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BE03-568045

ESTATE NUMBER

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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

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

**MARCH 14, 2012**

ADDRESS FOR SERVICE AND  
CONTACT INFORMATION OF  
PARTY FILING THIS  
DOCUMENT

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## **LISTING OF APPENDICES TO THE THIRD REPORT OF THE PROPOSAL TRUSTEE**

APPENDIX A	Actual to Budget Cash Flow
APPENDIX B	Updated Forecast
APPENDIX C	Trustee's First Report
APPENDIX D	Trustee's Second Report

4. Capitalized terms not defined in the Trustee's Third Report are as defined in the first report of the Trustee (the "Trustee's First Report") and the Trustee's Second Report, as attached as Appendix C and Appendix D, respectively, to this report.
5. All references to dollars are in Canadian currency unless otherwise noted.

#### **TERMS OF REFERENCE**

6. In preparing this Third 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 Third 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 Third 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 25<sup>th</sup> 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](http://www.alvarezandmarsal.com/purdy).

**ACTUAL TO BUDGET RESULTS – JANUARY 19, 2012 TO FEBRUARY 24, 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 Purdy as compared to the cash flow forecasts previously provided to this Court in the Trustee’s First Report (the “Trustee’s Second Report Forecast”). The table below provides a summary of the budget to actual cash flow:

<b>John (Jack) Kenneth Purdy</b>			
<b>Actual to Forecast Cash Flow Results</b>			
<b>for the period of January 19, 2012 to February 24, 2012</b>			
	<b>ACTUAL</b>	<b>FORECAST</b>	<b>VARIANCE</b>
	<b>Week 8 to Week 12</b>	<b>Week 8 to Week 12</b>	<b>Week 8 to Week 12</b>
	<b>Jan.19/12 to Feb.24/12</b>	<b>Jan.19/12 to Feb.24/12</b>	<b>Jan.19/12 to Feb.24/12</b>
<b>Receipts</b>	19,200	9,600	9,600
<b>Disbursements</b>	9,700	10,650	950
<b>Net change in cash flow</b>	9,500	(1,050)	10,550
<b>Opening cash</b>	1,654	1,654	-
<b>Net change in cash flow</b>	9,500	(1,050)	10,550
<b>Ending cash</b>	11,154	604	10,550

15. Receipts for the Reporting Period totalled \$19,200, representing a \$9,600 positive variance as compared to the receipts set out in the Trustee’s Second Report Forecast. This variance was primarily due to the:
- a) unanticipated return of a certain legal fee retainer to Purdy from a company owned by Purdy that is not subject to the CCAA proceedings of \$5,800; and

- b) collection of rent from one of Purdy's CCAA companies that was inadvertently deposited into Purdy's personal account of \$5,600 instead of Purdy's CCAA company bank accounts. This money is forecast to be returned back to the Purdy Companies in the Forecast Period.
16. Disbursements for the Reporting Period totalled approximately \$10,650 representing a positive variance of approximately \$950. This variance was primarily due to a:
- a) positive variance of \$540 in personal living expenses that Purdy anticipated to incur in the Reporting Period, but will now be incurred in the Forecast Period;
  - b) positive variance of \$182 in living expenses due to timing of receipts;
  - c) positive variance of \$1,350 relating to miscellaneous/contingency expenses that were not incurred; and
  - d) negative variance of approximately \$1,122 relating to higher than anticipated expenses incurred for transportation costs in travelling to and from Purdy's personal properties in British Columbia than previously forecast.
17. The ending total cash balance as at February 24, 2012 was \$11,154 compared to the forecast cash balance amount of \$604, for the reasons discussed above.

***Professional Fee Retainers***

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

<b>John (Jack) Kenneth Purdy</b> <b>Reconciliation of Proposal Trustee retainer fees</b> <b>December 2, 2011 to March 12, 2012</b>				
	<b>Opening balance</b>	<b>Invoices paid</b>	<b>Estimated accrual</b>	<b>Ending balance</b>
Proposal Trustee retainer (NOI)*	50,000	16,367	8,000	25,633

19. The Trustee's first invoice for services rendering up to December 31, 2011 for \$16,367 (includes GST) was approved by Purdy and paid from the Trustee retainer as previously reported in the Trustee's Second Report and as shown in the above chart. The Trustee has accrued \$8,000 for the approximate fees incurred by the Trustee from January 1, 2012 to March 12, 2012.

#### **UPDATED CASH FLOW FORECAST THROUGH MAY 3, 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:

<b>John (Jack) Kenneth Purdy</b>	
<b>Revised Cash Flow Statement</b>	
<b>for the period of February 25, 2012 to May 4, 2012</b>	
	<b>FORECAST</b>
	<b>Week 13 to Week 22</b>
	<b>Feb.25/12 - May 4/12</b>
<b>Receipts</b>	9,600
<b>Disbursements</b>	19,300
	(9,700)
<b>Net change in cash flow</b>	
<b>Opening cash</b>	11,154
<b>Net change in cash flow</b>	(9,700)
<b>Ending cash</b>	1,454

22. As summarized above, the Purdy is projecting total cash receipts of \$9,600 and cash disbursements for approximately \$19,300, resulting in a net decrease in cash of approximately \$9,700 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 \$6,200;
  - b) transportation costs of approximately \$3,000 relating to travels to BC to visit his properties as part of his realization strategy;
  - c) miscellaneous costs of approximately \$500;
  - d) repayment of rental fees collected in error by Purdy to the Purdy Companies of \$5,600; and



- e) payment of other receipts collected by Purdy of approximately \$4,000 to the Purdy Companies, as discussed further below.

- 25. 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.

