

COURT FILE NUMBER

1103-18646

COURT

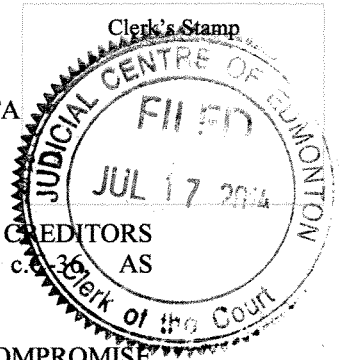
COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE

EDMONTON

APPLICANTS

IN THE MATTER OF THE COMPANIES' CREDITORS
ARRANGEMENT ACT, R.S.C. 1985, c. 39
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

TWENTY-FIFTH REPORT OF THE MONITOR

JULY 16, 2014

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTY FILING THIS
DOCUMENT

MONITOR

ALVAREZ & MARSAL CANADA INC.

Bow Valley Square I

Suite 570, 202 – 6th Avenue SW

Calgary, Alberta T2P 2R9

Tim Reid/Orest Konowalchuk

Telephone: (403) 538-4756 / (403) 538-4736

Email: treid@alvarezandmarsal.com

okonowalchuk@alvarezandmarsal.com

COUNSEL

DENTONS CANADA LLP

Barristers & Solicitors

Ray Rutman

2900 Manulife Place, 10180 – 101 Street

Edmonton, Alberta T5J 3V5

Phone: (780) 423-7246

Fax: (780) 423-7276

Email: Ray.Rutman@dentons.com

File: 529227.7/RCR

TABLE OF CONTENTS OF THE TWENTY-FIFTH REPORT

INTRODUCTION	3
TERMS OF REFERENCE	4
BACKGROUND	4
OPERATIONAL UPDATE.....	5
RESTRUCTURING UPDATE.....	6
PROFESSIONAL FEES	8
THE PURDY GROUP'S REQUEST FOR AN EXTENSION OF THE STAY PERIOD	9
RECOMMENDATION	9

LISTING OF APPENDICES TO THE TWENTY-FIFTH REPORT

APPENDIX A

Loan Commitment

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 twenty-fifth report of the Monitor (the "Twenty-Fifth Report") is to provide Creditors and the Court with information in respect of the following:
 - a) operational activities since the Twenty-Fourth Report of the Monitor;
 - b) restructuring activities since the Twenty-Fourth Report and the status of the conditions precedent in the Plan to be fulfilled prior to the Court Sanction Order being obtained;
 - c) the Purdy Group's request for an extension to the current stay period until and including September 22, 2014; and
 - d) the Monitor's recommendations.
4. Capitalized terms not defined in this Twenty-Fifth Report are as defined in the Initial Order, the First Report to the Twenty-Fourth Report inclusive, the Claims Procedure Order, the Dispute Procedural Order, the Sale Order, the Ocean Front Property Sale Order, the Meeting Procedure Order, the Plan and the Second Amended Plan.
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 ("BC") 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 Twenty-Fifth 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 ("Purdy"), either directly or through holding companies, legally and beneficially. Purdy is operating under the proposal provisions of the BIA and has had a proposal accepted by his creditors (the "Proposal"). Alvarez and Marsal Canada Inc. is also the Proposal Trustee and will be making an application to have the Court approve the Proposal.
10. The Purdy Group has presented a Plan to its creditors and that Plan has been voted on and accepted by the creditors.

11. Further background to the Purdy Group, its operations and property and details of the restructuring and Plan is contained in material filed in these proceedings, including the various affidavits of Purdy and the previous twenty-four reports of the Monitor. These documents, together with other information regarding this CCAA proceeding, have been posted by the Monitor on its website at: www.amcanadadocs.com/purdy.

OPERATIONAL UPDATE

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

Hawkeye Group Properties Management

12. As previously reported, on June 4, 2014, the Monitor was advised by the Applicants that it had terminated the LBVR Agreement the “LBVR Termination Agreement Date”) and engaged the services of an individual to act as the new property manager over the Hawkeye Group Properties, Mr. Len Paisley. The Monitor had requested from the Applicants, but has not yet been advised if a new management agreement was entered into by the Applicants and Mr. Paisley.
13. On or about June 14, 2014, the Monitor started receiving from Mr. Paisley various financial back up information relating to operations of Hawkeye Group Properties since the LBVR Termination Agreement Date. The Monitor is currently reviewing the information recently provided by Mr. Paisley to determine whether it is complete and accurate.

