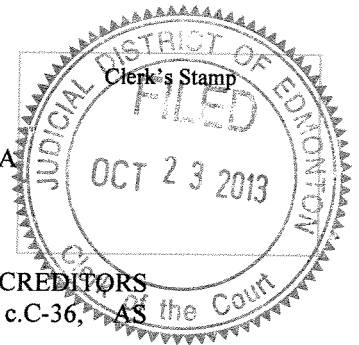


COURT FILE NUMBER 1103-18646  
COURT COURT OF QUEEN'S BENCH OF ALBERTA  
JUDICIAL CENTRE EDMONTON  
APPLICANTS IN THE MATTER OF THE COMPANIES' CREDITORS  
ARRANGEMENT ACT, R.S.C. 1985, c.C-36, AS  
AMENDED



AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGMENT OF ARMAC INVESTMENTS LTD. (AB), LAKE EDEN PROJECTS INC. (AB), 1204583 ALBERTA INC. (AB), 1317517 ALBERTA INC. (AB), WESTRIDGE PARK LODGE DEVELOPMENT CORP (AB), and WESTRIDGE PARK LODGE AND GOLF RESORT LTD. (AB), HALF MOON LAKE RESORT LTD. (AB), NO. 50 CORPORATE VENTURES LTD. (BC), FISHPATH RESORTS CORPORATION (BC), ARMAC INVESTMENT LTD. (BC), OSTROM ESTATES LTD. (BC), HAWKEYE MARINE GROUP LTD. (BC), JUBILEE MOUNTAIN HOLDINGS LTD. (BC), GIANT MOUNTAIN PROPERTIES LTD. (BC), and CHERRY BLOSSOM PARK DEVELOPMENT CORP (BC) (collectively, the "Purdy Group" or the "Applicants")

DOCUMENT

**EIGHTEENTH REPORT OF THE MONITOR**

**OCTOBER 23, 2013**

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT

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## INTRODUCTION

1. On December 1, 2011, the Purdy Group sought and obtained protection from its creditors under the Companies' Creditors Arrangement Act, R.S.C. 1985, c.C-36, as amended (the "CCAA") pursuant to an order of the Court of Queen's Bench of Alberta ("Court") (the "Initial Order").
2. Pursuant to the Initial Order, Alvarez & Marsal Canada Inc. was appointed monitor of the Purdy Group (the "Monitor").
3. The purpose of this Eighteenth report of the Monitor (the "Eighteenth Report") is to provide the Court with an update in respect of the following:
  - a) operational and restructuring activities since the fifteenth report of the Monitor (the "Fifteenth Report");
  - b) the claims process since the thirteenth report of the Monitor (the "Thirteenth Report");
  - c) the actual to forecast cash flow results for the period from August 24, 2013 to October 11, 2013 (the "Reporting Period");
  - d) the revised cash flow projections (the "Updated Forecast") from October 12, 2013 through December 6, 2013 (the "Forecast Period") and the Monitors request that the Court declare that Division 4 Part 6 of the *Rules of Court* does not apply and that the related Appendix C (the "Confidential Appendix C") be temporarily sealed until further Order of this Honourable Court.
  - e) the settlement of the Lake Eden claim as discussed in first report of the Monitor (the "First Report") and proposed Consent Order;
  - f) the Monitor's application for approval and passing of its accounts and the accounts of its counsel;

- g) the Purdy Group's request for an extension to the current stay period until, and including December 4, 2013; and
  - h) the Monitor's recommendations.
- 4. Capitalized terms not defined in this Eighteenth Report are as defined in the Initial Order, the First Report, the Second Report, the Third Report, the Fourth Report, the Fifth Report, the Sixth Report, the Seventh Report, the Eighth Report, the Ninth Report, the Tenth Report, the Eleventh Report, the Twelfth Report, the Thirteenth Report, the Fourteenth Report, the Fifteenth Report, the Sixteenth Report, the Seventeenth Report, the Claims Procedure Order, the Dispute Procedural Order, the Sale Order and the Ocean Front Property Sale Order.
- 5. The style of cause has either an (AB) or (BC) after each of the corporate Applicant company names. The Monitor understands this was done to indicate in which province the corporate applicants are located, and that those letters do not form a part of the legal name of the company. There are two different corporate entities with the name Armac Investments Ltd, one is a British Columbia ("B.C.") corporation and the other is an Alberta corporation ("AB").
- 6. All references to dollars are in Canadian currency unless otherwise noted.

