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APPLICANT

IN THE MATTER OF THE BANKRUPTCY AND  
INSOLVENCY ACT, R.S.C. 1985, c.B-3, AS AMENDED

AND IN THE MATTER OF THE PROPOSAL OF  
JOHN KENNETH PURDY OTHERWISE KNOWN AS  
JACK PURDY

DOCUMENT

**REPORT ON PROPOSAL AND FIFTH REPORT OF  
ALVAREZ AND MARSAL CANADA INC.  
IN ITS CAPACITY AS PROPOSAL TRUSTEE OF  
JOHN (JACK) KENNETH PURDY**

**JUNE 21, 2012**

ADDRESS FOR SERVICE AND  
CONTACT INFORMATION OF  
PARTY FILING THIS  
DOCUMENT

**PROPOSAL TRUSTEE**

ALVAREZ & MARSAL CANADA INC.

Bow Valley Square II

Suite 3300, 205 – 5<sup>th</sup> Avenue SW

Calgary, Alberta T2P 2V7

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**

FRASER MILNER CASGRAIN 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@FMC-Law.com](mailto:Ray.Rutman@FMC-Law.com)

File: 529227-7

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TRUSTEE**

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APPENDIX A	The Proposal
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## INTRODUCTION

1. On December 2, 2011, Mr. John (Jack) Kenneth Purdy (“Purdy”) sought protection from his creditors through the filing of a Notice of Intention (the “NOI”) to Make a Proposal (the “Proposal”), under section 50.4(1) of the *Bankruptcy and Insolvency Act* (“BIA”), R.S.C. 1985, c.B-3, as amended. The NOI filing was accepted by the Office of the Superintendent of Bankruptcy Canada (“OSB”) and protection was obtained from Purdy’s creditors on the morning of December 2, 2011 (the “Filing Date”). Alvarez & Marsal Canada Inc. (the “Trustee”) was named as Trustee under the NOI.
2. A Bankruptcy Application was lodged against Purdy and was to be heard on December 2, 2011. The NOI filing stayed the Bankruptcy Application proceedings.
3. The purpose of this report on Proposal and fifth report of the Trustee under the NOI (the “Trustee’s Fifth Report”) is to provide this Honourable Court and Purdy’s Creditors (as defined in the Proposal) with an update in respect of the following:
  - a) the Proposal filed with the Official Receiver by Purdy;
  - b) the Trustee’s analysis of the Proposal;
  - c) the budget to actual variance analysis of Purdy for the period of April 26, 2012 to May 31, 2012 (the “Reporting Period”);
  - d) the updated cash flow projections (the “Updated Forecast”) from June 1, 2012 through June 30, 2012 (the “Forecast Period”); and
  - e) the Trustee’s recommendations.
4. Capitalized terms not defined in the Trustee’s Fifth Report are as defined in the first report of the Trustee (the “Trustee’s First Report”), the second report of the Trustee (the “Trustee’s Second Report”), the third report of the Trustee (the

“Trustee’s Third Report”), the fourth report of the Trustee (the “Trustee’s Fourth Report) and the Proposal.

5. All references to dollars are in Canadian currency unless otherwise noted.

#### **TERMS OF REFERENCE**

6. In preparing this Fifth Report, the Trustee has relied upon unaudited financial information, Purdy’s records and discussions with various advisors of Purdy. The Trustee 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 Purdy’s assumptions regarding future events and actual results achieved may vary from this information and the variations may be material.

#### **LIMITATION IN SCOPE OF REVIEW**

7. The Fifth Report has been prepared by the Trustee pursuant to the rules and regulations as set out in the BIA. The BIA provides that the Trustee shall incur no liability for any act or omission pursuant to its appointment or fulfillment of its duties, save and except for gross negligence or wilful misconduct on its part.
8. This Fifth Report is not and should not be construed or interpreted as an endorsement, comment or recommendation to any creditor, prospective investor, or any persons to advance credit and/or goods and services or to continue to provide credit and/or goods and services or to lend monies to Purdy during these proceedings and/or at any other such time.
9. The Trustee has not audited or reviewed the assets of Purdy, and with respect to such assets, but have relied to a significant degree upon information provided by Purdy.

10. The Trustee is specifically not directed or empowered to take possession of the assets of the Company or to manage any of the business and affairs of the Company.

## **BACKGROUND**

11. Purdy is a businessman who has been involved in the Alberta and British Columbia commercial real estate markets for many years. Purdy conducts his real estate development and related activities through a number of entities owned directly and indirectly, legally and beneficially, by Purdy.
12. The majority of Purdy's entities are currently operating under a stay of proceedings under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c.C-36, as amended (the "CCAA") (collectively, these entities are referred to as the "Purdy Companies"), pursuant to an order of this Honourable Court (the "Initial Order"), dated December 1, 2011. Pursuant to the Initial Order, Alvarez & Marsal Canada Inc. was also appointed monitor of the Purdy Companies (the "Monitor").
13. Further background on Purdy and the Purdy Companies is contained in the materials filed in support of the application for the Initial Order, including the November 25, 2011 affidavit of Mr. John (Jack) Kenneth Purdy (the "November 25<sup>th</sup> Purdy Affidavit"), the Trustee's four reports in these proceedings and the Monitor's three reports filed in the CCAA proceedings. These documents, together with other information regarding the NOI and proposal of Purdy, which includes the various filed reports of the Trustee, as well as the CCAA proceedings, have been posted by the Trustee on its website at: [www.alvarezandmarsal.com/purdy](http://www.alvarezandmarsal.com/purdy).

## PROPOSAL

### Overview

14. Purdy has acted diligently, with assistance from the Trustee and his legal counsel, to prepare the Proposal with respect to the NOI. Purdy has lodged his Proposal with the Trustee and the Trustee filed his Proposal at the Office of the Superintendent of Bankruptcy on June 1, 2012. A copy of the Proposal as filed is attached and marked as Appendix A to this report.
15. The purpose of the Proposal is to allow for a restructuring of the affairs of Purdy, for the benefit of the Creditors. It is expected that all Creditors will derive a greater benefit from the restructuring being conducted by Purdy and the Purdy Companies, than they would from a forced liquidation of Purdy's Assets and Excluded Assets.
16. Purdy's Assets (as defined in the Proposal) are made up of the following:
  - a) Purdy Companies Assets (commonly referred to as, "Schedule I Assets"); and
  - b) Purdy's personal assets (commonly referred to as, "Schedule II Assets").
17. The Excluded Assets are considered assets that are exempt from seizure pursuant to Part 10 of the Civil Enforcement Act of Alberta.
18. As previously discussed in the Trustee's Fourth Report, the financial circumstances of Purdy and the Purdy Companies are inextricably linked together (given that the majority of Purdy's personal assets are in the ownership of the Purdy Companies) and the success of a proposal submitted by Purdy to his creditors is dependent upon the outcome of the restructuring of the Purdy Companies.

19. The meeting of Creditors will be held on June 22, 2012 to consider and vote upon the Proposal (the "Creditors Meeting").
20. If the Proposal does not receive the requisite votes for approval by the Creditors, Purdy will be deemed to have automatically made an assignment in bankruptcy and the Assets will vest with Trustee.
21. In addition to receiving the requisite approvals of the Creditors, approval of the Court is required.
22. The key terms of the Proposal are as follows:
  - a) Purdy, as a creditor and/or shareholder, expects to receive distributions from the CCAA Proceedings by or before the Distribution Date, which is defined to be a maximum of 15 months after Court approval of the Proposal.
  - b) If the Net Proceeds received by Purdy from the CCAA proceedings (the Schedule I assets) are not sufficient to pay all Proven Claims, Purdy shall forthwith upon becoming aware of that fact sell the Schedule II Assets, in consultation with the Trustee, and shall obtain the consent of the Trustee prior to completing any such sale.
  - c) All the Net Proceeds from the Schedule I Assets and Schedule II Assets shall be placed into trust with the Trustee, to be held for the sole and exclusive purpose of funding the distributions under this Proposal;
  - d) If all the Net Proceeds have not been received by the date that is 15 months after Court approval of the Proposal, the Trustee shall make a distribution of all Net Proceeds received in accordance with the Proposal. In addition, Purdy shall transfer all Assets remaining at that time to a Purdy Holdco. The inspectors, if appointed, shall determine

the manner in which the Creditors shall realize the value in Purdy Holdco;

- e) Upon making the distribution contemplated in Part 5 of the Proposal, the Proposal shall be full performed and the Trustee shall be entitled to apply for its discharge as Trustee;
- f) The Trustee shall report to the Creditors and the Court on a 60-day basis, within 15 days following the end of each 60-day period, during the period between the Effective Date and the Distribution Date;
- g) The Applicants may amend the Proposals at any time prior to the conclusion of the Creditors' Meeting provided the amendment does not reduce the rights and benefits given to the Creditors pursuant to the Proposal as filed June 1, 2012.

23. By accepting the terms of this Proposal, the various classes of Creditors will be accepting treatment summarized as follows:

Secured Creditors

24. Proven Claims of Secured Creditors shall be paid out of the Net Proceeds realized on the sale of the Assets that the Secured Creditors hold valid security over in accordance with their security, net of the Superintendent's levy.

Preferred Creditors

25. Proven Claims of Preferred Creditors as of the Filing Dates shall be paid in full, net of the Superintendent's levy, on the Distribution Date, without interest, in priority to claims of Unsecured Creditors.

Unsecured Creditors

26. Proven Claims of Unsecured Creditors as of the Filing Date shall be paid with the remaining balance of funds on a pro-rata basis consistent with the crystallized

estimated value of their respective claims against Purdy, net of the Superintendent's levy, on the Distribution Date.

### **TRUSTEE'S ANALYSIS OF THE PROPOSAL**

27. The Trustee has made an inquiry into Purdy's assets and liabilities and based on the proceeding, has performed an analysis of the Proposal including the following:

- a) A listing and description of the Proposal Assets and Excluded Assets with estimated realized values;
- b) Description of Purdy's liabilities; and
- c) A summary of the recoveries estimated under the Proposal and the recoveries under a bankruptcy scenario.

**John (Jack) Kenneth Purdy  
Proposal to Bankruptcy Comparison  
As at June 1, 2012**

	Notes	Ownership	<u>Estimated Realizable Value</u>	
		Interest %	Proposal	Bankruptcy
<b>Distributable Funds</b>				
Net Sales Proceeds:				
Cash on hand		100	\$ 1,495	\$ 1,495
Personal effect	a			
- Jewellery		100	15,000	15,000
- Antiques		100	50,000	50,000
Purdy Companies	b	100	7,500,000	3,200,000
Stocks	c	100	50,000	50,000
Property	d			
- House (8335 Meshers Road)		100	432,400	216,200
- Cabins (Dominican Republic)		100	258,500	129,250
- Land (469 Bamfield Inlet)		100	253,800	126,900
1992 Bentley	e	100	10,000	10,000
Note Receivable	f	100	-	-
Shareholder loan receivable	g	100	-	-
			<u>8,571,195</u>	<u>3,798,845</u>
<b>Excluded Assets</b>				
Furniture (\$5,000 in value)	h	100	-	-
			<u>8,571,195</u>	<u>3,798,845</u>
Professional Fees	i		(150,000)	(300,000)
Repayment of Ladysmith Mortgage	j		<u>(246,000)</u>	<u>(216,200)</u>
<b>Total Distributable Funds</b>			<u>8,175,195</u>	<u>3,282,645</u>
<b>Estimated Claims</b>	k		<u>4,560,000</u>	<u>6,360,000</u>
			<u>4,560,000</u>	<u>6,360,000</u>

*Assets*

28. The basis for the Proposal is that the value of the Assets realized under an orderly restructuring process conducted by Purdy is greater than the value realized through liquidation of all the Assets under a bankruptcy.

29. In determining whether the Proposal will provide a greater benefit to the Creditors over the alternative (liquidation or bankruptcy), the Trustee estimated the net realizable value of the Assets under both alternatives.
30. The Trustee encountered difficulties verifying the ownership of several of Purdy's Assets and their net realizable value due to the lack of documentation and support available. The Trustee has not audited or reviewed the assets of Purdy, and with respect to such assets, has relied to a significant degree upon information provided by Purdy. In addition, the Trustee did not physically inspect the Assets (largely due to the location of the Assets) and relied largely on Purdy's sworn statement of affairs in order to complete a net realization analysis for Purdy's creditors.
31. Where possible, the Trustee reviewed publically available information to compare the reasonableness of the values provided by Purdy on his statement of affairs for his personal (non-corporate) assets. With respect to Purdy's real estate and the shares in Purdy Companies, in order to assess the estimated net realizable values under both a Proposal and bankruptcy, the Trustee compared the values of the land/property as suggested by Purdy to available appraisal and recent real estate market assessments and/or held discussions with local real estate brokers.
32. The notes and assumptions to the estimated net realization under the Proposal and bankruptcy for the chart above are:
  - a) Personal effects: Purdy advised the Trustee that he has a variety of antiques and jewellery in his possession, and has provided the Trustee a list of various items and his valuation based on current market prices. The Trustee has not inspected nor had these gems and/or antiques appraised. The estimated value assigned is 75% of the current market value provided by Purdy and is assumed to be the same under both a Proposal and bankruptcy scenario.
  - b) Purdy Companies and other non-CCAA entities.

### Purdy Companies in CCAA

- i. Purdy Companies include several privately-held companies engaged in the business of property acquisition, development and sale in the Provinces of Alberta and British Columbia and 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.
- ii. There are 16 CCAA-companies (Schedule I Assets) that are estimated to have a net realizable value of approximately \$7.5 million and \$3.2 million in a Proposal and bankruptcy scenario respectfully. These values take into consideration the anticipated payment of the estimated secured and unsecured proven claims of the Purdy Companies. For purposes of the realization analysis above, the Trustee has included additional costs, such as selling, marketing, legal and restructuring costs, that are likely to further decrease the net realization of these assets in a Proposal and bankruptcy scenario. The Monitor in the CCAA proceedings sought advice from various real estate agents and received market assessments values on these properties in an ordinary sales process and forced sales process basis. The market assessment values each of the CCAA properties are generally, consistent with the net realizable values used in the above analysis.

### The non-CCAA entities

- iii. The non – CCAA entities include four corporate entities, two of which are shell companies holding no assets and two that hold real estate assets in foreign jurisdictions. The Trustee is advised by Purdy that due to various legal issues and other development problems these assets have little value. Due to the location of the

assets and the likelihood they have little value, the Trustee has not thoroughly investigated these assets at this time.