Half Moon Financial Reporting

14. As previously discussed in the Twenty-Fourth Report, the Monitor was waiting on various accounting backup information from the Applicants in order to support the cash flow transactions that occurred over the past several months by the Applicants at Half Moon.

15. On July 15, 2014, the Monitor received a package couriered by the Applicants that contained numerous receipts and various documents relating supposedly to the financial transactions that occurred in Half Moon for the past several months. The Monitor has started its review of this back up information, but has not been able to determine (as of the date of this report) its completeness and accuracy. The Monitor will continue reviewing this information provided by the Applicants over the coming days.

RESTRUCTURING UPDATE

The Plan

16. On July 4, 2014, an Order was granted by this Honourable Court (the “Plan Amendment Order”) that approved the amendments made to the First Amended Plan as set out in the Second Amended Plan.

Conditions Precedent to Court Sanction

17. Paragraph 5.3(b) of the Second Amended Plan states “*The Half Moon Financing will be committed on or before the date the Plan Sanction Order is granted and will be releasable to the Monitor and utilized to pay;*”(the “Condition Precedent”).
18. Over the past several months, the Applicants have been negotiating with lenders who could provide possible exit financing to assist in funding the Second Amended Plan and to permit the Applicants to exit the CCAA proceedings.
19. On July 15, 2015, the Applicants provided the Monitor with an executed copy of the Half Moon Financing commitment letter (the “Loan Commitment”).
20. A copy of the Loan Commitment letter is attached as Appendix A to this report.
21. A summary of the Loan Commitment letter terms is set out below:

- a) first mortgage charge over the Half Moon property in the amount of \$2,000,000;
- b) the first mortgage will be granted as security over Half Moon as defined as: 21524 TWP Road 520, Sherwood Park, AB, T8E 1E5. The security will rank in priority to all debts of the Borrowers, subject to permitted long term leases;
- c) Funds are to be used to pay balances outstanding pursuant to the Second Amended Plan, namely (estimate):
 - i. Outstanding professional fees and costs - \$650,000;
 - ii. CCAA Unsecured Creditor Pool - \$300,000;
 - iii. CCAA BC Asset Tax Priority - \$300,000; and
 - iv. Interest reserve, fees and working capital - \$750,000
- d) term of 24 months;
- e) interest rate at 8.95% for month 1 through 22 inclusive and 14% for months 23 and 24, with the principal amount and all outstanding interest due on maturity;
- f) lender fee of 1.75% of face of loan (approximately \$35,000);
- g) broker fee of 2% of the face of the loan payable to Axxess Commercial Brokers Inc. (approximately \$40,000);
- h) Loan Commitment is conditional upon approval by this Honourable Court; and
- i) there are ten (10) conditions precedent to the Loan Commitment that we have been advised have all now been met between the Hillsboro and the Applicants, with the exception of Hillsboro obtaining a copy

of the “consent order” (sanction order) from this Honourable Court approving the Second Amended Plan.

22. The Monitor understands that is the intention of the parties that until closing of the Loan Commitment, the Administrative Charge and Directors’ Charge attaches to the Half Moon property and will be maintained and in effect in the same priority as provided in the Initial Order and any subsequent Order of this Honourable Court. After closing, such charges will attach to the proceeds of the mortgage/Loan Commitment in the place and stead and in the same priority as had been applicable to the Half Moon property.
23. The Monitor is of the view that pursuant to paragraph 5.3(b) of the Second Amended Plan, the condition of obtaining suitable Half Moon Financing has now been met by the Applicants and the Monitor respectfully supports the application for a Sanction Order.

Jack Purdy Affidavit

24. On July 4, 2014, the Monitor understands that this Honourable Court directed the Applicants (specifically, Purdy through his counsel) to file an affidavit by July 16, 2014 outlining any contingent liabilities to LBVR, certain information respecting the operations of property by LBVR, the retainer, engagement letter and qualifications of Mr. Paisley (as discussed above) as the new property manager of the Hawkeye Group Properties and details with respect to Half Moon’s receipts and disbursements.
25. As at the date of this report, the Monitor has not received any information with respect to the affidavit required to be sworn by Purdy regarding the above-mentioned matters.