#### **TERMS OF REFERENCE**

- 7. In preparing this Eighteenth Report, the Monitor has relied upon unaudited financial information, company records and discussions with management of the Purdy Group. The Monitor has not performed an audit, review or other verification of such information. An examination of the financial forecast as outlined in the Canadian Institute of Chartered Accountants ("CICA") Handbook has not been performed. Future oriented financial information relied upon in this report is based on management's assumptions regarding future events and actual results achieved will vary from this information and the variations may be material.

## BACKGROUND

8. The Purdy Group is a group of privately-held companies engaged in the business of property acquisition, development and sale in the provinces of Alberta and British Columbia, as well as the management of operating businesses on the lands. The primary assets are geographically located mainly on the West Coast of Vancouver Island, British Columbia and in or around Edmonton, Alberta.
9. The Purdy Group entities are owned 100% by its sole owner, director and officer, Mr. John (Jack) Kenneth Purdy (“Jack Purdy”), either directly or through holding companies, legally and beneficially. Jack Purdy is operating under the proposal provisions of the BIA and has presented a proposal to his creditors. Alvarez and Marsal Canada Inc. is also the Proposal Trustee. The meeting of creditors to consider the proposal was held on June 22, 2012 and the meeting was adjourned to October 9, 2012. At that meeting, the creditors voted to further adjourn the meeting to January 25, 2013 at the same time and place and at this meeting the creditors again adjourned the meeting for further investigation into the affairs of Jack Purdy to February 20, 2013 at 10:00 am at the offices Dentons Canada LLP (“Dentons”), formerly Fraser Milner Casgrain LLP. The February 20, 2013 meeting was further adjourned until May 16, 2013 at 4:00 pm at the offices of Dentons. The May 16, 2013 meeting was adjourned to within ten days of the next stay extension expiry of July 26, 2013. The July 26, 2013 meeting was then adjourned to within ten days of the next stay extension expiry October 25, 2013 at 10:00 am at the offices of Dentons.
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 ten reports of the Monitor. These documents, together with other information regarding this CCAA proceeding, have been posted by the Monitor on its website at: [www.amcanadadocs.com/purdy](http://www.amcanadadocs.com/purdy).

## OPERATIONAL UPDATE

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

#### LBVR Agreement

11. As previously reported, on September 17, 2012 (the “Effective Date”), LBVR took over management responsibility for the Hawkeye Group Properties. The term of the agreement (the “Agreement”) expires one (1) full year following the Effective Date or upon completion of the CCAA proceeding, whichever comes first. The Agreement will automatically renew unless either party gives written notice within 60 days from the Effective Date that it wishes to terminate the Agreement. The Monitor is not aware that either of the parties have terminated the Agreement within the 60 day period and the Agreement continues to be in effect for another one year. The assets of the Hawkeye Group Properties consist of three properties in Port Alberni, B.C. and 16 properties in Bamfield, B.C. (as are fully described in Schedule A to the Management Agreement, included as an appendix to the Seventh Report).
12. Since the Fifteenth Report, LBVR was advanced a further \$27,000 by the Applicants (the “Advance”), which together with previous advances aggregates to a total advance since the Effective Date of \$837,000 (the “Set Aside Funds”). The Monitor was advised that the Advance was funded by the Applicants receiving a portion of the sale proceeds from the purchaser of the three properties owned by Armac BC, Giant Mountain properties Ltd. (“Giant”) and Jubilee Mountain Holdings Ltd. (“Jubilee”) (collectively, the “Giant Mine Properties”) located on Giant Mine Road, in Invermere, British Columbia (the “Giant Mine Loan”).
13. Any operating costs, LBVR management fees and property taxes for the Hawkeye Group Properties must be funded from its operations and any surplus cash flow will be utilized by LBVR for further capital improvements. Accordingly, no

receipts and disbursements respecting the Hawkeye Group Properties are included in the actual to forecast cash flows attached as Appendix B.