- c) Stocks. Purdy has indicated that he owns various stocks and or investments held in a couple of investment brokerages that total in value of approximately \$50,000. The Trustee requested, but has not been provided with investment statements to verify Purdy's investments and attributed values. The values assumed in the above analysis are the same in a Proposal and bankruptcy scenario;
- d) Property. Purdy owns two properties located in British Columbia and cabins in the Dominican Republic.
  - i. 8335 Meshers Road is comprised of a 1,352 square foot 1 storey wood frame single family dwelling located on 80 acres in a rural area of Port Alberni. There is a mortgage on this property of approximately \$250,000 and a Canada Revenue Agency ("CRA") writ. The mortgage holder has commenced foreclosure proceedings and CRA has conduct of sale under its writ. Those proceedings are stayed by the proposal proceedings; however, the property has been listed for sale for some time at \$495,000. In connection with the sale of certain properties in the CCAA proceedings, this property is being relisted by Purdy with Colliers Macaulay Nicholls Inc. at a listing price of \$460,000. In the above analysis, the Trustee estimated a net realizable value of \$432,000, which is calculated using the current listing price of \$460,000 less agent and legal costs under a Proposal scenario and is further discounted by 50% if the asset was sold on a "forced sale" in a bankruptcy scenario. ;
  - ii. 469 Bamfield is located on Burlo Island. This property is comprise of 6.111 acres of heavily forested island (section of ocean front) with no improvements made on the lands. The

estimated value assigned by Purdy on this property in his statement of affairs is approximately \$500,000, which is close to the assessed value for property tax purposes. Recent market evaluations provided to the Trustee suggest that the estimated dollar value is less and accordingly in a Proposal and bankruptcy scenario it is assumed realizations would be \$253,800 and \$126,900, respectively (which takes into account agent and legal costs); and

- iii. Dominican Republic Cabins. Purdy indicates that he owns four cabins located in Cabarete, Dominican Republic. The Trustee is in receipt of a form of purchase agreement dated April 21, 2008 where these cabins were purchased for US\$220,000. Purdy further indicates that the estimated value of these assets is approximately \$275,000 as indicated in his statement of affairs. The Trustee could not verify the market values of these properties due to the limited information available to the Trustee. For purposes of the above analysis, the Trustee has used the value provided by Purdy in a Proposal scenario (less estimated agent and legal costs) and further discounted this value by 50% if the asset was sold on a “forced sale” basis in a bankruptcy scenario;
  
- e) 1992 Bentley Turbo. Purdy has advised the Trustee that he owns this vehicle, but has not provided a condition report nor proof of ownership. The Trustee has not inspected the vehicle (due to its apparent location in British Columbia) nor obtained any appraisals. The value assigned on Purdy’s statement of affairs is \$19,999; however, after further investigation on used vehicles and the condition that the car is in, Purdy believes that the asset is likely worth approximately \$10,000. For purposes of the above analysis, the Trustee has used the value provided by Purdy in both a Proposal and bankruptcy scenario;

- f) Note Receivable. Purdy advises he advanced approximately \$80,000 a number of years ago to a construction company and Purdy believes it is still collectible although we are not aware that any collection action is being taken. The Trustee requested, but has not received the required information from Purdy to verify the existence of the note receivable or if the advance was made to this company. Given the lack of information available and length of time outstanding the receivable has been given \$NIL value by the Trustee;
- g) Shareholder loan receivable. Purdy has filed a proof of claim against one of his companies in CCAA, Armac Investments Ltd. (AB), of approximately \$1.5 million. The total estimated realization from the Purdy Companies is approximately \$12.5 million and \$6.4 million in a Proposal and bankruptcy scenario, respectively, which includes any recovery by Purdy on his Shareholder loan. Accordingly it has been assigned a \$Nil value;
- h) Furniture. Purdy indicated that he has approximately \$5,000 or less in furniture and appliance. This is considered an Excluded Asset in this Proposal. Under the Civil Enforcement Act of Alberta, an exemption is made for “bankrupt” individuals on household furniture and appliances up to a value of \$4,000. For purposes of the above analysis and the Proposal, Purdy has assigned an estimated value for realization of \$NIL.
- i) Professional fees include both legal and Trustee’s fees. Professional fees under a liquidation scenario have been estimated to be greater than in a Proposal as a result of not having Purdy’s assistance;
- j) Ladysmith & District Credit Union has a mortgage that was registered at land titles on June 20, 2000 over Purdy’s property (8335 Meshers Road) as discussed above with respect to a mortgage loan it provided Purdy on this property. It is further believed that the mortgage

amount was in default, along with outstanding property taxes owed to the BC government, and there was a conduct of sale issued by court order on this property. The Trustee has been advised by the crown that it will not continue to proceed with selling this property if a formal listing agreement is entered into by Purdy, as discussed above.

### *Liabilities*

- k) Purdy has identified the following potential known unsecured creditors totalling approximately \$11.16 million:
- i. Access Capital (as agent on behalf of individual investors). Purdy provided personal guarantees to various creditors who's loans are administered by Access Capital, as agent. The loans guaranteed total approximately \$9 million and were provided to the CCAA entities, Armac Investment Ltd (AB), Half Moon Lake Resort Ltd. and 1317517 Alberta Ltd;
  - ii. Canada Revenue Agency (CRA). Purdy estimates he owes approximately \$2,100,000 for personal income taxes, penalties and interest;
  - iii. Bank of Montreal. Purdy believes he may have an outstanding personal liability with the Bank of Montreal of approximately \$60,000 over a guarantee he may have provided to the bank for a CCAA entity. Bank of Montreal has been mailed notice of the proceedings;
  - iv. Other Unsecured Creditors. Purdy has identified various potential creditors on his statement of affairs that may have claims against him personally if it is determined that these creditors have valid director claims against him in the CCAA proceedings. A value of \$1 has been assigned to each of these potential creditors to give

notice to the Trustee and the Official Receiver that there “may” be a possible claims outstanding, but the exact value is undetermined;

- v. For purposes of the above analysis, the Trustee has reduced the unsecured claims for estimated realizations by secured creditors in the CCAA proceedings.

*Proposal to Bankruptcy Comparison*

33. It is difficult for the Trustee to calculate a precise amount proven creditors may be expected to recovery under a Proposal or bankruptcy scenario, due primarily to the following reasons:

- a) Purdy’s most significant assets are entities that are subject to CCAA proceedings and the payout of funds from these entities to Purdy personally are subject to a plan of arrangement being filed by the Purdy Companies to its creditors and the process is still on-going;
- b) Purdy’s various other properties are unique and complicated and due to various legal issues surrounding these properties and a lack of documentation available, it is uncertain if these values can be achieved if sold on an orderly basis; and
- c) There are many creditors that have been identified by Purdy as potential creditors and the final determination of these potential claims may increase the total proven claims resulting in a reduced pro-rata dividend.

34. Despite the above uncertainties, based on the values provided by Purdy and the Trustee’s independent review of certain documents and the value of property owned by Purdy, proven unsecured creditors may receive a dividend anywhere from 51% to 100% if the Proposal is rejected or accepted by the Unsecured Creditors respectively.

## **PROCEDURE FOR DEALING WITH THE PROPOSAL**

35. The Creditor's Meeting will be held on June 22, 2012 at 10:00 a.m. at The Sutton Place Hotel; 10235-101 Street; Edmonton, Alberta to consider the acceptance or rejection of the Proposal. For the Proposal to be accepted, the BIA requires that at least two-thirds (66.7%) of Unsecured Creditors by dollar value and more than fifty percent (50%) of Unsecured Creditors by number of those who vote, vote in favour at the meeting either in person, by proxy or by voting letter.
36. To be eligible to vote, creditors must have filed with the Trustee, Alvarez & Marsal Canada Inc., before the Creditors Meeting, a Proof of Claim ("POC") form, properly completed, accompanied by a statement of account, signed and witnessed, as required.
37. On June 12, 2012, the Trustee sent to all known Creditors identified by Purdy the following documents ("Creditor Claims Package") as attached at Appendix B to this report:
  - a) Notice to Creditor
  - b) Proposal;
  - c) condensed statement of Purdy's assets and liabilities;
  - d) a list of the creditors affected by the proposal and whose claims amount to \$250 or more;
  - e) POC;
  - f) instructions to fill out the POC;
  - g) general proxy form; and
  - h) voting letter

38. Pursuant to s.102.(4) of the BIA, the Trustee arranged to publish the Notice to Creditor and all documents listed above in Edmonton Journal on June 12, 2012 and also posted the Notice to Creditor Package on the Trustee's website.
39. Those Creditors who do not intend to have a personal representative at the Creditors Meeting, may participate in the vote by completing and submitting the voting letter, indicating their vote For or Against the acceptance of the Proposal.
40. If the Proposal is accepted by the statutory majority, the Trustee will then make application to the Court for approval of the Proposal. If the Court gives such approval, the Proposal, as approved by the Creditors, will be binding on all the creditors with claims pursuant to the provisions of the BIA.

**ACTUAL TO BUDGET RESULTS – APRIL 26, 2012 TO MAY 31, 2012**

41. The actual to budget cash flow presented at Appendix C to this report for the Reporting Period contains the actual cash receipts and disbursements relating to Purdy as compared to the cash flow forecasts previously provided to this Court in the Trustee's Fourth Report (the "Trustee's Fourth Report Forecast"). The table below provides a summary of the budget to actual cash flow:

**John (Jack) Kenneth Purdy**  
**Actual to Forecast Cash Flow Results**  
**for the period of April 26, 2012 to May 31, 2012**

	<u>ACTUAL</u>	<u>FORECAST</u>	<u>VARIANCE</u>
	<u>Week 22 to Week 26</u>	<u>Week 22 to Week 26</u>	<u>Week 22 to Week 26</u>
	<u>Apr. 26/12 to</u>	<u>Apr. 26/12 to</u>	<u>Apr. 26/12 to</u>
	<u>May 31, 2012</u>	<u>May 31, 2012</u>	<u>May 31, 2012</u>
<b>Receipts</b>	-	-	-
<b>Disbursements</b>	8,109	4,350	(3,759)
<b>Net change in cash flow</b>	(8,109)	(4,350)	(3,759)
<b>Opening cash</b>	9,604	9,604	-
<b>Net change in cash flow</b>	(8,109)	(4,350)	(3,759)
<b>Ending cash</b>	1,495	5,254	(3,759)

42. Receipts for the Reporting Period totalled \$NIL as anticipated when compared to the receipts set out in the Trustee's Fourth Report Forecast.
43. Disbursements for the Reporting Period totalled \$8,109 representing a negative variance of approximately \$3,759. This variance was primarily due to a:
- a) negative permanent variance of \$1,496 in personal living expenses; and
  - b) negative timing variance of \$2,200 relating to the overpayment of certain costs originally paid by the Purdy Companies for Purdy. It is anticipated that these funds will be reimbursed back to Purdy in due course.
44. The ending total cash balance as at May 31, 2012 was \$1,495 compared to the forecast cash balance amount of \$5,254, for the reasons discussed above.

***Professional Fee Retainers***

45. Below is a chart reconciling the restructuring retainer fees that were paid and approved by Purdy (as discussed in the Fourth Report) to the Trustee to pay for professional services during these proposal proceedings:

<b>John (Jack) Kenneth Purdy Reconciliation of Proposal Trustee retainer fees December 2, 2011 to May 31, 2012</b>				
	<b>Opening balance</b>	<b>Invoices paid</b>	<b>Estimated accrual</b>	<b>Ending balance</b>
Proposal Trustee retainer (NOI)*	50,000	24,058	35,942	(10,000)

46. The Trustee has accrued \$35,942 for the approximate fees incurred by the Trustee from March 1, 2012 to May 31, 2012, of which \$25,942 is available in trust from the Trustee's original retainer, and will require an additional \$10,000 to cover the Trustee's shortfall.

**UPDATED CASH FLOW FORECAST THROUGH JUNE 30, 2012**

47. Purdy, with the assistance of the Monitor, has prepared an Updated Forecast for Forecast Period, which is attached as Appendix D. Purdy has prepared the Updated Forecast based on the most current information available and included this Updated Forecast in his Proposal as submitted to the Monitor and the Official Receiver on June 1, 2012.
48. The table below summarizes cash flow for the Forecast Period:

<b>John (Jack) Kenneth Purdy</b>	
<b>Revised Cash Flow Statement</b>	
<b>for the period of June 1, 2012 to June 30, 2012</b>	
	<b>FORECAST</b>
	<b>June 1/12 - June 29/12</b>
<b>Receipts</b>	4,400
<b>Disbursements</b>	4,350
<b>Net change in cash flow</b>	50
<b>Opening cash</b>	1,495
<b>Net change in cash flow</b>	50
<b>Ending cash</b>	1,545

49. As summarized above, Purdy is projecting total cash receipts of \$4,400 and cash disbursements of approximately \$4,350, resulting in a net increase in cash of approximately \$50 during the Forecast Period.
50. The Trustee has reviewed the assumptions supporting the Updated Forecast with Purdy and believes the assumptions to be reasonable.
51. Significant assumptions made by Purdy with respect to the Updated Forecast are:
- a) Purdy believes he will be able to manage his existing cash in his bank account over the Forecast Period along with his monthly management fee advance of \$4,400;
  - b) personal and living expenses of approximately \$3,100;
  - c) transportation costs of approximately \$1,000 relating to travels to BC; and
  - d) miscellaneous costs of approximately \$250;

52. Based on Purdy's assumptions, the Updated Forecast indicates that Purdy will continue to have sufficient available cash to meet his current obligations through the Forecast Period.

#### **UPDATE ON CONDOMINIUM FORECLOSURE PROCEEDINGS**

53. As previously discussed, a condominium (the "Condo") previously listed as an asset in Purdy's NOI filing information, (which was disclosed in Appendix B to the Trustee's First Report) was foreclosed upon by TD Bank (the mortgagor). Purdy was not the registered owner, but claimed a beneficial ownership in this property pursuant to an agreement with the registered owner.
54. The Trustee understands that neither Purdy nor the registered owner paid the outstanding mortgage arrears with TD Bank by the foreclosure due date of May 3, 2012 and any rights they had are now extinguished. Through discussion with Purdy and through obtaining an understanding of the current condominium market place in Edmonton, the Trustee understands that there was not significant equity in the Condo to justify paying the outstanding mortgage payments.

#### **.RECOMMENDATION**

55. The Trustee recommends that the Unsecured Creditors support Purdy's proposal for the following reasons:
- a) The Trustee believes that the Proposal is in the best interest of the Unsecured Creditors;
  - b) If the Proposal is rejected and the bankruptcy ensues, the Trustee has estimated that the Unsecured Creditors will likely receive a return of 51%, whereas, if the Proposal is accepted, the Unsecured Creditors may receive an estimated return of 100%; and
  - c) The Trustee intends to vote the proxies it has received, naming the Trustee as Proxy Holder, in favour of the Proposal.

All of which is respectfully submitted this 21<sup>st</sup> day of June, 2012.

