

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,  
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 "Applicants")

DOCUMENT

**SIXTH REPORT OF THE MONITOR**

**AUGUST 2, 2012**

ADDRESS FOR SERVICE AND  
CONTACT INFORMATION OF  
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## **TABLE OF CONTENTS OF THE SIXTH REPORT**

INTRODUCTION .....	3
TERMS OF REFERENCE .....	4
BACKGROUND .....	4
INTERIM FINANCING TO BE OBTAINED.....	5
PURPOSE AND USE OF THE INTERIM FINANCING .....	9
MONITOR'S EXPANDED POWERS .....	14
ACTUAL TO FORECAST RESULTS – JUNE 15, 2012 TO JULY 20, 2012 .....	16
UPDATED CASH FLOW FORECAST THROUGH SEPTEMBER 28, 2012.....	20
CONCLUSION AND RECOMMENDATIONS .....	23

## **LISTING OF APPENDICES TO THE SIXTH REPORT**

APPENDIX A	Interim Financing Facility
APPENDIX B	Property Listing and Tax Values
APPENDIX C	Preliminary Letter of Engagement
APPENDIX D	Actual to Budget Cash Flows
APPENDIX E	Updated Forecast

## INTRODUCTION

1. On December 1, 2011, the Purdy Group sought and obtained protection from its creditors under the Companies' Creditors Arrangement Act, R.S.C. 1985, c.C-36, as amended (the "CCAA") pursuant to an order of the Court of Queen's Bench of Alberta (the "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 sixth report of the Monitor (the "Sixth Report") is to provide the Court information with respect to the following:
  - a) the Applicants' request for approval by this Honourable Court of interim financing;
  - b) the Purdy Group's intention to enter into a property and resort management agreement between La Bella Vita Resorts Ltd. ("LBVR") and Armac Investments Ltd. (BC) ("Armac BC") with respect to certain properties located in Bamfield, B.C.
  - c) the expansion of the Monitor's powers;
  - d) an update on the actual to forecast cash flow results for the period from June 16, 2012 to July 20, 2012 (the "Reporting Period");
  - e) an update on the revised cash flow projections (the "Updated Forecast") from July 21, 2012 through September 28, 2012 (the "Forecast Period"); and
  - f) the Monitor's recommendations.
4. Capitalized terms not defined in this Sixth Report are as defined in the Initial Order, the First Report, the Second Report, the Third Report, the Fourth Report, the Fifth 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 Sixth 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 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 Bankruptcy & Insolvency Act R.S.C. 1985, c.B-3, as amended (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 five 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.alvarezandmarsal.com/purdy](http://www.alvarezandmarsal.com/purdy).

#### **INTERIM FINANCING TO BE OBTAINED**

11. Pursuant to the Initial Order, the Purdy Group may on further application to this Court, obtain and borrow under a credit facility from a lender (the "Interim Lender") in order to finance the Purdy Group's working capital requirements and other general corporate purposes and capital expenditures as may become necessary.
12. As previously discussed in the Fourth Report, the Purdy Group advised this Honourable Court of its likely need for interim financing to assist in its restructuring efforts.
13. After review of the Purdy Group's Updated Forecast (discussed further below), it was determined that interim financing was required.
14. Without interim financing, the Purdy Group would not likely be able to continue with its restructuring activities and may be faced with an immediate liquidation of its assets. This would likely result in significantly lower recoveries than those obtained through the restructuring process.
15. The requirement for interim financing is essentially based on the Purdy Group's cash flow needs from July 21, 2012 to September 28, 2012 (expiration of the current stay) and for a further stay extension which will likely be required, to

complete the restructuring and to circulate a plan of arrangement (the “Plan”) to its creditors. Upon consideration of the cash flow requirements by both the Purdy Group and the Monitor, it was determined that the Applicants would require interim financing in the amount of \$2.15 million over this period.

16. As a result of the foregoing and as discussed in the Fourth Report, the Purdy Group, with the assistance of the Monitor, sought out and requested interim financing from two lending institutions and received and reviewed two term sheets.
17. The selection of a suitable Interim Lender was based on, but not limited, the Lender’s:
  - a) previous involvement and lending to the Applicants;
  - b) industry experience;
  - c) reputation within the local financial lending industry;
  - d) terms and conditions within the commitment letter;
  - e) associated fees charged by the Interim Lender; and
  - f) previous experience of providing Interim Financing to companies in insolvency proceedings;
18. After reviewing the offers received from the two lenders, the Purdy Group has arranged with Axxess Capital Partners Inc. (“Axxess”) to provide Armac Investments Ltd. (BC), (“Armac BC), Ostrom Estates Ltd. (“Ostroms”) and Fishpath Resorts Corporation (BC) (the “Borrowers”) with an interim financing credit facility (the “Axxess Loan”) of \$2.15 million to be used by the Purdy Group, subject to approval from this Honourable Court.
19. A copy of the Axxess Loan term sheet is attached as Appendix A to this report.

20. A summary of the Axxess Loan terms are set out below:
- a) it may be utilized to support the cash requirements of the Borrowers and any of the other Applicants;
  - b) term facility in the amount of \$2,150,000, which includes fees, legal expenses and a 12 month interest reserve of \$252,625 to be held in trust by the Axxess;
  - c) a Collateral First Mortgage will be granted as security over those properties owned by the Borrowers and listed in Schedule A to the Axxess Loan. The security will rank in priority to all debts of the Borrowers, including any deemed trusts of any crown, but will be subordinate to the Administration Charge and any interest, claims, charges or encumbrances that are in priority to the Administration Charge;
  - d) interest rate at 11.75% per annum and due monthly, with the principal amount due on maturity;
  - e) facility fee of 4.45% of the Axxess Loan funded, fully earned and payable upon advance of funds
  - f) term of 18 months; and
  - g) Axxess Loan is conditional upon approval by this Honourable Court;
21. The Monitor believes that the Applicants' process to obtain interim financing was reasonable and appropriate in the circumstances. The interest and terms of the Axxess Loan are competitive with the other expression of interest received and are consistent with recent industry transactions.
22. The Monitor is of the view that interim financing is warranted as without it, it would be difficult for the Purdy Group to continue certain significant elements of

its restructuring process, which in relation to the B.C. operations includes amongst other things:

- a) preventing its B.C. properties from forfeiting to the Crown. Outstanding property taxes on the B.C. properties already enjoy a priority over all other creditors and will have to be paid otherwise the properties will eventually be irrevocably forfeit to the Crown and substantial value will be lost to the Applicants and its creditors;
  - b) continuing to preserve, protect and upgrade its B.C. resort properties to enhance value and marketability of the properties. Upgrading the B.C. resort property operations in Bamfield should provide increased cash flow from an expanded season and from attracting more clients and should increase the value of the properties overall; and
  - c) engaging a professional resort property manager to operate certain of its B.C. resort properties located in Bamfield, on a going-concern basis. The Applicants do not have the necessary time and expertise to properly manage the resort operations on their own. A professional resort manager should assist in increasing cash flow and provide a more marketable product.
23. Further, in any probable realization strategy, a receiver, trustee or other administrator or manager would likely recommend to expend a similar amount of funds in order to preserve and market the Purdy Group's assets.
24. Accordingly, given the benefits that interim financing will provide, and the purpose of interim financing discussed below, the Monitor does not believe the interim financing to be unduly prejudicial to other creditors of the Purdy Group and supports the application for interim financing.



## **PURPOSE AND USE OF THE INTERIM FINANCING**

25. The purpose of the Interim Financing was discussed in the Fourth Report, and is outlined in the August 2, 2012 Purdy Affidavit. The Monitor understands that the use of the interim financing will be consistent with what was previously reported to this Honourable Court as follows:

### ***Panterra Phase 2 Report and LBVR Management Contract***

26. Funds are required to cover the costs of engaging the services of LBVR for the initial one year term of a resort management agreement with LBVR and to continue the engagement of Panterra AB Holdings Inc. ("Panterra") to complete the Phase 2 report both of which are discussed below. The estimated costs for these two engagements will be approximately \$200,000. LBVR is related to Panterra.

### **Panterra Engagement**

27. As discussed in the Fourth Report, Panterra prepared an initial report primarily addressing B.C. resort operating properties in Bamfield ("Phase I Report"), which is appended to the June 24, 2012 affidavit filed by Purdy. In conjunction with the LBVR management contract, the Purdy Group intends to continue its engagement of Panterra to complete a more fulsome report (the "Phase 2 Report"), which will provide the Purdy Group and the Monitor further analysis and recommendations for the development and/or sale of the remaining properties in Bamfield, which are described under the heading "Remaining Properties" in Appendix B to this report. It is expected that the Phase 2 Report will be completed by the end of August 2012.

### **LBVR Management Contract**

28. As discussed in the Fourth Report, the Phase 1 Report indicated that certain of the B.C. resort properties in Bamfield had excellent potential and in order for these resort properties to achieve their maximum potential, it recommended that the

Purdy Group hire an experienced resort management company to deal with the day-to-day management of operations in Bamfield.

