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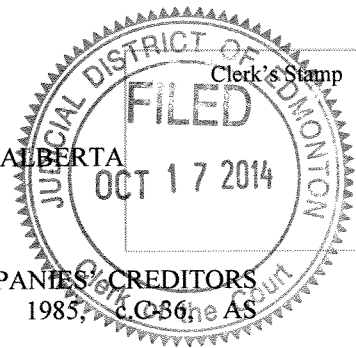
COURT OF QUEEN'S BENCH OF ALBERTA

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

**TWENTY-SEVENTH REPORT OF THE MONITOR**

**OCTOBER 17, 2014**

ADDRESS FOR SERVICE AND  
CONTACT INFORMATION OF  
PARTY FILING THIS  
DOCUMENT

**MONITOR**

ALVAREZ & MARSAL CANADA INC.

Bow Valley Square I

Suite 570, 202 – 6<sup>th</sup> Avenue SW

Calgary, Alberta T2P 2R9

Tim Reid/Orest Konowalchuk

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

Email: [treid@alvarezandmarsal.com](mailto:treid@alvarezandmarsal.com)

[okonowalchuk@alvarezandmarsal.com](mailto: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](mailto:Ray.Rutman@dentons.com)

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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 twenty-seventh report of the Monitor (the "Twenty-Seventh Report") is to provide Creditors and the Court with information in respect of the following:
  - a) operational activities since the Twenty-Sixth Report of the Monitor;
  - b) restructuring activities since the Twenty-Sixth Report of the Monitor and the status of the conditions precedent in the Second Amended Plan;
  - c) the Purdy Group's request for an extension to the current stay period until and including November 28, 2014; and
  - d) the Monitor's recommendations.
4. Capitalized terms not defined in this Twenty-Seventh Report are as defined in the Initial Order, the First Report to the Twenty-Sixth 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-Seventh 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. His proposal has been accepted by his creditors and approved by the court (the “Proposal”). Purdy has not completed all of the provisions of the Proposal and accordingly a certificate of performance has not been issued by the Proposal Trustee. Alvarez and Marsal Canada Inc. is also the Proposal Trustee.

10. The Purdy Group has presented a Plan to its creditors and that Plan has been voted on and accepted by the creditors. The Plan sanction order (the “Sanction Order”) was granted by this Court on July 18, 2014.
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-six reports of the Monitor. These documents, together with other information regarding this CCAA proceeding, have been posted by the Monitor on its website at: [www.alvarezandmarsal.com/purdy](http://www.alvarezandmarsal.com/purdy).

## **OPERATIONAL UPDATE**

***Fishpath Resorts Corporation & Armac Investments Ltd. (BC) (“Armac BC”) (collectively, the “Hawkeye Group Properties”) and Half Moon Lake Resorts Ltd. (“Half Moon”)***

### Hawkeye Group Properties operational and financial update

#### *Management agreement*

12. As previously reported, the Monitor was advised by the Applicants that it engaged the services of an individual to act as the new property manager over the Hawkeye Group Properties, Mr. Len Paisley. On September 16, 2014, the Monitor received and reviewed from Mr. Paisley two months of various financial back up information relating to the operations of the Hawkeye Group Properties. No further information has been received from Mr. Paisley since September 16, 2014.

#### *Insurance Coverage*

13. As discussed in the Twenty-Sixth Report, the Applicants have been without corporate and liability insurance on its Hawkeye Group Properties since July 2014. The Monitor was advised that as a result of there being limited funds

generated on the Hawkeye Group Properties; it has been unable to pay the insurance. The Monitor was further advised that a portion of the expected proceeds from the exit financing (as discussed below) will be used to obtain new insurance coverage for the Hawkeye Group Properties and the remaining BC properties as a result.

14. Pursuant to an order dated February 19, 2014 (the “Insurance and Stay Extension Order”), the Monitor understands that the Applicants were required to have insurance coverage on property assets to the satisfaction of Axxess.

Half Moon operational and financial update

15. The Monitor reviewed the Applicants bank account statements and held discussions with the Applicants regarding its financial performance over the Reporting Period (September 13, 2014 to October 10, 2014).
16. The Applicants advise that Half Moon collected approximately \$73,000 in cash receipts and these relate primarily to daily, weekly and monthly campsite rental collections and annual leaseholder payments.
17. Over the same period, the Applicants advise that Half Moon had approximately \$74,000 in disbursements that relate mainly to:
  - a) \$2,500 towards Half Moon’s monthly corporate insurance policy;
  - b) \$10,000 in contractor payments for assistance in the operations of Half Moon; and
  - c) \$61,500 for other Half Moon disbursements; the monitor has not yet been provided with certain backup records for the disbursements.

(collectively the “Disbursement Transactions”)

18. The Applicants opening cash balance as at September 13, 2014 was \$1,967 and the ending cash balance as at October 10, 2014 was \$740. The reasons for the change in the cash balances are discussed above.