#### **DISPOSAL OF REDUNDANT ASSET**

- 26. The Trustee understands that on February 24, 2012, Purdy and Armac Investments Ltd. (BC) jointly purchased a used truck 2004 Ford F-350 ("Ford Truck") from Avenue Trading Post for \$14,000 to assist in the operations, transportation and management of Purdy Companies located on Vancouver Island (Bamfield properties). The purchaser on the bill of sale ("Bill of Sale") is Purdy and Armac Investment Ltd. (BC). The Trustee understands that Armac Investments (BC) paid \$8,000 in cash and Purdy traded in his 1999 Mercedes ML 320 ("Mercedes") used car (that was disclosed in Appendix B to the Trustee's First Report) for a trade-in value of \$6,000.
- 27. The Trustee reviewed the Canadian Black Book value of used cars to determine the range in value for the Mercedes and determined the low and high value (base price) is between \$3,275 and \$4,650, respectively.
- 28. Purdy also advised the Trustee that an agreement will be reached between himself and Armac Investments Ltd. (BC) to reimburse Purdy's estate for the fair value of the Mercedes and full ownership will then be transferred to Armac Investment (BC).

## **RESTRUCTURING EFFORTS**

29. As previously discussed in the Trustee's Second 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.
30. 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.
31. The Trustee is of the view that upon its review and investigation of Purdy's Assets (which consist of Purdy's Personal Assets and Purdy's ownership in the Purdy Group of Companies as defined in the Trustee's First Report), 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**

32. Pursuant to the BIA, Purdy's previous stay extension to file a proposal expires at midnight on March 19, 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 May 3, 2012.

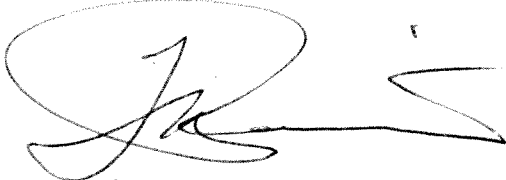
33. An extension of the stay is necessary to allow time for Purdy to work out a viable plan under the CCAA proceedings which will in turn allow him to make a viable proposal to his creditors.

**.RECOMMENDATION**

34. The Trustee recommends granting an extension of the stay of proceedings for the maximum 45 day period to May 3, 2012.
35. 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 14<sup>th</sup> March, 2012.

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

A handwritten signature in black ink, appearing to be 'Tim Reid', with a large, stylized initial 'T' and 'R'.

Tim Reid, CA•CIRP  
Senior Vice-President

A handwritten signature in black ink, appearing to be 'Orest Konowalchuk', with a large, stylized initial 'O' and 'K'.

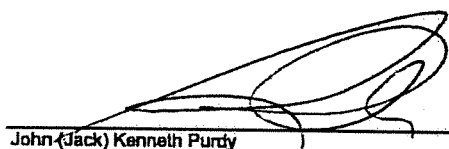
Orest Konowalchuk, CA•CIRP  
Senior Manager

# APPENDIX A

## APPENDIX A

**JOHN (JACK) KENNETH PURDY**  
**Budget to Actual Cash Flow**  
**For the period of January 19, 2012 to February 24, 2012 (the "Reporting Period")**  
**(in CDN dollars)**

	ACTUAL	FORECAST	VARIANCE
	Week 8 to Week 12	Week 8 to Week 12	Week 8 to Week 12
	Jan.19/12 to Feb.24/12	Jan.19/12 to Feb.24/12	Jan.19/12 to Feb.24/12
<b>RECEIPTS</b>			
Advances / Management fees from Purdy Group of Companies	7,800	9,600	(1,800)
Receipt from related non-CCAA companies	5,800	-	5,800
Other receipts	5,600	-	5,600
<b>Total receipts</b>	<b>19,200</b>	<b>9,600</b>	<b>9,600</b>
<b>DISBURSEMENTS</b>			
Personal	2,160	2,700	540
Living	2,918	3,100	182
Transportation	4,622	3,500	(1,122)
Miscellaneous	-	1,350	1,350
<b>Total living expenses</b>	<b>9,700</b>	<b>10,650</b>	<b>950</b>
<b>Total disbursements</b>	<b>9,700</b>	<b>10,650</b>	<b>950</b>
<b>NET CHANGE IN CASH</b>	<b>9,500</b>	<b>(1,050)</b>	<b>10,550</b>
<b>OPENING CASH</b>	<b>1,654</b>	<b>1,654</b>	<b>-</b>
<b>Net change in cash</b>	<b>9,500</b>	<b>(1,050)</b>	<b>10,550</b>
<b>ENDING CASH</b>	<b>11,154</b>	<b>604</b>	<b>10,550</b>



John (Jack) Kenneth Purdy

Mar 12/2012  
 Date

# APPENDIX B

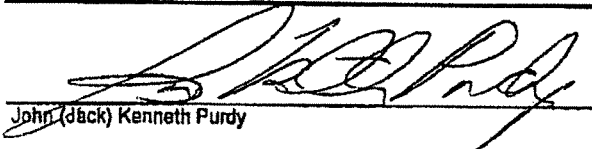
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Appendix B

**JOHN (JACK) KENNETH PURDY**  
**Revised Cash Flow Statement\***  
**For the period of February 25, 2012 to May 4, 2012 (the "Forecast Period")**  
**(In CDN dollars)**