29. The Purdy Group has spent a considerable amount of time and energy preserving, revitalizing and restarting its key B.C. resort operating properties operating in Bamfield with the sole intent of preserving the property and increasing its value to facilitate a restructuring and an eventual Plan for its creditors. The majority of the preservation work for these properties has been completed and the Purdy Group believes it is now appropriate to engage an experienced property resort management company. The Purdy Group has recognized that it lacks the resources and experience to properly operate and manage its complex B.C. resort properties in Bamfield and that it requires the assistance of an experienced resort property management company.
30. On July 31, 2012, Armac BC and LBVR entered into a preliminary letter of engagement (“Preliminary LOE”) that sets forth the intentions of the parties to enter into a binding management agreement (the “Agreement”) to allow LBVR to act as Armac BC’s property resort manager and advisor respecting the operations of certain B.C. resort properties located in Bamfield or such other real estate or properties as the parties may agree to in writing. A copy of the Preliminary LOE is attached as Appendix C to this report.
31. LBVR will focus its efforts in operating and managing the following eight (8) B.C. resort properties located in Bamfield (as listed in detail in Appendix B to this report):
  - a) Bamfield Trails Motel (226 Frigate Road);
  - b) Hawkeye House & Marina (216 Frigate Road);
  - c) Staff House (251 Frigate Road);
  - d) The Bay House (452 Seaboard Road);

- e) The Upper Bay House (200 Binnacle Road);
- f) The White House (420 Pachena Road);
- g) Kingfisher Lodge & Marina (331 Bamfield/221 Nuthatch Road);
- h) Bamfield Inn & Marina (75 Bamfield Boardwalk); and
- i) Ostroms Lodge & Marina (448 Seaboard Road)

32. The Monitor supports the Purdy Group's decision to engage LBVR and notes the following:

- a) Pursuant to the Initial Order, the Applicants are authorized and empowered to employ consultants and other persons (among other things) as they deem reasonably necessary or desirable in the ordinary course of business; and
- b) The selection of the resort management company was based on, but not limited to, the resort management's:
  - i. industry experience;
  - ii. credentials in operating and managing destination resort properties;
  - iii. reputation within resort destination property management industry;
  - iv. associated fees charged to operate and manage various properties; and
  - v. previous experience of operating and developing resort properties by companies in either insolvency proceedings or for companies experiencing financial constraints.

33. A summary of the main terms of the Preliminary LOE are as follows:

- a) LBVR's counsel shall prepare the Agreement which shall be executed by both parties on or before August 14, 2012, to be effective on August 15, 2012;
- b) The Agreement shall be subject to Armac BC obtaining court approval for interim financing;
- c) Initial term of the Agreement shall be for a period of 12 months or until the termination of Armac's CCAA proceedings, whichever occurs first. The agreement may be renewed by the parties for up to four (4) successive 12-month terms upon one party providing notice to the other of its intention to renew the Agreement no later than sixty (60) days prior to the expiration of any existing term; and
- d) All compensation payable to LBVR shall be set out in the Agreement.

***Property Tax Arrears and Redemption of Properties From B.C. Crown***

34. Funds are required to pay outstanding and current property tax arrears in the range of \$700,000 to \$800,000 on B.C. properties to prevent the properties from irrevocably reverting to the B.C. Crown. All of the B.C properties (see attached Appendix A) have arrears of property taxes and substantially all properties have therefore been forfeited to the B.C. Crown, subject to a right of redemption by the owner. Although no appraisals have been done on these properties, the Purdy group believes and the Monitor concurs that the value of each Bamfield property exceeds the outstanding property taxes owed on each property. Further, these properties are critical to the restructuring of the Applicants and it is in the best interest of all creditors and stakeholders that the property taxes are paid. Property taxes enjoy a priority to all creditors and will have to be paid in any realization strategy.

### ***Operational Improvements and Start-Up Fuel Operations***

35. Funding is required to update and properly equip facilities and services for those B.C. resort properties in Bamfield to be managed by LBVR identified above and to start-up the fuel operations which are also to be managed by LBVR. As indicated in the Phase I Report, Bamfield has very limited alternative fuel dispensing services available for automotive or recreational and commercial fishing boats. The Applicants advise they have existing fuel facilities at Ostroms Lodge & Marina and Kingfisher Lodge and Marina capable of selling in excess of one million litres annually. The Phase 1 Report identified the restart of the fuel services as an income generating asset for the Applicants that should immediately be put into operation. Not only will this generate cash flow for the Applicants, but it will also generate additional revenue opportunities for the other facilities and services of the Applicants, including the marinas and the lodging, food and beverage operations.
36. In order for the B.C. resort properties managed by LBVR to reach their full income generating potential, facilities need to be upgraded and properly equipped, as discussed in the Phase 1 Report.
37. It is estimated by LBVR and the Purdy Group that the costs to start up fuel operations and to improve resort lodging, food and beverage facilities will be in the range of \$450,000 to \$550,000.

### ***Interim Financing Interest, Fees and Other costs***

38. Funding will be required to pay the lending fee, legal fees and fund the interest reserve required under the Axxcess Loan, which in aggregate will be approximately \$370,000.

### ***General Restructuring Purposes***

39. The balance of the interim financing will be utilized for general restructuring and operating purposes as set out in the forecast attached as Appendix E.

## **MONITOR'S EXPANDED POWERS**

40. The Monitor has analyzed the ongoing operations of the Purdy Group and the need to properly control and monitor cash. The Monitor understands that there will be significant cash payments required to be made by the Purdy Group with respect to the proposed interim financing that may require additional oversight by the Monitor to ensure these payments are properly being paid and utilized to assist in the Purdy Group's restructuring efforts.
41. Given the need for management to complete various duties/tasks with respect to its restructuring efforts and the need for the Purdy Group to have additional administrative help and oversight in terms of the upcoming expected large payments out of the proposed interim financing and to ensure that the funds are being used for their intended purposes, the Monitor has recommended to the Purdy Group that the Monitor assist in controlling the collection and release of the proposed Axxcess Loan in order to allow the Purdy Group to focus more of its efforts in assisting the Monitor in completing the validation of creditor claims, other administrative matters and formulating the overall Plan to its creditors.
42. Based on the Monitor's recommendations, the Purdy Group considered that the most appropriate way to administer the proposed interim financing is to have these funds forwarded to the Monitor and deposited into its trust accounts (which is consistent with previous orders granted by this Honourable Court with respect to receipt of other proceeds) for the Monitor's purposes, including payments to the Applicants for continued restructuring as may be approved by the Monitor pursuant to the terms of the Initial Order and amendments thereto. As such, the Purdy Group is making an application to expand the Monitor's powers under the CCAA ("Expanded Powers").

43. The Expanded Powers which the Purdy Group seeks for the Monitor include, *inter alia*:

- a) receive and deposit any and all interim financing advances (the “Advances”);
- b) pay and administer the Advances to fund the Purdy Group’s restructuring efforts and for other purposes consistent with the Term Sheet;
- c) to oversee and assist in the preparation of the Applicants’ cash flow reporting and to assist in the preparation and dissemination of financial statements and financial information;
- d) authorize Canada Revenue Agency (on behalf of the Applicants) to provide to the Monitor any and all tax and financial information in the possession or control of Canada Revenue Agency with respect to the Applicants; and
- e) assist in the preparation of any and all tax returns to be filed on behalf of any of the Applicants.

44. The Monitor considers that the granting of the Expanded Powers will result in a more efficient process to continue with the restructuring of the Purdy Group and, accordingly, considers the Expanded Powers to be appropriate in the circumstances.

45. The Monitor hereby consents to the Expanded Powers if so ordered by this Honourable Court.

## **ACTUAL TO FORECAST RESULTS – JUNE 15, 2012 TO JULY 20, 2012**

### ***Purdy Group accounting***

46. The Purdy Group keeps track of its receipts and disbursements at the individual operating properties locations and it does not use an accounting software program to help record, assess or analyze the transactions of the business. The Purdy Group largely conducts its business on a cash basis, including collecting certain rental receipts by way of credit card payments made by customers, and records its transactions manually on a form of ledger.
47. Cash reconciliations are now performed every day by the current on-site management team and these are reviewed by the Purdy Group's part-time contract accountant. Due to the nature of the business (seasonal), the type of transactions largely taking place (cash) and the fact that the Purdy Group and Purdy have not been extended credit by their suppliers for the supply of goods during these proceedings, the Purdy Group anticipates that it may become increasingly difficult for it to collect and organize all the invoices and receipts on a timely basis and to provide the Monitor with timely and accurate cash flow reporting.
48. During these proceedings, the Monitor has worked with the Purdy Group to help put some form of cash management system in place that will allow for proper and timely recording of its transactions. Although the Applicants have been able to provide a reasonable accounting of their cash receipts and disbursements to date, due to the increase in business at both Half Moon and Bamfield Properties and the lack of available resources, the Applicants require additional help and controls to ensure that cash is monitored and controlled properly.
49. As discussed above, in order to address these issues, the Purdy Group is requesting this Honourable Court to expand the Monitor's powers to allow the Monitor to take more control over the cash flow reporting and monitoring of the Applicants and to assist in the development and dissemination of its financial statements and other financial information.



***Access to Applicant bank statements***

50. The Applicants are currently arranging access for the Monitor to have on-line viewing authority to monitor the bank accounts and has agreed that it would allow the Monitor to establish such controls as are necessary to ensure the security and the preservation of cash.

***Actual to Forecast Summary Results***

51. The actual to forecast cash flow presented at Appendix D 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 Fourth Report (the "Fourth Report Forecast").

