initial term. The Applicants hope to clarify its ability to market and sell the Leases for a term of 35 years with a contemplated renewal option. The County is objecting to extending the term. The Applicants counsel is dealing with that matter and it is subject to case management.
59. A case management meeting was held on September 18, 2012, to address the following three matters before the Court:
 - a) contempt application brought by the County against Half Moon and the Registrar for all alleged breach of Court Orders dated November 16, 2001 and January 15, 2002, which appended the approved form of Campsite Rental Agreement (the "Rental Agreement");
 - b) Half Moon's application seeking to change/amend the Rental Agreement, confirming that the Rental Agreement has a 35 year term

(not diminishing terms as the County claims) and adding options to renew; and

- c) the Registrar's reference application seeking to remove itself as a party to the Orders;

- 60. At the case management meeting, the Monitor understands there was some discussion as to whether all three applications should be ran together or if they can be heard on a "stand-alone" basis (Half Moon's preference is for its application to be heard on its own). The Monitor was advised that Justice Burrows (the presiding judge over these applications) requested the County to provide written submission by September 26, 2012 as to why Half Moon should not be allowed to have its application heard on a "stand-alone" application versus the County's request for it to be heard with the other two applications. Half Moon has until October 3, 2012 to respond to the County's submission and Half Moon hopes to have a decision made by this Honourable Court on this matter shortly thereafter.
- 61. The Applicants ongoing restructuring strategy is to confirm through the Courts the length of the term of the Leases. The value in Half Moon is not in operating it as a transient campground, but to market the facility as an owner occupied RV community. An appraisal done by RLB Property Appraisal Ltd effective August 11, 2011 ("Appraisal") indicates the value of the remaining 172 approved Leases is \$8.7 million or approximately \$50,000 a site. Although Leases are for sale now, the diminishing lease term position of the County makes sales difficult and accordingly, the Applicants' plan to commence a fuller marketing and sale campaign once the term of the Lease is resolved as discussed above. The majority of the proceeds from the sale of Leases would be utilized to fund a plan to creditors.
- 62. The Applicants also continue to pursue 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

63. As discussed in the Fourth Report, the Purdy Group received approval from this Honourable Court to enter into various listing agreements for its Non-Core Properties, subject to the Monitor's consent.
64. On June 22, 2012, Cherry, Armac BC and Purdy (the "Vendor") entered into an agreement (the "Exclusive Sale Listing Agreement") with Colliers MacAulay Nicolls Inc. ("Colliers" or the "Listing Agent") to act as its sole agent to sell certain non-core properties ("Non-Core For Sale Properties").
65. The Listing Agent required the Vendor to make certain changes to the individual listing agreements for each property as required by the Vancouver Island Real Estate Board ("VIREB"), before the listings could go "live" on the Listing Agents website and to be marketed using mass email advertising blasts. The Vendor was required to sign and initial various pages of the individual listing agreements and submit it back to the Listing Agent.
66. The Monitor, along with the Listing Agent, made repeated requests for the Vendor to make the required changes and send them back to the Listing Agent during the Reporting Period. The listing agreements were signed on September 11, 2012 by the Vendor and required an extension to the expiration of the listing agreement from November 10, 2012 to January 31, 2013.
67. The Monitor confirms that the Non-Core For Sale Properties are now listed and that the Listing Agent has sent out three separate email advertising blast of the Non-Core For Sale Properties between September 11 to 18, 2012. The Monitor has been advised that since the email advertisements, there has been some express interest on some of the Non-Core For Sale Properties and potential purchasers

have requested tours of certain properties already. The Listing Agent will be providing an update on the sales process to the Monitor at the end of September 2012.

68. The remaining Non-Core Properties listed in the Third Report as properties to be sold continued to be reviewed by the Purdy Group and the Monitor as to the appropriate time to list these properties with the Listing Agent.

Alberta Properties in Foreclosure

69. As discussed in the Fourth Report, the property at 15625 Stony Plain Road is listed for sale with Trikon Properties. However, as previously discussed, 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.
70. The Purdy Group has advised that it intends to either list the Westridge property or enter into a consent foreclosure with Axxess, the lender.
71. It is unlikely there is any equity over the first mortgage in either of these properties.

UPDATE ON CLAIMS PROCESS

Overview

72. 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).
73. A breakdown of the claims received and the current status of these claims is summarized in the chart below:

**Purdy Companies
Claims Summary Breakdown
September 19, 2012**

	Values		Claims Filed
Proof of Claims Filed	\$ 191,576,468.07		198
Less:			
Duplicative Claims (disallowed)	146,550,982.24		74
Intercompany / Shareholder claims	9,678,772.37		7
Total possible 3rd party creditors claims	<u>\$ 35,346,713.46</u>		<u>117</u>
Total possible 3rd party creditors claims	\$ 35,346,713.46		
		% of total claim	
Status of Submitted Claims			
Accepted in full	\$ 8,525,569.05	24.12%	11
Revised (not disputed)	-	0%	-
Total accepted claims	<u>\$ 8,525,569.05</u>	24.12%	<u>11</u>
Revised	320,636.33	0.91%	7
Revised (disputed)	19,241.98	0.05%	2
Disallowed	4,328,561.99	12.25%	38
Disallowed & disputed	17,149,495.71	48.52%	13
Disallowed (not disputed)	545,000.00	1.54%	5
Claims under review**	4,458,208.40	12.61%	41
	<u>\$ 26,821,144.41</u>	100.00%	<u>117</u>
Total possible 3rd party creditor claims	<u>\$ 35,346,713.46</u>		

**30 of the 40 remaining claims to be reviewed relate to CRA claims.

74. The Monitor has received 198 Proofs of Claims ("POC's) in respect of the Applicants totalling approximately \$191.5 million. Some of the POC's are for significant amounts, which if valid, would greatly increase the claims the Applicants believe existed.
75. As shown in the above chart, of the \$191.5 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 possible claims possible in these proceedings currently totals approximately \$35.3 million. That amount may be reduced when the NOD's are determined by the Court. In addition to the filed POC's, there is \$2.15 million in Interim Financing that is in priority to all other claims as granted in an order by this Honourable Court on August 10, 2012.

76. These summaries were updated from the Fourth Report to reflect the significant progress that has been made by the Monitor, in consultation with the Applicants, in reconciling the remaining POC's for each Applicant.

Status of submitted claims

Duplicative Claims

77. 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. The reason that these claims have been deducted is that 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. The Monitor and the Applicant identified these multiple or "duplicative" claims and disallowed them in its entirety. Currently, there are 74 such duplicative claims totalling approximately \$146.5 million.

Accepted in full

78. 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 11 such POC's totalling approximately \$8.5 million.

Revised

79. 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 no later than 10 calendar days following the receipt of the NOR or such later date as the Monitor may agree to in writing or as ordered by this Honourable Court (the "Dispute Deadline"). If the NOD is not received by the Dispute Deadline, the revised claim is then considered accepted and final. The majority of the NOR's in this category were sent by the Monitor to each Claimant on or around September 20, 2012. There are currently seven claims totalling \$321,000 that are in this category.

Revised (disputed)

80. 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 two claims totalling approximately \$19,000 in this category. In order to finalize the value of this POC, the Monitor will be seeking advice and direction from this Honourable Court in accordance with the proposed application for an NOD procedure order ("Proposed NOD Procedure Order"), as discussed further below.

Disallowed

81. This category represents POC's that were reviewed and disallowed by the Monitor, with the concurrence of the Applicants. The Monitor filed a notice of disallowance ("NDA") for each of the POC's. The majority of the NDA's in this category were sent by the Monitor to each Claimant on or around September 20, 2012. There are currently 32 Claimants having claims totalling approximately

\$4.3 million, excluding 20 duplicate claims filed, disallowed and disputed that are represented in this category.