LBVR, in conjunction with the Applicants and the Monitor, is preparing an operating budget for the six month period November 1 to April 30. This period is the “off-season” and while the operating budget is not finalized, the draft budget indicates that the Bamfield/Hawkeye Marine Group will operate at a loss in the range of \$160,000 to \$200,000 and will require funding from the Applicants to continue the operations and preserve the properties during that time frame. It is anticipated that the funding will come from the sale of properties.

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

14. The Applicants had forecast that Half Moon would sell two lots for a total of approximately \$100,000 during the Reporting Period. The Applicants advise that these lot sales did not transpire in the Reporting Period and that they continue their efforts to sell lots.
15. The resort is now closed for the season and receipts and disbursements are minimal. It is projected that Half Moon will operate on a break-even cash basis for the coming months. Operating expenses during the off season to winterize and operate the resort through to December 6, 2013 should be minimal as set out in the Updated Forecast (Appendix C). Some of these expenses are defrayed by monthly maintenance fees to be received from Half Moon leaseholders, which are reflected in the Updated Forecast.
16. The 2013 property taxes outstanding of approximately \$21,000 remain outstanding and the Monitor has been advised by the Applicants that payment of the property taxes will be made through the refinancing of the Applicants as the Applicants seek a sponsor for their plan to their creditors.
17. The Monitor recently became aware that of the \$150,758 paid as “Half Moon” expenses (disclosed in Appendix A to this Report), approximately \$13,000 relates to Hawkeye Group Properties related expenses including zoning application fees.

Disbursements in prior periods were also made for zoning applications and to date approximately \$60,000 of such expenditures have been made. As discussed further below, the Applicants accounting recordings and book keeping of the Half Moon receipts and disbursements are not adequate and have not been completed on a timely basis during the Reporting Period so as to allow the Monitor to adequately review the financial transactions.

## **RESTRUCTURING UPDATE**

### ***Status of Plan of Arrangement***

18. On July 26, 2013, the Court granted an extension of the stay to October 25, 2013. The Court also directed the Applicants to file, in person, with the Court a draft of the formal plan ("Draft Plan") on a confidential sealed basis and required the Monitor to provide a status report on the restructuring process on September 6, 2013.
19. The Applicants, with the assistance of the Monitor, prepared the Draft Plan and provided a copy to the Court, CRA and Axxess (CRA and Axxess being the two most significant creditors). The Monitor and the Applicants requested that CRA and Axxess review the Draft Plan and provide their comments to the Applicants and the Monitor by October 4, 2013 along with their advice of whether they were agreeable to having the formal Plan circulated to creditors generally. This would have allowed sufficient time for the Monitor and Applicants to prepare the necessary materials to present to the Court at the upcoming applications on October 25, 2013.
20. By October 7, 2013 both CRA and Axxess advised the Applicants and the Monitor that they required additional information in the way of a more fulsome business plan and financial forecasts by the Applicants before they could decide whether or not to support the Draft Plan.
21. On October 17, 2013, the Monitor met with representatives of the Applicants, CRA and Axxess and their respective legal counsel as well as the representative



of LBVR at the offices of Axxess's counsel, Borden Ladner Gervais LLP. The purpose of this meeting was to explain further details the business plan and to answer questions on the Draft Plan. As a result of this meeting, the Monitor understands that both CRA and Axxess require further time to consider the business plan and Draft Plan and provide their comments on the Draft Plan to the Applicants. Accordingly they are supportive of a stay extension to December 4, 2013.

22. The Monitor is of the respectful view that a five and a half week extension is sufficient time to allow the significant stakeholders to provide their comments on the Draft Plan and that there will be no material prejudice to creditors during that time frame.

### ***Outstanding Restructuring Matters***

#### Litigation with The County of Strathcona

23. As previously reported in the Thirteenth Report, Justice Burrows rendered a decision on July 18, 2013 which ordered that Half Moon was entitled to enter into new leases with a term of 35 years commencing on the day the new lease was granted. Justice Burrows also decided that options to renew were not to be allowed as part of the lease terms. The formal order documenting the decision has not been agreed to between the parties and filed with the Court and accordingly the appeal period has not begun to run. It is uncertain whether the County of Strathcona will appeal the order ultimately taken out with respect to the decision.