PROFESSIONAL FEES

26. Professional fees are continuing to accrue and are not being paid as the Applicants have no liquidity to do so.

27. At the date of this report it is estimated that unpaid Monitor fees, Monitor's counsel fees and the Applicants' counsels fees aggregate \$460,000.
28. The professionals continue to rely on the Administration Charge for payment of their fees.

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

29. The stay period expires at midnight on July 18, 2014 (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 September 22, 2014 (the "Proposed Stay Extension").
30. The Monitor has been advised that the Applicants require this time in order to complete all remaining conditions of the Loan Commitment and the conditions precedent in the Second Amended Plan. Therefore, in the Monitor's view, this extension to the current Stay Period is necessary for the Applicants to fulfill the Condition Precedent in the Second Amended Plan and to successfully exit the CCAA proceedings.
31. The Monitor is of the respectful view that no creditor should be materially prejudiced by the Proposed Stay Extension.

RECOMMENDATION

32. The Monitor respectfully recommends that this Honourable Court approve the:
 - a) Sanction Order; and
 - b) Proposed Stay Extension.

All of which is respectfully submitted this 16th day of July, 2014.

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

A handwritten signature in dark ink, appearing to read 'Tim Reid', with a stylized flourish at the end.

Tim Reid, CA, CIRP
Senior Vice-President

A handwritten signature in dark ink, appearing to read 'Orest Konowalchuk', with a large, sweeping flourish at the end.

Orest Konowalchuk, CA, CIRP
Director

APPENDIX A

LOAN COMMITMENT JULY 15, 2014

BETWEEN:

**HILLSBORO PROPERTIES INC.
927-7A Street N.W.
CALGARY, ALBERTA
T2M 3J4
(the "Lender")**

-and-

**HALF MOON LAKE RESORT LTD.
C/O AXCESS CAPITAL PARTNERS INC.
530, 10333 Southport Road S.W.
CALGARY, ALBERTA
T2W 3X6**

(a company incorporated in Alberta, and operating in Alberta

(the "Borrower")

RE: LOAN/MORTGAGE

The Lender is prepared to provide a loan to the Borrower subject to the following terms and conditions:

Lender: Hillsboro Properties Inc.

Borrower: HALF MOON LAKE RESORT LTD.

Principal

Amount of Loan: TWO MILLION (\$2,000,000.00) DOLLARS -1ST MORTGAGE CHARGE

Purpose:

To pay all funds:

Outstanding Professional Fees & Costs	\$650,000
CCAA Unsecured Creditors	\$300,000
CCAA BC ASSET TAX PRIORITY	\$300,000
Interest reserve, Fees & Working Capital	\$750,000



Interest Rate: Months 1 through 22 inclusive - 8.95% -
Months 23 and 24 - 14% -

Interest will be chargeable on the whole principal sum from the interest adjustment date, until all principal and interest is paid in full to the Lender.

Payments: Interest only, payable on a monthly payment with the first payment being due on the 1st day of the month following the month of advance, and a further payment due of interest only on the first of each and every consecutive month thereafter until the term end. Compounded semi-annually. Prepaid interest & fees \$235,000 AND initial fees \$35,000.

Lender Fee: 1.75% of face of loan \$35,000.
An additional fee of 1.5% of the outstanding balance at the end of the 9th month
An additional fee of 1.5% of the outstanding balance at the end of the 18th month

Broker Fee: 2 % of the face of loan, \$40,000 payable to Axxess Commercial Brokers Inc.

Interest Adjustment Date: AUGUST 1, 2014

First Advance: AUGUST 1, 2014

Term: 24 months, interest commencing on the 1st day of AUGUST , 2014 and ending on the 1st day of AUGUST , 2016 when all principal and interest is due and payable in full.
Minimum 4 (FOUR) months interest payable. .
INTEREST ON THE LOAN WILL COMMENCE AUGUST 1, 2014

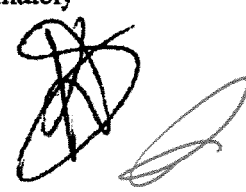
Real Property: 21524 TWP ROAD 520
SHERWOOD PARK , AB T8E 1E5

SE/4-6-52-21-W4M (139 acres +/-)
(hereinafter referred to as the "Real Property")

Disbursement of Funds. Pooled Funds:

The Lender will pay into the trust account of KEN TIGHE , Barrister & Solicitor \$2,000,000 on or before July 15, 2014

Payout Restriction: The loan is completely open to payout partially IN \$100,000 INCREMENTS OR in full at any time, subject to the first approximately 4 months' of interest being paid estimated at \$60,000.