Disallowed (disputed)

82. This category represents POC's that were reviewed and disallowed by the Monitor, with the concurrence of the Applicants. The Monitor filed 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 Claimants with claims totalling approximately \$17.1 million, excluding 47 duplicate claims filed disallowed and disputed that are represented in this category.
83. In order to finalize the validity and value of the disputed POC's, the Monitor will be seeking advice and direction from this Honourable Court in accordance with an application for an NOD procedure order ("Proposed NOD Procedure Order"), as discussed further below.

Disallowed (not disputed)

84. This category represents claims that have been reviewed and disallowed by the Monitor, with the concurrence of the Applicants, where a NDA was filed 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 one Claimant with five claims totalling approximately \$545,000 that are represented in this category.

Claims under review

85. This category represents POC's that are currently being reviewed by the Monitor. There are 41 claims totalling approximately \$4.4 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, but believes the majority of the CRA claims are valid. As discussed

above, 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 10 POC's in the next couple of weeks, provided that the information is received from the Applicants to complete this review.

Late Claims

86. Included in the claims schedule above, the Monitor received two claims after the Claims Bar Date, totalling approximately \$77,000 (the "Late Claims"). The Late Claims relate to costs allegedly incurred by two of the Applicant's leaseholders with respect to their leaseholder interested on certain RV lots at Half Moon.
87. The Late Claims were received prior to any distribution or the completion of a plan of arrangement, and there does not appear to be any prejudice to the creditors, as a whole, as a result of the Late Claims being filed. In addition, the majority of the Late Claims would represent mostly restructuring claims that are mainly unsecured claims in nature. The Late Claims have been included in the chart above, but have not yet been approved by this Honourable Court as claims to be accepted for this claims process.
88. The Monitor understands that the Applicants are seeking approval from this Honourable Court to allow these Late Claims to be filed with the Monitor. The Late Claims are currently being reviewed by the Monitor, with the assistance of the Applicants. The Monitor recommends that the Late Claims be accepted by this Honourable Court for the reasons discussed above.

Application for a Disputed Claim Procedural Order

89. A number of the NDA have been disputed by the Claimants by filing a NOD with the Monitor before the Dispute Deadline. There are currently 47 NOD's aggregating approximately \$6.2 million and a further 11 individuals with

disallowed claims which can still be disputed aggregating \$15.9. These claims are significant and may impact the restructuring options available to the Applicants. In addition, many of the duplicative claims have been disputed. Consequently, the Monitor believes it appropriate at this time to apply to the court for a procedure to determine the validity of these claims.

90. The Claims Procedure Order granted in these 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. The Monitor intends to make such an application to the court at this time. .
91. The Monitor understands that Court time has been set aside on December 18 and 19, 2012 to hear the appeals of claims disallowed in the Proposal Proceedings of Jack Purdy. Many of the disallowed claims are similar in nature and overlap both proceedings. The Monitor recommends that the disallowed claims appealed in the Proposal and CCAA proceedings be heard at the same time and that evidence presented be applicable to both proceedings.
92. The Monitor has sought input from the Applicants' counsel and counsel for some of the Claimants with significant disputed claims. The parties at this time are not in agreement on the process. So long as the stay period imposed in the CCAA proceedings pursuant to s.11.02(2) of the CCAA and the stay period imposed in the Bankruptcy proposal proceedings pursuant to s.69.1 of the Bankruptcy and Insolvency Act, RSC 1985, c.B-3, as amended, remain in effect, the Monitor recommends the following process be followed to determine the validity and priority of disputed claims:
 - a) The hearing of the dispute of the disallowances in the CCAA proceedings and the appeal of the disallowances filed to date in the Bankruptcy proposal proceedings be set down on December 18 and 19, 2012 and determination of similar claims filed in both proceedings be heard together;

- b) The Monitor and Proposal Trustee will file with the court and serve on affected Claimants a report by October 10, 2012 summarizing the disputed claims, filing copies of the relevant proofs of claim, notices of disallowances and disputes/appeals filed and summarizing the basis for the disallowances with reference if applicable to any information or records relied upon by the Monitor or proposal trustee in respect of the decision to disallow a claim;
- c) The claimant appealing a disallowance will have until October 19, 2012 to file and serve any additional documents and affidavits that it chooses to support its claim;
- d) Any questions with respect to an affidavit filed and served by a claimant appealing a disallowance is to take place no later than October 26, 2012;
- e) Any response affidavit of the Applicants or Mr. Purdy, as an insolvent proposal debtor is to be filed and served no later than November 2, 2012;
- f) Any questioning with respect to a response affidavit is to take place no later than November 9, 2012;
- g) Any undertakings given in the questioning are to be provided within 5 days of the questioning; and
- h) Claimants are to file and serve their briefs by November 23, 2012 and the Applicants and Mr. Purdy (as an insolvent proposal debtor) are to file their brief by December 7, 2012. If the Monitor or Proposal Trustee chooses to file a brief (or if directed to do so by the court) it will be filed and served by December 7, 2012.

ACTUAL TO FORECAST RESULTS – JULY 21, 2012 TO SEPTEMBER 7, 2012

Actual to Forecast Summary Results

93. The actual to forecast cash flow presented at Appendix B 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 Sixth Report (the “Sixth Report Forecast”).
94. The table below provides a summary of the actual to forecast cash flow for the Reporting Period:

Purdy Group	July 21/12 to	July 21/12 to	July 21/12 to
Actual to Budget Cash Flow Results	Sept.7/12	Sept.7/12	Sept.7/12
	Budget	Actual	Variance
Operating receipts	\$ 309,900	\$ 185,515	\$ (124,385)
Funds received from Monitor's Trust	-	\$ 253,933	253,933
Funds from Interim Financing	1,570,000	-	(1,570,000)
Total receipts	<u>\$ 1,879,900</u>	<u>\$ 439,448</u>	<u>\$ (1,440,452)</u>
Operating disbursements	1,410,200	267,486	1,142,714
Restructuring professional fees	450,000	153,717	296,283
Total operating disbursements	<u>\$ 1,860,200</u>	<u>\$ 421,203</u>	<u>\$ 1,438,997</u>
Net change in Applicant cash	\$ 19,700	\$ 18,244	\$ (1,456)
Applicant cash balance, opening	2,598	2,598	-
Applicant cash balance, ending	<u>22,298</u>	<u>20,842</u>	<u>(1,456)</u>
FUNDS HELD IN TRUST BY MONITOR			
Opening Cash	\$ 353,933	\$ 353,933	\$ -
Collection of Interim Financing Advances	1,781,700	-	(1,781,700)
Release of funds to Applicants	(1,570,000)	(253,933)	1,316,067
	<u>211,700</u>	<u>(253,933)</u>	<u>(465,633)</u>
Ending cash (including cash not available per Court Order)	<u>\$ 565,633</u>	<u>\$ 100,000</u>	<u>\$ (465,633)</u>
TOTAL AVAILABLE CASH			
Applicant ending cash balance	\$ 22,298	\$ 20,842	\$ (1,456)
Trust cash balance	565,633	100,000	(465,633)
Less: cash not available per Court Order	(100,000)	(100,000)	-
	<u>465,633</u>	<u>-</u>	<u>(465,633)</u>
Available Cash	<u>\$ 487,931</u>	<u>\$ 20,842</u>	<u>\$ (467,089)</u>

95. Receipts for the Reporting Period totalled \$439,872, representing a negative variance of \$1.4 million from the receipts set out in the Sixth Report Forecast. This negative variance was primarily due to:

- a) a negative variance of approximately \$1.8 million relating to the timing of collecting the Interim Financing Loan that is now reflected in the Updated Forecast;
- b) a positive variance of approximately \$254,000 relating to funds transferred from the Monitor's trust account to the Applicants for operation and restructuring purposes; and
- c) a negative permanent variance of \$124,000 relating to:
 - i. the non-collection of fuel receipts of \$80,000 that was previously forecast. The ability to sell fuel at Fishpath did not occur during the Reporting Period as the interim financing was not received and therefore the remaining repairs to their fuel system could not be completed; and
 - ii. lower than expected receipts collected in Fishpath and Half Moon of approximately \$13,000 and \$30,000, respectively