### Hawkeye Group Properties

24. The Monitor previously reported that the Applicants engaged McManus Development Planning Inc. (“McManus”) to make an application to the Ministry of Environment, Lands and Parks (Province of BC) (“MELP”) to renew the five shore leases (the “Leases”) previously cancelled and to assist with the other development activities of the Applicants’ in Bamfield. On several occasions, the Monitor requested copies of all application materials that would have been submitted to MELP and/or the Alberni-Clayoquot Regional District (“ACRD”) by the Applicants but to date, the Monitor has not received such copies.
25. The Monitor is advised that, in addition to the application for the Leases, the Applicants (with the assistance of McManus) submitted various other applications to the ACRD, including a rezoning application for the Ocean Front Property for 5 acres to allow for a 30 unit seniors home. A summary of all of the applications made by the Applicants are attached as Appendix D to this Report.
26. On September 6, 2013, the Court directed that the Applicants file, within two weeks, an affidavit with the Court setting out, among other things, all particulars with respect to the Ocean Front Property (including its size, zoning applications made, intended purpose in its restructuring, appraisal and/or estimates of value, etc.). The Monitor is not aware that such affidavit has been prepared and/or filed with the Court.
27. On September 6, 2013 the Court granted the Ocean Front Property Sale Order authorizing the Monitor to sell the Ocean Front Property on behalf of the Applicants, subject to court approval. The Ocean Front Property Sale Order also provided that the proceeds from the sale would be firstly applied to the outstanding Professional Fees and if any net surplus funds exceeded the outstanding Professional Fees, these funds are to be retained by the Monitor pending further direction of this Honourable Court. An offer was accepted by the Monitor on this property and is discussed further in the Confidential Seventeenth Report filed with the Court.

### New Financing to Implement the Plan

28. The Monitor is advised that the Applicants continue to work with two prospective parties to obtain the necessary financing required under the terms of the Draft Plan. No financing has been arranged to date.

### Interim Financing

29. As discussed in the Fifteenth Report, the date of issue of the Interim Financing (the "Access Loan") was September 7, 2013 (the "Issue Date") with an 18-month maturity date from the Issue Date. Interest for the first twelve months was made through an interest reserve retained by the lender. The interest reserve was depleted on September 7, 2013 and the Monitor understands that the Applicants are currently in default as the interest was not paid on October 7, 2013. The Applicants are in discussions with the Agent of the lender to determine how to address the default. To date the Monitor is not aware that the lender has taken any steps as a result of the default.

### Outstanding Professional Fees

30. As discussed in prior reports, the Applicants previously indicated that they were committed to paying the arrears of CCAA professional fees (the "Professional Fees").
31. Current outstanding and unpaid Professional Fees are approximately \$760,000. There have been no sales of Half Moon lots and the Monitor recently sold one of the Non-Core For Sale Properties. The net proceeds of approximately \$155,000 have been received by the Monitor and will be applied against the outstanding professional fees shortly.

### Non-Core For Sale Properties

#### *5611 Culverton Road and 3425 River Road*

32. There are two remaining Non Core For Sale Properties (5611 Culverton Road and 3425 River Road) that have not been sold as part of the Overall Sales Process completed by the Applicants and the Monitor during the CCAA proceedings. The Monitor listed these properties with Colliers on August 8, 2013 and the listing expired on September 30, 2013. The Monitor is currently working with Colliers to relist these properties at an appropriate listing price.

#### *Giant Mine Property*

33. As discussed in the Thirteenth Report, the Applicants sold the Giant Mine Properties for a purchase price of \$278,000. The total proceeds collected to date by the Monitor amount to \$267,000 (\$27,000 was collected in the Reporting Period). The remaining balance of \$11,000 was collected by the Applicants, but was not delivered to the Monitor to be deposited in the Monitors trust account. The Applicants advised the Monitor that approximately \$7,800 was used to pay certain application costs to the ACRD (discussed above) and the remaining balance was paid to Jack Purdy as part of his management fees in the CCAA proceedings. The Monitor is advised that the proceeds of \$11,000 were included as part of Half Moon receipts and were paid out as “Half Moon” disbursements, as discussed further below.
34. The Monitor understands that the Applicants now need to finalize all purchase and sale agreements and closing documents to complete this sale and convey the property to the purchaser.

#### *8335 Meshers Road*

35. The property located at 8335 Meshers Road, Port Alberni, BC (“Meshers Road”) was included as part of the Applicants’ Traditional Sales Process and Solicitation Sales Process as discussed in the Sixteenth Report. This property is owned by

Jack Purdy and there are two secured mortgages held by Ladysmith & District Credit Union (“Ladysmith”) and Armac BC.

