

COURT FILE NUMBER 1103 18646  
COURT QUEEN'S BENCH OF ALBERTA  
JUDICIAL CENTRE EDMONTON



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

AND IN THE MATTER OF A PLAN  
OF COMPROMISE OR  
ARRANGEMENT 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)

FIAT: Let this Affidavit of John  
Kenneth Purdy be filed this 21<sup>st</sup> day  
of September 2012, notwithstanding that  
it is a PDF copy of the original

  
M.C.Q.B.A. **W.S. Schlosser**

**DOCUMENT**

**AFFIDAVIT OF JOHN KENNETH  
PURDY sworn on September 20,  
2012**

ADDRESS FOR SERVICE  
AND  
CONTACT INFORMATION  
OF  
PARTY FILING THIS  
DOCUMENT

Taylor Law Office  
Suite 401, 10722 – 103 Avenue  
Edmonton, Alberta  
T5J 5G7  
Attention: Conan J. Taylor  
Phone: (780) 428-7770  
Fax: (780) 428-7775

I, JOHN KENNETH PURDY (also known as "Jack Purdy"), businessman, of the County of Strathcona, in the Province of Alberta, MAKE OATH AND SAY THAT:

1. Since the last stay application on June 29<sup>th</sup>, 2012, the Applicants have undertaken substantial operational and restructuring activities, which I believe have maintained and improved the value of underlying assets and have substantially benefitted creditors and other stakeholders. What has become clear, however, is that more time will be required – likely in the nature of at least 6 months and into the next resort operating season before the Applicants will be in a position to finalize a compromise or Plan of Arrangement that I continue to believe will be acceptable to the Applicants' creditors and other stakeholders.
2. I believe that the following outstanding completion items are critical to the Applicants' success in developing an acceptable compromise or Plan of Arrangement:
  - (a) resolution of the dispute currently before the Court, between the Applicant Half Moon Lake Resort Ltd. and the County of Strathcona, which is anticipated to finalize and make certain a saleable form of Lease Agreement in respect of Half Moon Lake Resort ("HMLR") RV campsites,
  - (b) finalize the restoration of the Hawkeye Group of Properties to full operating capability, including the hospitality properties and marine and road gas facilities, under professional resort management and marketing;
  - (c) finalize the validity of claims that have been filed and disputed; and
  - (d) continuing marketing and sale initiatives in respect of Non-Core Properties in both Alberta and British Columbia.
3. I believe that if the Applicants are provided sufficient time to achieve the foregoing, the results will be of substantial benefit to creditors and other stakeholders, and will put the Applicants in a position to finalize a compromise or Plan of Arrangement acceptable to the Creditors and other stakeholders.
4. I have read the Seventh Report of the Monitor (the "7<sup>th</sup> Report"), which sets out in some detail the efforts currently being undertaken by the Applicants to move forward with and bring to conclusion the foregoing described outstanding completion items. I confirm that all statements and reporting I have made to the Monitor and upon which the Monitor has based its conclusions and recommendations as set out in the 7<sup>th</sup> Report have been made by me in good faith and I believe them to be true.
5. Over the past stay extension period, HMLR has been open for business, with all services available. The water treatment system has been operating and meeting all monitoring, reporting and test result requirements imposed by both Alberta Health and Alberta Environment. There is still outstanding work required for final completion of the waste water treatment system, but it is anticipated that it will be completed within the time frame being sought in the within stay extension application. In the meantime, HMLR has been successfully operating with an approved Code of Practice pump-out system. All this has taken a lot of personal work, commitment and knowledge that I believe is unique to myself in consultation with the professionals that have been assembled for this

undertaking. It is of great assistance having the knowledge that I have acquired over my 8 years of owning and operating HMLR.