**ALVAREZ & MARSAL CANADA INC.,  
in its capacity as Trustee under the Notice  
of Intention to Make a Proposal of  
John (Jack) Kenneth Purdy**



Tim Reid, CA•CIRP  
Senior Vice-President



Orest Konowalchuk, CA•CIRP  
Senior Manager

# **APPENDIX A**



COURT FILE NUMBER BE03-568045

ESTATE NUMBER 24-1568045

COURT COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE EDMONTON

APPLICANT IN THE MATTER OF THE BANKRUPTCY AND  
INSOLVENCY ACT, R.S.C. 1985, c.B-3, AS  
AMENDED

AND IN THE MATTER OF THE PROPOSAL OF  
JOHN KENNETH PURDY OTHERWISE KNOWN  
AS JACK PURDY

DOCUMENT **PROPOSAL OF JOHN (JACK) KENNETH  
PURDY**

**MAY 30, 2012**

ADDRESS FOR SERVICE  
AND CONTACT  
INFORMATION OF PARTY  
FILING THIS DOCUMENT **COUNSEL**  
TAYLOR LAW OFFICE  
Conan J. Taylor  
Suite 401, 10722 – 103 Avenue  
Edmonton, Alberta  
T5J 5G7  
Attention: Conan J. Taylor  
Phone: (780) 428-7770  
Fax: (780) 428-7775

File: 3005-001

## PROPOSAL

### RECITALS

- A. John (Jack) Kenneth Purdy ("Purdy") is an individual residing in the City of Edmonton, in the Province of Alberta.
- B. On December 2, 2011 Purdy filed a Notice of Intention to File a Proposal ("NOI Proceedings"). The NOI Proceedings were extended until June 2, 2012 and no further extensions are available under the Act.
- C. The most significant property of Purdy is his 100% ownership of various corporations described in Schedule I ("Purdy Companies").
- D. The Purdy Companies are operating in proceedings under the CCAA ("CCAA Proceedings"). Alvarez and Marsal Canada Inc., is the Court appointed Monitor in the CCAA Proceedings. The CCAA Proceedings commenced on December 2, 2011. The stay under the CCAA Proceedings has been extended until June 29, 2012 and it is likely the Purdy Companies will seek a further extension before any plan is put forward to creditors under the CCAA Proceedings.
- E. The CCAA Proceedings and the NOI Proceedings are inextricably linked together and any proposal to Purdy's Creditors should consider and include the outcome of the CCAA Proceedings.
- F. John (Jack) Kenneth Purdy, the above-named debtor, hereby submits the following Proposal to his creditors pursuant to the *Bankruptcy and Insolvency Act*, R.S.C. 1985, C. B-3.

**NOW THEREFORE** Purdy hereby proposes and presents this Proposal under and pursuant to the Act:

**PART I**  
**INTERPRETATION**

1. In this Proposal:
- (a) “**Act**” means the *Bankruptcy and Insolvency Act*, as it may be amended from time to time;
  - (b) “**Assets**” means all of the right title and interest of Purdy in the Purdy Companies as listed in Schedule “I” and property that Purdy is proposing to sell for the benefit of the Creditors, as listed in Schedule “II” to this Proposal;
  - (c) “**Business Day**” means a day, other than a Saturday or Sunday or a day observed as a holiday pursuant to the laws of the Province of Alberta or the federal laws of Canada, on which banks are generally open for business;
  - (d) “**CCAA Proceedings**” means proceedings taken up by the Purdy Companies under the Companies’ Creditors Arrangement Act.
  - (d) “**Claim**” means any indebtedness, liability, action, cause of action, suit, debt, due, account, bond, covenant, contract, counterclaim, demand, claim, right and obligation of any nature whatsoever of Purdy to any person whether liquidated, unliquidated, fixed, contingent, matured, legal, equitable, secured, unsecured, present, future, known or unknown, and whether by guarantee, surety or otherwise, incurred or arising or relating to the period prior to the Filing Date, or based in whole or in part on facts, contracts or arrangements which occurred or existed prior to the Filing Date, together with any other claims provable in bankruptcy had Purdy become bankrupt on the Filing Date, including without limitation, claims arising from the abandonment of any premises or the repudiation, disclaimer or termination of any lease, license, contract, arrangement or contract of employment prior to the Filing Date, providing that all such claims shall be allowed without allowance for interest after the Filing Date and without allowance for penalties and net of any normal discounts. All Claims must be converted to Canadian Dollars at the Bank of Canada Daily Foreign Exchange Rate at the Filing Date. The U.S. Dollar Daily Foreign Exchange Rate at the Filing Date for the conversion of US Dollars to Canadian Dollars was 1.0183;
  - (e) “**Claim Value**” means the value of a Creditor’s claim against Purdy, as at the Distribution Date: Claim Value shall be determined by deducting from a Creditor’s Proven Claim: (i) any amount actually received by the Creditor or anticipated or estimated to be received by the Creditor from any party who is jointly and severally liable with Purdy, including the Purdy Companies, with respect to the claim comprising the Proven Claim, including but not limited to amounts resulting from the realization on assets owned by parties other than

Purdy. The Trustee shall notify each Creditor with a Proven Claim of its Claim Value at least 45 days prior to the Distribution Date. If the Creditor objects to the Trustee's determination of its Claim Value, the Creditor or the Trustee can apply to the Court for a determination of the Creditor's Claim Value;

- (f) **"Court"** means the Court of Queen's Bench of Alberta, in Bankruptcy;
- (g) **"Creditor"** means any person having a Claim and may, if the context requires, mean a trustee, receiver, receiver-manager or other person acting on behalf or in the name of such person;
- (h) **"Creditors' Meeting"** means the special meeting of the Creditors called for the purpose of considering and voting upon the Proposal;
- (i) **"Distribution Date"** means the earlier of the day that is fifteen (15) months after the Effective Date, or a date to be established by Purdy within 50 days after the CCAA proceedings are concluded and any sales proceeds required from the final sale of the Schedule II property to be sold by Purdy have been received from the purchaser of such Asset;
- (j) **"Effective Date"** means the date on which this Proposal is approved by the Court, after being approved by the required majority of Purdy's Creditors;
- (k) **"Excluded Assets"** means the assets of Purdy that will be retained by Purdy under this Proposal, as listed in Schedule "III" to this Proposal;
- (l) **"Filing Date"** means the date on which Purdy filed his Notice of Intention to make a Proposal under the Act, namely December 2, 2011;
- (m) **"Final Order"** means an order of the Court approving this Proposal to be granted pursuant to the provisions of the Act, the appeal period having expired and no appeal having been filed, or any appeal therefrom having been dismissed and such dismissal having become final;
- (n) **"Official Receiver"** shall have the meaning ascribed thereto by the Act;
- (o) **"Net Proceeds"** means the net proceeds to which Purdy shall become entitled to receive from the Assets (which if from a sale of Assets shall represent the gross proceeds of sale, less only the transaction costs of the sale)
- (p) **"Preferred Claim"** means that portion of a Proven Claim of a Preferred Creditor which entitles the Preferred Creditor to receive payment in priority to other Creditors as provided in Section 136 of the Act;
- (q) **"Preferred Creditor"** means any Creditor entitled to receive payment of all or a portion of its Proven Claim in priority to other Creditors as provided in section 136 of the Act. For voting purposes Preferred Creditors fall into and form part of the class of Unsecured Creditors in respect of their Preferred Claim;

- (r) “**Proposal**” means this Proposal made pursuant to the Act, as further amended or supplemented from time to time;
- (s) “**Proven Claim**” means the Claim of a Creditor approved by the Trustee pursuant to Part 3 as owing to such Creditor by Purdy;
- (t) “**Secured Claim**” means that portion of a Proven Claim of a Secured Creditor that is secured by valid security against any asset of Purdy;
- (u) “**Secured Creditor**” means any Creditor who has valid security against any asset of Purdy with respect to its Proven Claim;
- (v) “**Trustee**” means Alvarez & Marsal Canada Inc., or its duly appointed successor or successors;
- (w) “**Unsecured Claim**” means that portion of a Proven Claim that is not a Preferred Claim or a Secured Claim;
- (x) “**Unsecured Creditor**” means a Creditor having a Proven Claim other than a Secured Creditor; and
- (y) “**Voting Letter**” shall mean the voting letter required by subsection 51(1) of the Act to be mailed to each known Creditor prior to the Creditors’ Meeting.

### **Heading**

2. The divisions of this Proposal into parts, paragraphs and subparagraphs, and the insertion of headings herein, is for convenience of reference only and is not to affect the construction of interpretation of this Proposal.

### **Numbers, etc.**

3. In this Proposal, where the context requires, a word importing the singular number will include the plural and vice versa and a word or words importing gender will include all genders.

### **Date for Action**

4. In the event that any date on which any action is required to be taken hereunder is not a Business Day, such action will be required to be taken on the next succeeding day that is a Business Day.

**Time**

5. All times expressed herein are in local time in Edmonton, Alberta, Canada, unless otherwise stipulated. Where the time for anything pursuant to the Proposal on a particular date is unspecified herein, the time shall be deemed to be 5:00 p.m. local time in Edmonton, Alberta, Canada.

**Currency**

6. Unless otherwise stated herein, all references to currency in this Proposal are to lawful money of Canada ("Canadian Dollars").

**Successors and Assigns**

7. This Proposal will be binding upon and will enure to the benefit of the heirs, administrators, executors, personal representatives, successors and assigns of all persons named or referred to herein including, without limitation, all Creditors.

**Accounting Principles**

8. Accounting terms not otherwise defined have the meanings assigned to them in accordance with Canadian generally-accepted accounting principles.

**Statutory References**

9. Except as otherwise provided herein, any reference in the Proposal to a statute includes all regulations and amendments made under that status or regulation(s) in force from time to time and any statute or regulation that supplements or supersedes such statute or regulation(s).

**PART 2****TREATMENT OF CREDITORS****Purpose of Proposal**

10. The purpose of this Proposal is to allow a restructuring of the affairs of Purdy, for the benefit of the Creditors. It is expected that all Creditors will derive a greater benefit from the restructuring being conducted by Purdy and the Purdy Companies, than they would from a forced liquidation of Purdy's Assets and Excluded Assets.

## **Purdy Companies Distributions and Sale of Property**

11. Purdy is a creditor and the direct or indirect 100% shareholder of the Purdy Companies. The Purdy Companies are restructuring their affairs under the CCAA. Under this Proposal, Purdy, as a creditor and/or shareholder expects to receive distributions from the CCAA Proceedings by or before the Distribution Date. All the Net Proceeds from the CCAA Proceedings shall be placed into trust with the Trustee, to be held for the sole and exclusive purpose of funding the distributions under this Proposal.

12. If the Net Proceeds received from the CCAA Proceedings are not sufficient to pay all Proven Claims, Purdy shall forthwith upon becoming aware of that fact sell the property listed in Schedule II in consultation with the Trustee, and shall obtain the consent of the Trustee prior to completing any such sale. All the Net Proceeds from the sale of the Schedule I property shall be placed into trust with the Trustee, to be held for the sole and exclusive purpose of funding the distributions under this Proposal

## **Distributions to Creditors**

13. On the Distribution Date, the Trustee shall after paying its proper fees and expenses set out in paragraphs 27 and 28 and subject to paragraph 15 distribute the remaining Net Proceeds as follows:

- (a) first, the Trustee shall distribute to the Secured Creditors with Proven Claims, the Net Proceeds, up to 100% of their Claim Values as at the Distribution Date;
- (b) second, the Trustee shall after payments required under paragraph 26 distribute to the Unsecured Creditors with Proven Claims, the remaining balance of the Net Proceeds, *pari passu*, (but in no event shall a Creditor receive more than its Proven Claim) based on their respective Claim Values as at the Distribution Date.

14. If all the Net Proceeds have not been received by the date that is fifteen (15) months after the Effective Date, the Trustee shall make a distribution of all Net Proceeds received to that time as set out in paragraphs 13 and 15. Purdy shall transfer all Assets remaining at that time to Purdy Holdco. The Inspectors shall determine the manner in which the Creditors shall realize the value in Purdy Holdco whether by a distribution of the shares of Purdy Holdco in the same manner as the distribution of Net Proceeds set out in paragraph 13 hereof, or otherwise.

## **Superintendent's Levy**

15. The Superintendent's levy shall be paid to the Superintendent at the same time any distributions of Net Proceeds or shares of Purdy Holdco are made under this Proposal.

### **PART 3**

#### **PROCEDURE FOR VALIDATION OF CLAIMS**

##### **Allowance or Disallowance of Claims by the Trustee**

16. Upon receipt of a completed proof of claim, the Trustee shall examine the proof of claim and shall allow or disallow same, in whole or in part, and shall notify each Creditor whose claim is disallowed in whole or in part of the amount of its Proven Claim, as applicable. The Creditors will have the right to appeal to the Court and obtain a Court determination of the Creditor's Proven Claims, in accordance with the Act. The Proven Claim of a Creditor will be the amount accepted by the Trustee or determined by the Court, as the case may be, all in accordance with the provisions of the Act.

### **PART 4**

#### **MEETING OF CREDITORS**

##### **Creditors' Meeting**

17. On June 22, 2012, Purdy shall hold the Creditors' Meeting for the Creditors to consider and vote upon the Proposal.

##### **Time and Place of Meeting**

18. The Creditors' Meeting shall be held at a time and place to be established by the Official Receiver, or the nominee thereof and confirmed in the notice of meeting to be mailed pursuant to the Act. All proofs of claims shall be delivered in accordance with the provisions of the Proposal, the Act and any order which may be issued by the Court in respect of the procedure governing the Creditors' Meeting.

##### **Voting by Creditors**

19. Each Creditor shall be entitled to vote to the extent of the amount which is equal to the Creditors' Proven Claim.

## **Approval by Creditors**

20. In order that the Proposal is binding on all of the Creditors of Purdy in accordance with the Act, it must first be accepted by each class of Creditors by a majority in number of the Creditors who actually vote upon the Proposal (in person or by proxy) at the Creditors' Meeting or by a Voting Letter and representing two-thirds in value of the Proven Claims of the Creditors of each class who actually vote upon the Proposal (in person or by proxy) at the Creditors' Meeting or by a Voting Letter.

## **Inspectors**

21. At the Creditors' Meeting, the Creditors may appoint one or more, but not more than five, inspectors under this Proposal, who will have no personal liability to Purdy or to the Creditors, and whose power shall be limited to:

- (a) the power to advise the Trustee in respect of such matters as may be referred to the inspectors by the Trustee;
- (b) the power to advise the Trustee concerning any dispute that may arise to the validity or quantum of claims of Creditors under this Proposal, where the Trustee requests such assistance;
- (c) the power to determine the manner in which the value in Purdy Holdco shall be realized by the Creditors under this Proposal;
- (d) the power to approve on behalf of the Creditors of Purdy any decision of the Trustee relating to any matter not contained in this Proposal which the Trustee may refer to them from time to time, including any extension of time of payment required under this Proposal;
- (e) the power to waive any default in the performance of this Proposal. The Trustee shall notify the Inspectors of any default of which the Trustee becomes aware and the Trustee shall hold a meeting of Inspector following such notice for the purpose of obtaining the instructions of the Inspectors with respect to such a default and the steps to be taken.