36. As previously discussed, neither the Traditional Sales Process nor the Solicitation Sales Process attract any acceptable offers for Meshers Road. The Monitor is aware that Ladysmith is owed approximately \$260,000 and it has not been paid any interest or principal on its mortgage for several years.
37. Counsel for Ladysmith has contacted both the Proposal Trustee and counsel to Jack Purdy seeking an Order by Consent to lift the stay of proceedings created by the Proposal Proceedings (the “Meshers Consent Order”) in relation to Ladysmith’s foreclosure proceedings respecting Meshers Road. The Meshers Consent Order has been signed by both counsel of the Proposal Trustee and counsel to Jack Purdy, but has yet to be applied for by counsel for Ladysmith. If the Meshers Consent Order is sought and granted, the Monitor is advised that Ladysmith will list Meshers Road for sale at a price of \$460,000 which is similar to the value established by an appraisal that was commissioned by Ladysmith on Meshers Road in the summer of 2012.

#### Lake Eden Application

38. As discussed in the First Report, on December 9, 2011 counsel for the Applicants received a letter from counsel representing three former owners of cottage property at Lake Eden, in Parkland County, claiming they may have an equitable interest in the Lake Eden lands. The Lake Eden lands had been sold by Parkland County for arrears of property taxes and the former owners were claiming a portion of the Lake Eden funds remaining after payment of the property taxes. The former owners and the Applicants agreed that a maximum claim to the surplus funds from the sale of this property would be \$100,000 and a Consent Order was granted directing the Monitor to hold \$100,000 in trust, pending further Order of the Court.

39. A Proof of Claim was filed in the proceedings in the aggregate amount of \$100,000 claiming a secured interest in the \$100,000 in trust. In early October 2013, the Monitor, as claims officer, with the consent of the Applicant agreed, subject to Court Approval, to settle the claim with \$51,000 being paid to the former owners and \$49,000 being released to the Monitor for payment of arrears of Professional Fees. An order (the "Lake Eden Order"), subject to approval of this Honourable Court, has been circulated to counsel for the Applicants and counsel to the former owners. The Lake Eden Order will allow the Monitor to forward \$51,000 of the \$100,000 fund held in trust to the counsel of the caveators (Ms. Van Campenhout) and shall constitute full and final settlement of all claims by the former owners against the Applicants.

***Alberta Properties in Foreclosure***

40. As indicated in prior reports, the remaining Alberta property which had been in foreclosure since the commencement of the CCAA proceedings is the property at 15625 Stony Plain Road (the "Stony Plain Property"). The Stony Plain Property is owned by 1317517 Alberta Ltd. (one of the Applicants in these CCAA proceedings).
41. The Stony Plain Property continues to be listed for sale with Trikon Properties. The Applicants previously received offers to purchase this property, but the conditions were not fulfilled by the offeror and/or were not accepted by the Applicants. The Monitor is of the view that it is unlikely there will be any equity over the first mortgage on this property.
42. On October 9, 2013, the Monitor received notice that the City of Edmonton filed application materials (returnable October 21, 2013) to lift the stay of proceedings for the purpose of allowing the City of Edmonton to proceed with a tax sale of the Stony Plain Property as a result of outstanding and unpaid property taxes of approximately \$96,400.

43. The Monitor understands that the City of Edmonton has agreed to adjourn its application until December 4, 2013 to allow the Applicants and the first mortgage holder time to consider their options.