96. Disbursements for the Reporting Period totalled \$267,486 representing a positive variance of \$1.14 million. This variance was primarily due to the timing of the receipt of the interim financing, which in turn impacted:

- a) the timing of B.C. property taxes of approximately \$740,000 that will be paid in the Updated Forecast;
- b) the timing of certain operational improvement expenses at Bamfield report and Kingfisher Marina and Ostrom fuel improvements of approximately \$275,000 that will now be considered by LBVR for its use in the Updated Forecast;
- c) a permanent difference of fuel costs not being incurred in the Reporting Period of approximately \$42,000;

- d) the timing of consultant fees paid to LBVR of approximately \$35,000 as consulting services are now expected to start and be paid in the upcoming Updated Forecast; and
 - e) the timing of contingency costs and Half Moon operating disbursements of approximately \$35,000 and \$35,000, respectively.
97. Restructuring fees of \$153,717 were paid for professional services rendered during the CCAA proceeding and further fees of \$300,000 have now been forecast to be paid (for services accrued prior to and during the Reporting Period) in the Updated Forecast.
98. The Applicant's ending cash balance as at September 7, 2012 was \$20,842 compared to the forecast cash balance amount of \$22,298, for the reasons discussed above. By combining the ending available cash balance in the Monitor's trust account of \$NIL and the Applicant ending cash balance above, resulted in an overall ending available cash balance of \$20,842.

UPDATED CASH FLOW FORECAST THROUGH DECEMBER 21, 2012

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

Purdy Group Updated Forecast	Sept.8/12 to Dec.21/12
Operating receipts	\$ 85,191
Funds from Interim Financing	1,392,947
Total receipts	<u>\$ 1,478,138</u>
Operating disbursements	1,060,000
Restructuring professional fees	435,000
Total operating disbursements	<u>\$ 1,495,000</u>
Net change in Applicant cash	\$ (16,862)
Applicant cash balance, opening	20,842
Applicant cash balance, ending	<u><u>3,980</u></u>
FUNDS HELD IN TRUST BY MONITOR	
Trust Opening Cash	\$ 100,000
Collection of Interim Financing Advances	1,792,947
Release of funds to LBVR	(250,000)
Release of funds to Applicants	<u>(1,142,947)</u>
	400,000
Trust Ending cash	<u>\$ 500,000</u>
TOTAL AVAILABLE CASH	
Applicant ending cash balance	\$ 3,980
Trust cash balance	500,000
Less: cash not available per Court Order	(100,000)
Less: cash held for LBVR	<u>(400,000)</u>
	0
Available Cash	<u><u>\$ 3,980</u></u>

101. As summarized above, the Purdy Group is projecting:

- a) total operating cash receipts of approximately \$85,000;
- b) funds received from the Monitor's trust account to use in operations of approximately \$1.4 million;

- c) cash disbursements for operations of approximately \$1 million; and
 - d) restructuring fees and costs accrued of approximately \$435,000;
102. The above results in a net decrease in cash within the Applicant's cash accounts of approximately \$16,800 during the Forecast Period. The net decrease in cash from the Applicant's bank account has will reduce the Applicants ending cash position to approximately \$3,980. This, combined with the ending available cash for use from the Monitor's trust account of \$NIL, results in an overall ending available cash balance of approximately \$3,980.
103. The Monitor has reviewed the assumptions supporting the Updated Forecast with the Purdy Group management and believes the assumptions to be reasonable; however, it is difficult to assess the operating revenue and expense levels since Bamfield Trails Motel and Half Moon Lake have been not fully operational for over a year and both properties are now starting to experience a "slow down" in their operations (cyclical business).
104. Significant assumptions made by the Purdy Group management with respect to the Updated Forecast are:
- a) collection of rental, beverage and food receipts from the B.C. resort properties in Bamfield discussed above of approximately \$4,500 at the beginning of the forecast period. LBVR will now be operating the B.C. resort properties and will provide a budget for the remainder of the forecast period.
 - b) strata fee collection and rental RV receipts from Half Moon Lake of approximately \$19,500;
 - c) other receipts of approximately \$62,000 mainly relate to the reimbursement of approximately \$60,000 utilized to pay 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 and approximately \$2,000 in residual proceeds from the sale of the Sherwood Park property (as discussed in the Fourth Report);

- d) release of interim financing advances of approximately \$1.3 million for operations at the Hawkeye Group of Properties for LBVR, operations at Half Moon and for general restructuring purposes;
- e) operating costs relating to Half Moon Lake and B.C. resort properties of approximately \$34,200;
- f) payment of property tax arrears on B.C. properties of approximately \$705,000;
- g) management fees, wages and salaries and contractor fees of approximately \$38,000;
- h) capital cost expenditures at Half Moon for approximately \$25,000;
- i) contingency costs of approximately \$7,500;
- j) LBVR management agreement Set Aside Funds of approximately \$250,000; and
- k) restructuring costs for the monitor, its counsel and the Applicants counsel covering the period July 1 to September 30 of \$435,000.

105. 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 obligations through the Forecast Period. However, given that \$650,000 has been specifically allocated for LBVR's use, the Purdy Companies will need to obtain additional cash flow (either through the sale of Non-Core For Sale Properties or additional financing) during the next proposed Stay Extension in order to allow it to continue with its restructuring efforts.

REQUEST FOR CAPITAL EXPENDITURE INCREASE

106. Paragraph 6(a) of the Initial Order limits the capital expenditure on any one property to \$50,000 with an aggregate limit of \$500,000.
107. On May 2, 2012, this Honourable Court increased the maximum expenditure for any one property from \$50,000 to \$100,000.
108. The Monitor understands that the Applicants are seeking approval from this Honourable Court to increase the maximum expenditure limit from \$100,000 to \$250,000 for all individual Hawkeye Group Properties that are currently under LBVR control (as listed in Schedule A of the Management Agreement) pursuant to paragraph 6(2) of the Initial Order. The aggregate amount spent on all properties of \$500,000 provided under the Initial Order would also be increased to \$1 million.
109. The Monitor supports the increase, based on the view that the Purdy Group has engaged a professional resort management company to manage and operate the Hawkeye Group of Properties and the use of these funds will be used by LBVR to increase the value of the properties (subject to Monitor's consent) for the purpose of the Purdy Group's restructuring efforts. The Update Forecast has set aside monies for LBVR for these purposes.

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

110. Pursuant to the Initial Order, the Purdy's Group's stay period expires at midnight on September 28, 2012 (the "Stay Period"). The Purdy Group is seeking an extension of the Stay Period, until and including December 21, 2012 (the "Stay Extension").
111. The Stay extension is necessary for the Purdy Group to complete the Claims Procedure Process, further its restructuring initiatives and develop a plan of arrangement and/or compromise.

112. In the Monitor's view, the Purdy Group is acting in good faith and with due diligence during this CCAA proceeding. The Monitor is of the view that that Stay Extension is appropriate in the circumstances.

RECOMMENDATION

113. The Monitor recommends that this Honourable Court approve the:


- a) Stay Extension;
- b) Proposed disputed claim procedural order;
- c) Late Claims; and
- d) the amendment in the Initial Order to increase capital expenditures on any one property within the Hawkeye Group of Properties from \$100,000 to \$250,000 and the aggregate maximum for all properties from \$500,000 to \$1 million.