52. The table below provides a summary of the actual to forecast cash flow:

<b>The Purdy Group</b>			
<b>Actual to Forecast Cash Flow Results</b>			
<b>for the period of June 16, 2012 to July 20, 2012</b>			
	<b>ACTUAL</b>	<b>FORECAST</b>	<b>VARIANCE</b>
	<b>Week 31 to</b>	<b>Week 31 to</b>	<b>Week 31 to</b>
	<b>Week 35</b>	<b>Week 35</b>	<b>Week 35</b>
Receipts	\$ 137,571	\$ 409,428	\$ (271,857)
Disbursements	156,647	324,500	(167,853)
Restructuring costs	-	100,000	(100,000)
Net change in cash flow	(19,076)	(15,072)	(4,004)
Applicant cash balance, opening	21,674	21,674	-
Applicant cash balance, ending	\$ 2,598	\$ 6,602	\$ (4,004)
<b>FUNDS HELD IN TRUST BY MONITOR</b>			
Opening Cash	\$ 159,605	\$ 159,605	\$ -
Collection from Sale of Sherwood Park Property	194,328	194,328	-
Release of funds to Applicants	-	(194,328)	194,328
Ending cash	\$ 353,933	\$ 159,605	\$ 194,328
<b>TOTAL AVAILABLE CASH</b>			
Applicant ending cash balance	\$ 2,598	\$ 6,602	\$ (4,004)
Trust cash balance	353,933	159,605	194,328
Less: cash reserved per Court Order	(100,000)	(100,000)	-
	253,933	59,605	194,328
Available Cash	\$ 256,531	\$ 66,207	\$ 190,324

53. Receipts for the Reporting Period totalled \$137,571, representing a negative variance of \$271,857 from the receipts set out in the Fourth Report Forecast. This negative variance was primarily due to:

- a) negative permanent variance of \$27,358 due to lower than expected operating results in Fishpath Resort. This has been factored in projecting results in the Updated Forecast below;

- b) negative timing variance of \$50,171 in Half Moon that is expected to be collected in the Updated Forecast; and
  - c) negative timing variance of \$194,328 of funds not received from the Monitor's trust account for operating purposes. The Monitor continues to hold these funds it received from the sale of 210 Sherwood Park property in the Reporting Period;
54. Disbursements for the Reporting Period totalled \$156,647 representing a positive variance of \$167,853. This variance was primarily due to:
- a) a positive permanent variance of \$20,563 relating to lower than expected operating costs in Half Moon that are now incorporated and reflected in the Update Forecast; and
  - b) a positive timing variance of approximately \$147,500 due primarily to:
    - i. approximately \$45,980 of certain preservation costs that were not incurred in the Reporting Period by Bamfield and Half Moon, which has now been adjusted in the Updated Forecast;
    - ii. approximately \$95,000 relating to the non-payment of non-core property taxes, which will be paid in the Forecast Period;
    - iii. approximately \$5,000 relating to costs allocated for contingency payments not used; and
    - iv. approximately \$2,500 in management fees that were not paid in the Reporting Period
55. Restructuring fees of \$NIL were paid for professional services rendered during the CCAA proceeding and have now been forecast to be paid (for services accrued prior to and during the Reporting Period) in the Updated Forecast.

56. The Applicants' ending cash balance as at June 20, 2012 was \$2,598 compared to the forecast cash balance amount of \$6,602, for the reasons discussed above. By combining the ending available cash balance in the Monitor's trust account of \$253,933 and the Applicant ending cash balance above, resulted in an overall ending available cash balance of \$256,531.

**UPDATED CASH FLOW FORECAST THROUGH SEPTEMBER 28, 2012**

57. The Purdy Group, with the assistance of the Monitor, has prepared an Updated Forecast for Forecast Period, which is attached as Appendix E. Management has prepared the Updated Forecast based on the most current information available.

58. The table below summarizes cash flow for the Forecast Period:

<b>Purdy Group Updated Forecast</b>	<b>July 21/12 to Sept.28/12</b>
Operating receipts	\$ 485,400
Funds from Monitors trust account	1,795,000
Total receipts	<u>\$ 2,280,400</u>
Operating disbursements	1,709,800
Restructuring professional fees	550,000
Total operating disbursements	<u>\$ 2,259,800</u>
Net change in Applicant cash	\$ 20,600
Applicant cash balance, opening	2,598
Applicant cash balance, ending	<u>23,198</u>
<b>FUNDS HELD IN TRUST BY MONITOR</b>	
Opening Cash	\$ 353,933
Collection of Interim Financing Advances	1,781,700
Release of funds to Applicants	(1,795,000)
	<u>(13,300)</u>
Ending cash (including cash not available per Court Order)	\$ 340,633
<b>TOTAL AVAILABLE CASH</b>	
Applicant ending cash balance	\$ 23,198
Trust cash balance	340,633
Less: cash not available per Court Order	<u>(100,000)</u>
	240,633
Available Cash	<u>\$ 263,831</u>

59. As summarized above, the Purdy Group is projecting total operating cash receipts of approximately \$485,400, funds received from the Monitor's trust account for use in operations of approximately \$1.8 million, operating cash disbursements for operations of approximately \$1.7 million and restructuring fees and costs for the Monitor, its counsel and the Applicant's counsel accrued for the past five months

and anticipated to be incurred to September 28, 2012 of approximately \$550,000, resulting in a net increase in cash within the Applicant's cash accounts of approximately \$20,600 during the Forecast Period. The net increase in cash from the Applicant's bank accounts, combined with the net decrease of funds held in trust with the Monitor of approximately \$13,300, results in an overall ending available cash balance of approximately \$263,831.

60. 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.
61. 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 \$141,000;
  - b) strata fee collection and rental RV receipts from Half Moon Lake of approximately \$174,000;
  - c) fuel receipts of approximately \$170,000 which is dependent on interim financing to complete repairs and upgrades and provide working capital for inventory;
  - d) receipt of interim financing advances of \$2,150,000;
  - e) operating costs relating to Half Moon Lake and B.C. resort properties and fuel operations in Bamfield of approximately \$318,000;
  - f) consulting and management fee payments to the proposed resort property management company of approximately \$55,000. These costs represent monthly payments made to LBVR; however, the total

anticipated management fees will be approximately \$200,000 over the course of a 1 year period;

- f) payment of property tax arrears on B.C. properties of approximately \$750,000;
- g) management fees, wages and salaries and contractor fees of approximately \$21,800;
- h) preservation costs of approximately \$90,000 to complete the on-going projects at Half Moon Lake property, Bamfield Trails Lodge and other Bamfield lodge properties;
- i) B.C. resort property improvements and Kingfisher Lodge & Marina & Ostrows Lodge & Marina fuel operations improvements of approximately \$425,000;
- j) contingency costs of approximately \$50,000; and
- k) restructuring costs for the monitor, its counsel and the Applicants counsel covering the period March 1 to August 15 of \$550,000.

62. 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, provided that the request for interim financing is granted by this Honourable Court.

#### **CONCLUSION AND RECOMMENDATIONS**

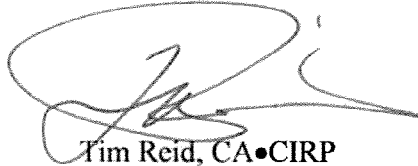
63. As previously discussed, the interim financing is essential to continue with the Purdy Group's plan of completing its restructuring, payment of the remaining and outstanding property taxes and other operational improvements at the Bamfield and Half Moon properties in order to preserve and protect the property and increase the value and marketability of the properties.

64. The Purdy Group continues to believe that there is sufficient value in the Applicants' properties to create a successful Plan that may have all creditors paid out in full. The ability of the Purdy Group to develop a Plan is dependent on there being sufficient cash flow to complete the reorganization.
65. The Purdy Group further believes that creditors will have a greater recovery through CCAA than in a liquidation scenario.
66. The Monitor is of the view that the interim financing is not prejudicial to creditors and by obtaining interim financing, the Purdy Group will be able to address in a reasonable time frame a number of matters critical to the success of the Purdy Group restructuring efforts which include, but are not necessarily limited to:
  - a) assisting the Monitor in completing the review and assessment of the 197 proof of claims submitted by various claimants in accordance with the Claims Procedure Order granted on February 15, 2012;
  - b) seeking advice and direction from this Honourable Court with respect to appeals by several claimants disputing the Notice of Disallowances issued by the Monitor to their original filed proof of claims in these proceedings;
  - c) complete those tasks requiring the use of interim financing as discussed above; and
  - d) with the assistance of the Monitor develop and circulate the Plan to the Purdy Group's creditors and stakeholders;
67. The Monitor recommends that this Honourable Court approve:
  - a) the Axxess Loan; and
  - b) the Expanded Powers of the Monitor



All of which is respectfully submitted this 2<sup>nd</sup> day of August, 2012.

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

A handwritten signature in black ink, appearing to be 'Tim Reid', written over a large, loopy circular flourish.

Tim Reid, CA•CIRP  
Senior Vice-President

A handwritten signature in black ink, appearing to be 'Orest Konowalchuk', written over a large, loopy circular flourish.

