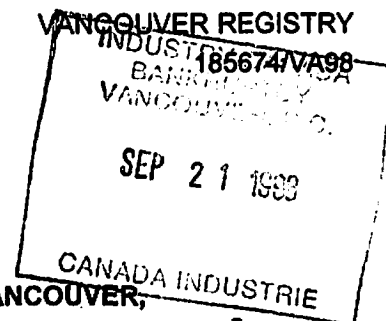




BARNES & KISSACK INC.

TRUSTEES IN BANKRUPTCY, RECEIVERS & CONSULTANTS
1650 - 1177 WEST HASTINGS STREET • VANCOUVER
BRITISH COLUMBIA • CANADA • V6E 2K3

NOTICE OF PROPOSAL TO CREDITORS
IN THE MATTER OF THE PROPOSAL OF
RICHARD WILLIAM WARKE,
BUSINESSMAN, OF THE MUNICIPALITY OF WEST VANCOUVER,
IN THE PROVINCE OF BRITISH COLUMBIA,
AN INSOLVENT PERSON



TAKE NOTICE THAT Richard William Warke, has lodged with us a Proposal under the Bankruptcy and Insolvency Act.

A copy of the Proposal, a condensed Statement of Assets and Liabilities, a list of the creditors affected by the Proposal and whose claims amount to \$250 or more, the Trustee's Report, a Proof of Claim form, Proxy form and Voting Letter are enclosed herewith.

A general meeting of the creditors of the debtor will be held on:

DATE: September 29, 1998
TIME: 2:00 P.M.
PLACE: Barnes & Kissack Inc., Trustee
1650 - 1177 West Hastings Street
Vancouver, B.C. V6E 2K3

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

PROOFS OF CLAIM, PROXIES AND VOTING LETTERS INTENDED TO BE USED AT THE MEETING MUST BE LODGED WITH US PRIOR THERETO.

DATED at Vancouver, B.C., this 18th day of September, 1998.

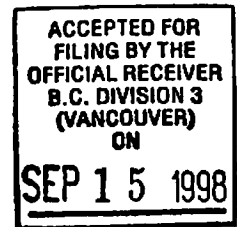
BARNES & KISSACK INC. - TRUSTEE

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN BANKRUPTCY

IN THE MATTER OF THE PROPOSAL OF

RICHARD W. WARKE



PROPOSAL

I, **RICHARD W. WARKE**, of Vancouver, British Columbia, hereby submit the following Proposal pursuant to Division 1 of Part III of the *Bankruptcy and Insolvency Act* (the "Act").

1. Barnes & Kissack Ltd. will be the Trustee under this Proposal.
2. Payment in priority to all other claims will be made of the following claims:
 - (a) all proper fees and expenses of the Trustee on and incidental to this Proposal;
 - (b) all claims, if any, directed by section 136 of the Act to be paid in distribution of the property of a bankrupt;
 - (c) any amounts as described in section 60(1.1) of the Act.
3. All monies payable under this Proposal shall be paid to the Trustee for distribution to the creditors.

4. Sections 91 to 101 inclusive of the Act do not apply to this Proposal.

5. Richard Warke will pay to the Trustee the sum of \$300,000 on or before October 1, 2002, together with accrued interest at the rate of the Bank of Canada Prime Rate plus 5% from the date of Court approval of this Proposal to October 1, 2001 and thereafter at the Bank of Canada Prime Rate.

6. The obligation of Richard Warke to pay the funds provided for herein (including interest) will be guaranteed by Mrs. Warke and secured by a third mortgage (the "Mortgage") granted by Mrs. Warke on her principal residence on Seaside Place. The obligation of Mrs. Warke to provide the guarantee and the Mortgage is conditional upon this Proposal being accepted by the creditors and approved by the Court and any appeal period having expired or in the event of an appeal, any appeal from the Court approval of this Proposal being dismissed.

7. The terms of the Mortgage to be granted by Mrs. Warke in support of her guarantee in the amount of \$300,000 are as follows:

- (a) it will be a default under the mortgage if there is a default under the prior mortgages to CIBC Mortgage Corporation and CIBC (the "Prior Mortgages");
- (b) it will be a default under the Mortgage if Richard Warke fails to file and pay any applicable income taxes between the date of this Proposal and the date of the payment of the funds to the Trustee;
- (c) there will be no payments required for principal or interest under the Mortgage prior to its maturity unless the taxable income of Richard Warke exceeds \$115,000 in any tax year between the date of this Proposal and October 1, 2002 and in the event that

his income exceeds \$115,000 then the amount of any such excess above \$115,000 will be allocated:

- (i) firstly a sufficient amount to be withheld at source or remitted to Revenue Canada in payment of the taxes with respect to any such excess income;
- (ii) 25% of the amount remaining after the amount withheld or remitted for taxes will be paid to the Trustee in partial satisfaction of Richard Warke's obligation for payment to the Trustee of the sum of \$300,000 plus interest;
- (iii) a further 25% to be paid to the CIBC Mortgage Corporation towards the principal portion of the first mortgage on the Seaside Place residence;
- (iv) the remaining excess income to be available to Richard Warke

8. The Mortgage will have a "portability" provision allowing the Mortgage to be moved to a replacement property in the event that the Seaside Place property is sold, in which case:

- (a) Upon the closing of the sale of the Seaside Place property, a payment will be made to the Trustee of \$100,000 plus all accrued interest on the Mortgage to the date of the closing such that the remaining principal amount owing on the Mortgage in favour of the Trustee would not exceed \$200,000;
- (b) The replacement mortgage plus the Prior Mortgages on the replacement property will not exceed in principal amount the amount of 75% of the total value of the new property as determined by the purchase price of the new property. All other terms of the replacement mortgage would be the same as the initial Mortgage.

9. There shall be no default under this Proposal other than the failure of Mrs. Warke to provide the required guarantee and Mortgage in the terms described herein in a registrable form to the Trustee within thirty (30) days of Court approval of the Proposal herein or, in the event of any appeal therefrom within thirty (30) days of the date that the appeal is finally dismissed

SIGNED in the City of Vancouver, British Columbia, this 4 day of SEPTEMBER
1998.


RICHARD W. WARKE