

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

Clerk's Stamp



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)

DOCUMENT

**AFFIDAVIT OF JOHN KENNETH  
PURDY sworn on August 2, 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. I, either directly or through holdings companies, legally and beneficially own and control 100% of the voting shares, and I am the sole Director, of all the Applicants in these proceedings, and as such I have personal knowledge of the facts and matters hereinafter deposed to save and except where stated to be based on information and belief and where so stated I verily believe the same to be true.

## **REQUIREMENT FOR INTERIM FINANCING**

2. The Applicants have continued to work diligently, with the assistance of Alvarez & Marsal Canada Inc. (the "Monitor"), to finalize the formalization of a go-forward plan and overall restructuring of the Applicants' property and business assets so as to put in place a compromise or plan of arrangement (the "Plan") that I continue to believe will be in the best interest of and acceptable to the Applicants' creditors and other stakeholders.
3. Substantial progress is being made in restructuring the operations, however given the magnitude of the creditor claims received, the business issues and decisions being faced by the Company and the number of properties and business assets involved in these proceedings are complex. These issues, coupled with certain important payments that need to be made by the Company (as discussed further below) requires the need for interim financing ("DIP Financing") and this is critical for the Applicants to preserve properties and to continue its restructuring efforts while it resolves these matters which will allow them to put forward a meaningful Plan. .
4. Subject to this Honourable Court's approval, and with the full support of the Monitor, three of the Applicants have agreed to terms with Axxess Capital Partners Inc. for a "DIP" Loan in the amount of \$2,150,000.00 (the "DIP Loan"). Attached hereto and marked as Exhibit "A" to this my Affidavit is an executed copy of the term sheet respecting the DIP Loan.

## **PURPOSE OF DIP LOAN PROCEEDS**

5. The purpose and amount of the DIP Loan has been carefully considered so as to ensure that those monies are put to the most effective use on behalf of the creditors.

### **A. ARREARS OF PROPERTY TAXES**

6. As a result of the outstanding property taxes owing on British Columbia properties, 19 of the Applicants' properties have forfeited to the BC Crown subject to the right of redemption by the Applicants. I am advised by my counsel, and believe it to be true that, in respect of 12 of these properties, the Applicants have until November 30<sup>th</sup>, 2012, in respect of 7 of these properties the Applicants have until November 30<sup>th</sup>, 2013, and in respect of 3 of these properties the Applicants have until November 30<sup>th</sup>, 2014, to pay the property taxes and upon so doing, the properties will revert back into the name of the Applicant. Other properties have property tax arrears and will forfeit if arrears are not paid. It is therefore the Applicants' intention to utilize approximately \$700,000 to \$800,000 from the DIP Loan proceeds towards payment of these arrears of taxes to prevent the properties from irrevocably forfeiting to the Crown. It is the Applicants'

primary concern to ensure that these properties are redeemed to protect their interest in the properties, which is critical to a successful restructuring;

## **B. BAMFIELD OPERATING RESORT PROPERTIES**

7. Hawkeye Marine Group is the trade name under which the BC resort properties operate and consists of 2 hotels, 4 marinas, 7 lodges, an airport and 6 other pieces of development lands, including 2600 feet of ocean frontage lands and 5 other parcels (approximately 100 acres in total) located in Port Alberni, and at the western end of the Alberni Canal, in the west coast fishing town of Bamfield, Vancouver Island, British Columbia.
8. Within the Hawkeye Marine Group, the cornerstone of the Applicants' restructuring effort, is the unique group of operating or operable resort properties that make up the Hawkeye Operating Resort Properties ("Hawkeye"), including the Bamfield Trails lodge, which houses the area's only restaurant and liquor service facility, 4 marinas, one other inn, 4 lodges and 2 fuel service facilities.
9. Together, Hawkeye forms the 'heartbeat' of the town of Bamfield which is known as a world class fishing destination and provides food, beverage, lodging, transportation, and fuel services in the area. As a result, these assets enjoy the full support and recognition of the Town's residents as a core provider of services that are directly linked to the Town's ability to attract tourists and other visitors to the area.
10. As indicated in Panterra AB Holdings Inc.'s original report (the "Panterra 1<sup>st</sup> Report"), which was appended as an exhibit to an earlier affidavit of mine dated June 27, 2012, Bamfield has very limited alternative fuel dispensing services available for automotive or recreational and commercial fishing boats. Hawkeye has existing fuel facilities capable of selling in excess of one million litres annually and the Panterra 1<sup>st</sup> Report has identified the restart of the fuel services as an income generating asset for Hawkeye that should immediately be put into operation. Not only will this generate cash flow, but will also generate additional revenue opportunities for the other facilities and services of Hawkeye, including the marinas, lodging, food and beverage operations.
11. As a destination renowned for its recreational and commercial fishing and boating activities, the value of fuel services in two fully operational marinas and upgraded and modernized lodging for the community which is to the ultimate benefit of the Applicants and its creditors, cannot be overestimated. It is for this reason that the Applicant, with the concurrence of the Monitor is seeking the DIP Loan proceeds to facilitate the start up of the fuel operations and improve lodging and food and beverage operations of Hawkeye.
12. It is estimated that the Applicants will need between \$450,000 and \$550,000 for this purpose.