Orest Konowalchuk, CA•CIRP  
Senior Manager

# APPENDIX A



Access Capital Group of Companies  
1410, 10655 Southport Road SW  
Calgary, Alberta, Canada T2W 4Y1  
Phone: 403.225.4575  
Toll Free: 866.432.4575  
Fax: 403.225.4579  
info@accesscapital.com

July 30, 2012

Armac Investments Ltd. (B.C.)  
Ostrom Estates Ltd.  
Fishpaths Resorts Ltd.  
C/O Conan Taylor  
Edmonton, Alberta

Attention: Conan Taylor

**RE: DIP Funding**

On the basis of the information provided in connection with your request for financing, Access Capital Partners Inc. (the "Lender") has authorized this Term Sheet for financing based upon the terms and conditions (the "Loan") as outlined: Any advance of funds hereunder shall remain at the sole discretion of the Lender.

**MORTGAGED PROPERTY:** Schedule "A" (attached)

**PURPOSE OF LOAN:** DIP Loan shall be for use by the Borrowers and related parties for general restructuring purposes including, but not limited to, maintenance on the buildings and immediate repairs, and payment of arrears of property taxes on all properties.

**MORTGAGOR(S)/ BORROWER(S):**

- (a) Armac Investments Ltd. (B.C.);
- (b) Ostrom Estates Ltd. (B.C.); and,
- (c) Fishpaths Resorts Corporation (B.C.).

**LOAN AMOUNT:** \$2,150,000.00 including fees, legal expenses and a 12 month interest reserve of \$252,625 to be held in trust by the Lender and applied to the monthly interest commencing with the first interest payment date after advance of the Loan. The advance may be reduced by any amounts withheld by the Lender in accordance with this Term Sheet or as the Lender may otherwise reasonably require be held in reserve. If at the end of the term or any accelerated term there remains any sum as an interest reserve, that sum will be applied firstly against unpaid interest and thereafter against principal.

**TERM OF MORTGAGE/LOAN:** Eighteen (18) months from date of the first advance.

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- INTEREST RATE:** The annual interest rate on the loan will be 11.75%. Interest is to be calculated annually and not in advance. Interest will be compounded monthly on the daily outstanding balance of the principal and interest under the Loan as determined in accordance with the terms of the Security.
- PAYMENTS:** Monthly Interest only.
- EXPENSES:** The Borrower(s) shall be responsible for the legal fees and other related costs and fees relating to the approval, drafting and registration of the mortgage on their behalf.
- FUNDING:** Funding may take place up to 10 days from Court approval of the Loan on the terms set out herein. Advances will be directed to the Court-appointed monitor (the "Monitor") under the CCAA proceedings, to be used or held by the Monitor or forwarded to the Borrower(s) or related parties who are applicants in the CCAA proceedings, to be utilized for purposes consistent with this Term Sheet as approved by the Monitor.
- REVIEW DATE:** The Loan will be reviewed after 18 months from the date of first advance, and at such other times as the Lender or the Court may require.
- FEES:** The Borrower(s) will pay the Lender a Due Diligence fee of \$5,000.00 upon the acceptance of this Term Sheet. This fee shall not be refundable under any circumstances and will be deemed as fully earned by the Lender upon acceptance of this Term Sheet by the Borrower.
- The Borrower(s) will pay the Lender a fee in the amount of 4.450% of the gross mortgage proceeds advanced (the "Lending Fee"). The Lending Fee will be paid upon funding of the Loan. The Lending Fee shall be fully earned and paid with respect to each advance upon the making of each advance under the Loan.
- PREPAYMENT:** The loan will be open, with no prepayment penalty, for the term of the mortgage.
- PARTIAL DISCHARGE:** The Lender shall provide discharges provided that:
- (a) Court approval of any sale is obtained with net sale proceeds (being sale proceeds less normal and reasonable commissions and legal conveyancing fees) to be applied firstly, (subject to subparagraph b) in accordance with: (i) the cash flows of the Mortgagors or related CCAA applicant corporations, as supported by the Monitor and filed with the Court; and thereafter, (ii) to the amount outstanding under the Loan.
  - (b) Notwithstanding the foregoing, the Monitor may direct net sale proceeds as security for the Administration Charge granted under the initial CCAA Order, as

AXCESS Capital



amended (the "Admin Charge"), prior to any other use in subparagraph (a) above.

**SECURITY:**

The Loan shall be secured by the following security (the 'Security'):

The Lender may register a Collateral First Mortgage securing all indebtedness, liability or obligation of the Borrower to the Lender in respect of the Loan (which if ordered by the Court, does not need to be registered against the title to the Mortgaged Property, but the Lender may choose to do so), subject to the Admin Charge and any interest, claims, charges or encumbrances that are in priority to the Admin Charge.

**ASSIGNMENT:**

This Term Sheet is non transferable and the benefit thereof may not be assigned or sold by the Borrower(s). The Lender reserves the right to assign this Term Sheet or the Security or any portion thereof to another Lender or Lenders upon notice to the Borrower.

**LEGAL AND OTHER COSTS:**

In addition to the Lending Fee, the Due Diligence fee, and the Administration and Service Charges noted below, all legal and search costs and any out of pocket expenses relating to registration fees or other filing fees and all costs associated with the preservation, maintenance, collection or enforcement of the Lender's rights in respect of the Loan incurred by the Lender in connection with the Loan are to be borne by the Borrower(s).

**ADMINISTRATION AND SERVICE CHARGES:**

- (a) Late payment charge of \$250.00 per occurrence of any payment not made when due.
- (b) Insurance default fee of \$250.00 per occurrence.
- (c) Enforcement of security \$1,500.00 per action or proceeding commenced.
- (d) Property inspection and construction advance fee \$500.00 for each advance plus travel mileage for each site inspection in the amount of \$0.52 per kilometer traveled for the purpose of the site inspection.
- (e) Mortgage statements \$100.00 per statement requested.
- (f) Property possession \$1,500.00 for attendance for taking possession of any property taken as security for this loan following default.
- (g) Weekly site inspection fee of \$100.00 per week for as long as the mortgage is in default plus travel mileage for each site inspection in the amount of \$0.52 per kilometer traveled for the purpose of the site inspection.
- (h) Property management fee of \$250.00 per day, per property for administration, maintenance and security of property in



our possession.

(i) Management Default fee of \$100.00 per hour for any additional hourly time utilized by the management, administration, staff, security or any affiliates of the lender contracted in association with the preservation, maintenance, enforcement and collection of all monies owed or monies in default of this mortgage.

(j) Mortgage discharge fee \$300.00 for discharge of this mortgage on one property, and \$250.00 for each additional property.

**CONFIDENTIALITY CLAUSE:**

This Term Sheet is being delivered to you on the understanding that neither this Term Sheet nor its substance shall be disclosed, publicly or privately, except to counsel, accountants, employees, and agents of the Borrower(s) who may be involved from time to time in this CCAA proceeding. Without limiting the generality of the foregoing, none of such persons shall use or refer to the Lender's name in any disclosure made in connection with any of the transactions described herein without the Lender's prior written consent. This clause shall not apply to the disclosure of the contents of this Term Sheet or the use of the Lender's name, where such disclosure of information is necessary pursuant to any Court application or proceeding.

**NON-MERGER CLAUSE:**

It is understood and agreed that the execution, delivery, and registration of the Security in connection herewith shall in no way extinguish this offer of credit or the terms and conditions hereof, which shall survive and continue in full force and effect. In the case of any inconsistency or conflict with any of the provisions of the Security, such provisions of the Security shall prevail.

**CREDIT REPORTING:**

The Borrower(s) consent to the obtaining from any credit reporting agency or from any other party such information as the Lender may require at any time, and each consents to the disclosure at any time of the information concerning the Borrower(s) to any credit grantor with whom the Borrower(s) may have financial relations, or to any credit reporting agency.

**CONSENT TO RELEASE**

**INFORMATION TO INVESTORS:** In the event the Lender acts on behalf of investors who provide funds used to make the Loan to you and in connection with the Lender's presentation to investors concerning Borrower's loans, the Lender provides certain information to the investors, including credit information concerning the Borrower(s), obtained by the Lender and information related to the real property proposed to secure the loan.

The purpose of this clause is to obtain your consent to the release to the Lender's investors any credit information and other information obtained by the Lender concerning the Borrower(s) and the real property used to secure the Loan.

ACCEPTED AND AGREED TO



Handwritten signature, possibly "WB" followed by a flourish.

**TIME FOR ACCEPTANCE:** This Term Sheet as contained herein, shall be open for acceptance by signing and delivering to our office this Term Sheet, together with a cheque in the amount of \$5,000.00 representing the non-refundable Due Diligence fee payable until 8/01/2012 after which time this offer will expire.

**COURT APPROVAL:** The parties acknowledge and agree that this Loan is subject to the approval of the Court of Queen's Bench of Alberta.

**CONSENT TO SIGN AS AGENT:** *For Funding purposes only*, Access Capital Partners Inc. or its affiliate is hereby authorized to sign subscription agreement as agent for the borrower under applicable securities regulations.

Sincerely,

signed: "Wm. J. Bulerman"

Wm J Bulerman

Per: Access Capital Partners Inc.

**ACCEPTANCE:**

The Borrower(s) further acknowledges that the Due Diligence fee set forth herein is a reasonable estimate of Access' cost incurred in investigating and preparing the Loan and the standby charges for the monies made available to fund same and shall be forfeited to the Lender as liquidated damages if the first advance under the Loan is not drawn down within the time limited herein.

