

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

APRIL 27, 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 – 5th Avenue SW

Calgary, Alberta T2P 2V7

Tim Reid/Orest Konowalchuk

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

Email: treid@alvarezandmarsal.com

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

File: 529227-7



**TABLE OF CONTENTS OF THE FOURTH REPORT OF THE PROPOSAL
TRUSTEE**

INTRODUCTION	3
TERMS OF REFERENCE	4
LIMITATION IN SCOPE OF REVIEW.....	4
BACKGROUND	5
ACTUAL TO BUDGET RESULTS – FEBRUARY 25, 2012 TO APRIL 25, 2012	6
UPDATED CASH FLOW FORECAST THROUGH JUNE 1, 2012	8
DISPOSAL OF REDUNDANT ASSET & OTHER MATTERS	10
RESTRUCTURING EFFORTS	11
APPLICATION TO EXTEND THE TIME TO PREPARE A PROPOSAL	12

**LISTING OF APPENDICES TO THE FOURTH REPORT OF THE PROPOSAL
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 fourth report of the Trustee under the NOI (the “Trustee’s Fourth 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 February 25, 2012 to April 25, 2012 (the “Reporting Period”);
 - b) the updated cash flow projections (the “Updated Forecast”) from April 26, 2012 through June 1, 2012 (the “Forecast Period”);
 - c) the restructuring efforts of Purdy since the filing of the third report of the Trustee (the “Trustee’s Third Report”);
 - d) an update on the disposal of the redundant asset and other matters since the Third Report;
 - e) the Trustee’s comments with respect to Purdy’s application for an extension of time for filing its proposal to June 1, 2012 (the “Stay Extension”); and

- f) the Trustee's recommendations.
- 4. Capitalized terms not defined in the Trustee's Fourth Report are as defined in the first report of the Trustee (the "Trustee's First Report"), the second report the Trustee (the "Trustee's Second Report") and the Trustee's Third Report.
- 5. All references to dollars are in Canadian currency unless otherwise noted.

TERMS OF REFERENCE

- 6. In preparing this Fourth 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 Fourth 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 Fourth 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"), the Trustee's three 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, has been posted by the Trustee on its website at: www.alvarezandmarsal.com/purdy.

ACTUAL TO BUDGET RESULTS – FEBRUARY 25, 2012 TO APRIL 25, 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 Third Report (the "Trustee's Third 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 February 25, 2012 to April 25, 2012			
	ACTUAL	FORECAST	VARIANCE
	Week 13 to Week 21	Week 13 to Week 21	Week 13 to Week 21
	Feb.25/12 to	Feb.25/12 to	Feb.25/12 to
	Apr.25/12	Apr.25/12	Apr.25/12
Receipts	10,000	9,600	400
Disbursements	11,550	19,300	7,750
Net change in cash flow	(1,550)	(9,700)	8,150
Opening cash	11,154	11,154	-
Net change in cash flow	(1,550)	(9,700)	8,150
Ending cash	9,604	1,454	8,150

15. Receipts for the Reporting Period totalled \$10,000, representing a \$400 positive variance as compared to the receipts set out in the Trustee's Third Report Forecast. This variance was primarily due to the:
- a) collection of additional management fees that was inadvertently paid to Purdy. This money was paid back to the Purdy Companies in the Reporting Period.

16. Disbursements for the Reporting Period totalled approximately \$19,300 representing a positive variance of approximately \$7,750. This variance was primarily due to a:
- a) positive permanent variance of \$2,650 in personal living expenses that Purdy originally anticipated to incur in the Reporting Period and were not incurred;
 - b) positive permanent variance of \$2,000 in living expenses that were not incurred;
 - c) positive permanent variance of \$3,500 in transportation and miscellaneous expenses as Purdy did not travel directly to his personally owned properties in Bamfield as originally anticipated. Purdy anticipates that certain travelling expenses will occur in the Forecast Period; and
 - d) negative variance of \$400 relating to the payment of management fees that were overpaid to Purdy, as discussed above.
17. The ending total cash balance as at April 25, 2012 was \$9,604 compared to the forecast cash balance amount of \$1,454, for the reasons discussed above.

Professional Fee Retainers

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

John (Jack) Kenneth Purdy Reconciliation of Proposal Trustee retainer fees December 2, 2011 to April 25, 2012				
	Opening balance	Invoices paid	Estimated accrual	Ending balance
Proposal Trustee retainer (NOI)*	50,000	24,058	10,000	15,942

19. The Trustee's second invoice for services rendering from January 1, 2012 to February 29, 2012 for \$7,691.25 (includes GST) was approved by Purdy and paid from the Trustee retainer on April 25, 2012 and is reflected in the chart above. The Trustee has accrued \$10,000 for the approximate fees incurred by the Trustee from March 1, 2012 to April 25, 2012.