- Security Documents:**
1. Promissory Note from Borrower.
 2. First mortgage registered against the Real Property, subject to permitted long term leases.
 3. Officers' Certificate.
 4. Assignment long term leases. CURRENT (approx 45) AND FUTURE
 5. Corporate Opinion Letter.
 6. General Security Agreement.
 7. Resolution of Directors.
 8. Incumbency Certificate.
 9. Order for Payment of Proceeds.
 10. Acknowledgement re Counsel.
 11. Executed Obligations and Acknowledgement Agreement.
 12. Assignment of blue prints, contracts, permits, agreements , & other agreements for the operating of the business
 13. Certified copy of title of mortgaged property, showing lender to be in first position, subject to permitted long term leases.
 14. Certified copy of insurance policy, showing lender to be first loss payable.
 15. Tax Certificate from taxing authority showing property taxes to have been paid in full for the 2014 year.
 16. Assignment of all permits, blue prints, contracts, agreements on the project.
 17. A general & specific security agreement against all equipment owned by the borrower .
 18. Assignment of all issued & optioned shares of Half Moon Lake Resort Ltd.
 19. All lease contracts are to be 75% of the gross agreed amount paid to The Lender , the borrower will receive the balance of the lease Agreements . If he borrower is in arrears the Lender will receive 100% of the Lease revenues . The 25% to be retained by the borrower will be put in a Reserve and used for operations until the lender's loan is \$1,000,000 or less.

All security documents required plus any other documents required in the sole and unfettered discretion of the Lender, to properly secure his loan in accordance with the terms and conditions contained herein.

Late Payment

/Discharge: Late payments, including NSF or other returned cheques, will result in a \$500.00 administrative charge for each such occurrence. The Borrower will be responsible for all costs on a solicitor and his own client basis, for provision and registration of any discharge documents required on the full payout of the loan/mortgage.

Administration: Administration and servicing charges: Late payment and/or returned cheque



charge \$500.00 per occurrence; Property inspection and construction fee \$500.00 for each advance; Insurance default fee \$200.00; Enforcement of security \$1500.00 per action or proceeding commenced; Mortgage Statements \$100.00 per statement requested; Property Possession \$1500.00 per day for attendance for taking possession of any property taken as security for this loan following default; Property Management \$1500.00 per day, per property for administration, maintenance and security of property in our possession; Mortgage discharge fee \$500.00 for discharge of this mortgage on one property, and \$250.00 for each additional property; Renewal fee 3% of the renewal loan amount, should the Lender, in it's absolute discretion choose to offer to renew following maturity. The Lender reserves the right to collect reasonable charges for other administrative services.

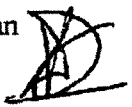



Initials

Legal Fees: All legal fees and disbursements (on a solicitor and his own client basis) associated with this Lending and Commitment Loan Agreement, including, but not restricted to, initial consultation, initial documentation, all matters which may arise prior and during the term of the loan and payout of the loan are the sole responsibility of the Borrower and will be deducted from the loan proceeds. All fees and costs associated with the discharge of any security are also to the Borrower's account, on a full indemnity basis.

Insurance: Any and all proceeds received from any claim for insurance, after the date of this Commitment, shall be paid directly to the Lender, and then will be paid out to pay out all further capital costs.

The Borrower shall arrange for insurance on all property secured herein and provide the Lender with a copy of the insurance policies. Insurance will include business interruption insurance, and will specify that all payments made on insurance, during the time in which any monies are owed to the Lender, shall be paid directly to the Lender.

**Conditions
Precedent
To Loan:**

1. Borrower to pay the amount of \$5,000 into the trust account of the Lender non refundable if the loan is not advanced , refundable if the loan is advanced. These monies are to cover legal fees & costs to the lender should the loan not proceed. \$1,500 of this deposit is an inspection fee payable to the lender. 
2. Borrower to provide Lender with a detailed budget. 
3. All engineering reports if available. 



project.