**ACTUAL TO FORECAST RESULTS – AUGUST 23, 2013 TO OCTOBER 11, 2013**

***Actual to Forecast Summary Results***

44. The actual to forecast cash flow presented at Appendix A to this Report for the Reporting Period contains the actual cash receipts and disbursements relating to the Purdy Group as compared to the cash flow forecasts previously provided to this Court in the Thirteenth Report (the “Thirteenth Report Forecast”). Below is a chart that summarizes the actual to forecast cash flow as presented in Appendix A to this Report.
45. As previously discussed, the former manager and bookkeeper at Half Moon no longer works for the Applicants and as a result the accounting records are not up to date. The Applicants recently obtained the assistance of a new bookkeeper to assist Half Moon in its accounting responsibilities. Despite additional requests made by the Monitor to the new bookkeeper and the Applicants to obtain the actual receipt and disbursement information on a weekly basis, the Monitor continues to only receive information after repeated requests and in conjunction with stay extension applications.
46. Consequently, the actual results disclosed in the table below is a summary of transactions in the Applicant’s bank account and the Monitor has not had sufficient time to review and categorize the cash transactions during the Reporting Period due to the timing of receipt of and “box job” state of accounting information provided by the Applicants to the Monitor.
47. The Monitor cautions the reader of this Report that the financial information below may be incomplete (as referenced in the Thirteenth Report and the Fifteenth Report) as there may be certain cash transactions during the Reporting

Period that may have been collected and/or paid for by the Applicants, which are not reflected in Appendix A and the chart below.



| <b>Purdy Group</b>                              | <b>August 24/13</b> | <b>August 24/13</b> | <b>August 24/13</b>   |
|---|---------------------|---------------------|-----------------------|
| <b>Actual to Budget Cash Flow Results</b>       | <b>to October</b>   | <b>to October</b>   | <b>to October</b>     |
|   | <b>11/13 Budget</b> | <b>11/13 Actual</b> | <b>11/13 Variance</b> |
| Receipts  | \$ 95,000           | \$ 140,412          | \$ 45,412             |
| Funds from Monitor's trust account              | -                   | 177,000             | \$ 177,000            |
| <b>Total receipts</b>                           | <b>\$ 95,000</b>    | <b>\$ 317,412</b>   | <b>\$ 222,412</b>     |
| Disbursements                                   | 46,000              | 177,758             | (131,758)             |
| Restructuring professional fees                 | 100,000             | 150,000             | (50,000)              |
| <b>Total disbursements</b>                      | <b>\$ 146,000</b>   | <b>\$ 327,758</b>   | <b>\$ (181,758)</b>   |
| Net change in Applicant cash                    | \$ (51,000)         | \$ (10,345)         | \$ 40,655             |
| Applicant cash balance, opening                 | 58,617              | 10,884              | (47,733)              |
| <b>Applicant cash balance, ending</b>           | <b>7,617</b>        | <b>539</b>          | <b>(7,078)</b>        |
| <b>FUNDS HELD IN TRUST BY MONITOR</b>           |                     |                     |                       |
| Trust Opening Cash                              | \$ 100,805          | \$ 197,805          | \$ 97,000             |
| Collection of funds - other                     | -                   | -                   | -                     |
| Non Core Property Sale Receipts                 | -                   | 248,115             | 248,115               |
| Half Moon Lake Lot Sale Receipts                | -                   | -                   | -                     |
| Release of funds to Applicants (LBVR)           | -                   | (27,000)            | (27,000)              |
| Release of funds to Applicants (for operations) | -                   | (150,000)           | (150,000)             |
|   | -                   | 71,115              | 71,115                |
| <b>Trust Ending cash</b>                        | <b>\$ 100,805</b>   | <b>\$ 268,920</b>   | <b>\$ 168,115</b>     |
| <b>TOTAL AVAILABLE CASH</b>                     |                     |                     |                       |
| Applicant ending cash balance                   | \$ 7,617            | \$ 539              | \$ (7,078)            |
| Trust cash balance                              | 100,805             | 268,920             | 168,115               |
| Less: cash not available per Court Order        | (100,000)           | (100,000)           | -                     |
| cash held for Professional Fees                 | -                   | (168,920)           | -                     |
| Less: cash held for LBVR                        | -                   | -                   | -                     |
|   | 805                 | (0)                 | (805)                 |
| <b>Available Cash</b>                           | <b>\$ 8,422</b>     | <b>\$ 538</b>       | <b>\$ (7,884)</b>     |