### **C. PROFESSIONAL RESORT MANAGEMENT AND PHASE 2 OF THE PANTERRA ENGAGEMENT**

13. The Applicants' shut down the Hawkeye operations approximately 2 years ago and as a result Hawkeye deteriorated significantly and generally fell into a state of disrepair. Although the Applicants have been managing the restart of the operations on their own, they recognize that they do not have the necessary expertise to further the operating capabilities and profitability of the resort, and have therefore, re-evaluated the management strategy respecting these key properties in furtherance of the restructuring effort and ultimate Plan. In doing so, the Applicants have decided to engaged a professional resort management company. La Bella Vita Resorts Ltd. ("LBVR") has agreed to assume the role of general operations manager of Hawkeye subject to this Honourable Court's approval of the DIP Loan. Attached as Exhibit "B" to this my Affidavit, is a copy of the letter of intent executed by Armac Investments Ltd. (B.C.) ("Armac BC") and LBVR.
14. LBVR is an Alberta based, resort development, management and property marketing organization with its head office located in Calgary. It also has branch offices located in Puerto Panasco, Mexico, and a third branch office located in Canmore, Alberta. This organization has over 60 years of experience in real estate development, construction, property management and operations. Funds are required to cover the cost of LBVR's proposed contract for the initial term of one year. In conjunction with LBVR's engagement, its related company, Panterra, will be providing the Applicants with the Phase 2 property assessment report.
15. It is the Applicants' belief that LBVR will bring the necessary expertise and qualifications required to revive the Applicants' key property assets primarily by way of a targeted approach in two main areas: fuel sales and lodging. In addition, this will allow me to further concentrate my efforts, on behalf of the Applicants, on other matters regarding this CCAA process including such matters as the Half Moon Lake Resort operation as well as focusing much attention on finalizing my review of the proof of claims received (with the Monitor) and preparing and finalizing the Plan.
16. It is estimated that the Panterra's Engagement and LBVR's services for one year and for the Phase 2 Report, will be approximately \$200,000.

### **D. BALANCE OF DIP LOAN**

17. The balance of the DIP loan proceeds will be used to pay fees on the DIP Loan, provide an interest reserve, and for general restructuring purposes as required and as set out in the cash flow forecast attached as Exhibit "C" to this my Affidavit.

### **ASSISTANCE OF MONITOR**

18. Currently, cash received from external, non-operating sources has been administered by the Monitor in order to assist in the utilization and control of cash resources.
19. The DIP Loan requires funding be directed to the Monitor to be used or held by the Monitor or forwarded to the Applicants to be utilized for purposes consistent with the DIP Loans that is laid out in the cash flow forecast and as approved by the Monitor. The

Applicants have had discussions with the Monitor and requested the Monitor continue to assist with the oversight of non-operating cash funds and specifically has agreed that proceeds from the DIP loan should be directed to the Monitor as set out in the DIP Loan.

20. In addition, the Applicants had discussions with the Monitor with respect to assisting in the preparation and dissemination of financial statements that continue to be outstanding and any other financial information that may need to be completed by the Applicants as required by Court and/or for restructuring purposes. The Applicant's believe it is necessary to have additional assistance from the Monitor to help prepare, direct and disseminate financial statements and/or information for the Purdy Group to allow for greater efficiencies to occur as the Applicants attempt to focus more of its efforts on restructuring duties.
21. The Applicants also had discussions with the Monitor with respect to assisting the Applicants in being in contact with the Canada Revenue Agency ("CRA") and helping filing its tax returns. Again, the Applicants believe it is necessary to allow the Monitor to have full access to CRA with respect to obtaining any and or all information to assist the Applicants with its tax returns and other tax information.
22. The Applicants agree that the Monitor's powers should be enhanced to provide for control and use of these cash proceeds as described above and over certain cash flow and financial statement reporting.