6. As identified in paragraph 2(a) above, the significant outstanding matter with HMLR remains our limited ability to sell further RV campsites until such time as the dispute with the County of Strathcona concerning the permitted terms of the Campsite Lease Agreement are resolved. This matter is presently before the Court, and I am advised by our counsel that efforts are being undertaken to expedite the hearing of this matter. If we are successful in confirming a 35 year lease term with some reasonable renewal option provision, I believe that the benefit to creditors and other stakeholders will be significant, as the best value outcome for HMLR is not in operating it as a transient campground, but rather to market the individual sites as part of an owner occupied RV community. It is envisioned that professional management will be installed to further enhance the value of these assets.
7. By Order of the Honourable Associate Chief Justice J.D. Rooke dated August 10, 2012, the Applicants were granted Interim Financing in the amount of \$2,150,000.00. In support of the application for Interim Financing, I swore an affidavit filed in the within matter dated August 2, 2012 (the "Interim Financing Affidavit"). The Interim Financing Affidavit sets out the purpose and intended use of the Interim Financing funds, and should be read as additional support for the within stay extension application, as it speaks directly to efforts to be undertaken in respect of the matter raised in paragraph 2(b) above.
8. Unfortunately there was some delay in advance of Interim Financing funds, and this resulted in delays in moving forward with the Applicants' plans and intentions as set out and described in the Interim Financing Affidavit, specifically getting professional management and marketing in place for the hospitality side of the Hawkeye Group of Properties, and what I believe to be critical fuel operations and services. This also resulted in me having to divide my time between HMLR and the Hawkeye Group of Properties, leaving me with time challenges that delayed my ability to be as responsive to the Monitor as I would otherwise have liked to be. I believe this problem is resolved with professional management now in place for the Hawkeye Group of Properties, leaving me to focus my primary time on HMLR matters and giving me more time to deal with the myriad of arising administrative issues associated with the within CCAA process and working with the Monitor in developing a plan of arrangement and/or compromise for my creditors. Further, there are requirements of my time to deal with the regulatory and development approval and permitting processes to put certain of the Hawkeye development properties in a position where they may be developed and sold for the benefit of all creditors.
9. A Management Agreement has now been entered into with La Bella Vita Resorts Ltd. ("LBVR"), a copy of which is attached as Appendix "A" to the 7<sup>th</sup> Report. Given some of the work to be undertaken by LBVR pursuant to the terms of the Management Agreement, and subject to a Business Plan to be approved, it is likely that there will be expenditures on some of the Hawkeye Group of Properties subject to the Management Agreement and subject to the consent of the Monitor that will exceed the current maximum, both individual and aggregate, as set out in the Initial Order and further amended by Order of the Honourable Mr. Justice D.R.G. Thomas dated May 2<sup>nd</sup>, 2012. I believe that in order to achieve paragraph 2(b) above it may be necessary and is reasonable 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) as well as increasing the aggregate expenditures on all properties to \$1,000,000.00. The general nature of these expenditures is set out in more detail in my Interim Financing Affidavit.

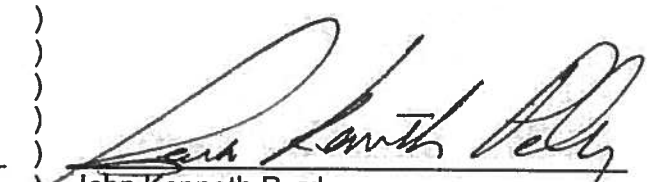
10. With respect to dealing with the validity of claims that have been filed and disputed, as raised in paragraph 2(c) above, until such time as these have been dealt with it will be difficult to fully determine how they may impact my companies restructuring options. I remain of the strong belief that the disallowances will be upheld, however, I believe these need to be dealt with in a timely manner in order to have some early certainty in this critical area. I agree and support the Monitor's recommendations as set out in the 7<sup>th</sup> Report for its procedure in dealing with disputed claims. Further, I am aware that there were two proof of claims totaling approximately \$77,000 (the "Late Claims") that were filed after the claims bar date that was explained in the 7<sup>th</sup> Report. I am currently reviewing these claims with the Monitor, but do not believe there would be any prejudice to the creditors, as a whole, if these Late Claims were accepted by this Honourable Court. For the reasons discussed in the 7<sup>th</sup> Report, I agree and support the Monitor's recommendation to accept the Late Claims.
11. I believe that substantial progress has been made over the timeframe of the past extension towards building the strong foundation for a proposal to Creditors. However, given the complexity of issues and the number of property and business assets involved, and the issues raise in this affidavit and the 7<sup>th</sup> Report, continuing time is still required to allow the Applicants, with the assistance of the Monitor, to complete their restructuring efforts and to put forward a meaningful compromise or Plan of Arrangement.
12. Attached to this my affidavit as Exhibit "A" is a copy of the Applicants' Actual to Forecast Cash Flow Results for the period July 21<sup>st</sup>, 2012 to September 7, 2012, and a copy of the Projected Cash Flow Statement for the period of September 8, 2012 to December 21, 2012 (the "Forecast Period").
13. I believe that the Projected Cash Flow Statement is reasonable and achievable. I further believe that the Applicants have sufficient available cash to meet their current obligations through the Forecast Period.
14. I believe that the Stay Extension is necessary for the Applicants in furtherance of their restructuring initiatives, and to develop a compromise or Plan of Arrangement acceptable to their creditors.
15. I continue strongly to believe that any forced sale strategies would certainly result in a substantial reduction in realizations, would negatively impact the nature of any potential compromise or Plan of Arrangement presently being undertaken by the Applicants, and would certainly be to the significant detriment of all creditors and other stakeholders.
16. The Applicants are acting in good faith and with due diligence, and in the best interests of their creditors.
17. I remain confident and believe that the Applicants will be able to make a viable proposal if more time is made available.
18. I believe that no creditor will be materially prejudiced if the extension being applied for is granted.