	Week 13 to Week 17 Feb.25/12 to Mar.30/12	Week 18 to Week 22 Mar.31/12 to May 4/12	Total
<b>RECEIPTS</b>			
Advances / Management fees from Purdy Group of Companies	4,400	5,200	9,600
<b>Total receipts</b>	<b>4,400</b>	<b>5,200</b>	<b>9,600</b>
<b>DISBURSEMENTS</b>			
Personal	1,500	1,500	3,000
Living	1,800	1,600	3,200
Transportation	1,500	1,500	3,000
Miscellaneous	250	250	500
Payment to the Purdy Group of Companies	9,600	-	9,600
<b>Total living expenses</b>	<b>14,450</b>	<b>4,850</b>	<b>19,300</b>
<b>Total disbursements</b>	<b>14,450</b>	<b>4,850</b>	<b>19,300</b>
<b>NET CHANGE IN CASH</b>	<b>(10,050)</b>	<b>350</b>	<b>(9,700)</b>
<b>OPENING CASH</b>	<b>11,154</b>	<b>1,104</b>	<b>11,154</b>
<b>Net change in cash</b>	<b>(10,050)</b>	<b>350</b>	<b>(9,700)</b>
<b>ENDING CASH</b>	<b>1,104</b>	<b>1,454</b>	<b>1,454</b>



John (Jack) Kenneth Purdy

March 17/2012  
 Date

# APPENDIX C



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 FIRST REPORT OF ALVAREZ AND MARSAL  
CANADA INC.  
IN ITS CAPACITY AS TRUSTEE UNDER THE  
NOTICE OF INTENTION TO MAKE A PROPOSAL

DECEMBER 15, 2011

ADDRESS FOR SERVICE AND  
CONTACT INFORMATION OF  
PARTY FILING THIS  
DOCUMENT

**PROPOSAL TRUSTEE**

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File: 529227-7



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## **LISTING OF APPENDICES TO THE FIRST REPORT OF THE TRUSTEE**

APPENDIX A	Listing of the Purdy Group of Companies
APPENDIX B	Listing of Purdy Personal Assets
APPENDIX C	Creditor NOI Notification
APPENDIX D	Statutory Cash Flow Documents

## 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 had been 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 first report of the Trustee under the NOI (the “First Report”) is to provide this Honourable Court with an update in respect of the following:
  - a) background information and brief overview of Purdy;
  - b) the activities of the Trustee following the filing of Purdy’s NOI;
  - c) the Trustee’s comments with respect to Purdy’s application for an extension of time for filing its proposal to February 3, 2011 (the “Stay Extension”); and
  - d) the Trustee’s recommendations.
4. Prior to being appointed as Trustee, Alvarez & Marsal Canada Inc. was appointed by the Court as Monitor in the CCAA proceedings of the Purdy Group of Companies, as discussed below.
5. All references to dollars are in Canadian currency unless otherwise noted.

## **TERMS OF REFERENCE**

6. In preparing this First 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 First 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 First 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. The majority of these 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 Group of Companies"). A copy of an organizational chart and listing of the Purdy Group of Companies is attached as Appendix A to this report.
12. Purdy also has personal items various and shareholdings in other corporate entities (the "Purdy Personal Assets") that may have value and be available to assist in putting forth a viable proposal to his creditors. An initial listing of the Purdy Personal Assets is attached as Appendix B to this report. The Trustee continues to review and investigate the existence of any other possible asset that Purdy may own that may not be on this initial asset listing.
13. Through discussion with Purdy and review of various appraisal and property tax assessments, it may be that the combined estimated value of the Purdy Corporate Assets and Purdy Personal Assets (the "Purdy Assets") exceed the current personal liabilities of Purdy (the "Purdy Liabilities"), which are listed in the Creditor NOI Notification (defined below).
14. The Trustee's preliminary review of the Purdy Liabilities indicates they are derived mainly from:
  - a) personal guarantees granted by Purdy to the Purdy Group of Companies;
  - b) potential director's liability to CRA as sole director of the Purdy Group of Companies; and

- c) unpaid personal income taxes owed to CRA.
15. Further investigation into the value of the corporate holdings and Purdy Liabilities that might remain after the CCAA proceedings are required in order to assess the ability of Purdy to put forward a viable proposal to his creditors.
  16. On December 1, 2011, the Purdy Group of Companies sought and obtained protection from its creditors under the CCAA pursuant to an order of this Honourable Court (the "Initial Order"). Pursuant to the Initial Order, Alvarez & Marsal Canada Inc. was appointed Monitor of the Purdy Group of Companies (the "Monitor").
  17. Further background for the Purdy Group of Companies and its operations 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") and the first report of the Monitor (the "First Report"). These documents, together with other information regarding the NOI and proposal of Purdy, as well as the CCAA proceedings, has been posted by the Trustee on its website at: [www.alvarezandmarsal.com/purdy](http://www.alvarezandmarsal.com/purdy).

## **ACTIVITIES OF THE TRUSTEE**

### **Discussion with Purdy**

18. Following the issuance of the NOI, the Trustee has continued to be in contact with Purdy to inform him of the Trustee's role during the NOI process including the review of all cash disbursements of Purdy, discussion of creditor claims and sale of assets.
19. To date, the Trustee has obtained the full cooperation and assistance of Purdy.

### **Mailing of Statutory Notifications**

20. The Trustee has completed the mailing of the notification to creditors of the filing of the NOI (the "Creditor NOI Notification") as required under section 50.4(6) of the BIA. A copy of Purdy's Creditor NOI Notification is attached as Appendix C to this report.

