

COURT FILE NUMBER 24-1568045
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 **SECOND REPORT OF ALVAREZ AND MARSAL
CANADA INC.
IN ITS CAPACITY AS TRUSTEE UNDER THE
NOTICE OF INTENTION TO MAKE A PROPOSAL**

JANUARY 20, 2012

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTY FILING THIS
DOCUMENT

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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 to Make a Proposal under section 50.4(1) of the *Bankruptcy and Insolvency Act* (“BIA”), R.S.C. 1985, c.B-3, as amended (the “NOI”). 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 second report of the Trustee under the NOI (the “Trustee’s Second Report”) is to provide this Honourable Court with an update in respect of the following:
 - a) the actual to budget cash flow results for the period from December 2, 2011 to January 18, 2012 (the “Reporting Period”);
 - b) the updated cash flow projections (the “Updated Forecast”) from January 19, 2012 through March 30, 2012 (the “Forecast Period”);
 - c) the restructuring efforts of Purdy since the filing of the first report of the Trustee (the “Trustee’s First Report”);
 - d) the Trustee’s comments with respect to Purdy’s application for an extension of time for filing its proposal to March 19, 2011 (the “Stay Extension”); and
 - e) the Trustee’s recommendations.

4. Capitalized terms not defined in the Trustee's Second Report are as defined in the Trustee's First Report.
5. All references to dollars are in Canadian currency unless otherwise noted.

TERMS OF REFERENCE

6. In preparing this Second 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 will vary from this information and the variations may be material.

LIMITATION IN SCOPE OF REVIEW

7. The Second 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 Second 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, both 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 are 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 25th Purdy Affidavit") and the first report of the Monitor (the "Monitor's First Report"). These documents, together with other information regarding the NOI and proposal of Purdy, which includes the Trustee's First Report, as well as the CCAA proceedings, has been posted by the Trustee on its website at: www.alvarezandmarsal.com/purdy.

ACTUAL TO BUDGET RESULTS – DECEMBER 2, 2011 TO JANUARY 18, 2012

14. The actual to budget cash flow presented at Appendix A to this report for the Reporting Period contains the actual cash receipts and disbursements relating to the Purdy as compared to the cash flow forecasts previously provided to this Court in the Trustee’s First Report (the “Trustee’s First Report Forecast”). The table below provides a summary of the budget to actual cash flow:

John (Jack) Purdy			
Actual to Forecast Cash Flow Results			
for the period of December 2, 2011 to January 18, 2012			
	ACTUAL	FORECAST	VARIANCE
	Week 1 to Week 7 Dec.2/11 - Jan.18/12	Week 1 to Week 7 Dec.2/11 - Jan.18/12	Week 1 to Week 7 Dec.2/11 - Jan.18/12
Receipts	59,600	59,600	-
Disbursements	7,945	9,490	1,545
NOI professional retainer	50,000	50,000	-
Net change in cash flow	1,655	110	1,545
Opening cash	-	-	-
Net change in cash flow	1,655	110	1,545
Ending cash	1,655	110	1,545

15. Receipts for the Reporting Period totalled \$59,600, representing a \$NIL variance as compared to the receipts set out in the Trustee’s First Report Forecast.

16. Disbursements for the Reporting Period totalled approximately \$57,945 representing a positive variance of approximately \$1,545. This variance was primarily due to:

- a) positive permanent variance \$900 in medical expenses that Purdy anticipated to incur but will no longer require the funds;
 - b) positive variance of \$1,636 in living expenses due to timing of receipts; and
 - c) negative variance of approximately \$1,000 relating to higher than anticipated expenses incurred within personal, transportation and miscellaneous expenses than previously forecast.
17. Purdy incurred \$50,000 in restructuring retainer fee expenses that were previously forecast in the Trustee's First Report Forecast.
18. The ending total cash balance as at January 18, 2012 was \$1,655 compared to the forecast cash balance amount of \$110, for the reasons discussed above.
19. On January 18, 2012, the Trustee submitted to Purdy its first invoice for its services ending up to December 31, 2011 for \$16,366.88 (includes GST). As at January 18, 2012, the remaining balance of the restructuring retaining that is held by the Trustee is \$33,633.12.

UPDATED CASH FLOW FORECAST THROUGH MARCH 30, 2012

20. Purdy, with the assistance of the Monitor, has prepared an Updated Forecast for Forecast Period, which is attached as Appendix B. Purdy has prepared the Updated Forecast based on the most current information available.
21. The table below summarizes cash flow for the Forecast Period:

John (Jack) Purdy	
Revised Cash Flow Statement	
for the period of January 19, 2012 to March 30, 2012	
FORECAST	
Week 8 to Week 13	
Jan.19/12 - Mar.30/12	
	9,600
Receipts	
	10,650
Disbursements	
	(1,050)
Net change in cash flow	
Opening cash	1,655
Net change in cash flow	(1,050)
Ending cash	605

22. As summarized above, the Purdy is projecting total cash receipts of \$9,600 and cash disbursements for approximately \$10,650, resulting in a net decrease in cash of approximately \$1,050 during the Forecast Period.
23. The Trustee has reviewed the assumptions supporting the Updated Forecast with the Purdy and believes the assumptions to be reasonable.
24. Significant assumptions made by Purdy with respect to the Updated Forecast are:
- a) Personal and living expenses of approximately \$5,800;
 - b) Transportation costs of approximately \$3,500 relating to travels to BC to visit his properties as part of his realization strategy; and
 - c) Miscellaneous costs of approximately \$1,350
25. Based on Purdy's assumptions, the Updated Forecast indicates that Purdy will continue to have sufficient available cash to meet its current obligations through the Forecast Period.