48. Receipts, including the release of funds by the Monitor to the Applicant, for the Reporting Period totaled, \$317,412, representing a positive variance of \$222,412 from the forecast receipts set out in the Thirteenth Report Forecast. This variance is primarily due to:
- a) a positive variance of approximately:
    - i. \$95,412 permanent variance relating mainly to higher than expected receipts from seasonal bookings and other receipts. As discussed above, approximately \$11,000 relates to proceeds collected on Giant Mine and were accounted as Half Moon receipts; and
    - ii. \$177,000 timing variance relating to the advance of funds from the Monitor trust account to the Applicants to pay certain LBVR Set-Aside funds and Professional Fees; and
  - b) a negative variance of \$50,000 relating to the forecasted sale of a Half Moon Lake lot that was not sold in the Reporting Period;
49. Operating disbursements for the Reporting Period totaled \$150,758 representing a negative variance of \$104,758. This variance was due to:
- a) negative permanent variance of approximately \$109,758 for higher than expected operating costs in Half Moon. As outlined above, approximately \$13,000 relates to costs paid by the Applicants out of Half Moon for Hawkeye Group Properties related expenses;
  - b) positive permanent variance of approximately \$4,500 relating to the non-payment of certain management and contingency fee payments;
50. Restructuring fees of \$150,000 were paid that relate to a portion of the unpaid and outstanding Professional Fees, as discussed above.
51. The proceeds from the sale of the Giant Mine property, the 3203-2<sup>nd</sup> Avenue and the 3620-3<sup>rd</sup> Avenue Property (discussed in prior reports) of approximately

\$27,000 and \$65,000, and \$156,000, respectively, were collected in the Reporting Period. These funds were held in the Monitor's trust account and approximately \$177,000 was advanced to the Applicants to fund the LBVR Agreement requirements and outstanding Professional Fees as indicated above.

52. The Monitor's trust account has a cash balance of \$268,920, including \$100,000 which has been set-aside as funds held in trust with respect to the Lake Eden Application above and the remaining balance of approximately \$168,920 has been set-aside to pay outstanding and unpaid Professional Fees.
53. The Applicants ending cash balance as at October 11, 2013 was \$538 compared to the forecast cash balance amount of \$7,617, for the reasons discussed above. The combination of the ending available cash balance in the Monitor's trust account of \$NIL and the Applicants' ending cash balance above, results in an overall ending available cash balance of \$538.
54. The Monitor again requests that the Applicants provide more timely, accurate and relevant accounting information to allow the Monitor to properly fulfill its duties of reviewing the receipts and disbursements of the Applicants. If the accounting information is not provided in a timely manner to the Monitor, the Monitor will advise the Court.
55. The Monitor has not had an opportunity to review the supporting documentation for most of the above transactions in the Reporting Period, as this information was not provided to the Monitor by the Applicant in a timely manner.

#### **UPDATED CASH FLOW FORECAST THROUGH DECEMBER 27, 2013**

##### ***Confidential Appendix C***

56. The Purdy Group, with the assistance of the Monitor, has prepared an Updated Forecast for the Forecast Period based on the most current information available, which is attached in the Confidential Appendix C to this Report.

57. Confidential Appendix C contains financial information of a commercial nature which if disclosed to third parties prior to the closing of the proposed Ocean Front Property (subject to Court approval) sale contemplated by the Ocean Front Property Offer could materially jeopardize the sale or, if the sale does not close, could materially jeopardize the value that the Purdy Group could subsequently obtain from the sale of the Ocean Front Property and as such the Monitor is respectfully of the view that it is appropriate that this Honourable Court grant a Temporary Sealing Order in relation to Confidential Appendix C.
58. Based on the Purdy Group's limited assumptions as discussed in the Confidential Appendix C, the Updated Forecast indicates that the Purdy Group will continue to have sufficient available cash to meet its current operating obligations through the Forecast Period.

*Updated Forecast (Redacted)*

59. The table below summarizes the Updated Forecast (as included in the Confidential Appendix C) on a "redacted basis". The "redacted" table shows the Updated Forecast without the collection of the Ocean Front Property sale proceeds and without the corresponding forecast payments being made from these proceeds.