All of which is respectfully submitted this 21st day of September, 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

MANAGEMENT AGREEMENT

THIS MANAGEMENT AGREEMENT entered into and commencing on this 11th day of September, 2012, between:

Armac Investments Ltd. (BC), Ostrom Estates Ltd., and Fishpath Resorts Corporation
c/o Suite 401, 10722 – 103 Avenue, Edmonton, Alberta, T5J 5G7

(hereinafter collectively referred to as the "Owners")

OF THE FIRST PART

- and -

La Bella Vita Resorts Ltd.
#2, 341 Noorduyn Park, N.W. (Springbank Airport), Calgary, Alberta

(hereinafter referred to as "LBVR")

OF THE SECOND PART

WHEREAS the Owners are variously the owners of certain real properties in and around the communities of Bamfield and Port Alberni, British Columbia, as set out and listed in Schedule "A" attached hereto, and businesses and assets associated therewith (the "Corporate Assets");

AND WHEREAS LBVR is a Hospitality Industry Management, Marketing and Development Company with experience in real estate, business development, business management and business operations of hotels, motels, resorts, restaurants and pubs, and have the expertise to manage the Corporate Assets;

AND WHEREAS the Owners are subject to a Court Ordered CCAA proceeding, Court of Queen's Bench of Alberta, Court File Number 1103 18646 (the "Court Proceeding");

AND WHEREAS Alvarez & Marsal Canada Inc. has been appointed as Monitor (the "Monitor") in the Court Proceeding;

AND WHEREAS an Initial Report on the Corporate Assets was undertaken by Panterra Holdings Ltd., in which certain initial recommendations were made, courses of action suggested, and preliminary budgets set out (the "Panterra Report Findings");

AND WHEREAS the Owners are desirous of engaging LBVR and, in so far as permitted by the Court Proceedings, granting to LBVR the exclusive powers to manage the Corporate Assets, including Business Development and Marketing, Business Management and Business Operations Service, and to implement the Panterra Report Findings insofar as LBVR determines feasible (the "LBVR Services");

AND WHEREAS the Owners have obtained an Interim Financing Order dated August 10, 2012, in the Court Proceedings (the "Interim Financing Order"), and have obtained interim financing

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funds from a third party lender (the "Interim Financing Funds") from which a minimum of \$650,000.00 has been set-aside and exclusively allocated to LBVR for the purpose of undertaking the LBVR Services as herein will be set out (the "Management Agreement Set-Aside Monies");

AND WHEREAS LBVR has estimated and advised that the total cost to perform the LBVR services will be in an amount which exceeds the Management Agreement Set-Aside Monies, but LBVR is nevertheless prepared to proceed and enter into the within Agreement on the basis that the Owners will use their best efforts to work with the Monitor within the Court Proceeding to obtain such further funding as LBVR may determine necessary in order properly to perform the LBVR services to a standard satisfactory to LBVR ("Additional Management Agreement Monies");

AND WHEREAS it is intended by the Parties that the performance of the LBVR Services shall at all times be directed towards the betterment of the Corporate Assets for the benefit of Creditors and Owners;

NOW THEREFORE in consideration of the mutual covenants set forth in this Agreement and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties hereto agree as follows:

The Pre-amble is hereby incorporated into and forms part of this Agreement.

1. Definitions

For the purpose of this Agreement, the following terms shall have the definitions described below:

- (a) "Gross Revenue" includes all revenue and income of any kind derived directly or indirectly from the operation of the Corporate Assets excluding applicable excise, sales, and other taxes, or similar government charges collected directly from patrons or guests;
- (b) "Net Profit" means gross revenue less expenses including all non-operations expenses associated with the Corporate Assets;
- (c) "Operational Expenses" means all expenses incurred by or on account of the operations of the Corporate Assets excluding all non-operating expenses, insurance, property tax, business tax, interest and principal payments to mortgage and depreciation, capital expenditures, business income tax and any management company incentive bonuses.
- (d) "Operating Income" means gross revenue less Operational Expenses.

2. Term

Subject to paragraph 7, this Agreement shall commence on the date first set out above (the "Commencement Date") and shall terminate one (1) full year following the Commencement Date, or upon completion of the Court Proceeding, whichever comes first.

3. LBVR Duties and Owners Undertakings

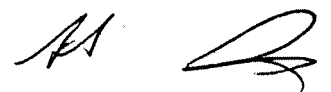
- (a) Throughout the term of this Agreement, LBVR agrees to attend at the Corporate Assets as necessary, and to:
 - i. Oversee day to day operations, including but not limited to construction of necessary capital improvements and maintenance of Corporate Assets;
 - ii. Review and report financial status to Owners and Monitor;



- iii. Audit service levels;
 - iv. Inspect physical maintenance;
- (b) Report difficulties and problems, if any, to the Owners and Monitor, and provide advice and assistance as necessary.
- (c) LBVR agrees to hire on behalf of the Owners all personnel necessary for the skilled and efficient operation of the Corporate Assets during the 2012/2013 business years, in accordance with the Business Plan and as approved budgets and cash flow may permit.
- (d) As soon as reasonably possible following the Commencement Date, LBVR agrees to provide a business plan (the "Business Plan") for the operation of the Corporate Assets for the 2012/2013 business years, including but not limited to:
 - i. Year Financial Projections (hereinafter called the "Budget");
 - ii. Cash Flow Forecasts;
 - iii. a Sales and Marketing Action Plan for the Corporate Assets (hereinafter called the "Marketing Plan");
 - iv. a Capital Plan for Maintenance and Development of the Corporate Assets;
- (e) LBVR will make available as much time as reasonably required to review the Business Plan with the Owners and the Monitor and to revise the Business Plan as may be reasonably recommended by the Owner and the Monitor, or as may become necessary and required by the Court Proceeding. It is understood between the Parties that any forecast of revenues and expenditures are subject to uncertainty and may be affected by changes in economic and other conditions beyond LBVR's control. The Owners acknowledge that LBVR makes no warranties to the performance projected in the forecasts provided.
- (f) The Owners agree that LBVR will establish its own banking facility or facilities for the Corporate Assets (the "LBVR Corporate Assets Operating Account(s)"), and LBVR will maintain accounting and reporting systems and records reflecting the financial operation of the Corporate Assets, including recording and controlling the receipts of all revenues from any and all sources related to the Corporate Assets and the expenditures and disbursements in connection therewith. On or before the 10th day following each month end during the term of this Agreement, LBVR shall provide a financial report for the previous month accounting period, setting forth the income and expenditure of the Corporate Assets and their operations, and any and all expenditures from the Management Agreement Set-Aside Monies or any Additional Management Agreement Monies, and shall provide a report containing an explanation of any variance to the Business Plan, and a commentary entitled "Initiatives and Actions Arising From" which shall outline LBVR's proposed actions to improve the performance of the Corporate Assets.
- (g) LBVR shall utilize the Management Agreement Set-Aside Monies or any Additional Management Agreement Monies, and any operating monies as may accumulate in the LBVR Corporate Assets Operating Account(s), to perform the LBVR Services as LBVR determines necessary, or as may otherwise be agreed to between LBVR and the Owners and Monitor in accordance with the Business Plan, and LBVR may use these monies for payment of Operational Expenses as may be required by LBVR at its sole discretion to operate the Corporate Assets.