### **Statutory Cash Flow Statements**

21. On December 12, 2011, Purdy, with the assistance of the Trustee, filed the following statutory documents as required under section 50.4(2) of the BIA:
- a) a cash flow statement (the "Cash Flow Statement");
  - b) a report on Cash Flow Statement by the person making the proposal (the "Purdy Cash Flow Report"); and
  - c) the Trustee's report on Cash Flow Statement (the "Trustee's Cash Flow Report").
22. The Cash Flow Statement extends to the week ending February 3, 2012 (the "Forecast Period"). The Trustee has reviewed the assumptions supporting the Cash Flow Statement with Purdy and believes the assumptions to be reasonable.
23. Based on the assumptions made by Purdy contained in the notes to the Cash Flow Statement, the Trustee believes that Purdy will have sufficient funds to meet his personal and financial affairs through to the end of February 3, 2012. In addition, the Trustee believes that no creditor would be materially prejudiced if the Stay Extension is granted, as discussed further below.
24. A copy of Cash Flow Statement, the Purdy Cash Flow Report and the Trustee's Cash Flow Report (the "Statutory Cash Flow Documents") is attached as Appendix D.

### **Restructuring Efforts to Date**

25. The financial circumstances of Purdy and the Purdy Group of Companies are inextricably linked to and the success of a proposal submitted by Purdy to his creditors is dependent upon a successful restructuring of the Purdy Group of Companies.
26. Purdy has been acting diligently in respect of the CCAA restructuring and considering its options and his own 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 proposal is obtained in the CCAA proceedings.
27. As discussed above, the Trustee's initial review and investigation indicates that Purdy's 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 analyze 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**

28. Pursuant to the BIA, Purdy's 30-day stay period to file a proposal expires at midnight on January 1, 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 February 3, 2012.
29. 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**

30. 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.
31. Therefore, the Trustee recommends granting an extension of the stay of proceedings for the maximum 45 day period.

All of which is respectfully submitted this 15<sup>th</sup> December, 2011

**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

## **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)

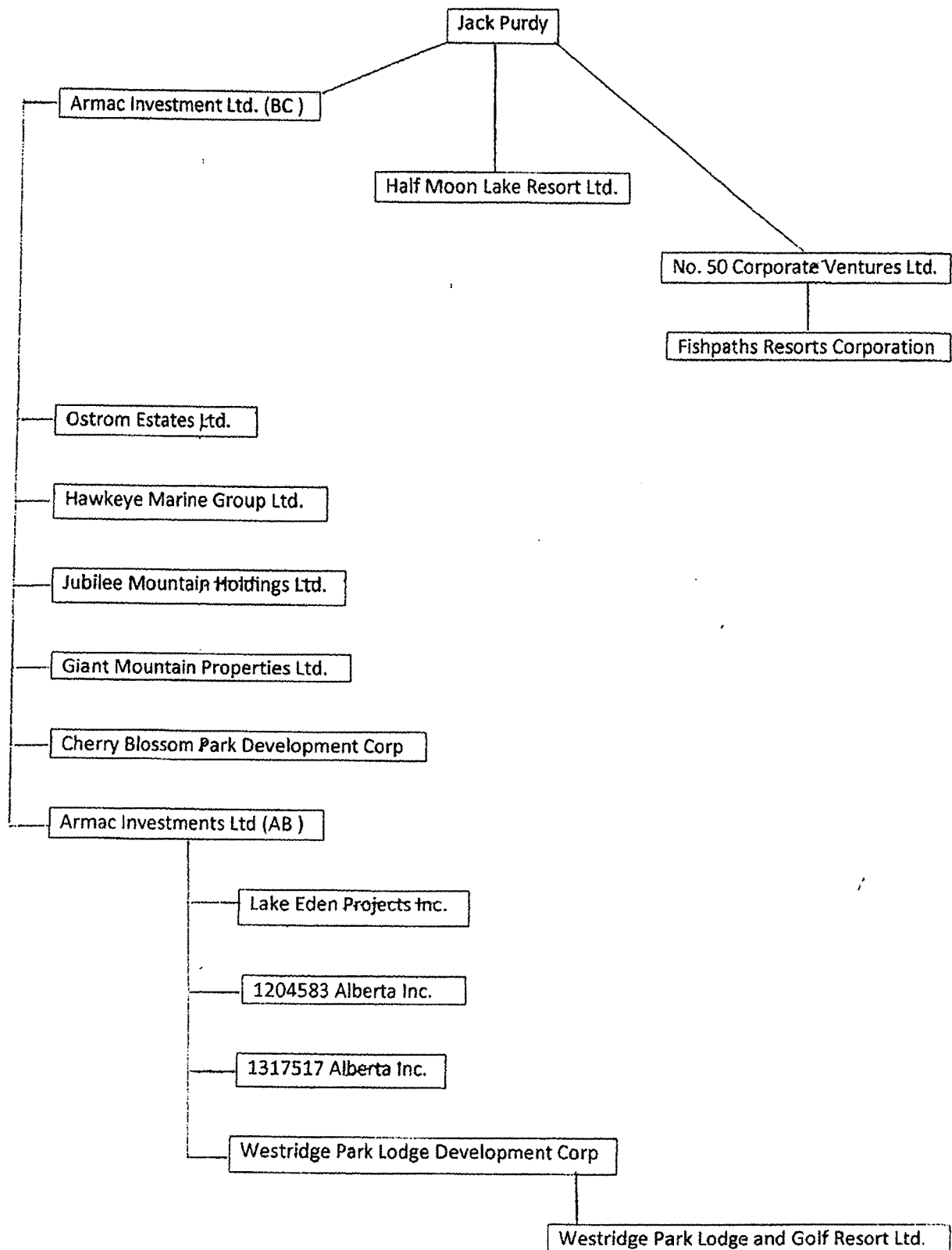
GIANT MOUNTAIN PROPERTIES LTD. (BC)

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.



