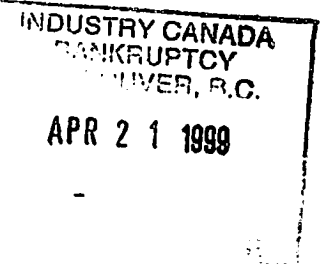


VANCOUVER REGISTRY
185674/VA99

ORDER APPROVING PROPOSAL (Section 59)

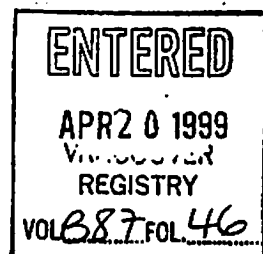


**IN THE SUPREME COURT OF BRITISH COLUMBIA
IN BANKRUPTCY**

BEFORE THE) *AW Reading 13th*
) On Thursday, the 1st day
)
REGISTRAR) of April, 1999

**IN THE MATTER OF THE PROPOSAL OF
RICHARD WILLIAM WARKE**

UPON THE APPLICATION of the Trustee, Barnes & Kissack Inc., and upon reading the Report of the Trustee filed on the 23rd day of March, 1999, and the Court being satisfied that the required majority of creditors have duly accepted the Proposal as Amended, in the terms contained in the paper annexed hereto and marked as Schedule "A", and being satisfied that the said terms are reasonable and calculated to benefit the general body of creditors and that no offences or facts have been proved to justify the Court in withholding its approval, the said Proposal as Amended is hereby approved.



[Signature]

THE REGISTRAR

IN THE SUPREME COURT OF BRITISH COLUMBIA

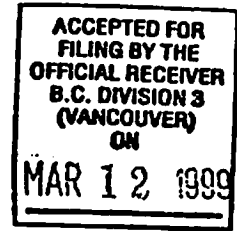
IN BANKRUPTCY

IN THE MATTER OF THE PROPOSAL OF

RICHARD W. WARKE

P R O P O S A L

AS AMENDED



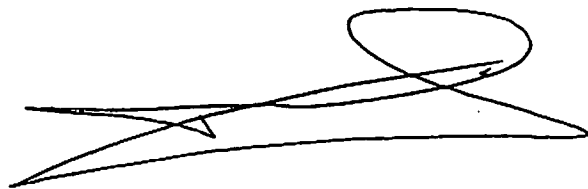
I, RICHARD W. WARKE, of Vancouver, British Columbia, hereby submit the following Proposal pursuant to Division 1 of Part III of the *Bankruptcy and Insolvency Act* (the "Act").

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, any costs of enforcement under mortgages, and any costs incidental to this Proposal, and such shall be paid by Richard Warke in addition to the \$400,000 set out below;
 - (b) all claims, if any, direction 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. Richard Warke will pay to the Trustee the sum of \$400,000 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.
5. The obligation of Richard Warke to pay the funds provided for herein (including interest) will be guaranteed by Mrs. Carlotte 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. Total of Prior mortgages not to exceed the present balances or \$1,275,000 whichever is the lesser.

6. The terms of the Mortgage to be granted by Mrs. Warke in support of her guarantee in the amount of \$400,000 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 Carlote Warke and Richard Warke together exceeds \$115,000 in any tax year between the date of this Proposal and October 1, 2002 and in the event that their 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 \$400,000 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 or the replacement property;
 - (iv) the remaining excess income to be available to Richard Warke.
7. 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 \$135,000 plus all accrued interest on the Mortgage to the date of the closing such that the remaining principal amount owing on the replacement Mortgage in favour of the Trustee would not exceed \$265,000.

- (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. The replacement mortgage shall rank second in priority to the first mortgage. All other terms of the replacement mortgage would be the same as the initial Mortgage. The total amount owing on the Prior mortgages on the replacement property is not to exceed the total balance outstanding on the Prior mortgages on the Seaside Place residence at the time of transfer.
8. There shall be default under this Proposal if:
- (a) Mrs. Warke fails 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;
- (b) Failure by Mr. Warke to comply with any of the terms of this Proposal.
9. That the Trustee, with the permission of the Inspectors, if any, or if there are no Inspectors, of his own accord, may give extensions of time to make any payments or to do any acts hereunder if it is, in the Trustee's opinion, in the best interest of the creditors to do so.
10. That the Trustee and Inspectors shall be exempt from all personal liability in fulfilling any duties or exercising any powers conferred upon them, or generally, in the carrying out the terms of this Proposal, and each of them shall be liable only for any wilful or wrongful act, default or neglect.

SIGNED in the City of Vancouver, British Columbia, as of the 14th day of September 1998, this 11th day of March, 1999.

A handwritten signature in black ink, appearing to read 'Richard W. Warke', written over a horizontal line. The signature is stylized with a large loop at the end.

RICHARD W. WARKE

VANCOUVER REGISTRY
185674/VA99

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN THE MATTER OF THE PROPOSAL OF

RICHARD WILLIAM WARKE

ORDER APPROVING PROPOSAL

Barnes & Kissack, Inc.
Trustee in Bankruptcy
1650 - 1177 West Hastings Street
Vancouver, B.C.
V6E 2K3
Tel:604-682-2774

Attention: Stephen H. Barnes

**WESTERN LEGAL
INFORMATION SERVICES INC.**