- (h) LBVR shall have the authority and the ability to implement changes to the operation of the Corporate Assets and the Business Plan which will, in LBVR's discretion, increase the performance of the Corporate Assets and the cash flow arising therefrom, or will otherwise aid in the betterment of the Corporate Assets to the benefit of Creditors, provided however that LBVR report such changes in the report requirement described in paragraph 3(d) above.
 - (i) LBVR may enter into employment or other contracts on behalf of the Owners, with independent contractors of services or consultants employed by LBVR. Each of these contracts shall be on the LBVR Corporate Assets Operating Account(s), and shall relate to specific work performed to benefit the Corporate Assets as LBVR may determine.
 - (j) LBVR shall maintain the Corporate Assets, its systems, fixtures and furnishings in good, clean and attractive working conditions.
 - (k) LBVR shall supervise the utilization of the Corporate Assets and all its amenities, services and space.
 - (l) LBVR shall provide, within five business days, accurate and detailed minutes of any meetings with the Owners or Monitor noting actions to be taken arising from such meetings.
 - (m) LBVR shall carry out applicable negotiating, leasing, licensing and contracting agreements on behalf of the Owners.
 - (n) LBVR shall purchase supplies, as necessary, on behalf of the Owners.
 - (o) LBVR shall develop, revise and implement marketing and sales strategies and programs, taking advantage of opportunities to increase business sales as they arise from time to time, and in response to the uncertainty of the economy.
 - (p) (n) LBVR shall obtain, procure or apply for all necessary licenses, permits and approvals on behalf of the Owners, with regard to the operations of the Corporate Assets.
- 4. Owner's Covenants**
- (a) The Owners covenant and will forthwith upon execution of the within Agreement irrevocably direct the Monitor to forward to LBVR as LBVR may requisition from time to time to meet its operating and other obligations and to perform the LBVR Services, monies from the Interim Financing Funds in a total aggregate amount of not less than the Management Agreement Set-Aside Monies, which monies shall be expendable at LBVR's sole discretion to perform the LBVR Services, or as may otherwise be agreed to between LBVR and the Owners and Monitor in accordance with the Business Plan, subject however to arising operational expenses as may be required by LBVR to maintain the Corporate Assets.
 - (b) The Owners agree to provide LBVR from time to time as reasonably required temporary accommodation and meals and travel expenses to the charge of the LBVR Corporate Assets Operating Account(s).
 - (c) The Owners agree to abstain from giving direct instructions to any employee or contractor of the Corporate Assets or to LBVR employees without the express consent of LBVR and which instructions may interfere, undermine, conflict with or affect in any manner the authority and chain of command as established by LBVR.



- (d) The Owners assume complete responsibility and shall indemnify and hold harmless LBVR and its' directors, owners, shareholders and employees from all expenses, fines and penalties, taxes as may be assessed or become payable by the Owners arising from the operations or ownership of the Corporate Assets, losses or damages originating in or about or in connection with the Corporate Assets for all claims or demands for expenses, damages and liabilities whatsoever, except where due to LBVR's gross negligence or willful misconduct. The Owners also agree to defend LBVR at the Owners' expense, and upon LBVR's request will, at the Owners' expense, defend any action, suit or proceeding, or cause the same to be defended by counsel designated by LBVR and approved by the Owner. This clause and the indemnification contained therein will survive termination of this Agreement.
- (e) The Owners covenant and agree with LBVR that so long as there are no grounds for termination of this Agreement by the Owners, LBVR shall and may peacefully and quietly possess, occupy and manage the Corporate Assets through the terms of this Agreement, free from molestation, eviction, ejection or disturbance by the Owners or any person claiming by, through or under the Owners, subject only to such Court Order as may be issued within the Court Proceeding. The Owners agree to pay and discharge any payments or charges and, at its expense, to prosecute or defend all appropriate actions, judicial or otherwise, necessary to ensure such peaceful and quiet possession of the Corporate Assets by LBVR.

5. Fees

Beginning on the Commencement date and continuing during the full term of the Agreement, or until earlier termination thereof, the Owners agree that LBVR shall be paid for performance of the LBVR Services pursuant to the terms of this Agreement from the Management Agreement Set-Aside Monies or such other monies as may accrue in the LBVR Corporate Assets Operating Account(s), as follows:

- (a) a monthly fee in arrears in the sum of \$16,650.00 plus G.S.T.;
- (b) any out-of-pocket expenses or charges incurred on behalf of the Owners in relation to the operation of the Corporate Assets, for which expenses and charges LBVR shall account to the Owners in the ordinary course of reporting as set out in the Agreement.

6. Renewal

If the Court Proceeding has not been concluded upon the expiry of the initial one (1) year term of this Agreement, or has not been concluded upon the expiry of any successive one (1) year term, this Agreement will automatically renew for a further one (1) year term or until the conclusion of the Court Proceeding, whichever comes first, with all other conditions remaining the same, unless either Party shall give written notice of not less than 60 days prior to the expiration of this Agreement as to their intent to terminate the Agreement upon the expiration of the then current one (1) year term. This renewal clause shall apply to each successive term of this Agreement.

7. Miscellaneous

- (a) LBVR shall not, in the performance of its duties and obligations hereunder, be liable to the Owners for any action or omission, negligent, tortuous or otherwise, of any agent or employee of LBVR or its affiliates, unless such act or omission constitutes fraud, gross negligence or willful misconduct.

- (b) The Owners or its appointed auditor or accountant and the Monitor shall at all reasonable times have access to all records and information in the possession of LBVR with respect to the Corporate Assets and their operations.
- (c) LBVR shall be limited in the financial obligations to which it may obligate the Owners at any time for any individual nonconsumable stock-in-trade item to a maximum of \$10,000.00 in respect of operational expenses, unless an unforeseeable emergency situation exists when delaying such expenditure could result in substantial damage to the Corporate Assets.
- (d) In the event of a breach of this Agreement by the Owners, LBVR shall advise the Owners in writing of the breach, allowing ten (10) days for the Owners to rectify the breach. In the event that such breach is not corrected within the ten (10) day period, LBVR shall have the right to cancel the Agreement on one months' written notice, during which period the Owners shall continue to comply with its obligations, including the monthly payment of management fees and incentives. In the event of a breach of this Agreement by LBVR, the Owners shall advise LBVR of the breach, allowing ten (10) days for LBVR to rectify the breach. In the event that such breach is not corrected within the ten (10) day period, the Owners shall have the right to cancel the Agreement on one months' written notice of such termination or alternatively payment as calculated pursuant to paragraph 7 hereof.
- (e) Notwithstanding anything in the Agreement, this Agreement shall be subject to such further Court Orders as may be made in the Court Proceeding, including early termination thereof without penalty.

8. Arbitration

In the event of dispute between the Parties, the dispute shall be referred to arbitration. It is mutually understood and agreed that each Party hereto shall appoint an arbitrator, and the two so appointed shall appoint a third. The decision of the three arbitrators so appointed, or a majority of them, shall be final and binding upon the Parties. The cost of the arbitration shall be apportioned equally between LBVR and the owner.

12. Governing Law

This Agreement shall be governed in all respects by the laws of Alberta.

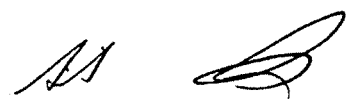
13. Notices

Any notices required to be given under the terms hereof shall be given by a party by delivery of or e-mail of such notice to the party to which it is to be given at the addresses below or at such other existing municipal address as the party may provide in writing to the other party:

The Owner: c/o Taylor Law Offices
Suite 401, 10722 – 103 Avenue
Edmonton, Alberta
T5J 5G7

Bus: (780) 428-7770
Fax: (780) 428-7775

LBVR: La Bella Vita Resorts Ltd.
#2, 341 Noorduyn Park N.W.



Calgary, Alberta
T3Z 3S7

Bus: (403) 288-3777
Fax: (403) 276-1027

Any such notice shall be deemed to have been received by a party on the day of such delivery or facsimile transmission to such party at its address in such notice.

14. Entire Agreement

This Agreement an constitute the entire agreement between the parties to this Agreement pertaining to the subject matter hereof and supersede all prior and contemporaneous agreements, understandings, negotiations and discussions, whether oral or written, of the parties and there are no warranties, representations or other agreements between the parties in connection with the subject matter of this Agreement except as specifically set forth herein.

IN WITNESS WHEREOF the parties have executed this Agreement as of the date and year first above written.