# APPENDIX B

## John (Jack) Kenneth Purdy

### Listing of Known Personal Assets

Asset	Ownership Interest	Description
6 acre ocean front undeveloped raw land	100%	Located: West Coast Vancouver Island, BC
80 acre, 3 bedroom home and farm outbuildings	100%	Located: Port Alberni, West Coast Vancouver Island, BC
Recreation Property	100%	4 cabins located in Cabarete, Dominican Republic
Art , Collectibles, Jewelry and precious medals	100%	Various paintings and jem stones, etc
Antiques, Furniture	100%	
Personal Condominium Residence at The Ten	100%	Edmonton, Alberta
Note Receivable	100%	Approximately \$200,000
Rail Find Management Ltd.	50%	Shell company with no assets or operations
Various Advances	100%	Advances made to Prefco Construction Corp
Vehicles	100%	1997 Jeep Cherokee 1998 Mercedes 1500 1992 Bentley
Stocks and bonds	100%	Appox value - \$50,000
Sheffield Holdings Ltd.	100%	Anguilla, British West Indies. Owns a head lease with approx. 70 years on an 8.5 acre piece ocean front property that now has a resort. Approved for development for 50k new development.
25 acres of raw land in Kauai, Hawaii	100%	Land is divided into 6 plots. Distant ocean view lots.

# APPENDIX C



**Alvarez & Marsal Canada ULC**  
Bow Valley Square II  
Suite 3300, 205 5th Avenue S.W.  
Calgary, AB T2P 2V7  
Phone: +1 403 538 4826

December 9, 2011

**To the Creditors of John (Jack) Kenneth Purdy:**

John (Jack) Kenneth Purdy ("Purdy") filed a Notice of Intention to Make a Proposal (the "Notice of Intention") on December 2, 2011 pursuant to the *Bankruptcy and Insolvency Act* ("BIA"). In addition, on December 2, 2011, Alvarez & Marsal Inc. was appointed Proposal Trustee of Purdy.

Enclosed are the following documents:

1. Notice of Intention to Make a Proposal;
2. List of Creditors and the amount of their claims per Purdy's records;
3. Certificate of Filing of a Notice of Intention to Make a Proposal; and
4. Consent to Act as Trustee under Proposal

The following explanation is provided as a courtesy to assist you in understanding this type of filing under the BIA. The Notice of Intention provisions of the BIA are more extensive than outlined below and you should contact a lawyer if you require more detailed information.

All claims against Purdy as at December 2, 2011 are stayed pursuant to the BIA. Purdy has thirty days from the date of filing the Notice of Intention to lodge a Proposal with us; however, this time period is subject to extension with Court approval.

Purdy may continue to carrying on his personal and business affairs during the period following the filing of the Notice of Intention (the "Period"). While the Trustee monitors Purdy's financial affairs during the Period, the Trustee has no control or oversight of Purdy's actions whatsoever.

The amounts included in the List of Creditors were obtained from Purdy's records and may be incorrect. If you disagree with the amount listed, it is NOT NECESSARY to advise us at this time. A Proof of Claim form (which requires supporting documentation) will be mailed to you in due course.

Should you have any general questions, please contact Mr. Tim Reid, Managing Director and/or Mr. Orest Konowalchuk, Director at [treid@alvarezandmarsal.com](mailto:treid@alvarezandmarsal.com) or [okonowalchuk@alvarezandmarsal.com](mailto:okonowalchuk@alvarezandmarsal.com), respectively.

Copies of the materials filed in the Division I Proposal proceedings may be obtained from the Proposal Trustee's website at [www.alvarezandmarsal.com/purdy](http://www.alvarezandmarsal.com/purdy).

Yours very truly,

**Alvarez & Marsal Canada Inc.**

The Trustee acting in re: the Proposal of  
John Kenneth Purdy and not in its personal capacity

Orest Konowalchuk  
Senior Manager

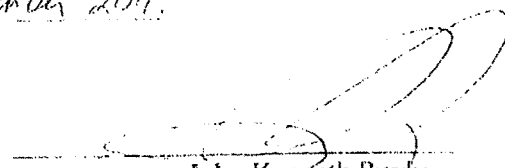


FORM 33  
Notice of Intention To Make a Proposal  
(Subsection 50.4(1) of the Act)

Take notice that:

1. I, John Kenneth Purdy, an insolvent person, state, pursuant to subsection 50.4(1) of the Act, that I intend to make a proposal to my creditors.
2. Alvarez & Marsal Canada Inc., of Bow Valley Square II, Suite 3300, 205 5<sup>th</sup> Avenue S.W., Calgary, AB T2P 2V7, a licensed trustee, has consented to act as trustee under the proposal. A copy of the consent is attached.
3. A list of the names of the known creditors with claims of \$250 or more and the amounts of their claims is also attached.
4. Pursuant to section 69 of the Act, all proceedings against me are stayed as of the date of filing of this notice with the official receiver in my locality.

Dated at Calgary Ab, this 11<sup>th</sup> day of November, 2011.

  
\_\_\_\_\_  
John Kenneth Purdy

To be completed by Official Receiver:

Filing Date \_\_\_\_\_

\_\_\_\_\_  
Official Receiver

Jack Kenneth Purdy  
Listing of creditors  
December 2, 2011

List of Creditors	Addresses	Amounts
Access Capital	c/o Borden Ladner Gervais LLP, 1900 Centennial Place, East Tower, 520 - 3rd Avenue, Calgary, Alberta, T2P OR4 Attention: Andrew Maciag Amaciag@blg.com	8,000,000.00
Byron Loewen	c/o Mintz & Chow, 400 The Dorchester, 10357 - 109 Street N.W., Edmonton, AB T5J 1N3 Attention: Bruce Mintz bmintz@mintzlaw.ca	84,990.21
Canada Revenue Agency	Canada Revenue Agency Regional Intake Centre of Insolvency 9700 Jasper Avenue Edmonton, Alberta T5J 4C8	2,100,000.00
Canada Revenue Agency	Canada Revenue Agency Regional Intake Centre of Insolvency 9700 Jasper Avenue Edmonton, Alberta T5J 4C8	304,000.00
Canada Revenue Agency	Canada Revenue Agency Regional Intake Centre of Insolvency 9700 Jasper Avenue Edmonton, Alberta T5J 4C8	795,000.00