RESTRUCTURING EFFORTS

26. The financial circumstances of Purdy and the Purdy Companies are inextricably linked together and the success of a proposal submitted by Purdy to his creditors is dependent upon the outcome of the restructuring of the Purdy Companies.
27. Purdy, with the assistance of the Trustee and the Monitor, is finalizing its reconciliation of all the properties and assets owned by Purdy and the Purdy Companies that is necessary in formulating a realization strategy of Purdy's assets for the general benefit of all of his creditors as well as the Purdy Companies creditors under the CCAA.
28. Purdy has been acting diligently with respect to the NOI and the CCAA restructuring and he is currently considering his options to put forth a viable proposal to creditors. The Trustee understands that Purdy believes that the best opportunity for a viable proposal is if a successful plan of arrangement is obtained in the CCAA proceedings.
29. The Trustee's is still of the view that upon its review and investigation of Purdy's Assets, these assets may have a greater value as a going concern if certain of the Purdy Assets can be preserved and maintained and other assets can be liquidated in an orderly fashion through the CCAA proceedings. Consequently, the extension is required to allow Purdy, with the assistance of the Trustee, an opportunity to continue to assess Purdy's Assets and determine the best alternatives to put forth a viable proposal to his creditors.

APPLICATION TO EXTEND THE TIME TO PREPARE A PROPOSAL

30. Pursuant to the BIA, Purdy's previous stay extension to file a proposal expires at midnight on February 3, 2012 (the "Stay Period"). Purdy is seeking an extension of the Stay Period (as allowed for under section 50.4(9) of the BIA) until, and including March 19, 2012.

31. An extension of the stay is necessary to allow time for Purdy to work out a viable plan under the CCAA proceedings which will in turn allow him to make a viable proposal to his creditors.

.RECOMMENDATION

32. The Trustee recommends granting an extension of the stay of proceedings for the maximum 45 day period to March 19, 2012.
33. The Trustee believes that Purdy has acted, and is acting, in good faith and with due diligence and the Trustee does not believe that any creditor will be materially prejudiced if the extension of the stay is granted.

All of which is respectfully submitted this 20th January, 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

JOHN (JACK) KENNETH PURDY
 Budget to Actual Cash Flow
 For the period of December 2, 2011 to January 10, 2012 (the "Reporting Period")
 (in CDN dollars)

	ACTUAL	FORECAST	VARIANCE
	Week 1 to Week 7	Week 1 to Week 7	Week 1 to Week 7
	Dec.2/11 to Jan.18/12	Dec.2/11 to Jan.18/12	Dec.2/11 to Jan.18/12
RECEIPTS			
Advances / Management fees from Purdy Group of Companies	9,800	9,800	-
Retainer receipt from Purdy Group of Companies for NOI	50,000	50,000	-
Total receipts	59,800	59,800	-
DISBURSEMENTS			
Personal	3,204	2,700	(504)
Medical	-	900	900
Living	1,764	3,400	1,636
Transportation	1,813	1,140	(473)
Miscellaneous	1,384	1,350	(14)
Total living expenses	7,945	9,490	1,545
NOI professional fee retainer	50,000	50,000	-
Total disbursements	57,945	59,490	1,545
NET CHANGE IN CASH	1,855	110	1,545
OPENING CASH			
Net change in cash	1,855	110	1,545
ENDING CASH	1,855	110	1,545

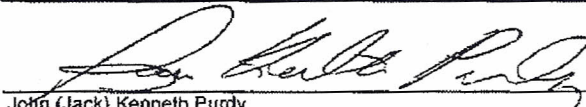
John (Jack) Kenneth Purdy

January 10, 2012
 Date

APPENDIX B

JOHN (JACK) KENNETH PURDY
Revised Cash Flow Statement*
 For the period of January 19, 2012 to March 30, 2012 (the "Forecast Period")
 (in CDN dollars)

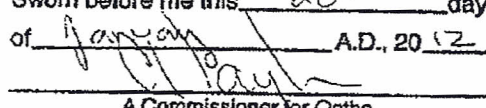
	Week 8 to Week 13 Jan.19/12 to Mar.2/12	Week 13 to Week 17 Mar.3/12 to Mar.30/12	Total
RECEIPTS			
Advances / Management fees from Purdy Group of Companies	4,400	5,200	9,600
Total receipts	4,400	5,200	9,600
DISBURSEMENTS			
Personal	1,200	1,500	2,700
Living	1,600	1,500	3,100
Transportation	2,000	1,500	3,500
Miscellaneous	600	750	1,350
Total living expenses	5,400	5,250	10,650
Total disbursements	5,400	5,250	10,650
NET CHANGE IN CASH	(1,000)	(50)	(1,050)
OPENING CASH	1,654	654	1,654
Net change in cash	(1,000)	(50)	(1,050)
ENDING CASH	654	604	604


 John (Jack) Kenneth Purdy

January 20, 2012
 Date

This is Exhibit "A" referred to in the
 Affidavit of

JOHN KENNETH PURDY
 Sworn before me this 20th day
 of January A.D., 20 12


 A Commissioner for Oaths
 in and for the Province of Alberta

CONAN J. TAYLOR
 Barrister and Solicitor