| <b>Purdy Group</b>                            | <b>October 12/13 to</b> |
|---|-------------------------|
| <b>Projected Cash Flow Summary - Redacted</b> | <b>December 27/13</b>   |
| Receipts                                      | \$ 15,500               |
| Funds from Monitor's trust account            | 266,000                 |
| Total receipts                                | <u>\$ 281,500</u>       |
| Disbursements                                 | 71,000                  |
| Release of funds to LBVR                      | Redacted                |
| Restructuring professional fees               | 210,000                 |
| Total disbursements                           | <u>\$ 281,000</u>       |
| Net change in Applicant cash                  | \$ 500                  |
| Applicant cash balance, opening               | 539                     |
| Applicant cash balance, ending                | <u>1,039</u>            |
| <b>FUNDS HELD IN TRUST BY MONITOR</b>         |                         |
| Trust Opening Cash                            | \$ 268,920              |
| Collection of funds - other                   | -                       |
| Sale of 200 Bamfield Road                     | Redacted                |
| Release of funds to Applicants                | <u>(266,000)</u>        |
| Trust Ending cash                             | <u>\$ 2,920</u>         |
| <b>TOTAL AVAILABLE CASH</b>                   |                         |
| Applicant ending cash balance                 | \$ 1,039                |
| Trust cash balance                            | 2,920                   |
| Less: cash not available per Court Order      | -                       |
| Less: cash held for LBVR                      | Redacted                |
|   | <u>2,920</u>            |
| Available Cash                                | <u>\$ 3,959</u>         |

60. The Monitor remains of the view that the Purdy Group's ability to continue its restructuring efforts will depend on its ability to meet or exceed the cash flow outlined in the Updated Forecast. The Monitor will continue to review the progress of the Applicants with respect to its cash flows and will advise this

Honourable Court forthwith if there is a material adverse change to the cash flow statements that would significantly impair the Purdy Group's ability to continue within these CCAA proceedings.

#### **MONITOR'S AND LEGAL COUNSEL'S FEES AND DISBURSEMENTS**

61. The Monitor is seeking the approval of its and its counsel's fees and disbursements at this time.
62. The total fees of the Monitor, in its capacity as the court-appointed Monitor of the Purdy Group for the period of November 9, 2011 to September 30, 2013 amount to \$1,244,259, together with expenses and disbursements in the amount of \$17,186.46 (both excluding GST). A summary of the Monitor's fees and disbursements, together with copies of its invoices are attached as Appendix E to this Report.
63. The total fees and disbursements of Dentons Canada LLP, the Monitor's independent legal counsel for these proceedings during the period of November 16, 2011 to October 16, 2013 amount to \$433,594.21, together with expenses and disbursements in the amount of \$19,973.68 (excluding GST). A summary of the Dentons Canada LLP fees and disbursements, together with copies of its invoices are attached as Appendix F to this Report.
64. The Monitor and its counsel's fee accounts outline the date of the work completed, the description of the work completed, the length of time taken to complete the work and the name of the individual who completed the work.
65. The Monitor is advised that the Applicants support the relief that the Monitor is seeking with this Honourable Court.
66. The Monitor is respectfully of the view that its and its counsel's fees and costs are fair and reasonable under the circumstances and respectfully requests that this Honourable Court approve and pass the accounts of the Monitor and its counsel.

## **REGULATORY FILING REQUIREMENTS**

67. McCallum has finalized and submitted to CRA the 47 outstanding tax returns of the Applicants and is currently finalizing the 2012 personal tax return of Purdy. McCallum will likely require an additional \$10,000 (on top of its retainer of \$7,500) to settle its outstanding invoices for these services.

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

68. The stay period expires at midnight on October 25, 2013 (the "Stay Period"). The Purdy Group, with the support of its two main creditors Axxess and CRA, is seeking an extension of the Stay Period until and including December 4, 2013 (the "Proposed Stay Extension").
69. CRA and Axxess have advised that they require further time to consider whether to support the filing of a Plan by the Applicants.
70. In the Monitor's respectful view, the Purdy Group requires the Proposed Stay Extension to allow CRA and Axxess the opportunity to finalize their collective comments on the Draft Plan and to advise whether they are supportive of the Purdy Group circulating a final Plan to its creditors.
71. No creditor should be materially prejudiced by an extension of the stay. The Monitor is of the respective view that an extension of the stay is appropriate in the circumstances.

## **RECOMMENDATION**

72. The Monitor respectfully recommends and requests that this Honourable Court:
- a) approve the Proposed Stay Extension;
  - b) approve and pass the fees and disbursements of the Monitor and its legal counsel;

- c) grant the Lake Eden Order; and
- d) grant a temporary Sealing Order with respect to Confidential Appendix C.

All of which is respectfully submitted this 23<sup>rd</sup> day of October, 2013.

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



Tim Reid, CA•CIRP  
Senior Vice-President



Orest Konowalchuk, CA•CIRP  
Director