Jack Kenneth Purdy  
Listing of creditors  
December 2, 2011

List of Creditors	Addresses	Amounts
Dan Theriault	c/o Ahlstrom Wright Oliver Cooper LLP, Suite 200, 80 Chippewa Road, Sherwood Park, AB, T8A 4W6 Attention: Keith J. Macey kmacey@awoc.ca	4,921.00
Kim Galavan	Kim Galavan Unit 1508 Penny Farthing Drive False Creek, Vancouver, BC T1Y 13H	400,000.00
Larry Whitehead	c/o Witten LLP, Suite 2500 Canadian Western Bank Place, 10303 Jasper Avenue, Edmonton, AB Attention: Coralie J. Schultz Mohr cschultzmohr@wittenlaw.com	1,439.63
Orest Rusnak	c/o Mintz & Chow, 400 The Dorchester, 10357 - 109 Street N.W., Edmonton, AB T5J 1N3 Attention: Bruce Mintz bmintz@mintzlaw.ca	3,577.70
Orest Rusnak	c/o Cleall, 2500 Commerce Place, 10155 - 102 Street, Edmonton, AB, T5J 4G8 Attention: Harry O. Moffet hmoffet@cleall.ca	3,655.20

Jack Kenneth Purdy  
Listing of creditors  
December 2, 2011

List of Creditors	Addresses	Amounts
PDY Management	c/o Mintz & Chow, 400 The Dorchester, 10357 - 109 Street N.W., Edmonton, AB T5J 1N3 Attention: Bruce Mintz bmintz@mintzlaw.ca	12,157.16
Royal Bank of Canada	c/o Warren Tettensor Amantea LLP, 1413 - 2nd Street S.W., Calgary, AB, T2R 0W7 Attention: Denise Whiteley whiteley@warren.ab.ca mailto:emailwhiteley@warren.ab.ca	33,098.97
Royal Bank of Canada	Witten LLP C/o Mr. Steven M. Shafir Suite 2500 Canadian Western Bank Place 10303 Jasper Avenue Edmonton, AB T5J 3N6	250,000.00
TD Bank	TD Bank Mortgage Department 1004 Jasper Avenue, 3rd Floor Edmonton, Alberta T5J 1R3	305,000.00
<b>TOTAL</b>		<b>\$ 12,297,839.87</b>



Office of the Superintendent  
of Bankruptcy Canada

Bureau du surintendant  
des faillites Canada

An Agency of  
Industry Canada

Un organisme  
d'Industrie Canada

District of ALBERTA  
Division No. 01 - Edmonton  
Court No. 24-1568045  
Estate No. 24-1568045

In the Matter of the Notice of Intention  
to make a proposal of:

John Kenneth Purdy  
Insolvent Person

ALVAREZ & MARSAL CANADA INC.  
Trustee

---

Date of the Notice of Intention: December 2, 2011, @ 09:16 am

---

CERTIFICATE OF FILING OF A NOTICE OF INTENTION TO MAKE A PROPOSAL  
Subsection 50.4 (1)

I, the undersigned, Official Receiver in and for this bankruptcy district, do hereby certify that the aforementioned insolvent person filed a Notice of Intention to Make a Proposal under subsection 50.4 (1) of the Bankruptcy and Insolvency Act.

Pursuant to subsection 69(1) of the Act, all proceedings against the aforementioned insolvent person are stayed as of the date of filing of the Notice of Intention.

---

E-File / Dépôt électronique

Official Receiver

Canada Place, 9700 Jasper Ave., Ste 725, Edmonton, ALBERTA, T5J 4C3, 877/376-9902

Canada

**CONSENT TO ACT AS TRUSTEE  
IN THE MATTER THE DIVISION I PROPOSAL  
OF JOHN KENNETH PURDY  
OF THE CITY OF EDMONTON, IN THE PROVINCE OF ALBERTA**

We, ALVAREZ & MARSAL CANADA INC., of Bow Valley Square II, Suite 3300, 205 5<sup>th</sup> Avenue S.W., Calgary, AB T2P 2V7, CONSENT to our acting as Trustee under the Division I proposal and in respect of the Notice of Intention to Make a Proposal of John Kenneth Purdy contemplated herein.

Dated at Calgary, Alberta this 17<sup>th</sup> day of November, 2011.

**Alvarez & Marsal Canada Inc.**

Per: \_\_\_\_\_

**Tim Reid**

# APPENDIX D

District of: Alberta  
Division No. 01- Edmonton  
Court No. 24-1568045  
Estate No. 24-1568045

-- FORM 29 --

Trustee's Report on Cash-Flow Statement  
(Paragraphs 50(6)(b) and 50.4(2)(b) of the Act)

The attached statement of projected cash flow of John Kenneth Purdy, as of the 12th day of December 2011, consisting of Projections for the 9 week period from December 2, 2011 through to February 3, 2012, has been prepared by the management of the insolvent person for the purpose described in the notes attached, using the probable and hypothetical assumptions set out in the notes attached.

Our review consisted of inquiries, analytical procedures and discussion related to information supplied to us by: ☐ the management and employees of the insolvent person or ☒ the insolvent person. Since hypothetical assumptions need not be supported, our procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the projection. We have also reviewed the support provided by: ☐ management or ☒ the insolvent person for the probable assumptions and preparation and presentation of the projection.