## **Decisions of Inspectors**

22. Any decision, direction or act of the Inspectors may be referred to the Court by the Trustee and the Court may confirm, revoke or vary the decision, direction or act of the Inspectors and make such other order as it thinks just.

## Valuation of Claims

23. The procedure for valuing Claims of Creditors and resolving disputes with respect to such Claims will be as set forth in Part 3 and in the Act. Purdy or the Trustee or both reserve the right to seek the assistance of the Court in determining the Claim Value of any Creditor if required to ascertain the result of any vote on the Proposal or the amount payable or to be distributed to such Creditor under the Proposal, as the case may be.

## PART 5

### DISTRIBUTIONS

#### Implementation of Proposal

24. If the Proposal is approved as provided for in Part 4, then the Trustee shall make the Distributions as set out in paragraphs 13, 14 and 15.

#### Crown Claims

25. Her Majesty in Right of Canada and in Right of Alberta will be paid in full by Purdy, within 6 months after Court approval of this Proposal, of all amounts that were outstanding at the time of filing the notice of intention, and are of a kind that could be subject to demand under:

- (a) subsections 224(1.2) of the *Income Tax Act*;
- (b) any provision of the *Canada Pension Plan* or of the *Employment Insurance Act* that refers to subsection 224(1.2) of the *Income Tax Act* and provides for the collection of a contribution, as defined in the *Canada Pension Plan*, or an employee's premium, or employer's premium, as defined in the *Employment Insurance Act*, and of any related interest, penalties or other amounts; or
- (c) any provision of provincial legislation that has a similar purpose to subsection 224(1.2) of the *Income Tax Act*, or that refers to that subsection, to the extent that it provides for the collection of a sum, and of any related interest, penalties or other amounts, where the sum
  - (i) has been withheld or deducted by a person from a payment to another person and is in respect of a tax similar in nature to the income tax imposed on individuals under the *Income Tax Act*; or
  - (ii) is of the same nature as a contribution under the *Canada Pension Plan* if the province is a "province providing a comprehensive pension plan" as

defined in subsection 3(1) of the *Canada Pension Plan* and the provincial legislation establishes a “provincial pension plan” as defined in that subsection.

### **Preferred Creditors**

26. Preferred Claims are to be paid in full in priority to all Proven Claims of Unsecured Creditors.

### **Payment of Fees and Expenses**

27. All proper fees and expenses of the Trustee and reasonable legal and other professional fees of and incidental to the proceedings and transactions arising out of this Proposal and in connection with the preparation of this Proposal, and in the administration of this Proposal, including advice to Purdy in connection therewith, will be paid in priority to all Claims. The Net Proceeds shall be used to pay such fees and the expenses of Purdy.

28. The proper fees and expenses of the Trustee and its counsel shall be determined based on the Trustee’s standard rate times hours spent, as agreed to with Purdy in the NOI Proceedings.

## **PART 6**

### **EVENTS OF DEFAULT**

29. The following event will constitute an event of default for the purpose of section 63 of the Act and otherwise under this Proposal:

- (a) the failure of Purdy to sell and/or transfer all the Assets on or before the day that is 12 months after the Effective Date.

## **PART 7**

### **TRUSTEE**

#### **Confirmation of Appointment**

30. The Trustee is acting in its capacity as Trustee and not in its personal capacity and no officer, director, employee or agent of the Trustee shall incur any obligations or liabilities in connection with this Proposal or in connection with the business or liabilities of Purdy.

#### **Discharge of Trustee**

31. Upon making the distributions contemplated in Part 5, the Proposal shall be fully performed and the Trustee shall be entitled to apply for its discharge as Trustee hereunder. For greater certainty, the Trustee will not be responsible or liable for any obligations of Purdy and will be exempt from any personal liability in fulfilling any duties or exercising any powers conferred upon it by this Proposal unless such acts have been carried out in bad faith and constitute a willful or wrongful act or default.

#### **Trustee's Report**

32. The Trustee shall report to the Creditors and the Court on a 60 day basis, within fifteen days following the end of each 60 day period, during the period between the Effective Date and the Distribution Date.

## **PART 8**

### **CONDITIONS PRECEDENT**

33. The performance of this Proposal by Purdy shall be conditional upon the fulfillment or satisfaction of the following conditions within thirty (30) Business Days following the issuance of the Final Order:

- (a) all approvals and consents to the Proposal that may be required have been obtained;
- (b) the Final Order has issued and it is efficacious in accordance with paragraph 1(m) of this Proposal; and

- (c) no order or decree restraining or enjoining the consummation of the transactions contemplated by this Proposal has been issued.

## **PART 9**

### **RELEASE**

34. Upon the Effective Date, Purdy shall be released and discharged from any and all demands, claims, actions, causes of action, counterclaims, suits, debts, sums of money, accounts, covenants, damages, judgments, expenses, executions, liens and other recoveries on account of any liability, obligation, demand or cause of action as of the Filing Date.

35. This release shall have no force or effect if Purdy becomes bankrupt before the terms of the Proposal are performed. After Purdy has performed his obligations to sell and/or transfer the Assets to Purdy Holdco, this release shall become unconditionally and irrevocably effective.

36. Sections 91 to 101 of the Act shall not apply to any dealings by Purdy having taken place during the period prior to or after the Filing Date.

## **PART 10**

### **MISCELLANEOUS**

#### **Consents, Waivers and Agreements**

37. On the Effective Date, all Creditors will be deemed to have consented and agreed to all of the provisions of this Proposal in its entirety. For greater certainty, each such Creditor will be deemed to have waived any default by Purdy in any provision, express or implied, in any agreement existing between the Creditor and Purdy that has occurred on or prior to the Filing Date, and to have agreed that, to the extent that there is any conflict between the provisions of any such agreement and the provisions of the Proposal, the provisions of this Proposal take precedence and priority and the provisions of any such agreement are amended accordingly.

#### **Further Actions**

38. Purdy and the Creditors will execute and deliver all such documents and instruments and do all such acts and things as may be necessary or desirable to carry out the full intent and meaning of this Proposal and to give effect to the transactions contemplated hereby.

## **Performance**

39. All obligations of Purdy under this Proposal will commence as of the Effective Date. All obligations of Purdy under this Proposal will be fully performed for the purposes only of section 65.3 of the Act upon Purdy having sold all the Assets and paid the Net Proceeds of such sales to the Trustee provided for herein.

## **Binding Effect**

40. The provisions of this Proposal will be binding on the Creditors and Purdy, and their respective heirs, executors, administrators, successors and assigns, upon issuance of the Final Order and it being efficacious in accordance with paragraph 1(m) of this Proposal.

## **PART 11**

### **ANNULMENT OF PROPOSAL**

#### **Annulment**

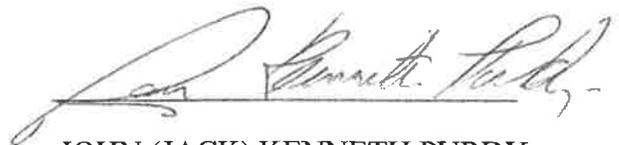
41. If this Proposal is annulled by an order of the Court, all payments on account of Claims made pursuant to the terms of this Proposal will reduce the Claims of Creditors.

## **PART 12**

### **MODIFICATION**

42. Purdy may propose amendments to the Proposal at any time prior to the conclusion of the Creditors' Meeting provided that any such amendment does not reduce the rights and benefits given to the Creditors pursuant to the Proposal before such amendment and that any and all amendments shall be deemed to be a part of and incorporated into the Proposal.

**DATED** at Calgary, this 30th day of May, 2012.



JOHN (JACK) KENNETH PURDY

## SCHEDULE I TO THE PROPOSAL OF PURDY

### LISTING OF PURDY GROUP OF COMPANIES

ARMAC INVESTMENTS LTD. (AB)

LAKE EDEN PROJECTS INC. (AB)

1204583 ALBERTA INC. (AB)

1317517 ALBERTA INC. (AB)

WESTRIDGE PARK LODGE DEVELOPMENT CORP (AB)

WESTRIDGE PARK LODGE AND GOLF RESORT LTD. (AB)

HALF MOON LAKE RESORT LTD. (AB)

NO. 50 CORPORATE VENTURES LTD. (BC)

FISHPATHS 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)

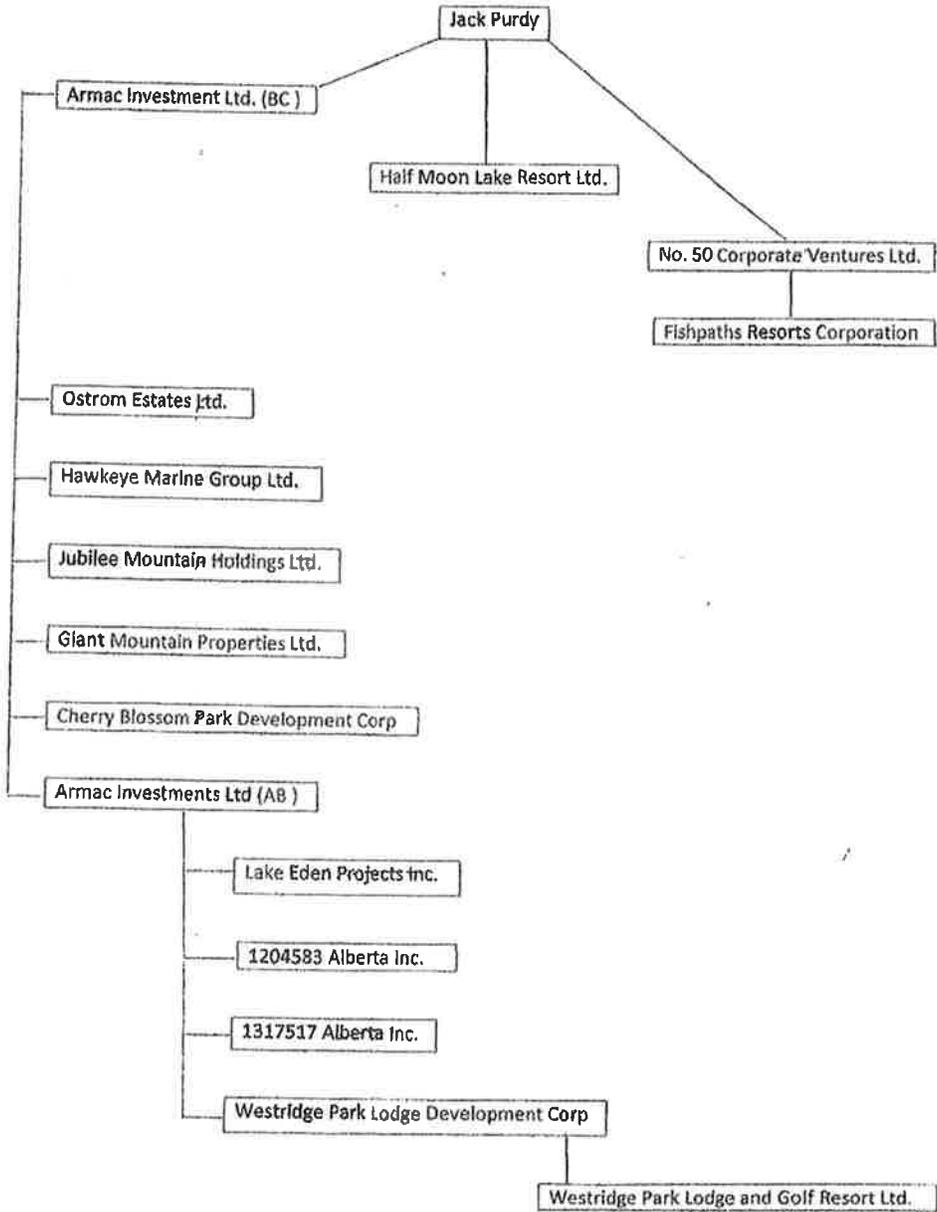
CHERRY BLOSSOM PARK DEVELOPMENT CORP (BC)

#### NOTE:

The above corporate names have either an (AB) or (BC) after each of the individual applicant company names. The Trustee notes this was done to indicate in which province the individual applicants are located, and as such, those letters do not form a part of the legal name of the company.

There are two Armac Investments Ltd. entities, one is a British Columbia ("B.C.") Corporation and the other is an Alberta Corporation.

SCHEDULE I TO THE PROPOSAL OF PURDY



## SCHEDULE II

**John (Jack) Kenneth Purdy**  
**Listing of Known Personal Assets**

	Asset	Ownership	Amount	Description
<b>Securities - Other Privately Owned Companies</b>				
	Rail Find Management Ltd.	50%	\$0	Privately held shell company with no assets or operations
	Sheffield Holdings Ltd.	100%	Unknown	100% owner of (Investment to Sheffield. Head lease in date is \$2.5 Anguilla, British West million) Indies. Lease with approx. 70 years on a 8.5 acre piece of ocean front property that now has a derelict resort.
	Regal Capital Corp.	100%	Unknown	25 acres of raw land in Kauai, Hawaii. Land is divided into 7 plots. Distant ocean view lots. 3 are claimed by an investor. There is a lien on all 7 plots.
	Infinity Global Investment Corp.	33%	\$0	Privately held shell company with no assets or operations
<b>Remaining Personal Property</b>				
	6 acre ocean front undeveloped raw land - 469 Bamfield Inlet	100%	\$500,000	Located: West Coast Vancouver Island, BC
	80 acre, 3 bedroom home and farm out buildings - 8335 Meshers Rd.	100%	\$250,000	Located: Port Alberni, West Coast Vancouver Island, BC
	Art, Collectibles, Jewelry, and precious metals	100%	\$15,000	Various paintings and gem stones etc.
	Stocks and bonds	100%	Approx. value \$50,000	Held at 3 brokerage houses
	Antiques	100%	\$50,000	Agreement b/w current owner to recover the furniture and antiques
	Furniture	100%	\$5,000	Personal furniture
	Various advances	100%	\$80,000	Advances made to a construction company
	Recreational Property	100%	\$275,000	4 cabins located in Cabarete, Dominican Republic.
	Vehicles	100%	\$19,999	1992 Bentley

### **SCHEDULE III**

Excluded assets includes any assets that are pursuant to Part 10 of the Civil Enforcement Act of Alberta.



# **APPENDIX B**



**Notice of Proposal to Creditors (Form 92)**  
**First Meeting of Creditors**  
**(Section 51 of the Act)**

Take notice that John (Jack) Kenneth Purdy of the City of Edmonton in the Province of Alberta has lodged with me a proposal under the *Bankruptcy and Insolvency Act* ("BIA").

A copy of the proposal, condensed statement of the debtor's assets and liabilities and a list of the creditors affected by the proposal and whose claims amount to \$250 or more are enclosed.

A general meeting of creditors will be held on Friday, June 22, 2012 at The Sutton Place Hotels; 10235-101 Street; Edmonton, Alberta of 10:00 o'clock in the morning (local time).

The objective of the meeting is to consider the Trustee's report on the proposal (which will be distributed at the meeting), receive information from the debtor and proceed to vote on the proposal.