## **CONCLUSION**

23. I believe that the DIP Loan is critical for the Applicants in ensuring that both the present and future restructuring initiatives are completed and to furthering the ultimate goal of developing a Plan acceptable to their creditors.
24. I believe that the amount of the loan is appropriate and represents the estimated amount necessary having regard to the Applicants' updated cash flow forecast attached to this affidavit, and use to enhance the prospects of a viable Plan to be made in respect of the Applicants.
25. I believe that the Applicants' need for this DIP Loan is urgent and immediate for the following reasons which have been outlined previously in this Affidavit:
  - a. Payment of arrears of taxes on some of the Applicants' B.C. properties is necessary in order to prevent those properties from reverting to the Provincial Government and thereby protecting any interest the Canada Revenue Agency ("CRA") and other creditors may have in those properties;
  - b. Financing is required to fund the cost of the Phase 2 Report and to engage the services of LBVR as its independent resort management company; and,
  - c. Financing is required to fund further operational improvements on Hawkeye and its hospitality properties, as well as to start up the much needed fuel operations.

All of which is further set out and detailed in the Monitor's Sixth Report.


In summary, I believe that there is significant value and potential in the property assets referenced above, and the Applicants have retained professional managers and consultants to craft an appropriate development strategy. I believe that the DIP Loan represents the minimum amount necessary to undertake the proposed improvements and development, calculated in accordance with a clearly identified purpose and the Monitor's Sixth Report. I believe that the Applicants' primary secured creditors, Axxess Capital Partners Inc. and the CRA, are supportive of our application brought before this Honourable Court, and that no creditor will be materially prejudiced as a result of the granting of a security or charge in favour of the Lender. To the contrary, I believe that the DIP Loan will significantly improve the position of all parties to this Action whose interests are tied to the value of the Applicant properties.

SWORN BEFORE ME at Calgary, Alberta, this  
2 day of August, 2012.



A Commissioner for Oaths in and for  
The Province of Alberta

*O. KONOWALCHUK*  
COMMISSION EXPIRES: JUNE 22, 2015

  
John Kenneth Purdy



This is exhibit 'A' referred to in the affidavit  
of Sonu Kameta Puri sworn before me  
this 2 day of August, A.D. 2012

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.

www.accesscapital.com

- 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

Access Capital



UB

2



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

Two handwritten signatures are present at the bottom right of the page. The first signature is a stylized 'UP' and the second is a cursive signature.

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.

ARROW CAPITAL



Handwritten signature/initials, possibly "WB" and a circular mark.

**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*, Axxess 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. Buterman"

Wm J Buterman

Per: Axxess Capital Partners Inc.

**ACCEPTANCE:**

The Borrower(s) further acknowledges that the Due Diligence fee set forth herein is a reasonable estimate of Axxess' 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	QIS Taxes at July 4, 2012	2012 Property Tax Assessment	Status	Mortgagor, Amount and Date	Other encumbrances
<b>BC PROPERTIES</b>							
<b>Port Alberni</b> 7382 Rincon Rd (Sprout Lodge)	Parcel: 000-286-885; Lot 6; District Lot 39; Alberni District; Plan 1877  Roll: 05 770 00722.500	8.7 acres	The BC Crown (Amac 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 Amac security); 2) Crown of Canada - Judgement (Aug.2003); 3) Kiri Galavan - CPL (Sept.1906) 4) Crown of BC - property tax transfer (Mar 9/10) 5) B. Loewen - Judgement - (Apr.23/10)
<b>Bamfield</b> 75 Bamfield Boardwalk (Bamfield Inn)	Parcel: 000-204-315; Lot 3, Section 19; Bamfield District; Plan 38032  Roll: 05 0770 02830.005	0.83 acres	The BC Crown (Amac Investment Ltd. (BC))	53,377.81	657,000.00	Forfeited to Province for unpaid property taxes	1) Crown of Canada (Aug.2003) - Judgement 2) Business Development Bank - CPL - (Feb.2006) 3) K. Galavan - CPL - (Sept.1906)
448 Seaboard Rd. (Ostroms Marine)	Parcel: 008-594-015 Block A of SW 1/4 section 20, Twn 1; Bamfield District except part in Plan 19909  Roll: 05 770 02879.000	1.72 acres	The BC Crown (Amac Investment Ltd. (BC))	66,129.91	837,500.00	Forfeited to Province for unpaid property taxes	1) Crown of Canada (Aug.2003) - Judgement 2) K. Galavan - CPL - (Sept.1906) 3) Montreal Trust Company (Nov 12/71) 3) 446208 BC Limited (Sept.29/96)
448 Seaboard Road (Ostroms Marine)	Parcel: 003-706-311; Lot 1; Section 20; Twn 1; Plan 19909; Bamfield District  Roll: 05 770 02878.010	0.28 acres	The BC Crown (Amac Investment Ltd. (BC))	7,708.11	141,000.00	Forfeited to Province for unpaid property taxes	1) Crown of Canada (Aug.2003) - Judgement 2) K. Galavan - CPL - (Sept.1906)
450 Rance Island (Rance Island)	Parcel: 006-249-540; Lot 1; Section 20; Twn 1; Plan 3047; Bamfield District  Roll: 05 770 02881.000	6.8 acres land 840sq ft. building	The BC Crown (Amac Investment Ltd. (BC))	27,425.24	697,000.00	Forfeited to Province for unpaid property taxes	1) Crown of Canada (Aug.2003) - Judgement 2) K. Galavan - CPL - (Sept.1906)