Based on our review, nothing has come to our attention that causes us to believe that, in all material respects,

(a) the hypothetical assumptions are not consistent with the purpose of the projection;

(b) as at the date of this report, the probable assumptions developed are not suitably supported and consistent with the plans of the insolvent person or do not provide a reasonable basis for the projection, given the hypothetical assumptions; or

(c) the projection does not reflect the probable and hypothetical assumptions.

Since the projection is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, we express no assurance as to whether the projection will be achieved.

The projection has been prepared solely for the purpose described in the notes attached, and readers are cautioned that it may not be appropriate for other purposes.

Dated at the city of Calgary in the Province of Alberta, this 12th day of December 2011.

Alvarez & Marsal Canada Inc. - Trustee

Per:



Tim Reid

Bow Valley Square II  
205 5th Avenue S.W.  
Calgary AB T2P 2V7  
Phone: (403) 538-4756 Fax: (403) 264-1262



District of: Alberta  
Division No. 01 - Edmonton  
Court No. 24-1568045  
Estate No. 24-1568045

-- FORM 29 -- Attachment -  
Trustee's Report on Cash-flow Statement  
(Paragraphs 50(6)(b) and 50.4(2)(b) of the Act)

Purpose:

Please see Note A in the Notes to Projected Cash Flow Statement attached to the Projected Cash Flow Statement

Projection Notes:

Please see the Note A in the Notes to Projected Cash Flow Statement attached to the Projected Cash Flow Statement

Assumptions:

Please see the Note C-F in the Notes to Projected Cash Flow Statement attached to the Projected Cash Flow Statement

Dated at the city of Calgary in the Province of Alberta, this 12th day of December 2011.

Alvarez & Marsal Canada Inc. - Trustee

Per:

  
\_\_\_\_\_  
Tim Reid

Bow Valley Square II  
205 5th Avenue S.W.  
Calgary AB T2P 2V7  
Phone: (403) 538-4756 Fax: (403) 264-1262

District of: Alberta  
Division No. 01 - Edmonton  
Court No. 24-1568045  
Estate No. 24-1568045

- FORM 30 -

Report on Cash-Flow Statement by the Person Making the Proposal  
(Paragraphs 50(6)(c) and 50.4(2)(c) of the Act)

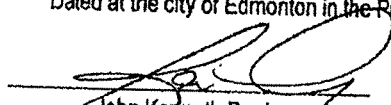
The John (Jack) Kenneth Purdy of John Kenneth Purdy, has developed the assumptions and prepared the attached statement of projected cash flow of the insolvent person, as of the 12th day of December 2011, consisting of Projections for the 9 week period from December 2, 2011 through to February 3, 2012.


The hypothetical assumptions are reasonable and consistent with the purpose of the projection described in the notes attached, and the probable assumptions are suitably supported and consistent with the plans of the insolvent person and provide a reasonable basis for the projection. All such assumptions are disclosed in the notes attached.

Since the projection is based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material.

The projection has been prepared solely for the purpose described in the notes attached, using a set of hypothetical and probable assumptions set out in the notes attached. Consequently, readers are cautioned that it may not be appropriate for other purposes.

Dated at the city of Edmonton in the Province of Alberta, this 12th day of December 2011.

  
John Kenneth Purdy  
Debtor

  
Name and title of signing officer

District of: Alberta  
Division No. 01 - Edmonton  
Court No. 24-1568045  
Estate No. 24-1568045

- FORM 30 - Attachment -  
Report on Cash-flow Statement by the Person Making the Proposal  
(Paragraphs 50(6)(c) and 50.4(2)(c) of the Act)

Purpose:

Please see Note A in the Notes to Projected Cash Flow Statement attached to the Projected Cash Flow Statement

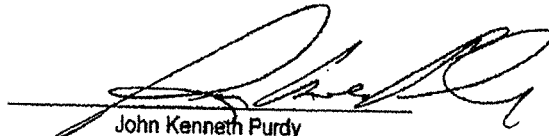
Projection Notes:

Please see the Note A in the Notes to Projected Cash Flow Statement attached to the Projected Cash Flow Statement

Assumptions:

Please see the Note C-F in the Notes to Projected Cash Flow Statement attached to the Projected Cash Flow Statement

Dated at the city of Edmonton in the Province of Alberta, this 12th day of December 2011.

  
John Kenneth Purdy  
Debtor

JOHN (JACK) KENNETH PURDY  
 Projected Cash Flow Statement  
 For the period of December 2, 2011 to February 3, 2012 (the "Forecast Period")  
 (in CDN dollars)

	Notes	Week 1 to Week 4 Dec.2/11 to Dec.31/11	Week 5 to Week 9 Jan. 1/12 to Feb.3/12	Total
<b>RECEIPTS</b>				
Advances / Management fees from Purdy Group of Companies	C	4,400	5,200	9,600
Retainer receipt from Purdy Group of Companies for NOI	D	50,000	-	50,000
<b>Total receipts</b>		<b>54,400</b>	<b>5,200</b>	<b>59,600</b>
<b>DISBURSEMENTS</b>				
Personal				
Medical		1,200	1,500	2,700
Living		400	500	900
Transportation		1,600	1,800	3,400
Miscellaneous		570	570	1,140
<b>Total living expenses</b>	E	<b>600</b>	<b>750</b>	<b>1,350</b>
		<b>4,370</b>	<b>5,120</b>	<b>9,490</b>
NOI professional fee retainer	D	50,000	-	50,000
<b>Total disbursements</b>		<b>54,370</b>	<b>5,120</b>	<b>59,490</b>
<b>NET CHANGE IN CASH</b>				
		<b>30</b>	<b>80</b>	<b>110</b>
<b>OPENING CASH</b>				
	F	-	30	-
Net change in cash		30	80	110
<b>ENDING CASH</b>		<b>30</b>	<b>110</b>	<b>110</b>

John (Jack) Kenneth Purdy

December 12, 2011  
 Date

This statement of projected cash flow of John (Jack) Kenneth Purdy has been prepared in accordance with s.50.4(2) of the Bankruptcy and Insolvency Act and should be read in conjunction with the Trustee's Report on Cash-Flow Statement dated the 12th day of December 2011.