The creditors or any class of creditors qualified to vote at the meeting may by resolution accept the proposal either as made or as altered or modified at the meeting. If so accepted and if approved by the Court, the proposal is binding on all the creditors or the class of creditors affected.

Proofs of claim, proxies and voting letters intended to be used at the meeting must be lodged with me prior to the commencement of the meeting.

Dated at Calgary, this 11<sup>th</sup> day of June 2012.

Alvarez & Marsal Canada Inc.  
In its capacity as Trustee in the  
Proposal of John (Jack) Kenneth Purdy

A handwritten signature in black ink, appearing to read 'Tim Reid'.

Tim Reid, CA•CIRP  
Senior Vice-President

Enclosure

COURT FILE NUMBER BE03-568045

ESTATE NUMBER 24-1568045

COURT COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE EDMONTON

APPLICANT IN THE MATTER OF THE BANKRUPTCY AND  
INSOLVENCY ACT, R.S.C. 1985, c.B-3, AS  
AMENDED

AND IN THE MATTER OF THE PROPOSAL OF  
JOHN KENNETH PURDY OTHERWISE KNOWN  
AS JACK PURDY

DOCUMENT **PROPOSAL OF JOHN (JACK) KENNETH  
PURDY**

**MAY 30, 2012**

ADDRESS FOR SERVICE  
AND CONTACT  
INFORMATION OF PARTY  
FILING THIS DOCUMENT

**COUNSEL**  
TAYLOR LAW OFFICE  
Conan J. Taylor  
Suite 401, 10722 – 103 Avenue  
Edmonton, Alberta  
T5J 5G7  
Attention: Conan J. Taylor  
Phone: (780) 428-7770  
Fax: (780) 428-7775

File: 3005-001



**PROPOSAL**

**RECITALS**

- A. John (Jack) Kenneth Purdy (“Purdy”) is an individual residing in the City of Edmonton, in the Province of Alberta.
- B. On December 2, 2011 Purdy filed a Notice of Intention to File a Proposal (“NOI Proceedings”). The NOI Proceedings were extended until June 2, 2012 and no further extensions are available under the Act.
- C. The most significant property of Purdy is his 100% ownership of various corporations described in Schedule I (“Purdy Companies”).
- D. The Purdy Companies are operating in proceedings under the CCAA (“CCAA Proceedings”). Alvarez and Marsal Canada Inc., is the Court appointed Monitor in the CCAA Proceedings. The CCAA Proceedings commenced on December 2, 2011. The stay under the CCAA Proceedings has been extended until June 29, 2012 and it is likely the Purdy Companies will seek a further extension before any plan is put forward to creditors under the CCAA Proceedings.
- E. The CCAA Proceedings and the NOI Proceedings are inextricably linked together and any proposal to Purdy’s Creditors should consider and include the outcome of the CCAA Proceedings.
- F. John (Jack) Kenneth Purdy, the above-named debtor, hereby submits the following Proposal to his creditors pursuant to the *Bankruptcy and Insolvency Act*, R.S.C. 1985, C. B-3.

**NOW THEREFORE** Purdy hereby proposes and presents this Proposal under and pursuant to the Act:

**PART I**  
**INTERPRETATION**

1. In this Proposal:
- (a) “**Act**” means the *Bankruptcy and Insolvency Act*, as it may be amended from time to time;
  - (b) “**Assets**” means all of the right title and interest of Purdy in the Purdy Companies as listed in Schedule “I” and property that Purdy is proposing to sell for the benefit of the Creditors, as listed in Schedule “II” to this Proposal;
  - (c) “**Business Day**” means a day, other than a Saturday or Sunday or a day observed as a holiday pursuant to the laws of the Province of Alberta or the federal laws of Canada, on which banks are generally open for business;
  - (d) “**CCAA Proceedings**” means proceedings taken up by the Purdy Companies under the Companies’ Creditors Arrangement Act.
  - (d) “**Claim**” means any indebtedness, liability, action, cause of action, suit, debt, due, account, bond, covenant, contract, counterclaim, demand, claim, right and obligation of any nature whatsoever of Purdy to any person whether liquidated, unliquidated, fixed, contingent, matured, legal, equitable, secured, unsecured, present, future, known or unknown, and whether by guarantee, surety or otherwise, incurred or arising or relating to the period prior to the Filing Date, or based in whole or in part on facts, contracts or arrangements which occurred or existed prior to the Filing Date, together with any other claims provable in bankruptcy had Purdy become bankrupt on the Filing Date, including without limitation, claims arising from the abandonment of any premises or the repudiation, disclaimer or termination of any lease, license, contract, arrangement or contract of employment prior to the Filing Date, providing that all such claims shall be allowed without allowance for interest after the Filing Date and without allowance for penalties and net of any normal discounts. All Claims must be converted to Canadian Dollars at the Bank of Canada Daily Foreign Exchange Rate at the Filing Date. The U.S. Dollar Daily Foreign Exchange Rate at the Filing Date for the conversion of US Dollars to Canadian Dollars was 1.0183;
  - (e) “**Claim Value**” means the value of a Creditor’s claim against Purdy, as at the Distribution Date: Claim Value shall be determined by deducting from a Creditor’s Proven Claim: (i) any amount actually received by the Creditor or anticipated or estimated to be received by the Creditor from any party who is jointly and severally liable with Purdy, including the Purdy Companies, with respect to the claim comprising the Proven Claim, including but not limited to amounts resulting from the realization on assets owned by parties other than

Purdy. The Trustee shall notify each Creditor with a Proven Claim of its Claim Value at least 45 days prior to the Distribution Date. If the Creditor objects to the Trustee's determination of its Claim Value, the Creditor or the Trustee can apply to the Court for a determination of the Creditor's Claim Value;

- (f) **"Court"** means the Court of Queen's Bench of Alberta, in Bankruptcy;
- (g) **"Creditor"** means any person having a Claim and may, if the context requires, mean a trustee, receiver, receiver-manager or other person acting on behalf or in the name of such person;
- (h) **"Creditors' Meeting"** means the special meeting of the Creditors called for the purpose of considering and voting upon the Proposal;
- (i) **"Distribution Date"** means the earlier of the day that is fifteen (15) months after the Effective Date, or a date to be established by Purdy within 50 days after the CCAA proceedings are concluded and any sales proceeds required from the final sale of the Schedule II property to be sold by Purdy have been received from the purchaser of such Asset;
- (j) **"Effective Date"** means the date on which this Proposal is approved by the Court, after being approved by the required majority of Purdy's Creditors;
- (k) **"Excluded Assets"** means the assets of Purdy that will be retained by Purdy under this Proposal, as listed in Schedule "III" to this Proposal;
- (l) **"Filing Date"** means the date on which Purdy filed his Notice of Intention to make a Proposal under the Act, namely December 2, 2011;
- (m) **"Final Order"** means an order of the Court approving this Proposal to be granted pursuant to the provisions of the Act, the appeal period having expired and no appeal having been filed, or any appeal therefrom having been dismissed and such dismissal having become final;
- (n) **"Official Receiver"** shall have the meaning ascribed thereto by the Act;
- (o) **"Net Proceeds"** means the net proceeds to which Purdy shall become entitled to receive from the Assets (which if from a sale of Assets shall represent the gross proceeds of sale, less only the transaction costs of the sale)
- (p) **"Preferred Claim"** means that portion of a Proven Claim of a Preferred Creditor which entitles the Preferred Creditor to receive payment in priority to other Creditors as provided in Section 136 of the Act;
- (q) **"Preferred Creditor"** means any Creditor entitled to receive payment of all or a portion of its Proven Claim in priority to other Creditors as provided in section 136 of the Act. For voting purposes Preferred Creditors fall into and form part of the class of Unsecured Creditors in respect of their Preferred Claim;

- (r) **“Proposal”** means this Proposal made pursuant to the Act, as further amended or supplemented from time to time;
- (s) **“Proven Claim”** means the Claim of a Creditor approved by the Trustee pursuant to Part 3 as owing to such Creditor by Purdy;
- (t) **“Secured Claim”** means that portion of a Proven Claim of a Secured Creditor that is secured by valid security against any asset of Purdy;
- (u) **“Secured Creditor”** means any Creditor who has valid security against any asset of Purdy with respect to its Proven Claim;
- (v) **“Trustee”** means Alvarez & Marsal Canada Inc., or its duly appointed successor or successors;
- (w) **“Unsecured Claim”** means that portion of a Proven Claim that is not a Preferred Claim or a Secured Claim;
- (x) **“Unsecured Creditor”** means a Creditor having a Proven Claim other than a Secured Creditor; and
- (y) **“Voting Letter”** shall mean the voting letter required by subsection 51(1) of the Act to be mailed to each known Creditor prior to the Creditors’ Meeting.

### **Heading**

2. The divisions of this Proposal into parts, paragraphs and subparagraphs, and the insertion of headings herein, is for convenience of reference only and is not to affect the construction of interpretation of this Proposal.

### **Numbers, etc.**

3. In this Proposal, where the context requires, a word importing the singular number will include the plural and vice versa and a word or words importing gender will include all genders.

### **Date for Action**

4. In the event that any date on which any action is required to be taken hereunder is not a Business Day, such action will be required to be taken on the next succeeding day that is a Business Day.

**Time**

5. All times expressed herein are in local time in Edmonton, Alberta, Canada, unless otherwise stipulated. Where the time for anything pursuant to the Proposal on a particular date is unspecified herein, the time shall be deemed to be 5:00 p.m. local time in Edmonton, Alberta, Canada.

**Currency**

6. Unless otherwise stated herein, all references to currency in this Proposal are to lawful money of Canada ("Canadian Dollars").

**Successors and Assigns**

7. This Proposal will be binding upon and will enure to the benefit of the heirs, administrators, executors, personal representatives, successors and assigns of all persons named or referred to herein including, without limitation, all Creditors.

**Accounting Principles**

8. Accounting terms not otherwise defined have the meanings assigned to them in accordance with Canadian generally-accepted accounting principles.

**Statutory References**

9. Except as otherwise provided herein, any reference in the Proposal to a statute includes all regulations and amendments made under that status or regulation(s) in force from time to time and any statute or regulation that supplements or supersedes such statute or regulation(s).

**PART 2****TREATMENT OF CREDITORS****Purpose of Proposal**

10. The purpose of this Proposal is to allow a restructuring of the affairs of Purdy, for the benefit of the Creditors. It is expected that all Creditors will derive a greater benefit from the restructuring being conducted by Purdy and the Purdy Companies, than they would from a forced liquidation of Purdy's Assets and Excluded Assets.

### **Purdy Companies Distributions and Sale of Property**

11. Purdy is a creditor and the direct or indirect 100% shareholder of the Purdy Companies. The Purdy Companies are restructuring their affairs under the CCAA. Under this Proposal, Purdy, as a creditor and/or shareholder expects to receive distributions from the CCAA Proceedings by or before the Distribution Date. All the Net Proceeds from the CCAA Proceedings shall be placed into trust with the Trustee, to be held for the sole and exclusive purpose of funding the distributions under this Proposal.

12. If the Net Proceeds received from the CCAA Proceedings are not sufficient to pay all Proven Claims, Purdy shall forthwith upon becoming aware of that fact sell the property listed in Schedule II in consultation with the Trustee, and shall obtain the consent of the Trustee prior to completing any such sale. All the Net Proceeds from the sale of the Schedule I property shall be placed into trust with the Trustee, to be held for the sole and exclusive purpose of funding the distributions under this Proposal

### **Distributions to Creditors**

13. On the Distribution Date, the Trustee shall after paying its proper fees and expenses set out in paragraphs 27 and 28 and subject to paragraph 15 distribute the remaining Net Proceeds as follows:

- (a) first, the Trustee shall distribute to the Secured Creditors with Proven Claims, the Net Proceeds, up to 100% of their Claim Values as at the Distribution Date;
- (b) second, the Trustee shall after payments required under paragraph 26 distribute to the Unsecured Creditors with Proven Claims, the remaining balance of the Net Proceeds, *pari passu*, (but in no event shall a Creditor receive more than its Proven Claim) based on their respective Claim Values as at the Distribution Date.

14. If all the Net Proceeds have not been received by the date that is fifteen (15) months after the Effective Date, the Trustee shall make a distribution of all Net Proceeds received to that time as set out in paragraphs 13 and 15. Purdy shall transfer all Assets remaining at that time to Purdy Holdco. The Inspectors shall determine the manner in which the Creditors shall realize the value in Purdy Holdco whether by a distribution of the shares of Purdy Holdco in the same manner as the distribution of Net Proceeds set out in paragraph 13 hereof, or otherwise.

### **Superintendent's Levy**

15. The Superintendent's levy shall be paid to the Superintendent at the same time any distributions of Net Proceeds or shares of Purdy Holdco are made under this Proposal.

### **PART 3**

#### **PROCEDURE FOR VALIDATION OF CLAIMS**

##### **Allowance or Disallowance of Claims by the Trustee**

16. Upon receipt of a completed proof of claim, the Trustee shall examine the proof of claim and shall allow or disallow same, in whole or in part, and shall notify each Creditor whose claim is disallowed in whole or in part of the amount of its Proven Claim, as applicable. The Creditors will have the right to appeal to the Court and obtain a Court determination of the Creditor's Proven Claims, in accordance with the Act. The Proven Claim of a Creditor will be the amount accepted by the Trustee or determined by the Court, as the case may be, all in accordance with the provisions of the Act.

### **PART 4**

#### **MEETING OF CREDITORS**

##### **Creditors' Meeting**

17. On June 22, 2012, Purdy shall hold the Creditors' Meeting for the Creditors to consider and vote upon the Proposal.

##### **Time and Place of Meeting**

18. The Creditors' Meeting shall be held at a time and place to be established by the Official Receiver, or the nominee thereof and confirmed in the notice of meeting to be mailed pursuant to the Act. All proofs of claims shall be delivered in accordance with the provisions of the Proposal, the Act and any order which may be issued by the Court in respect of the procedure governing the Creditors' Meeting.

##### **Voting by Creditors**

19. Each Creditor shall be entitled to vote to the extent of the amount which is equal to the Creditors' Proven Claim.

**Approval by Creditors**

20. In order that the Proposal is binding on all of the Creditors of Purdy in accordance with the Act, it must first be accepted by each class of Creditors by a majority in number of the Creditors who actually vote upon the Proposal (in person or by proxy) at the Creditors' Meeting or by a Voting Letter and representing two-thirds in value of the Proven Claims of the Creditors of each class who actually vote upon the Proposal (in person or by proxy) at the Creditors' Meeting or by a Voting Letter.