4. All other documents, studies, reports that the Borrower has on the B

when

5. List and copy of pricing of each of the lease of stalls listings/pricings

The lots are being listed for long term leasing. B

6. All environmental reports if & when available B

7. Any and all other requirements as determined by the Lender and it's Solicitor upon review of the documents and preparation of the lending document B

8. Copy of the Consent order of the judge approving the plan B

9.. Verification that Bill Buterman is one (1) of only two directors of Half Moon Lake Resort Ltd. B

10. Copy of the marketing information current and ongoing and marketing contracts on an ongoing basis B

All information has to be acceptable to the Lender in order for the Lender to proceed with this Loan.

Payment of Costs:

Any and all costs associated with this Lending/Loan Commitment, which the Lender may incur or be liable for, including any broker fees, stand-by fees, application fees, legal fees and disbursements, or any other charge of any nature, shall be a charge against the security herein mentioned and shall bear interest at the interest rate described herein from the initial date the advance occurred or the date the expense is incurred, and shall be paid in full and deducted from the mortgage proceeds. The Borrower hereby mortgages and charges all of its interest and estate in the secured items to secure the aforementioned costs.

Not

Assignable: This Lending Commitment and all the benefits derived there from are not assignable or transferable by the Borrower.

Offer Expiry: This Lending Commitment is open for acceptance by the Borrower until July 18, 2014. Once accepted, this Agreement is binding, and of legal force and validity on the Borrower and does not and shall not merge on the closing of this transaction or on the execution or registration of further documents regarding this transaction.

Severability: The Lender and Borrower acknowledge that this Agreement is reasonable, valid and enforceable. However, if a court of competent jurisdiction finds any of the provisions of this Agreement to be too broad to be enforceable, it is the

B

parties' intent that such provision be reduced in scope by the court only to the extent deemed necessary by that Court to render the provision reasonable and enforceable.

Enforceability: In the event that any of the provisions of this Agreement will be held to be invalid or unenforceable in whole or in part, those provisions to the extent enforceable and all other provisions will nevertheless continue to be valid and enforceable as though the invalid or unenforceable parts had not been included in this Agreement and the remaining provisions had been executed by both parties subsequent to the expungement of the invalid provisions.

Notices: All notices, requests, demands or other communications required or permitted by the terms of this Agreement will be given in writing and either served personally or sent by facsimile or email.

Modification of Agreement: Any amendment or modification of this Agreement or additional obligation assumed by either party in connection with this Agreement will only be binding if evidenced in writing signed by each party or an authorized representative of each party, and the monitor.

Governing Law: It is the intention of the parties to this Agreement that this Agreement and the performance under this Agreement, and all suits and special proceedings under this Agreement, be construed in accordance with and governed, to the exclusion of the law of any other forum, by the laws of the Province of Alberta, without regard to the jurisdiction which any action or special proceeding may be instituted.

General Provisions: Headings are inserted for the convenience of the parties only and are not to be considered when interpreting this Agreement. Words in the singular mean and include the plural and vice versa. Words in the masculine mean and include the feminine and vice versa.

The Borrower is liable for all costs, expenses and expenditures including, and without limitation, the complete legal costs incurred by the Lender in enforcing this Agreement as a result of any default of this Agreement by the Borrower, on a solicitor/client basis.

No failure or delay by the Lender in exercising any power, right or privilege provided in this Agreement will operate as a waiver, nor will any single or partial exercise of such rights, powers or privileges preclude any further exercise of them or the exercise of any other right, power or privilege provided in this Agreement.



This Agreement will enure to the benefit of and be binding upon the respective heirs, executors, administrators, successors and assigns, as the case may be, of the Lender and Borrower.

This Agreement may be executed in counter parts.

Time is of the essence in this Agreement.

If there is a previous agreement between the parties to this Agreement, the parties acknowledge that this Agreement will replace and supersede that previous agreement and the Borrower acknowledges that this Agreement was entered into in consideration of the terms and conditions contained herein.

Entire Agreement: This Agreement constitutes the entire agreement between the parties and there are no further items or provisions, either oral or written. As of the effective date of this Agreement, this Agreement supersedes all other agreements between the parties. The parties to this Agreement stipulate that neither of them has made any representations with respect to the subject matter of this Agreement except such representations as are specifically set forth in this Agreement. Each of the parties acknowledges that it has relied on its own judgment in entering into this Agreement.

Dated this the 15th day of July , 2014

Yours Truly,
Hillsboro Properties Inc.

Per: 
Keith Ferrel

ACCEPTED BY
Half Moon Lake Resort Ltd.

This 15th day of JULY, 2014

Per: 

Per: _____