Acknowledged and agreed to on this 30<sup>th</sup> day of July, 2012

**BORROWER:**

ARMAC INVESTMENTS LTD. (B.C.)

Per: \_\_\_\_\_

OSTROM ESTATES LTD.

Per: \_\_\_\_\_

FISHPATHS RESORTS CORPORATION

Per: \_\_\_\_\_



PURDY GROUP OF COMPANIES & JACK PURDY  
PROPERTY LISTING FOR DIP SECURITY  
AS AT JULY 12, 2012

	Legal Description	Notes	Registered Owner	Q/S Taxes at July 4, 2012	2012 Property Tax Assessment	Status	Mortgage, Amount and Date	Other encumbrances
<b>BC PROPERTIES</b>								
Port Alberni 7382 Rancow Rd (Sprout Lodge)	Parcel: 000-286-885; Lot 6; District Lot 39; Albert District; Plan 1877 Roll: 05 770 00722.500	9.7 acres	The BC Crown (Armac Investments Ltd)	13,453.95	477,000.00	Forfeited to Province for unpaid property taxes	1) CRA, \$4,120,117.87, July 11/02 (judgment against Armac security); 2) Crown of Canada - CPL (Sept.1906) 3) Kim Galavan - CPL (Sept.1906) 4) Crown of BC - property tax transfer (Mar 9/10) 5) B. Loewen - Judgment - (Apr.23/10)	
Barnfield 75 Barnfield Boardwalk (Barnfield Inn)	Parcel: 000-204-315; Lot 3; Section 18; Barnfield District; Plan 36032 Roll: 05 0770 02830.005	0.83 acres	The BC Crown (Armac 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 (judgment against Armac security); 2) Federal Business Development Bank (March 11/91)	1) Crown of Canada (Aug.20/03) - Judgment 2) Business Development Bank - CPL - (Feb.2/06) 3) K. Galavan - CPL - (Sept.1906)
448 Seaboard Rd. (Osborne Marine)	Parcel: 008 594 015 Block A of SW 1/4 section 20, Twn 1; Barnfield District except part in Plan 19609 Roll: 05 770 02879.000	1.72 acres	The BC Crown (Armac Investment Ltd. (BC))	66,129.91	837,500.00	Forfeited to Province for unpaid property taxes	1) CRA, \$4,120,117.87, Aug.22/02 (judgment against Armac security); 2) Montreal Trust Company (Nov.12/71) 3) 446208 BC Limited (Sept.23/96)	1) Crown of Canada (Aug.20/03) - Judgment 2) K. Galavan - CPL - (Sept.1906)
448 Seaboard Road (Osborne Marine)	Parcel: 003-706-311; Lot 1; Section 20; Twn 1; Plan 19609; Barnfield District Roll: 05 770 02878.010	0.28 acres	The BC Crown (Armac 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 (judgment against Armac security); 2) 446208 BC Limited (Sept.27/96)	1) Crown of Canada (Aug.20/03) - Judgment 2) K. Galavan - CPL - (Sept.1906)
450 Rance Island (Rance Island)	Parcel: 005-249-540; Lot 1; Section 20; Twn 1; Plan 3047; Barnfield District Roll: 05 770 02881.000	6.8 acres land 640sq ft. building	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 (judgment against Armac security);	1) Crown of Canada (Aug.20/03) - Judgment 2) K. Galavan - CPL - (Sept.1906)



SCHEDULE A

PURDY GROUP OF COMPANIES & JACK PURDY  
PROPERTY LISTING FOR OIP SECURITY  
AS AT JULY 12, 2012

Legal Description	Notes	Registered Owner	OIS Taxes at July 4, 2012	2012 Property Tax Assessment	Status	Mortgagor, Amount and Date	Other encumbrances
200 Binnacle Road (Upper Bayhouse)	Parcel: 003-977-178, 3.01 acres Lot C, Section 20; Twin (Bayhouse) 1; Plan 38547; Barclay District, except part in Plan VP54368 Roll: 05 770 02862.300	The BC Crown (Armac 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 Armac security); 2) Crown of Canada (Aug. 20/03) - Judgement 3) K. Galaven - CPL - (Sept. 19/06)	
452 Seaboard Rd. (The Bay House)	Parcel: 017-401-231; 2.28 acres Lot 1; Section 20; Twin 1; Plan VP54368; Barclay District. Roll: 05 770 02862.310	The BC Crown (Armac 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 Armac security); 2) Crown of Canada (Aug. 20/03) - Judgement 3) K. Galaven - CPL - (Sept. 19/06)	
251 Frigate Road (Barnfield Road Junction - 251) (LP 5)	Parcel: 005-291-294; Parcel A of Lot 1; Section 20; Twin 1; Plan 22579; Barclay District Roll: 05 770 02865.050	The BC Crown (Armac Investment Ltd. (BC))	12,831.19	263,000.00	Forfeited to Province for unpaid property taxes	1) CRA, \$4,120,117.87, July 11/02 (Judgement against Armac 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. Galaven - CPL - (Sept. 19/06)	
216 Frigate Rd. (LP 3)	Parcel: 004-090-381; Lot 1; Section 20; Twin 1; Plan 16438; Barclay District Roll: 05 770 02860.000	The BC Crown (Armac 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 Armac security); 2) Sea Breeze Construction Ltd. (Sept. 30/94) 3) Crown of Canada (Aug. 20/03) - Judgement 2) K. Galaven - CPL - (Sept. 19/06)	
331 Barnfield/221 Northatch Rd	Parcel: 014-852-985; Lot A; Section 20; Twin 1; District Lot 782; Plan 49089; Barclay District Roll: 05 770 02868.000	The BC Crown (Armac Investment Ltd. (BC) undivided 2/3 Interest) Dianna Shorter (undivided 1/3 Interest)	57,937.18	774,900.00	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. Galaven - CPL - (Sept. 19/06)	
200 South Barnfield Road	Parcel: 001-018-507; Plan 38280; Lot 1; Section 18; Township 1; Barclay district Roll: 05 770 02771.000	Armac Investment Ltd. (undivided 1/2 Interest)	25,106.63	1,021,950.00	In Foreclosure, Federal Crown has conduct of sale by court order.	1) Crown - Judgement (Oct. 5/2000) 2) Mortgage - Crown (Aug. 22/02) 3) CPL - Kim Galaven (Sept. 19/06) 4) Property Transfer Tax charge - Crown of BC (Mar. 8/10) 5) B. Loewen - Judgement (July 8/11) 6) tax lien - Crown of BC (Sept. 19/11)	

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SCHEDULE A

PURDY GROUP OF COMPANIES & JACK PURDY  
PROPERTY LISTING FOR DIP SECURITY  
AS AT JULY 12, 2012

Legal Description	Notes	Registered Owner	Q/S Taxes at July 4, 2012	2012 Property Tax Assessment	Status	Mortgagor, Amount and Date	Other encumbrances
200 South Barnfield Road	Parcel: 001-018-507; Plan 38280; Lot 1; Section 16; Township 1; Barclay district	WaterFront Lots - 38.53 acres (value \$2,872,000 BC assessments)	25,106.63	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) Crown - Judgement (Oct.5/2000) 2) CPL - Kim Galloway (Sept.19/06) 3) Property Transfer Tax charge - Crown of BC (Mar.9/10) 4) B.Loeven - Judgement (July 8/11) 5) tax lien - Crown of BC (Sept.19/11)
226 Frigate Road	Roll: 05 770 02771.000	Osborn Estates Ltd. (undivided 1/2 interest)	58,255.76	775,700.00	Forfeited to Province for unpaid property taxes	1) 1225534 Alberta Ltd. - Assignment of Rent (April 3/01) 2) K.Galloway - CPL - (Sept.19/06) 3) BC Crown - Hotel Room Tax Lien (Nov.14/08) 4) Crown of Canada (filed 4/09) 5) B.Loeven - CPL (Apr.23/10)	
Total B.C. Properties			\$ 421,901.23	\$ 8,257,400.00			

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# APPENDIX B

**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
<b>BC PROPERTIES</b>							
<u>Hawkeye properties to be operated by La Bella Vita Resorts Ltd.</u>							
226 Frigate Road (Barnfield Trails Motel)	Parcel: 000-282-553; Lot 2; Section 20; Twn 1; Plan 34316; Barclay District  Roll: 05 770 02890.005	The BC Crown (Fishpath Resorts Corporation)	58,255.76	775,700.00	Forfeited to Province for unpaid property taxes	1) 1225534 Alberta Ltd. (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)	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)
216 Frigate Rd. (LP 3) (Hawkeye House)	Parcel: 004-090-381; Lot 1; Section 20; Twn 1; Plan 16439; Barclay District  Roll: 05 770 02890.000	The BC Crown (Armac 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 Armac 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  Roll: 05 770 02886.050	The BC Crown (Armac 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 Armac 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;  Roll: 05 770 02882.310	The BC Crown (Armac 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 Armac security);	1) Crown of Canada (Aug. 20/03) - Judgement 2) K Galavan - CPL - (Sept. 19/06)
200 Blinnacle Road (Upper Bayhouse)	Parcel: 000-977-179; Lot C; Section 20; Twn 1; Plan 38547; Barclay District; except part in Plan VIP54368  Roll: 05 770 02882.300	The BC Crown (Armac 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 Armac security);	1) Crown of Canada (Aug. 20/03) - Judgement 2) K Galavan - CPL - (Sept. 19/06)
331 Barnfield/221 Nuthatch Rd (Kingfisher Lodge & Marina)	Parcel: 014-852-985; Lot A; Section 20; Twn 1; District Lot 782; Plan 49089; Barclay District  Roll: 05 770 02898.000	The BC Crown (Armac Investment Ltd. (BC) undivided 2/3 Interest)  Dianna Shorter (undivided 1/3 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)	1) Crown of BC; undersurface rights (Sept. 27/89); 2) Crown of Canada - judgement (Aug. 20/03) 3) K Galavan - CPL - (Sept. 19/06)