**Inspectors**

21. At the Creditors' Meeting, the Creditors may appoint one or more, but not more than five, inspectors under this Proposal, who will have no personal liability to Purdy or to the Creditors, and whose power shall be limited to:

- (a) the power to advise the Trustee in respect of such matters as may be referred to the inspectors by the Trustee;
- (b) the power to advise the Trustee concerning any dispute that may arise to the validity or quantum of claims of Creditors under this Proposal, where the Trustee requests such assistance;
- (c) the power to determine the manner in which the value in Purdy Holdco shall be realized by the Creditors under this Proposal;
- (d) the power to approve on behalf of the Creditors of Purdy any decision of the Trustee relating to any matter not contained in this Proposal which the Trustee may refer to them from time to time, including any extension of time of payment required under this Proposal;
- (e) the power to waive any default in the performance of this Proposal. The Trustee shall notify the Inspectors of any default of which the Trustee becomes aware and the Trustee shall hold a meeting of Inspector following such notice for the purpose of obtaining the instructions of the Inspectors with respect to such a default and the steps to be taken.

**Decisions of Inspectors**

22. Any decision, direction or act of the Inspectors may be referred to the Court by the Trustee and the Court may confirm, revoke or vary the decision, direction or act of the Inspectors and make such other order as it thinks just.

### Valuation of Claims

23. The procedure for valuing Claims of Creditors and resolving disputes with respect to such Claims will be as set forth in Part 3 and in the Act. Purdy or the Trustee or both reserve the right to seek the assistance of the Court in determining the Claim Value of any Creditor if required to ascertain the result of any vote on the Proposal or the amount payable or to be distributed to such Creditor under the Proposal, as the case may be.

## PART 5

### DISTRIBUTIONS

#### Implementation of Proposal

24. If the Proposal is approved as provided for in Part 4, then the Trustee shall make the Distributions as set out in paragraphs 13, 14 and 15.

#### Crown Claims

25. Her Majesty in Right of Canada and in Right of Alberta will be paid in full by Purdy, within 6 months after Court approval of this Proposal, of all amounts that were outstanding at the time of filing the notice of intention, and are of a kind that could be subject to demand under:

- (a) subsections 224(1.2) of the *Income Tax Act*;
- (b) any provision of the *Canada Pension Plan* or of the *Employment Insurance Act* that refers to subsection 224(1.2) of the *Income Tax Act* and provides for the collection of a contribution, as defined in the *Canada Pension Plan*, or an employee's premium, or employer's premium, as defined in the *Employment Insurance Act*, and of any related interest, penalties or other amounts; or
- (c) any provision of provincial legislation that has a similar purpose to subsection 224(1.2) of the *Income Tax Act*, or that refers to that subsection, to the extent that it provides for the collection of a sum, and of any related interest, penalties or other amounts, where the sum
  - (i) has been withheld or deducted by a person from a payment to another person and is in respect of a tax similar in nature to the income tax imposed on individuals under the *Income Tax Act*; or
  - (ii) is of the same nature as a contribution under the *Canada Pension Plan* if the province is a "province providing a comprehensive pension plan" as

defined in subsection 3(1) of the *Canada Pension Plan* and the provincial legislation establishes a “provincial pension plan” as defined in that subsection.

### **Preferred Creditors**

26. Preferred Claims are to be paid in full in priority to all Proven Claims of Unsecured Creditors.

### **Payment of Fees and Expenses**

27. All proper fees and expenses of the Trustee and reasonable legal and other professional fees of and incidental to the proceedings and transactions arising out of this Proposal and in connection with the preparation of this Proposal, and in the administration of this Proposal, including advice to Purdy in connection therewith, will be paid in priority to all Claims. The Net Proceeds shall be used to pay such fees and the expenses of Purdy.

28. The proper fees and expenses of the Trustee and its counsel shall be determined based on the Trustee’s standard rate times hours spent, as agreed to with Purdy in the NOI Proceedings.

## **PART 6**

### **EVENTS OF DEFAULT**

29. The following event will constitute an event of default for the purpose of section 63 of the Act and otherwise under this Proposal:

- (a) the failure of Purdy to sell and/or transfer all the Assets on or before the day that is 12 months after the Effective Date.

## PART 7

### TRUSTEE

#### Confirmation of Appointment

30. The Trustee is acting in its capacity as Trustee and not in its personal capacity and no officer, director, employee or agent of the Trustee shall incur any obligations or liabilities in connection with this Proposal or in connection with the business or liabilities of Purdy.

#### Discharge of Trustee

31. Upon making the distributions contemplated in Part 5, the Proposal shall be fully performed and the Trustee shall be entitled to apply for its discharge as Trustee hereunder. For greater certainty, the Trustee will not be responsible or liable for any obligations of Purdy and will be exempt from any personal liability in fulfilling any duties or exercising any powers conferred upon it by this Proposal unless such acts have been carried out in bad faith and constitute a willful or wrongful act or default.

#### Trustee's Report

32. The Trustee shall report to the Creditors and the Court on a 60 day basis, within fifteen days following the end of each 60 day period, during the period between the Effective Date and the Distribution Date.

## PART 8

### CONDITIONS PRECEDENT

33. The performance of this Proposal by Purdy shall be conditional upon the fulfillment or satisfaction of the following conditions within thirty (30) Business Days following the issuance of the Final Order:

- (a) all approvals and consents to the Proposal that may be required have been obtained;
- (b) the Final Order has issued and it is efficacious in accordance with paragraph 1(m) of this Proposal; and

- (c) no order or decree restraining or enjoining the consummation of the transactions contemplated by this Proposal has been issued.

## **PART 9**

### **RELEASE**

34. Upon the Effective Date, Purdy shall be released and discharged from any and all demands, claims, actions, causes of action, counterclaims, suits, debts, sums of money, accounts, covenants, damages, judgments, expenses, executions, liens and other recoveries on account of any liability, obligation, demand or cause of action as of the Filing Date.

35. This release shall have no force or effect if Purdy becomes bankrupt before the terms of the Proposal are performed. After Purdy has performed his obligations to sell and/or transfer the Assets to Purdy Holdco, this release shall become unconditionally and irrevocably effective.

36. Sections 91 to 101 of the Act shall not apply to any dealings by Purdy having taken place during the period prior to or after the Filing Date.

## **PART 10**

### **MISCELLANEOUS**

#### **Consents, Waivers and Agreements**

37. On the Effective Date, all Creditors will be deemed to have consented and agreed to all of the provisions of this Proposal in its entirety. For greater certainty, each such Creditor will be deemed to have waived any default by Purdy in any provision, express or implied, in any agreement existing between the Creditor and Purdy that has occurred on or prior to the Filing Date, and to have agreed that, to the extent that there is any conflict between the provisions of any such agreement and the provisions of the Proposal, the provisions of this Proposal take precedence and priority and the provisions of any such agreement are amended accordingly.

#### **Further Actions**

38. Purdy and the Creditors will execute and deliver all such documents and instruments and do all such acts and things as may be necessary or desirable to carry out the full intent and meaning of this Proposal and to give effect to the transactions contemplated hereby.

**Performance**

39. All obligations of Purdy under this Proposal will commence as of the Effective Date. All obligations of Purdy under this Proposal will be fully performed for the purposes only of section 65.3 of the Act upon Purdy having sold all the Assets and paid the Net Proceeds of such sales to the Trustee provided for herein.

**Binding Effect**

40. The provisions of this Proposal will be binding on the Creditors and Purdy, and their respective heirs, executors, administrators, successors and assigns, upon issuance of the Final Order and it being efficacious in accordance with paragraph 1(m) of this Proposal.

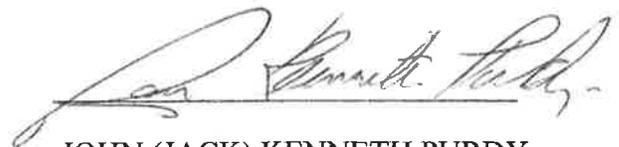
**PART 11****ANNULMENT OF PROPOSAL****Annulment**

41. If this Proposal is annulled by an order of the Court, all payments on account of Claims made pursuant to the terms of this Proposal will reduce the Claims of Creditors.

**PART 12****MODIFICATION**

42. Purdy may propose amendments to the Proposal at any time prior to the conclusion of the Creditors' Meeting provided that any such amendment does not reduce the rights and benefits given to the Creditors pursuant to the Proposal before such amendment and that any and all amendments shall be deemed to be a part of and incorporated into the Proposal.

**DATED** at Calgary, this 30th day of May, 2012.



JOHN (JACK) KENNETH PURDY

## SCHEDULE I TO THE PROPOSAL OF PURDY

## LISTING OF PURDY GROUP OF COMPANIES

ARMAC INVESTMENTS LTD. (AB)

LAKE EDEN PROJECTS INC. (AB)

1204583 ALBERTA INC. (AB)

1317517 ALBERTA INC. (AB)

WESTRIDGE PARK LODGE DEVELOPMENT CORP (AB)

WESTRIDGE PARK LODGE AND GOLF RESORT LTD. (AB)

HALF MOON LAKE RESORT LTD. (AB)

NO. 50 CORPORATE VENTURES LTD. (BC)

FISHPATHS 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)

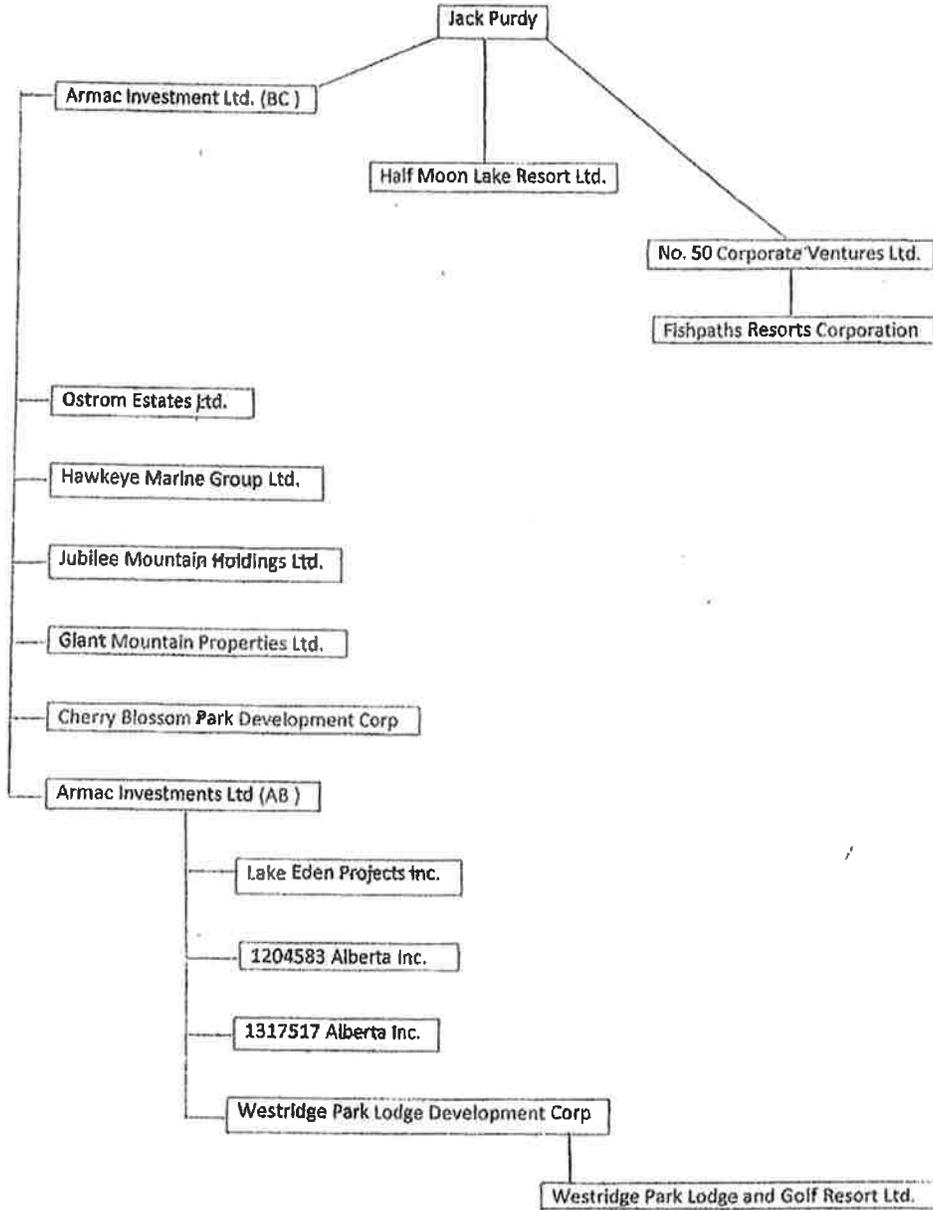
CHERRY BLOSSOM PARK DEVELOPMENT CORP (BC)

**NOTE:**

The above corporate names have either an (AB) or (BC) after each of the individual applicant company names. The Trustee notes this was done to indicate in which province the individual applicants are located, and as such, those letters do not form a part of the legal name of the company.

There are two Armac Investments Ltd. entities, one is a British Columbia ("B.C.") Corporation and the other is an Alberta Corporation.

SCHEDULE I TO THE PROPOSAL OF PURDY



## SCHEDULE II

**John (Jack) Kenneth Purdy**  
**Listing of Known Personal Assets**

	Asset	Ownership	Amount	Description
<b>Securities - Other Privately Owned Companies</b>	Rail Find Management Ltd.	50%	\$0	Privately held shell company with no assets or operations
	Sheffield Holdings Ltd.	100%	Unknown	100% owner of (Investment to Sheffield. Head lease in date is \$2.5 Anguilla, British West million) Indies. Lease with approx. 70 years on a 8.5 acre piece of ocean front property that now has a derelict resort.
	Regal Capital Corp.	100%	Unknown	25 acres of raw land in Kauai, Hawaii. Land is divided into 7 plots. Distant ocean view lots. 3 are claimed by an investor. There is a lien on all 7 plots.
	Infinity Global Investment Corp.	33%	\$0	Privately held shell company with no assets or operations
<b>Remaining Personal Property</b>	6 acre ocean front undeveloped raw land - 469 Bamfield Inlet	100%	\$500,000	Located: West Coast Vancouver Island, BC
	80 acre, 3 bedroom home and farm out buildings - 8335 Meshers Rd.	100%	\$250,000	Located: Port Alberni, West Coast Vancouver Island, BC
	Art, Collectibles, Jewelry, and precious metals	100%	\$15,000	Various paintings and jem stones etc.
	Stocks and bonds	100%	Approx. value \$50,000	Held at 3 brokerage houses
	Antiques	100%	\$50,000	Agreement b/w current owner to recover the furniture and antiques
	Furniture	100%	\$5,000	Personal furniture
	Various advances	100%	\$80,000	Advances made to a construction company
	Recreational Property	100%	\$275,000	4 cabins located in Cabarete, Dominican Republic.
	Vehicles	100%	\$19,999	1992 Bentley

**SCHEDULE III**

Excluded assets includes any assets that are pursuant to Part 10 of the Civil Enforcement Act of Alberta.