#### Overall Operating and Financial Update

19. No forecast was prepared by the Applicants as it had expected to have its Plan implemented by this time. Further, no forecast has been prepared by the Applicants for the proposed extension period as the Plan is expected to be implemented. If the Plan is not implemented or the funding required under the Plan not obtained the Monitor is not certain whether the Applicants will have sufficient cash to fund ongoing operations. The Monitor notes that the Applicants are now in their off season and little or no revenue is being generated. Similarly expenses are reduced but not eliminated over the next six months.

#### **RESTRUCTURING UPDATE**

##### ***The Plan***

20. 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.
21. On July 18, 2014, the Sanction Order was granted by this Honourable Court with respect to the Second Amended Plan. A copy of the Sanction Order is attached as an appendix to the Twenty-Sixth Report.

##### ***Conditions Precedent to Plan Implementation***

22. As previously reported, in order for the Second Amended Plan to be implemented, the following outstanding condition precedents are required to be fulfilled:
- a) Paragraph 6.1(a) – *“the Approval and Vesting Order and other Orders required under the Plan shall have been granted and served by the Plan Applicants on all of the Creditors and Purdy and no appeal*

*proceedings shall have been commenced by any Creditor or Purdy in respect of any such Order prior to the expiry of the Appeal Period for such Order;*

- b) Paragraph 6.1(b) – *“the Property Transaction approved by the Court in the Approval and Vesting Order shall have closed”;*
- c) Paragraph 6.1(c) – *“The Half Moon Financing contemplated by Article 5.3 shall have closed and the funds released to the Monitor for distribution as set out in Article 5.3(b)”;*
- d) Paragraph 6.1(d) – *“Payments required by Article 5.3 shall have been made or arrangements for payment of the Unaffected Creditor Claims and Priority Claims made satisfactory to the Unaffected Creditors and the Plan Applicants”;*
- e) Paragraph 6.1(e) – *“the Plan Applicants shall have taken all necessary corporate actions and proceedings to approve this Plan to enable the Plan Applicants to execute, deliver and perform their obligations under this Plan and any agreements, indentures, documents and other instruments to be executed or delivered pursuant to, or required to give effect to, the terms of this Plan”;*
- f) Paragraph 6.1(f) – *“all governmental, regulatory or other similar consents and approvals from regulatory authorities having jurisdiction over the companies shall have been received and made”;*  
and
- g) Paragraph 6.1(j) – *“The Monitor has filed a certificate with the Court certifying that all conditions precedent have been fulfilled.”*

23. Since the Twenty-Sixth Report, the Applicants have been working diligently to satisfy the conditions precedents listed above. During the past month, the Monitor received and commented on a number of versions of a trust letter under,



which a confirmed lender would provide the financing to satisfy the condition in 6.1 (c) of the Plan. On October 16, 2014, the Monitor was provided with a draft of, what is believed to be, the final trust letter with respect to the Half Moon Financing. The Monitor believes the trust conditions in the draft trust letter are commercially reasonable and it is likely the Applicants will finalize the trust letter and receive the funds within the next week to 10 days, which would satisfy paragraph 6.1(c) of the Second Amended Plan.

24. If condition 6.1(c) is satisfied, the Monitor is of the view that the Applicants have a reasonable probability of fulfilling the remaining conditions precedents under the Plan to allow them to implement the Plan. However, to do so they require an additional extension to the current stay period will be required mainly to allow for the expiry of appeal periods for certain vesting orders that are still required to be obtained. It is expected that including the expiration of appeal periods of certain orders required and other matters, Plan implementation could take 45 to 60 days. However, completion of the substantive matters to implement the plan should take less than 30 days and accordingly an extension of approximately 35 days to November 28, 2014 is being requested and supported by the Monitor. If a further extension is required to allow for appeal periods to expire, a brief application can be brought with limited expense to obtain that extension. The Monitor has been advised that Axxess and CRA are in support of the short extension to November 28, 2014.

#### **PROFESSIONAL FEES**

25. Professional fees are continuing to accrue and are not being paid as the Applicants have no liquidity to do so.
26. At the date of the Twenty-Sixth report the estimated unpaid Monitor fees, Monitor's counsel fees and the Applicants' counsels fess aggregated \$545,000. It is estimated that as of this report the aggregate unpaid fees are \$590,000.

27. The professional fees are budgeted to be paid from the Half Moon Lake Financing. The professionals continue to rely on the Administration Charge for payment of their fees and once again are faced with administering the proceedings without accounts being paid on a timely basis. The last date any payments were made on account of professional fees was April 21, 2014 as discussed in the Monitor's Twenty-Third Report.

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

28. The stay period expires at midnight on October 22, 2014 (the "Stay Period"). The Purdy Group, with the support of Axxess and CRA, is seeking an extension of the Stay Period until and including November 28, 2014 (the "Proposed Stay Extension").
29. The Monitor has been advised that the Applicants require this time in order to satisfy the trust 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.
30. The Monitor is of the respectful view that no creditor should be materially prejudiced by the Proposed Stay Extension.

#### **RECOMMENDATION**


31. The Monitor respectfully recommends that this Honourable Court approve the Proposed Stay Extension.

All of which is respectfully submitted this 17<sup>th</sup> day of October, 2014.

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

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

Tim Reid, CA, CIRP  
Senior Vice-President

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

Orest Konowalchuk, CA, CIRP  
Director