**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 Bamfield Boardwalk (Bamfield Inn)	Parcel: 000-204-315; Lot 3, Section 19; Barclay District; Plan 36032  Roll: 05 0770 02830.005	The BC Crown (Armac 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 Armac 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. (Ostroms Marine)	Parcel: 008 594 015 Block A of SW 1/4 section 20, Twn 1; Barclay District except part in Plan 19909  Roll: 05 770 02879.000	The BC Crown (Armac 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 Armac 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. (Ostroms Marine)	Parcel: 003-706-311; Lot 1; Section 20; Twn 1; Plan 19909; Barclay District  Roll: 05 770 02879.010	The BC Crown (Armac 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 Armac security); 2) 446208 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: 003-524-213; Lot 1; Section 20; Twn 1; Plan 20233; Barclay District  Roll: 05 770 02902.010	H.M.Group Office - The BC Crown (Armac 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 Armac 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 Bella Vita Resorts Ltd sub-total			\$ 359,698.45	\$ 5,434,500.00			
Hawkeye Infrastructure Properties to support operating properties							
598 Bamfield Rd. MHR.#B14340 (Warehouse & Sawmill)	Parcel: 003-317-641; Block C of NW 1/4 Section 17; Twn 17; Barclay District  Roll: 05 770 02769.110	The BC Crown (Armac 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)
399 Binnacle Road (Airport)	Parcel: 008-691-363; NE 1/4 of NE 1/4 of Section 17; Twn 1; Barclay District  Roll: 05 770 02770.000	The BC Crown (Armac 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 Armac 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
<b>Remaining Hawkeye &amp; other properties</b>							
7382 Rincon Rd (Sprout Lodge)	Parcel: 000-286-885; Lot 5; District Lot 39; Alberni District, Plan 1877  Roll: 05 770 00722 500	The BC Crown (Armac 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 Armac security); 4) Crown of BC - property tax transfer (Mar.9/10) 5) B Loewen - Judgement - (Apr.23/10)	1) Esquimalt and Nanaimo Railway Company - registered owner charge; 2) Crown of Canada - Judgement (Aug 20/03); 3) Kim Galavan - CPL (Sep. 19/06) 4) Crown of BC - property tax transfer (Mar.9/10) 5) B Loewen - Judgement - (Apr.23/10)
5968 River Rd. Port Alberni	Parcel: 007-175-698; Lot 23; block 18, District Lot 9; Plan 1585; Alberni District	Armac 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 Armac 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 197	Armac Investments Ltd (BC)	13,086.53	256,100.00		1) Evergreen Savings Credit Union (Dec.1/89); 2) CRA, \$4,120,117.87, July 11/02 (judgement against Armac security)	1) Alberni Land Company Limited and Esquimalt and Nanaimo Railway Company; 2) Evergreen Savings Credit Union - assignment of rent (Dec.1/89) 3) Crown of Canada - Judgement (Aug.20/03) 4) Kim Galavan - CPL (Sep. 19/06) 5) Crown of BC - property tax transfer (Mar.3/10) 6) B Loewen - Judgement - (Apr.23/10)
Grappler Road Bamfield 300- All Bamfield	Parcel: 000-787-744; Lot 2, Plan 23308, Section 20; Twn 1; Barclay District  Roll: 05 770 02899 015	The BC Crown (Armac 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)
200 South Bamfield Road	Parcel: 001-018-507; Plan 38260; Lot 1; Section 18; Township 1; Barclay district  Roll: 05 770 02771 000	Armac Investment Ltd. (undivided 1/2 interest)	25,106.63	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) B Loewen - Judgement (July 6/11) 6) tax lien - Crown of BC (Sept.19/11)
200 South Bamfield Road	Parcel: 001-018-507; Plan 38260; Lot 1; Section 18; Township 1; Barclay district  Roll: 05 770 02771 000	Ostrom Estates Ltd. (undivided 1/2 interest)	25,106.63	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) Crown - Judgement (Oct.5/2000) 2) CPL - Kim Galavan (Sept. 19/06) 3) Property Transfer Tax charge - Crown of BC (Mar.9/10) 4) B Loewen - Judgement (July 6/11) 5) tax lien - Crown of BC (Sept.19/11)

**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
469 Barnfield Inlet (Burdo Island)	Parcel: 018-843-310; Lot 2; Section 19; 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: 006-249-540; Lot 1; Section 20; Twn 1; Plan 3047; Barclay District	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); 2) Crown of Canada (Aug.20/03) - Judgement 2) K. Galavan - CPL - (Sept. 19/06)	
4070 Giant Mine Rd. Invermere	Roll: 05 770 02881.000 Parcel: 012-778-362; District Lot 8199; Kootenay District Blg - 1,468 sq.ft	The BC Crown (Armac Investment Ltd. (BC))	8,142.55	308,000.00		1) Baroid Corporation of Canada Ltd. - undersurface rights (Sept. 30/60) 2) Crown of BC - Property Tax Charge (Nov. 8/08) 3) Crown of BC - Crown Debt - (Jan. 28/10) 4) B. Loewen - Judgement (April 23/10) Baroid Corporation of Canada Ltd. - undersurface rights (Aug. 15/89)	
Giant Mine Rd. Invermere	Roll: 29 704 05450.000 Parcel: 014-571-943; District Lot 136; Kootenay District	The BC Crown (Giant Mtn Properties Ltd)	1,757.53	43,400.00			
Giant Mine Rd. Invermere	Roll: 29 704 02102.000 Parcel: 012-778-338; District Lot 1109; Kootenay District	The BC Crown (Jubilee Mtn. Hldgs. Ltd.)	1,449.49	30,300.00		1) Baroid Corporation of Canada Ltd. - undersurface rights (Sept. 30/60) 2) Baroid Corporation of Canada Ltd. - undersurface rights (Aug. 15/89)	
Remaining Hawkeye and other BC properties sub-total			\$ 144,952.10	\$ 4,758,200.00			
<b>Total BC Properties</b>			\$ 597,560.02	\$ 11,497,300.00			
<b>NON-CORE PROPERTIES</b>							
<b>BC Properties Listed with Colliers International</b>							
5611 Culverton Rd. (Burdo Island)	Parcel: 003 851 168 Lot 1; Sec.8, Range 6, Santiam District; Plan 12309 Duncan Rural	The BC Crown (Cherry Blossom Park Development Corp)	53,489.83	437,000.00	Forfeited to Province	1) Armac Investments Ltd.; April 16, 2004 2) Tarmac Management Ltd. (Feb. 9/05)	1) Crown of Canada - Judgement (Jan. 29/09) (as to interest in Cherry Blossom) 2) Crown of Canada - Judgement (Aug. 19/09) (as to interest of Armac Investments Ltd.) 3) Builders lien (Nov 26/09) (WellMaster Pump & Water Systems Ltd.)
Roll: 03 765 03588.055							