Timothy Reid, Trustee  
 Alvarez & Marsal Inc.

December 12, 2011  
 Date

**JOHN (JACK) KENNETH PURDY**  
**Notes to Projected Cash Flow Statement**  
**For the period of December 2, 2011 to February 3, 2012**  
**(in CDN dollars)**

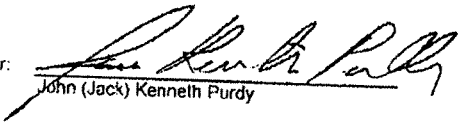
**Notes and Assumptions:**

- A The cash-flow statement is to be read in conjunction with the attached 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 December 2, 2011 to February 3, 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 Officer 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 The retainer receipts of \$50,000 relate to funds received from the Purdy Group of Companies, pursuant to an Initial Order granted by this Honourable Court on December 1, 2011 through the CCAA proceedings of the Purdy Group of Companies, for the payment of professional fees of the Proposal Trustee under the Notice of Intention to Make a Proposal for John (Jack) Kenneth Purdy.
- E Total living expenses primarily relate to certain living, personal and medical costs expected to be incurred by Mr. Purdy over the Forecast Period.
- F Opening cash balance on December 2, 2011 (as per general ledger).

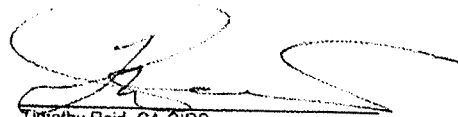
JOHN (JACK) KENNETH PURDY

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

Per:

  
John (Jack) Kenneth Purdy

Per:

  
Timothy Reid, CA-CIRP  
Senior Vice-President

Date: December 12, 2011

Date: December 12, 2011

# APPENDIX D

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

**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)

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Fax: (780) 423-7276  
Email: [Ray.Rutman@FMC-Law.com](mailto:Ray.Rutman@FMC-Law.com)  
File: 529227-7

## **TABLE OF CONTENTS OF THE SECOND REPORT OF THE TRUSTEE**

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## **LISTING OF APPENDICES TO THE SECOND REPORT OF THE TRUSTEE**

APPENDIX A	Actual to Budget Cash Flow
APPENDIX B	Updated Forecast



## 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 25<sup>th</sup> 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](http://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:

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

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

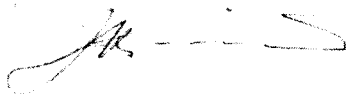
31. An extension of the stay is necessary to allow time for Purdy to work out a viable plan under the CCAA proceedings which will in turn allow him to make a viable proposal to his creditors.

**.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 20<sup>th</sup> 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.10/12	Dec.2/11 to Jan.10/12	Dec.2/11 to Jan.10/12
<b>RECEIPTS</b>			
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	-
<b>Total receipts</b>	<b>59,800</b>	<b>59,800</b>	<b>-</b>
<b>DISBURSEMENTS</b>			
Personal	3,204	2,700	(504)
Medical	-	900	900
Living	1,784	3,400	1,636
Transportation	1,813	1,140	(473)
Miscellaneous	1,364	1,350	(14)
<b>Total living expenses</b>	<b>7,945</b>	<b>9,490</b>	<b>1,545</b>
NOI professional fee retainer	50,000	50,000	-
<b>Total disbursements</b>	<b>57,945</b>	<b>59,490</b>	<b>1,545</b>
<b>NET CHANGE IN CASH</b>	<b>1,855</b>	<b>110</b>	<b>1,545</b>
<b>OPENING CASH</b>			
Not change in cash	1,855	110	1,545
<b>ENDING CASH</b>	<b>1,855</b>	<b>110</b>	<b>1,545</b>

John (Jack) Kenneth Purdy

January 10, 2012  
 Date

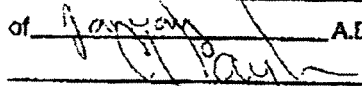
# APPENDIX B

**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
<b>RECEIPTS</b>			
Advances / Management fees from Purdy Group of Companies	4,400	5,200	9,600
<b>Total receipts</b>	<b>4,400</b>	<b>5,200</b>	<b>9,600</b>
<b>DISBURSEMENTS</b>			
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
<b>Total living expenses</b>	<b>5,400</b>	<b>5,250</b>	<b>10,650</b>
<b>Total disbursements</b>	<b>5,400</b>	<b>5,250</b>	<b>10,650</b>
<b>NET CHANGE IN CASH</b>	<b>(1,000)</b>	<b>(50)</b>	<b>(1,050)</b>
<b>OPENING CASH</b>	<b>1,654</b>	<b>654</b>	<b>1,654</b>
Net change in cash	(1,000)	(50)	(1,050)
<b>ENDING CASH</b>	<b>654</b>	<b>604</b>	<b>604</b>

  
 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 20<sup>th</sup> day  
 of January A.D., 2012  
  
 A Commissioner for Oaths  
 in and for the Province of Alberta

**CONAN J. TAYLOR**  
 Barrister and Solicitor