19. I make this Affidavit in support of an application for an amendment of paragraph 13 of the Initial Order dated December 1, 2011, as further amended by the Orders of the Honourable Mr. Justice D.R.G. Thomas dated December 20<sup>th</sup>, 2011, and February 15<sup>th</sup>, May 2<sup>nd</sup>, and June 29<sup>th</sup>, 2012, extending the "Stay Period" from September 28<sup>th</sup>, 2012 to December 21<sup>st</sup>, 2012; for an order amending paragraph 6(a) of the Initial Order, as subsequently amended by Order of the Honourable Mr. Justice D.R.G. Thomas dated May 2<sup>nd</sup>, 2012, to increase the maximum expenditure for any one property in the Hawkeye Group of Properties from \$100,000.00 to \$250,000.00 and the maximum amount in aggregate from \$500,000.00 to \$1,000,000.00; and the acceptance of the Late Claims as discussed and defined in the 7<sup>th</sup> Report

SWORN BEFORE ME at Edmonton, Alberta,  
this 20<sup>th</sup> day of September, 2012.



Name: Orest Konowalchuk  
Expiry Date: June 22, 2015  
Commission of Oaths in and for the Province  
of Alberta



John Kenneth Purdy

**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
<b>Operating receipts</b>			
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)
<b>Total operating receipts</b>	<b>309,900</b>	<b>185,515</b>	<b>(124,385)</b>
<b>Funds received from Monitor's Trust</b>	<b>-</b>	<b>253,933</b>	<b>253,933</b>
<b>Funds received from DIP Loan</b>	<b>1,570,000</b>	<b>-</b>	<b>(1,570,000)</b>
<b>Total receipts</b>	<b>1,879,900</b>	<b>439,448</b>	<b>(1,440,452)</b>
<b>Operating Disbursements</b>			
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
<b>Total operating disbursements</b>	<b>1,410,200</b>	<b>267,486</b>	<b>1,142,714</b>
<b>Restructuring professional fees</b>	<b>450,000</b>	<b>153,717</b>	<b>296,283</b>
<b>Total disbursements</b>	<b>1,860,200</b>	<b>421,203</b>	<b>1,438,997</b>
<b>Net change in Applicant cash</b>	<b>19,700</b>	<b>18,244</b>	<b>(1,456)</b>

<b>APPLICANT CASH BALANCE</b>			
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)

<b>FUNDS HELD IN TRUST BY MONITOR</b>			
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)

<b>TOTAL AVAILABLE CASH</b>			
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)	-
	487,931	20,842	(467,089)
Available cash	487,931	20,842	(467,089)

This is exhibit 'A' referred to in the affidavit  
of John Kenneth Purdy sworn before me  
this 20 day of September, A.D. 2012