UPDATED CASH FLOW FORECAST THROUGH JUNE 1, 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) Kenneth Purdy Revised Cash Flow Statement for the period of April 26, 2012 to June 1, 2012	
	FORECAST
	Week 22 to Week 26 Apr.26/12 - June 1/12
Receipts	-
Disbursements	4,350
Net change in cash flow	(4,350)
Opening cash	9,604
Net change in cash flow	(4,350)
Ending cash	5,254

22. As summarized above, Purdy is projecting total cash receipts of \$NIL and cash disbursements for approximately \$4,350, resulting in a net decrease in cash of approximately \$4,350 during the Forecast Period.
23. The Trustee has reviewed the assumptions supporting the Updated Forecast with Purdy and believes the assumptions to be reasonable.
24. 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 and will not require any management fees and/or advance;
 - b) personal and living expenses of approximately \$3,100;
 - c) transportation costs of approximately \$1,000 relating to travels to BC to visit his properties as part of his realization strategy; and
 - d) miscellaneous costs of approximately \$250;

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 & OTHER MATTERS

Disposal of Redundant Asset

26. As previously discussed in the Third Report, 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). 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. On April 25, 2012, Armac Investment (BC) paid \$6,000 to Purdy for the trade-in value of the car. The Canadian Black Book value for this Mercedes was valued between \$3,275 and \$4,650.
28. Purdy has advised the Trustee that the funds are currently held in its counsel trust account and will not be used until further order of this court and Purdy will arrange to transfer full ownership of the vehicle to Armac Investment (BC).

Foreclosure Proceedings

29. The Trustee has recently become aware that a condominium 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). The condominium is located in the Ten Complex in Edmonton, Alberta (the "Condo") and Purdy claims a beneficial ownership in this property. The Condo is not the principal residence of Purdy and is currently vacant.

30. Neither Purdy, nor the Trustee, was notified of this foreclosure action because Purdy was not the registered owner on title for this property. Purdy has advised the Trustee that he has a beneficial interest in the Condo by virtue of a purchase and agreement he entered into a number of years ago, but for some unexplained reason he did not register the land transfer documents at land titles to transfer ownership.
31. The Trustee understands that the TD Bank has given Purdy or the registered owner up until the current possession date under the foreclosure of May 3, 2012, to pay the mortgage arrears. After that date, Purdy's interest and/or the interest of the current registered owner of the lands will be extinguished.
32. The Trustee is currently reviewing this matter with Purdy to determine whether there is any significant equity in the Condo and, if so, whether steps should be taken to preserve that equity

RESTRUCTURING EFFORTS

33. As previously discussed in the Trustee's Third 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.
34. Purdy has been acting diligently with respect to the NOI and the CCAA restructuring and he is in the process of putting forth a viable proposal to creditors. Purdy also believes that a proposal will be successful if a successful plan of arrangement is obtained in the CCAA proceedings.
35. 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

36. Pursuant to the BIA, Purdy's previous stay extension to file a proposal expires at midnight on May 3, 2012 (the "Stay Period"). Purdy is seeking its final extension of the Stay Period (as allowed for under section 50.4(9) of the BIA) until, and including June 1, 2012.
37. 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. Purdy intends to file a proposal to his creditors before the expiration of this last stay extension of June 1, 2012, if granted by this Honourable Court.

RECOMMENDATION

38. The Trustee recommends granting a final extension of the stay of proceedings for a 29-day period to June 1, 2012.
39. 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 27th day of April, 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 dark ink, appearing to be 'Tim Reid', with a large, sweeping initial 'T' and a horizontal line extending to the right.

Tim Reid, CA•CIRP
Senior Vice-President

A handwritten signature in dark ink, appearing to be 'Orest Konowalchuk', with a stylized 'O' and 'K' and a horizontal line extending to the right.

Orest Konowalchuk, CA•CIRP
Senior Manager

APPENDIX A

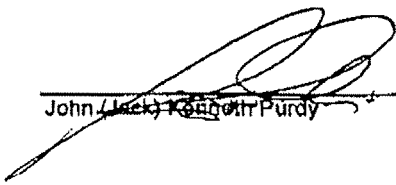
APPENDIX A

JOHN (JACK) KENNETH PURDY**Budget to Actual Cash Flow**

For the period of February 25, 2012 to April 25, 2012 (the "Reporting Period")

(in CDN dollars)

	ACTUAL	FORECAST	VARIANCE
	Week 13 to Week 21	Week 13 to Week 21	Week 13 to Week 21
	Feb.25/12 to Apr.25/12	Feb.25/12 to Apr.25/12	Feb.25/12 to Apr.25/12
RECEIPTS			
Advances / Management fees from Purdy Group of Companies	10,000	9,600	400
Total receipts	10,000	9,600	400
DISBURSEMENTS			
Personal	350	3,000	2,650
Living	1,200	3,200	2,000
Transportation	-	3,000	3,000
Miscellaneous	-	500	500
Payment to the Purdy Group of Companies	10,000	9,600	(400)
Total living expenses	11,550	19,300	7,750
Total disbursements	11,550	19,300	7,750
NET CHANGE IN CASH	(1,550)	(9,700)	8,150
OPENING CASH	11,154	11,154	-
Net change in cash	(1,550)	(9,700)	8,150
ENDING CASH	9,604	1,454	8,150


 John (Jack) Kenneth Purdy

Date

April 26 / 2012

APPENDIX B

Appendix B

JOHN (JACK) KENNETH PURDY**Revised Cash Flow Statement***

For the period of April 26, 2012 to June 1, 2012 (the "Forecast Period")

(in CDN dollars)

	Week 22 to Week 26 Apr.26/12 to June 1/12
RECEIPTS	
Advances / Management fees from Purdy Group of Companies	-
Total receipts	-
DISBURSEMENTS	
Personal	1,500
Living	1,600
Transportation	1,000
Miscellaneous	250
Total disbursements	4,350
NET CHANGE IN CASH	(4,350)
OPENING CASH	9,604
Net change in cash	(4,350)
ENDING CASH	5,254


John (Jack) Kenneth Purdy

Date

April 26 / 2012