228

228

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 Birnie Road (Upper Bayhouse)	Parcel: 000-977-179; 3.01 acres Lot C; Section 20; Twn 1; Plan 38547; Barclay District; except part in Plan VPS4368 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 against Armac security) 2) Crown of Canada (Aug. 20/03) - Judgement 2) K. Galavan - CPL - (Sept. 19/06)	1) Crown of Canada (Aug. 20/03) - Judgement 2) K. Galavan - CPL - (Sept. 19/06)
452 Seaboard Rd. (The Bay House)	Parcel: 017-801-231; 2.28 acres Lot 1; Section 20; Twn 1; Plan VPS4368; 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 against Armac security); 2) Crown of Canada (Aug. 20/03) - Judgement 2) K. Galavan - CPL - (Sept. 19/06)	1) Crown of Canada (Aug. 20/03) - Judgement 2) K. Galavan - CPL - (Sept. 19/06)
251 Frigate Road (Bamfield Road Junction - 251) (LP 5)	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 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)
216 Frigate Rd. (LP 3)	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 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)
331 Bamfield/221 Nutchatch Rd	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)
200 South Bamfield Road	Parcel: 001-018-507; Plan 38280; Lot 1; Section 18; Township 1; Barclay district assessments) Roll: 05 770 02771.000	Armac Investment Ltd. (undivided 1/2 interest)	25,106.63	1,021,950.00	In Forfeiture, 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. 8/10) 5) B. Loewen - Judgement (July 8/11) 6) lax lien - Crown of BC (Sept. 19/11)

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	Mortgages, 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)	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 8/11) 5) tax lien - Crown of BC (Sept. 19/11)
226 Frigate Road Parcel: 000-282-553; Lot 2; Section 20; Twn 1; Plan 34316; Barclay District	1.4 acres (Trails Motel) + Land	The BC Crown (Fishpath Resorts Corporation)	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. 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)	
Roll: 05 770 02771.000							
Roll: 05 770 02890.005							
Total B.C. Properties			\$ 421,901.23	\$ 8,257,400.00			

## 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.**

This is exhibit 'B' referred to in the affidavit  
of John Kenneth Purdy sworn before me  
this 2 day of AUGUST, A.D. 20 12

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.**

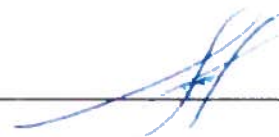
per:

A handwritten signature in blue ink, appearing to be "SLP", is written over a horizontal line.

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

**La Bella Vita Resorts Ltd.**

per:

A handwritten signature in blue ink, appearing to be "H", is written over a horizontal line.



This is exhibit 'C' referred to in the affidavit  
of John Kenneth Purdy sworn before me:

this 2 day of August, A.D. 20 12

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
Total operating receipts	36,100	36,100	36,100	36,100	28,500	68,500	68,500	58,500	58,500	58,500	485,400
<b>Funds received from DIP Loan</b>											
	90,000	-	150,000	-	630,000	700,000	-	200,000	25,000	-	1,795,000
<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
Total operating disbursements	115,700	28,500	25,700	30,700	367,200	785,200	57,200	154,200	71,200	74,200	1,709,800
<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
Total restructuring professional fees	-	-	150,000	-	300,000	-	-	100,000	-	-	550,000
<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	1,151,700	(700,000)	-	(200,000)	(25,000)	-	(13,300)

<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)
	163,933	163,933	13,933	13,933	1,165,633	465,633	465,633	265,633	240,633	240,633	240,633
Available cash	<b>176,931</b>	<b>184,531</b>	<b>44,931</b>	<b>50,331</b>	<b>1,193,331</b>	<b>476,631</b>	<b>487,931</b>	<b>292,231</b>	<b>279,531</b>	<b>263,831</b>	<b>263,831</b>

<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