Jack Purdy  
President & Chief Executive Officer

the 20 / 2012

Purdy Group of Companies  
 Projected Cash Flow Statement  
 For the period of September 8, 2012 to December 21, 2012 (the "Forecast Period")  
 (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 43 to 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
<b>Operating receipts</b>																
Fishpath trade sales and rental receipts	1,500	1,500	1,500	-	-	-	-	-	-	-	-	-	-	-	-	4,500
Hill 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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other receipts	-	1,191	-	-	-	80,000	-	-	-	-	-	-	-	-	-	81,191
<b>Total operating receipts</b>	<b>6,500</b>	<b>7,691</b>	<b>5,000</b>	<b>500</b>	<b>500</b>	<b>80,500</b>	<b>500</b>	<b>500</b>	<b>500</b>	<b>500</b>	<b>500</b>	<b>500</b>	<b>500</b>	<b>500</b>	<b>500</b>	<b>85,191</b>
<b>Funds received from Interim Financing</b>	<b>567,000</b>	<b>150,000</b>	<b>310,000</b>	<b>100,000</b>	-	-	-	50,000	115,947	-	-	-	-	-	100,000	<b>1,392,947</b>
<b>Total receipts</b>	<b>673,500</b>	<b>157,691</b>	<b>315,000</b>	<b>100,500</b>	<b>500</b>	<b>80,500</b>	<b>500</b>	<b>50,500</b>	<b>116,447</b>	<b>500</b>	<b>500</b>	<b>500</b>	<b>500</b>	<b>500</b>	<b>100,500</b>	<b>1,478,138</b>
<b>Operating Disbursements</b>																
Fishpath expenses	900	900	900	-	-	-	-	-	-	-	-	-	-	-	-	2,700
Hill 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	-	-	-	-	4,500	-	-	-	-	-	-	-	-	-	-	-
Management fees, wages and salaries	4,500	-	5,000	-	-	5,000	-	-	4,500	-	5,000	-	4,500	-	5,000	38,000
Half Moon Lake Capital Costs	567,000	-	15,000	10,000	-	-	-	-	-	-	-	-	-	-	-	587,000
BC Crown redemption property tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	25,000
Remainder BC property tax	-	138,000	-	-	-	-	-	-	-	-	-	-	-	-	-	138,000
Contingency - Non Banfield	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	7,500
LBVR Management agreement set aside funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ostrom fuel improvements	-	-	-	100,000	-	-	-	50,000	-	-	-	-	-	-	100,000	250,000
<b>Total operating disbursements</b>	<b>576,900</b>	<b>151,400</b>	<b>32,400</b>	<b>110,900</b>	<b>5,400</b>	<b>900</b>	<b>5,900</b>	<b>50,900</b>	<b>5,400</b>	<b>900</b>	<b>5,900</b>	<b>900</b>	<b>5,400</b>	<b>900</b>	<b>105,900</b>	<b>1,080,000</b>
<b>Restructuring professional fees</b>																
- Monitor	-	-	175,000	-	-	-	-	-	75,000	-	-	-	-	-	-	250,000
- Company Counsel	-	-	100,000	-	-	-	-	-	25,000	-	-	-	-	-	-	125,000
- Monitor Counsel	-	-	35,000	-	-	-	-	-	25,000	-	-	-	-	-	-	80,000
<b>Total restructuring professional fees</b>	<b>-</b>	<b>-</b>	<b>310,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>125,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>435,000</b>
<b>Total disbursements</b>	<b>576,900</b>	<b>151,400</b>	<b>342,400</b>	<b>110,900</b>	<b>5,400</b>	<b>900</b>	<b>5,900</b>	<b>50,900</b>	<b>130,400</b>	<b>900</b>	<b>5,900</b>	<b>900</b>	<b>5,400</b>	<b>900</b>	<b>105,900</b>	<b>1,495,000</b>

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)	(4,992)	(400)	(5,400)	(16,862)
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APPLICANT CASH BALANCE

Operating 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	9,380	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)	(4,992)	(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	

FUNDS HELD BY MONITOR

Operating Cash	100,000	1,325,947	1,175,947	885,947	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	1,792,947	-	-	(100,000)	-	-	-	(50,000)	-	-	-	-	-	-	-	1,792,947
Release of funds to LBVR	(567,000)	(150,000)	(310,000)	-	-	-	-	-	(115,947)	-	-	-	-	-	-	(250,000)
Release of funds to Applicants	1,225,947	(150,000)	(310,000)	(100,000)	-	-	-	(50,000)	(115,947)	-	-	-	-	-	-	(1,142,947)
Ending cash	1,325,947	1,175,947	885,947	765,947	765,947	765,947	765,947	715,947	600,000	600,000	600,000	600,000	600,000	600,000	600,000	500,000

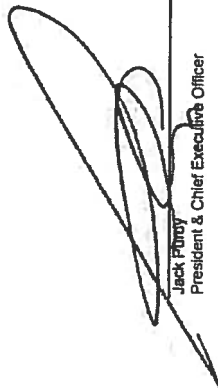
This is exhibit A referred to in the affidavit sworn before me on the day of September, A.D. 2012

**TOTAL AVAILABLE CASH FOR GENERAL RESTRUCTURING**

Applicant ending cash balance	17,442	23,733	(3,687)	(14,067)	(18,967)	40,633	35,233	34,833	20,880	20,480	15,080	14,680	9,780	9,380	3,980
Total Funds held by Monitor	1,325,947	1,175,947	885,947	765,947	765,947	765,947	765,947	715,947	800,000	800,000	800,000	800,000	600,000	600,000	500,000
Less: Funds held for LBVR Agreement	(850,000)	(850,000)	(850,000)	(550,000)	(550,000)	(550,000)	(550,000)	(500,000)	(500,000)	(500,000)	(500,000)	(500,000)	(500,000)	(500,000)	(400,000)
Cash held in trust per Court Order	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(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	0	0
Cash available for general restructuring	593,359	449,680	112,260	101,880	96,980	145,550	151,180	150,780	20,880	20,480	15,080	14,680	9,780	9,380	3,980

**DIP Loan Reconciliation**

Max borrow on DIP	2,150,000														
DIP Advance to Monitor	-	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	2,150,000
Principal repayments on DIP	1,792,947														1,792,947
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	2,150,000	2,150,000

  
 Jack Pinsky  
 President & Chief Executive Officer

SEP 20/2013  
 Date

This is exhibit 'A' referred to in the affidavit  
 of John Kenneth Purdy sworn before me  
 this 20 day of SEPTEMBER, A.D. 20 12