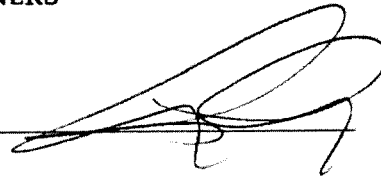
LBVR

Per: _____

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke, written over a horizontal line.

OWNERS

Per: _____

A handwritten signature in black ink, featuring a large, stylized 'O' and a long horizontal stroke, written over a horizontal line.

PURDY GROUP OF COMPANIES & JACK PURDY
PROPERTY LISTING
July 4, 2012

Legal Description	Notes	Registered Owner	O/S Taxes (July 4/12)	2012 Property Tax Assessment	Status	Mortgagor, Amount and Date	Other encumbrances
BC PROPERTIES							
Hawkeye properties to be operated by La Balle Via Resorts Ltd.							
226 Frigate Road (Barrfield Trails Motel)	Parcel: 000-282-553; Lot 1.4 acres (Trails Motel) + Land 2; Section 20; Twn 1; Plan 34316; Barclay District	The BC Crown (Fishpath Resorts Corporation)	58,255.76	775,700.00	Forfeited to Province for unpaid property taxes	1) 1225534 Alberta (April 3/01)	1) 1225534 Alberta Ltd. - Assignment of Rent (April 3/01) 2) K. Galavan - CPL - (Sept. 19/06) 3) BC Crown - Hotel Room Tax Lien (Nov. 14/08) 4) Crown of Canada (Mar 4/09) 5) B. Loewen - CPL (Apr. 23/10)
218 Frigate Rd. (LP 3) (Hawkeye House)	Parcel: 004-090-381; Lot 1; Section 20; Twn 1; Plan 16439; Barclay District	The BC Crown (Armec Investment Ltd. (BC))	24,418.12	330,800.00	Forfeited to Province for unpaid property taxes	1) CRA, \$4,120,117.87, July 11/02 (judgement against Armec security); 2) Sea Breeze Construction Ltd. (Sept. 30/94)	1) Crown of Canada (Aug. 20/03) - Judgement 2) K. Galavan - CPL - (Sept. 19/06)
251 Frigate Road (LP 5) (Staff House)	Parcel: 003-291-294; Parcel A of Lot 1; Section 20; Twn 1; Plan 22579; Barclay District	The BC Crown (Armec Investment Ltd. (BC))	12,831.19	261,000.00	Forfeited to Province for unpaid property taxes	1) CRA, \$4,120,117.87, July 11/02 (judgement against Armec security); 2) Montreal Trust company (Nov. 12/71) 3) No. 50 Corporate Ventures (Apr. 30/96)	1) No. 50 Corporate Ventures - Assignment of Rents (Apr. 30/96) 2) Crown of Canada (Aug. 20/03) - Judgement 3) K. Galavan - CPL - (Sept. 19/06)
452 Seaboard Rd. (The Bay House)	Parcel: 017-801-231; Lot 1; Section 20; Twn 1; Plan VIP54368; Barclay District	The BC Crown (Armec Investment Ltd. (BC))	26,039.20	571,100.00	Forfeited to Province for unpaid property taxes	1) CRA, \$4,120,117.87, July 11/02 (judgement against Armec security);	1) Crown of Canada (Aug. 20/03) - Judgement 2) K. Galavan - CPL - (Sept. 19/06)
200 Blinnace Road (Upper Bayhouse)	Parcel: 000-877-179; Lot 38547; Barclay District; except part in Plan VIP54368	The BC Crown (Armec Investment Ltd. (BC))	37,565.45	691,000.00	Forfeited to Province for unpaid property taxes	1) CRA, \$4,120,117.87, July 11/02 (judgement against Armec security);	1) Crown of Canada (Aug. 20/03) - Judgement 2) K. Galavan - CPL - (Sept. 19/06)
331 Barrfield/221 Nulnach Rd (Kingfisher Lodge & Marine)	Parcel: 014-852-985; Lot A; Section 20; Twn 1; 49089; Barclay District	The BC Crown (Armec Investment Ltd. (BC)) undivided 2/3 interest)	57,937.18	774,000.00	Forfeited to Province for unpaid property taxes	1) Crown of BC; undersurface rights (Sept. 27/89); 2) Crown of Canada - Judgement (Aug. 20/03) 3) K. Galavan - CPL - (Sept. 19/06)	
	Roll: 05 770 02882.300						
	Roll: 05 770 02889.000						

Schedule "A"

PURDY GROUP OF COMPANIES & JACK PURDY
PROPERTY LISTING
 July 4, 2012

Legal Description	Notes	Registered Owner	O/S Taxes (July 4/12)	2012 Property Tax Assessment	Status	Mortgagor, Amount and Date	Other encumbrances
75 Barnfield Boardwalk (Barnfield Inn)	Parcel: 000-204-315; Lot 3, Section 19; Barclay District; Plan 36032 Roll: 05 0770 02830.005	The BC Crown (Armec Investment Ltd. (BC))	53,377.81	657,000.00	Forfeited to Province for unpaid property taxes	1) CRA, \$4,120,117.87, July 11/02 (Judgement against Armec security); 2) Federal Business Development Bank (March 11/91)	1) Crown of Canada (Aug 20/03) - Judgement 2) Business Development Bank - CPL- (Feb 2/06) 3) K. Galavan - CPL - (Sept. 19/06)
448 Seaboard Rd. (Ostions Marine)	Parcel: 008 594 015 Block A of SW 1/4 section 20, Twin 1; Barclay District except part in Plan 19909 Roll: 05 770 02879.000	The BC Crown (Armec Investment Ltd. (BC))	66,129.91	837,900.00	Forfeited to Province for unpaid property taxes	1) CRA, \$4,120,117.87, Aug 22/02 (Judgement against Armec security); 2) Montreal Trust Company (Nov.12/71) 3) 446208 BC Limited (Sept.29/96)	1) Crown of Canada (Aug.20/03) - Judgement 2) K.Galavan - CPL - (Sept. 19/06)
448 Seaboard Rd. (Ostions Marine)	Parcel: 003-706-311; Lot 1, Section 20; Twin 1; Plan 19909; Barclay District Roll: 05 770 02879.010	The BC Crown (Armec Investment Ltd. (BC))	7,708.11	141,000.00	Forfeited to Province for unpaid property taxes	1) CRA, \$4,120,117.87, July 11/02 (Judgement against Armec security); 2) 448208 BC Limited (Sept.27/96)	1) Crown of Canada (Aug.20/03) - Judgement 2) K.Galavan - CPL - (Sept. 19/06)
420 Pachena Road (The White House)	Parcel: 003-624-213; Lot 1, Section 20; Twin 1; Plan 20233; Barclay District Roll: 05 770 02902.010	H.M.Group Office - The BC Crown 8 Acres (Armec Investment Ltd. (BC))	15,435.72	395,000.00	Forfeited to Province for unpaid property taxes	1) CRA, \$4,120,117.87, July 11/02 (Judgement against Armec security);	1) Crown of Canada (Aug.20/03) - Judgement 2) K.Galavan - CPL - (Sept. 19/06) 3) Byron Loewen - Judgement (Apr.23/10)
Total Hawkeye properties to be operated by La Bole Vita Resorts Ltd sub-total			\$ 359,898.45	\$ 5,434,500.00			
Hawkeye Infrastructure Properties to support operating properties							
598 Barnfield Rd. MHR.#B14340 (Warehouse & Sawmill)	Parcel: 003-317-641; Block C of NW 1/4 Section 17; Twin 17; Barclay District Roll: 05 770 02769.110	The BC Crown (Armec Investment Ltd. (BC))	23,525.82	326,600.00	Forfeited to Province for unpaid property taxes	1) Crown of Canada (Aug.22/02)	1) Crown of Canada - Judgement (Aug.20/03); 2) Kim Galavan - CPL (Sep. 19/06)
369 Binnacle Road (Airport)	Parcel: 008-691-363; NE 1/4 of NE 1/4 of Section 17; Twin 1; Barclay District Roll: 05 770 02770.000	The BC Crown (Armec Investments Ltd)	69,383.65	978,000.00	Forfeited to Province for unpaid property taxes	1) CRA, \$4,120,117.87, July 11/02 (Judgement against Armec security);	1) Crown of Canada - Judgement (Aug.20/03) 2) Kim Galavan - CPL (Sep. 19/06)
Hawkeye Infrastructure properties to support operating properties sub-total			\$ 92,909.47	\$ 1,304,600.00			