**JOHN (JACK) KENNETH PURDY**  
**Budget Cash Flow**  
**For the period of June 1 to June 30, 2012 (the "Reporting Period")**  
**(in CDN dollars)**

**FORECAST**  
**Month of June**

**Jun.1/12 to Jun.30/12**

**RECEIPTS**

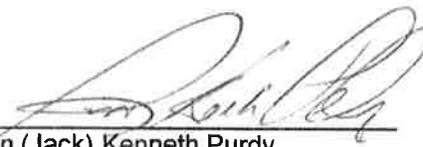
Advances / Management fees from Purdy Group of Companies	4,400
<b>Total receipts</b>	<b>4,400</b>

**DISBURSEMENTS**

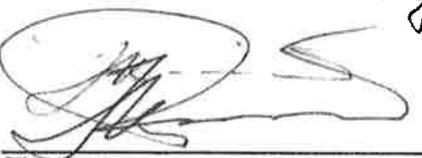
Personal	1,500
Living	1,600
Transportation	1,000
Miscellaneous	250
<b>Total living expenses</b>	<b>4,350</b>
<b>Total disbursements</b>	<b>4,350</b>

<b>NET CHANGE IN CASH</b>	<b>50</b>
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<b>OPENING CASH</b>	1,495
Net change in cash	50
<b>ENDING CASH</b>	<b>1,545</b>

 _____ John (Jack) Kenneth Purdy	_____ Date <u>May 30 2012</u>
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This statement of projected cash flow of John (Jack) Kenneth Purdy has been prepared in accordance with s. 62 (1) of the *Bankruptcy and Insolvency Act* and should be read in conjunction with the Trustee's Report on Cash-Flow Statement dated the 30th day of May 2012.

 _____ Timothy Reid, Trustee Alvarez & Marsal Inc.	_____ Date <u>30-May-12</u>
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**JOHN (JACK) KENNETH PURDY**  
**Notes to Projected Cash Flow Statement**  
**For the period of June 1, 2012 to June 30, 2012**  
**(in CDN dollars)**

**Notes and Assumptions:**

- A This cash-flow statement has been revised since the original filing of the Notice of Intention to make a proposal and is to be read in conjunction with the previously filed Form 29 – Trustee’s Report on Cash Flow Statement and Form 30-Report on Cash Flow Statement by the Person Making the Proposal

The projection has been prepared solely for the purpose of determining the ability of John (Jack) Kenneth Purdy to fund his personal financial affairs as set out herein.

Readers are cautioned that it may not be appropriate for their purposes.

- B The Cash-Flow Statement is presented on a monthly basis from June 1, 2012 to June 30, 2012 (the “Forecast Period”) and represents John (Jack) Kenneth Purdy’s best estimates of the results of his personal financial affairs during the Forecast Period.
- C Advances/Management Fees are paid to Jack Purdy as compensation for services rendered as President and Chief Executive Offices of the Purdy Group of Companies. Given the current financial constraints within the Purdy Group of Companies, Mr. Purdy is only drawing a minimum amount of advances/management fees (while focusing on keeping his personal expenses low) to assist in the success of the corporate restructuring of the Purdy Group of Companies, which in turn, will directly impact the success of Mr. Purdy’s personal proposal to his creditors. The appropriate taxation strategies are applied to these payments at each year-end.
- D Total living expenses primarily relate to certain living, personal and medical costs expected to be incurred by Mr. Purdy over the Forecast Period.
- E Opening cash balance on June 1, 2012 (as per general ledger).

JOHN (JACK) KENNETH PURDY

Alvarez & Marsal Canada Inc., the trustee acting in  
re: the Proposal of John (Jack) Kenneth Purdy

Per:



Per:



Timothy Reid, CA-CIRP  
Senior Vice-President

Date: May 30<sup>th</sup>, 2012

Date: May 30<sup>th</sup>, 2012

**John (Jack) Kenneth Purdy**  
**Condensed Statement of Assets and Liabilities**  
**As at June 1, 2012**

(Prepared without audit)

**ASSETS**

**Current Assets**

Shareholder loan receivable	1,536,574
Note receivable	80,000
Stocks and bonds	<u>50,000</u>
	1,666,574

**Non Current Assets**

Shares in related companies	13,500,000
Real estate	1,025,000
Motor vehicles	19,999
Miscellaneous personal assets	<u>70,000</u>
	14,614,999

**Total Assets** **\$ 16,281,573**

**LIABILITIES**

**Current Liabilities**

Unsecured creditors	11,160,024
Secured creditor	246,000

**Total Liabilities** **\$ 11,406,024**

**ASSETS IN EXCESS OF LIABILITIES** **\$ 4,875,549**

**John (Jack) Kenneth Purdy**  
**Creditors Listing (In \$CDN) - as at June 1, 2012**

<b>Name</b>	<b>Address</b>	<b>City</b>	<b>Province</b>	<b>Postal Code</b>	<b>Amount</b>
Access Capital (acting as Agent for various individual investors)	c/o Andrew K. Maciag, Borden Ladner Gervais, 1900 Centennial Place, East Tower, 520 - 3rd Ave	Calgary	AB	T2P 0R4	\$ 9,000,000.00
Her Majesty the Queen in the Right of Canada, as represented by the Minister of National Revenue and Canada Revenue Agency	c/o Michael Pollock, 9700 Jasper Avenue	Edmonton	AB	T5J 4C8	\$ 2,100,000.00
Ladysmith Credit Union	c/o John de Leeuw PO Box 430, 330 First Avenue	Ladysmith	BC	V9G 1A3	\$ 246,000.00
Bank of Montreal	c/o Kimberley Robertson, Lawson Lundell, 1600 Cathedral Pl, 925 West Georgia Street	Vancouver	BC	V6C 3L3	\$ 60,000.00
Mike Bilida	c/o Thunderbird Mfg. Ltd., 374 - 52313 RR 232	Sherwood Park	AB	T8B 1B7	\$ 1.00
S&D International Group Ltd	c/o Bruce Mintz, Mintz Law, Suite 400, 10357 - 109 Street	Edmonton	AB	T5J 1N3	\$ 1.00
Royal Bank of Canada	c/o Denise Whiteley, Warren Tettensor Amantea, 1413 - 2nd St SW	Calgary	AB	T2R 0W7	\$ 1.00
PDY Management Services. Ltd	c/o Bruce Mintz, Mintz Law, Suite 400, 10357 - 109 Street	Edmonton	AB	T5J 1N3	\$ 1.00
Orest Rusnak	c/o Harry Moffet, Cleall Law Suite 2500, 10155 - 102 Street	Edmonton	AB	T5J 4G8	\$ 1.00
Larry Whitehead	c/o Coralie Schultz Mohr, Witten LLP, Suite 2500 Canadian Western Bank Place	Edmonton	AB	T5J 3N6	\$ 1.00
Kim Galavan	c/o Fiore Fine Foods Inc. 3113-595 Burrard Street	Vancouver	BC	V7X 1J1	\$ 1.00
Ken & Elizabeth McKinnon	58 Catalina Drive	Sherwood Park	AB	T8H 1T4	\$ 1.00
Kelly Schmaltz	69 Ridgebrook Close	Sherwood Park	AB	T8A 6L9	\$ 1.00
Kathleen Ann Sichkaryk	7216 - 78 Avenue NW	Edmonton	AB	T6B 0B9	\$ 1.00
John Beida	201 - 2085 Gordon Dr	Kelowna	BC	V1Y 8S1	\$ 1.00
John & June Kuss	204E, 8640 - 103 Avenue	Grande Prairie	AB	T8X 0C3	\$ 1.00
Hora Vamos Ventures Inc.	c/o Bruce Mintz, Mintz Law, Suite 400, 10357 - 109 Street	Edmonton	AB	T5J 1N3	\$ 1.00
Greg Konkin	Box 922	Bonaccord	AB	T0A 0K0	\$ 1.00
Geoffrey & Lorna Groome	8603 - 26 Ave NW	Edmonton	AB	T6K 2W9	\$ 1.00

**John (Jack) Kenneth Purdy**  
**Creditors Listing (In \$CDN) - as at June 1, 2012**

<b>Name</b>	<b>Address</b>	<b>City</b>	<b>Province</b>	<b>Postal Code</b>	<b>Amount</b>
Forum National Investments Ltd	180 - 13040 No 2 Rd	Richmond	BC	V7E 2G1	\$ 1.00
Allan Dawson MacMullin	c/o Dawson Ventures Inc., 733 - 4th Street SW	Medicine Hat	AB	T1A 0L3	\$ 1.00
Dawson John MacMullin	c/o Dawson Ventures Inc., 733 - 4th Street SW	Medicine Hat	AB	T1A 0L3	\$ 1.00
Dave and Mamta Bhatti	c/o 10839 -107 Street	Edmonton	AB	T5H 2Z2	\$ 1.00
Dan Theriault	c/o Keith Macey, Ahlstrom Wright Oliver Cooper LLP, Suite 200, 80 Chippewa Rd	Sherwood Park	AB	T8A 4W6	\$ 1.00
Byron Loewen	c/o Bruce Mintz, Mintz Law, Suite 400, 10357 - 109 Street	Edmonton	AB	T5J 1N3	\$ 1.00
Brenda Lane Professional Corp	1620 Kloppenburg Rd	Kelowna	BC	V1P 1N5	\$ 1.00
Blaine Bishop	Box 1 Site 270 RR 2	Stony Plain	AB	T7Z 1X2	\$ 1.00
Bank of Commerce	10102 Jasper Ave	Edmonton	AB	T5J 4G8	\$ 1.00
Shane Dooley	c/o Bruce Mintz, Mintz Law, Suite 400, 10357 - 109 Street	Edmonton	AB	T5J 1N3	Unknown
Canada Revenue Agency	c/o Jennifer Ritter - Resource Complex Case Officers, Room 140, 9700 Jasper Ave	Edmonton	AB	T5J 4C8	Unknown
TD Bank - Mortgage Department	1004 Jasper Avenue, 3rd Floor	Edmonton	AB	T5J 1R3	Unknown
Department of Justice	c/o Christine Matthews - Legal Counsel, 900-840 Howe Street	Vancouver	BC	V6Z 2S9	Unknown
Her Majesty the Queen in Right of the Province of British Columbia, Minister of the Attorney General, Legal Services Branch	Suite 400, 1675 Douglas Street	Victoria	BC	V8W 9J7	Unknown
					<b>\$ 11,406,024.00</b>



## Proof of Claim (Form 31)

(Section 50.1, Subsections 65.2(4), 81.2(1), 81.3(8), 81.4(8), 81.5, 81.6, 102(2), 124(2), 128(1),  
 and  
 Paragraphs 51(1)(e) and 66.14(b) of the Act)

*All notices or correspondence regarding this claim must be forwarded to the following address:*

In the matter of the proposal of John (Jack) Kenneth Purdy (*name of debtor*), of Edmonton, Alberta and the claim of \_\_\_\_\_, creditor.

I, \_\_\_\_\_, (*name of creditor or representative of the creditor*), of \_\_\_\_\_ (*city and province*), do hereby certify:

1. That I am a creditor of the above-named debtor (or that I am \_\_\_\_\_ (state position or title) of \_\_\_\_\_ (name of creditor or representative of the creditor).
2. That I have knowledge of all of the circumstances connected with the claim referred to below.
3. That the debtor was, at the date of bankruptcy (or the date of the receivership, or, in the case of a proposal, the date of the notice of intention or of the proposal, if no notice of intention was filed), namely the 2nd day of December, 2011, and still is, indebted to the creditor in the sum of \$ \_\_\_\_\_, as specified in the statement of account (or affidavit) attached and marked Schedule "A," after deducting any counterclaims to which the debtor is entitled. (The attached statement of account or affidavit must specify the vouchers or other evidence in support of the claim.)
4. Check and complete appropriate category

**A. UNSECURED CLAIM OF \$ \_\_\_\_\_.**  
 (*Other than as a customer contemplated by Section 262 of the Act*)

That in respect of this debt, I do not hold any assets of the debtor as security and  
 (*Check appropriate description*)

FORM 31 --Continued

Regarding the amount of \$ \_\_\_\_\_, I claim a right to a priority under section 136 of the Act.

Regarding the amount of \$ \_\_\_\_\_, I do not claim a right to a priority.  
*(Set out on an attached sheet details to support priority claim)*

**B. CLAIM OF LESSOR FOR DISCLAIMER OF A LEASE \$ \_\_\_\_\_.**  
 That I hereby make a claim under subsection 65.2(4) of the Act, particulars of which are as follows:

*(Give full particulars of the claim, including the calculations upon which the claim is based)*

**C. SECURED CLAIM OF \$ \_\_\_\_\_.**  
 That in respect of this debt, I hold assets of the debtor valued at \$ \_\_\_\_\_ as security, particulars of which are as follows:

*(Give full particulars of the security, including the date on which the security was given and the value at which you assess the security, and attach a copy of the security documents)*

**D. CLAIM BY FARMER, FISHERMAN OR AQUACULTURIST OF \$ \_\_\_\_\_**  
 That I hereby make a claim under subsection 81.2(1) of the Act for the unpaid amount of \$ \_\_\_\_\_

*(Attach a copy of sales agreement and delivery receipts)*

**E. CLAIM BY WAGE EARNER OF \$ \_\_\_\_\_**

That I hereby make a claim under subsection 81.3(8) of the Act in the amount of \$ \_\_\_\_\_  
 That I hereby make a claim under subsection 81.4(8) of the Act in the amount of \$ \_\_\_\_\_

**F. CLAIM BY EMPLOYEE FOR UNPAID AMOUNT REGARDING PENSION PLAN OF \$ \_\_\_\_\_**

That I hereby make a claim under subsection 81.5 of the Act in the amount of \$ \_\_\_\_\_  
 That I hereby make a claim under subsection 81.6 of the Act in the amount of \$ \_\_\_\_\_



FORM 31 –*Continued*

**G. CLAIM AGAINST DIRECTOR \$ \_\_\_\_\_**

*(To be completed when a proposal provides for the compromise of claims against directors)*

That I hereby make a claim under subsection 50(13) of the Act, particulars of which are as follows:

*(Give full particulars of the claim, including the calculations upon which the claim is based)*

**H. CLAIM OF A CUSTOMER OF A BANKRUPT SECURITIES FIRM \$ \_\_\_\_\_**

That I hereby make a claim as a customer for net equity as contemplated by section 262 of the Act, particulars of which are as follows:

*(Give full particulars of the claim, including the calculations upon which the claim is based)*

5. That, to the best of my knowledge, I am *(or the above-named creditor is)* *(or am not or is not)* related to the debtor within the meaning of section 4 of the Act, and have *(or has)* *(or have not or has not)* dealt with the debtor in a non-arm's-length manner.