**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
3425 River Road, Chemainus	Parcel: 001-160-141; Plan 31422; Lot 2; Sections 14 & 15; Range 3; Chemainus district Roll: 16472-000	Armac Investments Ltd (BC)	34,542.29	712,200.00	Tax Sale Notice filed by Municipality of North Cowichan	Tarmac Management Ltd; February 9, 2005	1) Esquimalt and Nanaimo Railway Company - registered owner charge 2) Crown of Canada - Judgement (Aug 20/03) 3) Ronald Durrance - builder's lien (Nov 24/09) 4) Crown of BC - property tax charge (Mar 9/10) 5) B.Loewen - Judgement (July 13/10)
8335 Meshers Road	Parcel: 008-428-565; The South 1/2 of District Lot 51; Alberni District Roll: 05 770 00885.000	John K Purdy	6,090.19	386,200.00	In foreclosure. Crown has conduct of sale by court order	1) Ladysmith & District Credit Union (June 20, 2000) 2) Armac Investments Ltd (June 30, 2000)	1) Esquimalt and Nanaimo Railway Company - registered owner charge; 2) Crown of Canada (May 30/02); 3) Ladysmith Credit Union - CPL (July 26, 2011) 4) Crown of Canada - judgement (Dec.30/09) (against Armac 2nd mortgage)
3620 3rd Ave. Port Alberni	000-522-546 Part of Lot 1; Alberni District, Plan 795r	Armac Investments Ltd (BC)	19,260.78	223,000.00		1) John Purdy (May 14/99) 2) Crown of Canada (Aug.22/02)	1) Crown of Canada - Judgement - interest in Jack Purdy (May 23/03); 2) Kim Galavan - CPL (Sept 19/06); 3) Crown of BC - Property Transfer Tax charge (March 9/10) 4) Byron Loewen - Judgement (Apr.23/10)
3620 3rd Ave. Port Alberni	000-522-538 Part of Lot 1; Alberni District, Plan 795r	Armac Investments Ltd (BC)	-	223,000.00		1) John Purdy (May 14/99) 2) Crown of Canada (Aug.8/02)	1) Alberni Land Company Limited and Esquimalt and Nanaimo Railway Company - registered owner charge; 2) Crown of Canada - Judgement (May 23/03) 3) Kim Galavan - CPL (Sept 19/06) 4) Crown of BC - property transfer act (March 9/10) 5) Byron Loewen - Judgement (April 23, 2010) 6) Tax sale notice (Oct.4, 2010)
3203 2nd Ave. Port Alberni	Parcel: 009-278-923; Lot 13; Block 74, District Lot 1; Plan 197; Alberni District 33 x 125 ft	Armac Investments Ltd (BC)	1,666.63	29,000.00		1) CRA, \$4,120,117.87, July 11/02 (judgement against Armac security); 2) Crown of Canada (Aug. 22/02)	1) Alberni Land Company Limited and Esquimalt and Nanaimo Railway Company; 2) City of Port Alberni - restrictive covenant (June 13, 1996) 3) Crown of Canada - Judgement (Aug 20/03) 4) Kim Galavan - CPL (Sep.19/06) 5) Crown of BC - property tax transfer (Mar.3/10) 6) B.Loewen - Judgement - (Apr.23/10)
3211 2nd Ave. Port Alberni	Parcel: 009-278-966; Lot 15; Block 74, District Lot 1; Plan 197; Alberni District	Armac Investments Ltd (BC)	2,739.56	43,300.00		1) CRA, \$4,120,117.87, July 11/02 (judgement against Armac security);	1) Alberni Land Company Limited and Esquimalt and Nanaimo Railway Company; 2) City of Port Alberni - restrictive covenant (June 13, 1996) 3) Crown of Canada - Judgement (Aug 20/03) 4) Kim Galavan - CPL (Sep.19/06) 5) Crown of BC - property tax transfer (Mar.3/10) 6) B.Loewen - Judgement - (Apr.23/10)
BC Properties currently listed with Collier's sub-total			\$ 117,789.28	\$ 2,053,700.00			



**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
<b>Alberta Non-Core Properties to be listed</b>							
Onoway Title#: 112 358 811 Plan 7720103; Block S; Lot 26; (5.2, 54.35, SW)	7.71 acres	Armac Investments Ltd. (AB)	3,364.70	131,900.00			1) Midwest Surveys Inc. - Builder's Lien (Jan. 7/09) - \$65,520 2) CLP - June 18, 2009
Westridge Park Lodge Ltd. Title#: 082 489 290 4; 26; 51; 1; SE	129.4 acres	Armac Investments Ltd (AB)	168,383.92	3,105,210.00		Access Capital Partners Inc., November 6, 2008, \$3,350,000	1) Caveat - Assignment of Rents & Leases (Nov 6/08) 2) S&D International Group inc. - CLP (June 5, 2009) 3) Crown of Canada - Writ - \$196,312 (June 2, 2010) 4) Parkland County - tax notification (April 18, 2011)
Range Road 261A and Township Road 510A, Parkland County	3 years taxes o/s due March 30/12  If not paid, on August 15/12 auction will occur.  If not sold, county takes title and goes through process						
15625 Stony Plain Road NW; Edmonton, AB; T2P 3Z3 Title#: 072 313 780 Plan 9422776; Block 1; Lot Building 18	Jasper Place	1317517 Alberta Ltd	65,715.63	814,500.00			1) Mortgage: Access 1) CLP: S&D International Group Inc. (June 5, Capital Partners Inc. 2009) - \$1,350,000 2) Writ: Minister of Finance against Debtor of (Oct.22/08) Armac Investments Ltd. - \$196,312 (June 2, 2010)
<b>Alberta non-core properties to be listed sub-total</b>			<u>\$ 237,464.25</u>	<u>\$ 4,051,610.00</u>			
<b>Total Non-Core Properties</b>			<u>\$ 355,253.53</u>	<u>\$ 6,105,310.00</u>			

**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
<b><u>HALF MOON LAKE RESORT</u></b>							
Half Moon Lake Resort	139 acres	Half Moon Lake Resort Ltd.	-	\$ 375,000.00	Foreclosure proceedings have commenced on 27 RV lot leases	1) Ammac Investments Ltd. (AB) - \$500,000 (Jan. 3/02)	1) Judges Order (Jan. 16/02); 2) Ammac AB - Builder's lien - \$181,570 (Nov. 11/02); 3) CLP - (May 26/03) 4) Various Caveats - leases (May 29/03 to Jan. 7/04)
21524 Twp. 520	2012 Property Tax Assessment value is calculated based on 27 leases that are secured by Access mortgage from the total 216 available leases					2) Ammac investments Ltd. (AB) - \$1,600,000 (Aug. 4/05)	5) Brayford Trucking Ltd. - \$21,986 (June 2/04) 6) Various Caveats & Leases (Aug 8/04 to Jun 8/10) 7) CLP - Nov. 24/04 8) CLP - Jan. 14/05 9) Brownlee LLP - Writ (Sept. 22/05) 10) Ahlstrom Wright Oliver & Cooper LLP - Writ (Nov. 21/05) - \$4,791 11) S&D International Group inc. - Writ ((June 6/09) 12) WCB - certified strmt - \$6,101 (Jan. 20/10) 13) Crown of Canada - Writ (Oct 22/10) - \$99,062 14) Crown of Canada - Writ (Oct 22/10) - \$61,805 15) Crown of Canada - Writ (Oct 22/10) - \$6,533 16) AHS - Notice of Health Hazard (Sept 11/10) 17) Crown of Canada - Writ (Dec. 2/10) - \$196,312 (**Debtor - Ammac Investments BC) 18) AAA Broilers & Hydrionics - Builder's lien (Feb. 1/11) - \$1,976 19) Strathcona County - tax notification (March 3/11) 20) AHS - Notice of Health Hazard - (March 5/11)
Half Moon Lake Resort	139 acres	Half Moon Lake Resort Ltd.	-	2,625,000.00		Same above	Same above
21524 Twp. 520	2012 Property Tax Assessment value is calculated based on 189 remaining leases from the total 216 that are not part of Access mortgage						
<b><u>Halfmoon Lake Resort Ltd. sub-total</u></b>							
<b>TOTAL PURDY GROUP PROPERTIES</b>			<b>\$</b>	<b>952,813.55</b>	<b>20,602,610.00</b>		

# APPENDIX C

## **ARMAC INVESTMENTS LTD.**

July 31<sup>st</sup>, 2012


La Bella Vita Resorts  
#2, 3411 Noordyn Park, N.W.  
Calgary, Alberta

Attention: Sam Sidhom  
President

Dear Sir:

**Re: Letter of Engagement between La Bella Vita Resorts Ltd. and Armac Investments Ltd.**

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1. This Letter of Engagement ("Letter of Engagement") sets forth the intentions of the parties hereto to enter into a binding management agreement (the "Agreement") pursuant to which Armac Investments Ltd. ("Armac"), or its assigns, engages La Bella Vita Resorts Ltd. ("LBVR") to act as its Resort Manager and Advisor respecting the operation of certain properties located in Bamfield, B.C., or such other real estate or properties as the parties may agree to in writing, from time to time.
  2. The said Management Agreement shall be for the management operation of the properties referred to herein in a form and substance that is satisfactory to the parties and their counsel acting reasonably.
  3. LBVR's counsel shall prepare the Agreement as soon as practicable and the parties shall use all reasonable efforts to execute the Agreement on or before August 14<sup>th</sup>, 2012, to be effective on August 15<sup>th</sup>, 2012.
  4. It is understood by both parties that Armac is currently subject to proceedings under the *Companies' Creditors Arrangement Act* ("CCAA"), being Court of Queen's Bench Action number 1103 18646, and that the Agreement shall be subject to Armac's obtaining Court approval for further Debtor in Possession ("DIP Financing").
  5. Furthermore, the preliminary terms set out in this Letter of Engagement shall also be subject to Court approval of DIP Financing within Armac's CCAA proceedings.
  6. The term of the Agreement shall be for a period of 12 months or the termination of Armac's CCAA proceedings, whichever occurs first.
- 

7. All compensation payable to LBVR shall be set out in the Agreement in the event that Armac is successful in obtaining Court approval for DIP Loan financing.

Yours truly,

**Armac Investments Ltd.**

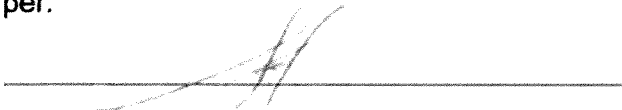
per:



TERMS OF LETTER of Engagement ACKNOWLEDGED AND APPROVED this 31 day of July, 2012.