**PURDY GROUP OF COMPANIES & JACK PURDY
PROPERTY LISTING**
July 4, 2012

Legal Description	Notes	Registered Owner	O/S Taxes (July 4/12)	2012 Property Tax Assessment	Status	Mortgagor, Amount and Date	Other encumbrances
Remaining Hawkeye & other properties							
7382 Rhinco Rd (Sprout Lodge) District: Plan 1877	Parcel: 000-286-885; Lot 5; District Lot 39; Alberni District: Plan 1877	9.7 acres (The BC Crown Armec Investments Ltd)	13,453.95	477,000.00	Forfeited to Province for unpaid property taxes	1) CRA, \$4,120,117.87, July 11/02 (Judgement against Armec security);	1) Esquimalt and Nanaimo Railway Company - registered owner change; 2) Crown of Canada - Judgement (Aug 20/03); 3) Kim Galavan - CPL (Sept. 19/06) 4) Crown of BC - property tax transfer (Mar. 9/10) 5) BLoewen - Judgement - (Apr 23/10)
Roll: 05 770 00722.500							
5968 River Rd, Port Alberni	Parcel: 007-175-898; Lot 23, block 18, District Lot 9; Plan 1585; Alberni District	Somass Lodge (50 x 109 ft) Armec Investments Ltd (BC)	6,044.59	220,600.00	In Foreclosure. Federal Crown has conduct of sale by court order.	1) Bank of Montreal (Dec. 31/07); 2) CRA, \$4,120,117.87, July 11/02 (Judgement against Armec security); 3) Crown of Canada (Aug 22/02);	1) Crown of Canada - under surface rights (Aug 3/83) 2) Crown of Canada - Judgement (Aug 20/03) 3) Kim Galavan - CPL - (Sept. 19/06) 4) Crown of BC - Judgement (March 9/03) 5) Byron Loewen - Judgement (April 23/10) 6) BMO - CLP (March 24/11)
4356 Gertrude St. Port Alberni (Auto Court & Motel)							
Parcel: 000-287-296; 000-287-342; 000-287-393 Lot 10; Block 4A, District Lot 1, Alberni District, Plan 187	(33,484 sq. ft)	Armec Investments Ltd (BC)	13,086.53	256,100.00		1) Evergreen Savings Credit Union (Dec. 1/99); 2) CRA, \$4,120,117.87, July 11/02 (Judgement against Armec security);	1) Alberni Land Company Limited and Esquimalt and Nanaimo Railway Company; 2) Evergreen Savings Credit Union - assignment of rent (Dec. 1/99) 3) Crown of Canada - Judgement (Aug 20/03) 4) Kim Galavan - CPL (Sept. 19/06) 5) Crown of BC - property tax transfer (Mar. 3/10) 6) BLoewen - Judgement - (Apr 23/10)
Grappier Road Barnfield 300- All Barnfield							
Parcel: 000-787-744; Lot 2, Plan 23308, Section 20; Twin 1; Barclay District	Land and Building (5.36 acres)	The BC Crown (Armec Investment Ltd. (BC))	10,531.55	248,000.00	Forfeited to Province for unpaid property taxes	1) Crown of Canada (Aug 22/02)	1) Crown of Canada (Aug 20/03) - Judgement 2) K. Galavan - CPL - (Sept. 19/06) 3) Crown of BC - Property Transfer Tax charge (March 9/10) 4) Byron Loewen - Judgement (Apr 23/10)
Roll: 05 770 02899.015							
200 South Barnfield Road							
Parcel: 001-018-507; Plan 38280; Lot 1; Section 18; Township 1; Barclay district	Waterfront Lots - 36.53 acres (value undivided 1/2 interest) \$2,872,000 BC assessments)	Armec Investment Ltd. (undivided 1/2 interest)	25,106.83	1,021,950.00	In Foreclosure. Federal Crown has conduct of sale by court order.	1) CRA, \$4,120,117.87 (July 11, 2002)	1) Crown - Judgement (Oct. 5/2000) 2) Mortgage - Crown (Aug 22/02) 3) CPL - Kim Galavan (Sept. 19/06) 4) Property Transfer Tax charge - Crown of BC (Mar. 9/10) 5) BLoewen - Judgement (July 8/11) 6) tax lien - Crown of BC (Sept. 19/11)
Roll: 05 770 02771.000							
200 South Barnfield Road							
Parcel: 001-018-507; Plan 38280; Lot 1; Section 18; Township 1; Barclay district	Waterfront Lots - 38.53 acres (value 1/2 interest) \$2,872,000 BC assessments)	Ostrom Estates Ltd. (undivided 1/2 interest)	25,106.83	1,021,950.00	In Foreclosure. Federal Crown has conduct of sale by court order.	1) CRA, \$4,120,117.87 (July 11, 2002) 2) Crown of Canada (Aug 22/02)	1) Esquimalt and Nanaimo Railway Company - registered owner change; 2) Crown of Canada - Judgement (Aug 20/03); 3) Kim Galavan - CPL (Sept. 19/06) 4) Crown of BC - property tax transfer (Mar. 9/10) 5) BLoewen - Judgement - (Apr 23/10)
Roll: 05 770 02771.000							

APPENDIX A

PURDY GROUP OF COMPANIES & JACK PURDY
PROPERTY LISTING
 July 4, 2012

Legal Description	Notes	Registered Owner	O/S Taxes (July 4/12)	2012 Property Tax Assessment	Tax Status	Mortgages, Amount and Date	Other encumbrances
469 Barfield Inlet (Burto Island)	Parcel: 018-843-310; Lot 2; Section 18; Township 1; Barclay District; Plan VIP59185	John K Purdy	12,847.41	433,900.00	Tax lien filed by Province. Next step is forfeiture.		
450 Rance Island (Ranco Island)	Roll: 05 770 02776.002 Parcel: 008-249-540; Lot 1; Section 20; Twn 1; Plan 3047; Barclay District Roll: 05 770 02881.000	8.8 acres land The BC Crown (Armac Investment Ltd. (BC))	27,425.24	697,000.00	Forfeited to Province for unpaid property taxes	1) CRA, \$4,120,117.87, July 11/02 (Judgement against Armac security);	1) Crown of Canada (Aug. 20/03) - Judgement 2) K. Galavan - CPL - (Sept. 19/06)



APPENDIX B

Purdy Group of Companies
Actual to Forecast Cash Flow Results
For the period of July 21, 2012 to September 7, 2012 (the "Forecast Period")
(in CDN dollars)

	Forecast	Actual	Variance
Operating receipts			
Fishpath trade sales and rental receipts	100,500	86,762	(13,738)
Half Moon Lake Resort receipts	129,400	98,752	(30,648)
Fuel receipts	80,000	-	(80,000)
Total operating receipts	309,900	185,515	(124,385)
Funds received from Monitor's Trust	-	253,933	253,933
Funds received from DIP Loan	1,570,000	-	(1,570,000)
Total receipts	1,879,900	439,448	(1,440,452)
Operating Disbursements			
Fishpath expenses	60,300	64,193	(3,893)
Half Moon Lake expenses	83,100	48,178	34,922
Fuel costs	42,000	-	42,000
Management fees, wages and salaries	12,300	12,051	249
Consultant fees	37,500	2,508	34,993
Non-Core property tax	120,000	-	120,000
Remaining property tax	630,000	10,640	619,360
Contingency	35,000	-	35,000
Preservation, repair and marketing costs	90,000	104,917	(14,917)
Bamfield resort operating improvements	150,000	-	150,000
Kingfisher Marina & Ostrom fuel improvements	150,000	25,000	125,000
Total operating disbursements	1,410,200	267,486	1,142,714
Restructuring professional fees	450,000	153,717	296,283
Total disbursements	1,860,200	421,203	1,438,997
Net change in Applicant cash	19,700	18,244	(1,456)