6. That the following are the payments that I have received from, the credits that I have allowed to, and the transfers at undervalue within the meaning of subsection 2(1) of the Act that I have been privy to or a party to with the debtor within the three months *(or, if the creditor and the debtor are related within the meaning of section 4 of the Act or were not dealing with each other at arm's length, within the 12 months)* immediately before the date of the initial bankruptcy event within the meaning of subsection 2(1) of the Act:

*(provide details of payments, credits and transfers at undervalue)*

FORM 31 –*Continued***FILING OF CLAIM**

This Proof of Claim form must be received in proper form by the Trustee prior to the time appointed for the first meeting of creditors scheduled on **June 22, 2012 at 10:00 AM MST** (“First Meeting of Creditors”) at the Sutton Place Hotel (Angus Shaw Room); 10235 – 101 Street; Edmonton, Alberta, Canada and should be delivered to the Trustee by prepaid registered mail, personal delivery, courier or email at the following address:

**Alvarez & Marsal Canada Inc.**  
**The Trustee acting in re: the Proposal of**  
**John (Jack) Kenneth Purdy and not in its**  
**personal capacity**  
**Attn: Ms. Jill Strueby**  
**Bow Valley Square I**  
**Suite 570, 202 – 6<sup>th</sup> Avenue SW**  
**Calgary, Alberta T2P 2R9**  
**E-mail: [jstrueby@alvarezandmarsal.com](mailto:jstrueby@alvarezandmarsal.com)**  
**Fax: (403) 538-7551**

Dated at \_\_\_\_\_, this \_\_\_\_\_ day of \_\_\_\_\_.

\_\_\_\_\_  
 Witness

\_\_\_\_\_  
 Creditor

Telephone No.: \_\_\_\_\_

Fax No.: \_\_\_\_\_

Email address: \_\_\_\_\_



FORM 31 –*Concluded*

NOTES: If an affidavit is attached, it must have been made before a person qualified to take affidavits. If a copy of this form is sent electronically by means such as email, the name and contact information of the sender, prescribed in Form 1.1, must be added at the end of the document.

WARNINGS: A trustee may, pursuant to subsection 128(3) of the Act, redeem a security on payment to the secured creditor of the debt or the value of the security as assessed, in a proof of security, by the secured creditor.

Subsection 201(1) of the Act provides severe penalties for making any false claim, proof, declaration or statement of account.

## Checklist for Proof of Claim

This checklist is provided to assist you in preparing the proof of claim form and, if appropriate, the proxy form in a complete and accurate manner.

### General

- The **signature of a witness** is required.
- The document **must be signed** by the individual completing the declaration.
- **Provide the complete address** where all notices or correspondence are to be forwarded along with your phone number, fax number and email address where appropriate.

### Notes:

- It is permissible to file a proof of claim by fax.
- A creditor may vote either in person or by proxy at any meeting of creditors if the proof of claim is filed with the Trustee prior to the time appointed for the meeting.
- A quorum at any meeting of creditors is at least one creditor with a valid proof of claim in attendance in person or by proxy.
- A corporation may vote by an authorized agent or mandatary at meetings of creditors.
- In order for a duly authorized person to have a right to vote, they must be a creditor or be the holder of a properly executed proxy. The name of the creditor must appear in the proxy.
- A creditor who is participating in any distribution from an estate must have filed a proof of claim prior to the distribution being declared.
- In the case of an individual bankrupt, by checking the appropriate boxes at the bottom of the proof of claim form, you may request that the Trustee advise you of any material change in the financial situation of the bankrupt or the amount of the bankrupt is required to pay into the bankruptcy, and a copy of the Trustee's report on the discharge of the bankrupt.

### Paragraph 1

- Creditor must state full and complete legal name of the individual, company or firm.
- If the individual completing the proof of claim is a representative of the creditor, the individual's position or title must be identified.

### Paragraph 3

- The amount owing must be set out in paragraph 3.
- A **detailed statement of account** must be attached to the proof of claim and marked "Schedule A" and must show the date, number and amount of all invoices or charges, together with the date, number and amount of all creditors or payments. The amount on the statement of account must correspond to the amount indicated on the proof of claim.

## Paragraph 4

### Notes:

- **Paragraph A** applies to the **ordinary unsecured claims**. In addition to recording the amount of the claim, please indicate whether the claim has a priority pursuant to section 136 of the Act.
- **Paragraph B** applies to **lessor claims in a commercial proposal**. Please ensure that the claim applies to a commercial proposal and, if so, include the full particulars of the claim.
- **Paragraph C** applies to **secured claims**. Please indicate the dollar value of the security and attach copies of the security document. In addition, please attach copies of the security registration, where appropriate.
- **Paragraph D** applies to **inventory claims of farmers, fisherman and aquaculturists**. Please note that such claims apply only to inventory supplied from farmers, fishermen and aquaculturists within 15 (fifteen) days of the date of bankruptcy. In addition, please attach copies of any applicable sales agreements and delivery slips.
- **Paragraph E** applies to **claims by wage earners**. Please note that such claims apply only for unpaid wages owed upon the bankruptcy of an employer or when the employer becomes subject to a receivership.
- **Paragraph F** applies to **claims by employees for unpaid amounts regarding pension plans**. Please note that such claims apply only to unremitted pension contributions outstanding when the sponsoring employer becomes bankrupt or is subject to a receivership.
- **Paragraph G** applies to **claims against directors**. Please note that such claims apply only to directors of corporations that have filed a commercial proposal to creditors that includes a compromise of statutory claims against directors.
- **Paragraph H** applies to **claims of customers of a bankrupt securities firm**. Please ensure that the claim of the customer is for net equity and, if so, include the full particulars of the claim, including the calculations upon which the claim is based.

## Paragraph 5

- All claimants must indicate whether or not they are related to the debtor, as defined in section 4 of the Act, or dealt with the debtor in a non-arm's length manner.

## Paragraph 6

- All claimants must attach a detailed list of all payments or credits received or granted, as follows:
  - a) **within the three (3) months preceding** the initial bankruptcy event (including the bankruptcy or the proposal);
  - b) **within the twelve (12) months preceding** the initial bankruptcy event (including the bankruptcy or proposal) in the case where the claimant and the debtor were not dealing at arm's length.

## -Proxyholder-

### Note

The Act permits a proof of claim to be made by a duly authorized representative of a creditor but, in the absence of a properly executed proxy, does not give such an individual the power to vote at the first meeting of creditors nor to act as the proxyholder of the creditors.

### General

- In order for duly authorized persons to have a right to vote, they must themselves be creditors or be the holders of a properly executed proxy. The name of the creditor must appear in the proxy.

### Notes:

- A creditor may vote either in person or by proxyholder.
- A proxy may be filed at any time prior to a vote at a meeting of creditors.
- A proxy can be filed with the trustee in person, by mail or by any form of telecommunication.
- A proxy does not have to be under the seal of a corporation unless required by its incorporating documents or its bylaws.
- The individual designated in a proxy cannot be substituted unless the proxy provides for a power of substitution.
- Bankrupts/debtors may not be appointed as proxyholders to vote at any meeting of their creditors.
- The Trustee may be appointed as a proxyholder for any creditor.
- A corporation cannot be designated as a proxyholder.

**General Proxy (Form 36)**  
**(Subsection 102(2) and paragraphs 51(1)(e) and 66.15(3)(b) of the Act)**

**IN THE MATTER OF THE PROPOSAL OF**  
**JOHN (JACK) KENNETH PURDY**  
**IN THE CITY OF EDMONTON**  
**IN THE PROVINCE OF ALBERTA**

I, \_\_\_\_\_ (*name of creditor*), of  
\_\_\_\_\_  
\_\_\_\_\_ (*name of town or city*), a creditor in the above  
matter, hereby appoint \_\_\_\_\_, of \_\_\_\_\_, to be  
my proxyholder in the above matter, except as to the receipt of dividends, with (*or*  
without) power to appoint another proxyholder in his or her place.

Dated at \_\_\_\_\_, this \_\_\_\_\_ day of \_\_\_\_\_.

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Individual Creditor

\_\_\_\_\_  
Name of Corporate Creditor

\_\_\_\_\_  
Witness

Per \_\_\_\_\_  
Name and Title of Signing Officer

NOTE: If a copy of this Form is sent electronically by means such as email, the name and contact information of the sender, prescribed in Form 1.1, must be added at the end of the document.

**IN THE MATTER OF THE PROPOSAL OF  
JOHN (JACK) KENNETH PURDY  
OF THE CITY OF EDMONTON  
IN THE PROVINCE OF ALBERTA**

**VOTING LETTER**

**(Paragraphs 51(1)(f) and 66.15(3)(c) of the Act)**

I/We, \_\_\_\_\_, creditor, (or I,  
\_\_\_\_\_, representative of \_\_\_\_\_, *(name of creditor)*), of  
\_\_\_\_\_ *(name of town or city)*, a creditor in the above matter for  
the sum of \$ \_\_\_\_\_, hereby request the Trustee acting with respect to the Proposal of  
John (Jack) Kenneth Purdy to record my vote.

***PLEASE CHECK OFF YOUR VOTE ON THE PROPOSAL AS FOLLOWS:***

- FOR
- or
- AGAINST

The acceptance of the proposal as dated June 1, 2012, as it may be amended at the meeting of  
creditors on June 22, 2012.

Dated at \_\_\_\_\_, this \_\_\_\_\_ day of 2012.

\_\_\_\_\_  
Signature of Witness

\_\_\_\_\_  
Signature of individual creditor or person signing on  
behalf of the corporate creditor

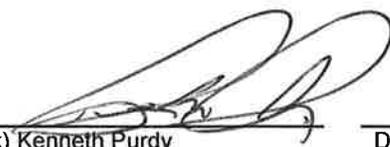
\_\_\_\_\_  
Print name and title of the person signing on behalf  
of the creditor

NOTE: If a copy of this Form is sent electronically by means such as email, the name and contact  
information of the sender, prescribed in Form 1.1, must be added at the end of the document.

# **APPENDIX C**

**JOHN (JACK) KENNETH PURDY**  
**Budget to Actual Cash Flow**  
**For the period of April 26, 2012 to May 31, 2012 (the "Reporting Period")**  
**(in CDN dollars)**

	<b>ACTUAL</b>	<b>FORECAST</b>	<b>VARIANCE</b>
	<b>Week 22 to Week 26</b>	<b>Week 22 to Week 26</b>	<b>Week 22 to Week 26</b>
	<b>April 26/12 to</b>	<b>April 26/12 to</b>	<b>April 26/12 to</b>
	<b>May 31, 2012</b>	<b>May 31, 2012</b>	<b>May 31, 2012</b>
<b>RECEIPTS</b>			
Advances / Management fees from Purdy Group of Companies	-	-	-
<b>Total receipts</b>	-	-	-
<b>DISBURSEMENTS</b>			
Personal	2,996	1,500	(1,496)
Living	1,633	1,600	(33)
Transportation	1,280	1,000	(280)
Miscellaneous	-	250	250
Payment to Purdy Group of Companies	2,200	-	(2,200)
<b>Total disbursements</b>	<b>8,109</b>	<b>4,350</b>	<b>(3,759)</b>
<b>NET CHANGE IN CASH</b>	<b>(8,109)</b>	<b>(4,350)</b>	<b>(3,759)</b>
<b>OPENING CASH</b>	<b>9,604</b>	<b>9,604</b>	<b>-</b>
Net change in cash	(8,109)	(4,350)	(3,759)
<b>ENDING CASH</b>	<b>1,495</b>	<b>5,254</b>	<b>(3,759)</b>

  
 John (Jack) Kenneth Purdy

Date

May 31/2012

# **APPENDIX D**

**JOHN (JACK) KENNETH PURDY**  
**Budget Cash Flow**  
**For the period of June 1 to June 30, 2012 (the "Reporting Period")**  
**(in CDN dollars)**

**FORECAST**  
**Month of June**

**Jun.1/12 to Jun.30/12**

**RECEIPTS**

Advances / Management fees from Purdy Group of Companies	4,400
<b>Total receipts</b>	<u>4,400</u>

**DISBURSEMENTS**

Personal	1,500
Living	1,600
Transportation	1,000
Miscellaneous	250
<b>Total living expenses</b>	<u>4,350</u>
<b>Total disbursements</b>	<u>4,350</u>

**NET CHANGE IN CASH** 50

<b>OPENING CASH</b>	1,495
Net change in cash	50
<b>ENDING CASH</b>	<u>1,545</u>

  
 John (Jack) Kenneth Purdy      Date May 30 2012

This statement of projected cash flow of John (Jack) Kenneth Purdy has been prepared in accordance with s. 62 (1) of the *Bankruptcy and Insolvency Act* and should be read in conjunction with the Trustee's Report on Cash-Flow Statement dated the 30th day of May 2012.

  
 Timothy Reid, Trustee      Date 30-May-12  
 Alvarez & Marsal Inc.

**JOHN (JACK) KENNETH PURDY**  
**Notes to Projected Cash Flow Statement**  
**For the period of June 1, 2012 to June 30, 2012**  
**(in CDN dollars)**

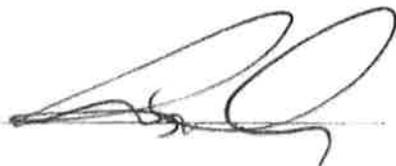
**Notes and Assumptions:**

- A This cash-flow statement has been revised since the original filing of the Notice of Intention to make a proposal and is to be read in conjunction with the previously filed Form 29 – Trustee’s Report on Cash Flow Statement and Form 30-Report on Cash Flow Statement by the Person Making the Proposal
- The projection has been prepared solely for the purpose of determining the ability of John (Jack) Kenneth Purdy to fund his personal financial affairs as set out herein.
- Readers are cautioned that it may not be appropriate for their purposes.
- B The Cash-Flow Statement is presented on a monthly basis from June 1, 2012 to June 30, 2012 (the “Forecast Period”) and represents John (Jack) Kenneth Purdy’s best estimates of the results of his personal financial affairs during the Forecast Period.
- C Advances/Management Fees are paid to Jack Purdy as compensation for services rendered as President and Chief Executive Offices of the Purdy Group of Companies. Given the current financial constraints within the Purdy Group of Companies, Mr. Purdy is only drawing a minimum amount of advances/management fees (while focusing on keeping his personal expenses low) to assist in the success of the corporate restructuring of the Purdy Group of Companies, which in turn, will directly impact the success of Mr. Purdy’s personal proposal to his creditors. The appropriate taxation strategies are applied to these payments at each year-end.
- D Total living expenses primarily relate to certain living, personal and medical costs expected to be incurred by Mr. Purdy over the Forecast Period.
- E Opening cash balance on June 1, 2012 (as per general ledger).

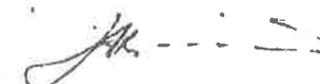
JOHN (JACK) KENNETH PURDY

Alvarez & Marsal Canada Inc., the trustee acting in  
re: the Proposal of John (Jack) Kenneth Purdy

Per:



Per:



Timothy Reid, CA-CIRP  
Senior Vice-President

Date:

May 30<sup>th</sup>, 2012

Date:

May 30<sup>th</sup>, 2012