**La Bella Vita Resorts Ltd.**

per:



# APPENDIX D

**Purdy Group of Companies**  
**CCAA Cash Flow Budget to Actual**  
**For the period of June 16 to July 20, 2012**  
**(in CDN dollars)**

	<b>Actual</b>	<b>Budget</b>	<b>Variance</b>
	<b>Total</b>	<b>Total</b>	<b>Total</b>
<b>Week ending:</b>			
<b>RECEIPTS</b>			
Fishpath trade sales and rental receipts	\$ 65,842	\$ 93,200	\$ (27,358)
Half Moon Lake Resort receipts	71,729	121,900	(50,171)
<b>Total operating receipts</b>	<b>137,571</b>	<b>215,100</b>	<b>(77,529)</b>
<b>Funds received from Monitor's Trust</b>	<b>-</b>	<b>194,328</b>	<b>\$ (194,328)</b>
<b>Total receipts</b>	<b>\$ 137,571</b>	<b>\$ 409,428</b>	<b>\$ (271,857)</b>
<b>DISBURSEMENTS</b>			
Fishpath operating disbursements	\$ 73,626	\$ 72,400	\$ (1,226)
Half Moon Lake Resort disbursements	47,137	67,700	20,563
Management fees, wages and salaries	6,864	9,400	2,536
Property tax arrears	-	95,000	95,000
Contingency	-	5,000	5,000
Preservation, repair and marketing costs	29,020	75,000	45,980
<b>Total operating disbursements</b>	<b>156,647</b>	<b>324,500</b>	<b>167,853</b>
<b>Restructuring retainer fees</b>	<b>-</b>	<b>100,000</b>	<b>100,000</b>
<b>Total disbursements</b>	<b>156,647</b>	<b>424,500</b>	<b>267,853</b>
Net change in Applicant cash	(19,076)	(15,072)	(4,004)
Applicant cash balance, opening	21,674	21,674	-
Applicant cash balance, ending	<b>\$ 2,598</b>	<b>\$ 6,602</b>	<b>\$ (4,004)</b>

<b>FUNDS HELD IN TRUST BY MONITOR</b>			
Opening Cash	\$ 159,605	\$ 159,605	\$ -
Collection from Sale of Sherwood Property	194,328	194,328	-
Release of funds to Applicants	-	(194,328)	194,328
Ending cash	<b>\$ 353,933</b>	<b>\$ 159,605</b>	<b>\$ 194,328</b>

<b>TOTAL AVAILABLE CASH</b>			
Applicant ending cash balance	\$ 2,598	\$ 6,602	\$ (4,004)
Trust cash balance	353,933	159,605	194,328
Less: cash not available per Court Order	(100,000)	(100,000)	-
	<b>253,933</b>	<b>59,605</b>	<b>194,328</b>
Available Cash	<b>\$ 256,531</b>	<b>\$ 66,207</b>	<b>\$ 190,324</b>

  
 Jack Purdy  
 President & Chief Executive Officer

*Aug 2/2012*  
 Date

# APPENDIX E



**Purdy Group of Companies**  
**Projected Cash Flow Statement**  
**For the period of July 21, 2012 to September 28, 2012 (the "Forecast Period")**  
**(in CDN dollars)**

	Week 36	Week 37	Week 38	Week 39	Week 40	Week 41	Week 42	Week 43	Week 44	Week 45	Week 36 to Week 45
	27-Jul-12	3-Aug-12	10-Aug-12	17-Aug-12	24-Aug-12	31-Aug-12	7-Sep-12	14-Sep-12	21-Sep-12	28-Sep-12	Total
<b>Operating receipts</b>											
Fishpath trade sales and rental receipts	15,000	15,000	15,000	15,000	13,500	13,500	13,500	13,500	13,500	13,500	141,000
Half Moon Lake Resort receipts	21,100	21,100	21,100	21,100	15,000	15,000	15,000	15,000	15,000	15,000	174,400
Fuel receipts	-	-	-	-	-	40,000	40,000	30,000	30,000	30,000	170,000
<b>Total operating receipts</b>	<b>36,100</b>	<b>36,100</b>	<b>36,100</b>	<b>36,100</b>	<b>28,500</b>	<b>68,500</b>	<b>68,500</b>	<b>58,500</b>	<b>58,500</b>	<b>58,500</b>	<b>485,400</b>
<b>Funds received from DIP Loan</b>	<b>90,000</b>	<b>-</b>	<b>150,000</b>	<b>-</b>	<b>630,000</b>	<b>700,000</b>	<b>-</b>	<b>200,000</b>	<b>25,000</b>	<b>-</b>	<b>1,795,000</b>
<b>Total receipts</b>	<b>126,100</b>	<b>36,100</b>	<b>186,100</b>	<b>36,100</b>	<b>658,500</b>	<b>768,500</b>	<b>68,500</b>	<b>258,500</b>	<b>83,500</b>	<b>58,500</b>	<b>2,280,400</b>
<b>Operating Disbursements</b>											
Fishpath expenses	9,000	9,000	9,000	9,000	8,100	8,100	8,100	8,100	8,100	8,100	84,600
Half Moon Lake expenses	11,700	11,700	11,700	11,700	12,100	12,100	12,100	12,100	12,100	12,100	119,400
Fuel costs	-	-	-	-	-	10,000	32,000	24,000	24,000	24,000	114,000
Management fees, wages and salaries	-	2,800	-	5,000	4,500	-	-	5,000	4,500	-	21,800
Consultant fees	-	-	-	-	37,500	-	-	-	17,500	-	55,000
Non-Core property tax	-	-	-	-	-	120,000	-	-	-	-	120,000
Remaining property tax	-	-	-	-	-	630,000	-	-	-	-	630,000
Contingency	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	50,000
Preservation, repair and marketing costs	90,000	-	-	-	-	-	-	-	-	-	90,000
Bamfield resort operating improvements	-	-	-	-	150,000	-	-	50,000	-	25,000	225,000
Kingfisher Marina & Ostrom fuel improvements	-	-	-	-	150,000	-	-	50,000	-	-	200,000
<b>Total operating disbursements</b>	<b>115,700</b>	<b>28,500</b>	<b>25,700</b>	<b>30,700</b>	<b>367,200</b>	<b>785,200</b>	<b>57,200</b>	<b>154,200</b>	<b>71,200</b>	<b>74,200</b>	<b>1,709,800</b>
<b>Restructuring professional fees</b>											
- Monitor	-	-	100,000	-	150,000	-	-	100,000	-	-	350,000
- Company Counsel	-	-	-	-	100,000	-	-	-	-	-	100,000
- Monitor Counsel	-	-	50,000	-	50,000	-	-	-	-	-	100,000
<b>Total restructuring professional fees</b>	<b>-</b>	<b>-</b>	<b>150,000</b>	<b>-</b>	<b>300,000</b>	<b>-</b>	<b>-</b>	<b>100,000</b>	<b>-</b>	<b>-</b>	<b>550,000</b>
<b>Total disbursements</b>	<b>115,700</b>	<b>28,500</b>	<b>175,700</b>	<b>30,700</b>	<b>667,200</b>	<b>785,200</b>	<b>57,200</b>	<b>254,200</b>	<b>71,200</b>	<b>74,200</b>	<b>2,269,800</b>
<b>Net change in Applicant cash</b>	<b>10,400</b>	<b>7,600</b>	<b>10,400</b>	<b>5,400</b>	<b>(8,700)</b>	<b>(16,700)</b>	<b>11,300</b>	<b>4,300</b>	<b>12,300</b>	<b>(15,700)</b>	<b>20,600</b>
<b>APPLICANT CASH BALANCE</b>											
Opening cash	2,598	12,998	20,598	30,998	36,398	27,698	10,998	22,298	26,598	38,898	2,598
Net change in operating cash	10,400	7,600	10,400	5,400	(8,700)	(16,700)	11,300	4,300	12,300	(15,700)	20,600
Ending Cash	12,998	20,598	30,998	36,398	27,698	10,998	22,298	26,598	38,898	23,198	23,198
<b>FUNDS HELD IN TRUST BY MONITOR</b>											
Opening Cash	353,933	263,933	263,933	113,933	113,933	1,265,633	565,633	565,633	365,633	340,633	353,933
Collection of DIP Advances	-	-	-	-	1,781,700	-	-	-	-	-	1,781,700
Release of funds to Applicants	(90,000)	-	(150,000)	-	(630,000)	(700,000)	-	(200,000)	(25,000)	-	(1,795,000)
Ending cash (including cash not available per Court Order)	263,933	263,933	113,933	113,933	1,265,633	565,633	565,633	365,633	340,633	340,633	340,633
<b>TOTAL AVAILABLE CASH</b>											
Applicant ending cash balance	12,998	20,598	30,998	36,398	27,698	10,998	22,298	26,598	38,898	23,198	23,198
Trust cash balance	263,933	263,933	113,933	113,933	1,265,633	565,633	565,633	365,633	340,633	340,633	340,633
Less: cash not available 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)
Available cash	176,931	184,531	44,931	50,331	1,193,331	476,631	487,931	292,231	279,531	263,831	263,831
<b>DIP Loan Reconciliation</b>											
Max. borrow on DIP	-	-	-	-	2,150,000	-	-	-	-	-	2,150,000
Opening balance	-	-	-	-	-	2,150,000	2,150,000	2,150,000	2,150,000	2,150,000	-
DIP Advance to Monitor	-	-	-	-	1,781,700	-	-	-	-	-	1,781,700
Principal repayments on DIP	-	-	-	-	-	-	-	-	-	-	-
Legal costs and closing fees	-	-	-	-	20,000	-	-	-	-	-	20,000
DIP fee payment to Access - 4.45%	-	-	-	-	95,675	-	-	-	-	-	95,675
DIP interest reserve held by Access - 11.75%	-	-	-	-	252,625	-	-	-	-	-	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

Jack Purdy  
President & Chief Executive Officer

Date

Aug 2 / 2012