APPLICANT CASH BALANCE			
Opening cash	2,598	2,598	-
Net change in operating cash	19,700	18,244	(1,456)
Ending Cash	22,298	20,842	(1,456)

FUNDS HELD IN TRUST BY MONITOR			
Opening Cash	353,933	353,933	-
Collection of DIP Advances	1,781,700	-	(1,781,700)
Release of funds to Applicants	(1,570,000)	(253,933)	1,316,067
	211,700	(253,933)	(465,633)
Ending cash (including cash not available per Court Order)	565,633	100,000	(465,633)

TOTAL AVAILABLE CASH			
Applicant ending cash balance	22,298	20,842	(1,456)
Trust cash balance	565,633	100,000	(465,633)
Less: cash not available per Court Order	(100,000)	(100,000)	-
	465,633	-	(465,633)
Available cash	487,931	20,842	(467,089)


 Jack Purdy
 President & Chief Executive Officer

31 Sep 20 / 2012

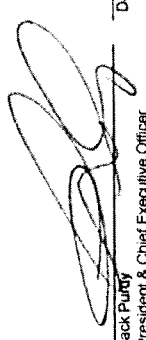
APPENDIX C

(in CDN dollars)

	Week 43	Week 44	Week 45	Week 46	Week 47	Week 48	Week 49	Week 50	Week 51	Week 52	Week 53	Week 54	Week 55	Week 56	Week 57	Week 57
	14-Sep-12	21-Sep-12	28-Sep-12	5-Oct-12	12-Oct-12	19-Oct-12	26-Oct-12	2-Nov-12	9-Nov-12	16-Nov-12	23-Nov-12	30-Nov-12	7-Dec-12	14-Dec-12	21-Dec-12	Total
Operating receipts																
Fishpath trade sales and rental receipts	1,500	1,500	1,500	-	-	-	-	-	-	-	-	-	-	-	-	4,500
Half Moon Lake Resort receipts	5,000	5,000	3,500	500	500	500	500	500	500	500	500	500	500	500	500	19,500
Fuel receipts	-	-	-	-	-	60,000	-	-	-	-	-	-	-	-	-	61,191
Other receipts	-	1,191	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total operating receipts	6,500	7,691	5,000	500	500	60,500	500	500	500	500	500	500	500	500	500	85,191
Funds received from Interim Financing																
	567,000	150,000	310,000	100,000	-	-	-	50,000	115,947	-	-	-	-	-	100,000	1,392,947
Total receipts	573,500	157,691	315,000	100,500	500	60,500	500	50,500	116,447	500	500	500	500	500	100,500	1,478,138
Operating Disbursements																
Fishpath expenses	900	900	900	-	-	-	-	-	-	-	-	-	-	-	-	2,700
Half Moon Lake expenses	4,000	12,000	11,000	400	400	400	400	400	400	400	400	400	400	400	400	31,800
Fuel costs	-	-	5,000	-	4,500	-	5,000	-	4,500	-	5,000	-	4,500	-	5,000	38,000
Management fees, wages and salaries	4,500	-	5,000	-	-	-	-	-	-	-	-	-	-	-	-	25,000
Half Moon Lake Capital Costs	-	-	15,000	10,000	-	-	-	-	-	-	-	-	-	-	-	567,000
BC Crown redemption property tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	138,000
Remaining BC property tax	567,000	138,000	-	-	-	-	-	-	-	-	-	-	-	-	-	7,500
Contingency - Non Barnfield	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	250,000
LBVR Management agreements set aside funds	-	-	100,000	-	-	-	-	50,000	-	-	-	-	-	-	-	-
Ostrom fuel improvements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total operating disbursements	578,900	151,400	32,400	110,900	5,400	900	5,900	50,900	5,400	900	5,900	900	5,400	900	105,900	1,060,000
Restructuring professional fees																
- Monitor	-	-	175,000	-	-	-	-	-	75,000	-	-	-	-	-	-	250,000
- Company Counsel	-	-	100,000	-	-	-	-	-	25,000	-	-	-	-	-	-	125,000
- Monitor Counsel	-	-	35,000	-	-	-	-	-	25,000	-	-	-	-	-	-	60,000
Total restructuring professional fees	-	-	310,000	-	-	-	-	-	125,000	-	-	-	-	-	-	435,000
Total disbursements	578,900	151,400	342,400	110,900	5,400	900	5,900	50,900	130,400	900	5,900	900	5,400	900	105,900	1,495,000
Net change in Applicant cash	(3,400)	6,291	(27,400)	(10,400)	(4,900)	59,600	(5,400)	(400)	(13,953)	(400)	(5,400)	(400)	(4,900)	(400)	(5,400)	(16,862)
APPLICANT CASH BALANCE																
Opening cash	20,842	17,442	23,733	(3,667)	(14,067)	(18,967)	40,633	35,233	34,833	20,880	20,480	15,080	14,680	9,780	9,380	20,842
Net change in operating cash	(3,400)	6,291	(27,400)	(10,400)	(4,900)	59,600	(5,400)	(400)	(13,953)	(400)	(5,400)	(400)	(4,900)	(400)	(5,400)	(16,862)
Ending Cash	17,442	23,733	(3,667)	(14,067)	(18,967)	40,633	35,233	34,833	20,880	20,480	15,080	14,680	9,780	9,380	3,980	3,980
FUNDS HELD BY MONITOR																
Opening Cash	100,000	1,325,947	1,175,947	865,947	765,947	765,947	765,947	765,947	715,947	600,000	600,000	600,000	600,000	600,000	600,000	100,000
Collection of Interim Financing Advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Release of funds to LBVR	1,792,947	-	-	(100,000)	-	-	-	(50,000)	-	-	-	-	-	-	(100,000)	1,792,947
Release of funds to Applicants	(567,000)	(150,000)	(310,000)	(100,000)	-	-	-	(50,000)	(115,947)	-	-	-	-	-	(100,000)	(250,000)
	1,225,947	(150,000)	(310,000)	(100,000)	-	-	-	(50,000)	(115,947)	-	-	-	-	-	(100,000)	400,000
Ending cash	1,325,947	1,175,947	865,947	765,947	765,947	765,947	765,947	715,947	600,000	600,000	600,000	600,000	600,000	600,000	500,000	500,000

TOTAL AVAILABLE CASH FOR GENERAL RESTRUCTURING													
Applicant ending cash balance													
	17,442	23,733	(3,667)	(14,067)	(18,967)	40,633	35,233	34,833	20,880	20,480	15,080	14,680	9,380
Total Funds held by Monitor	1,325,947	1,175,947	865,947	765,947	765,947	765,947	765,947	715,947	600,000	600,000	600,000	600,000	600,000
Less: Funds held for LBVR Agreement	(650,000)	(650,000)	(650,000)	(550,000)	(550,000)	(550,000)	(550,000)	(500,000)	(500,000)	(500,000)	(500,000)	(500,000)	(500,000)
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)	(100,000)	(100,000)
	575,947	425,947	115,947	115,947	115,947	115,947	115,947	115,947	0	0	0	0	0
Cash available for general restructuring	593,389	449,680	112,280	101,880	96,980	156,380	151,180	150,780	20,880	20,480	15,080	14,680	9,380

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



 Date Sept 20/2012

Jack Purdy

 President & Chief Executive Officer