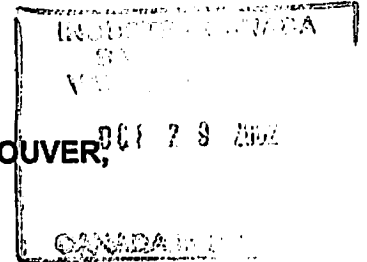


**BARNES KISSACK HENFREY & GEORGE  
cba MacKay & Company Ltd., Trustee**

**IN THE MATTER OF THE PROPOSAL OF  
RICHARD WILLIAM WARKE  
BUSINESSMAN, OF THE MUNICIPALITY OF WEST VANCOUVER,  
IN THE PROVINCE OF BRITISH COLUMBIA**



Minutes of the Second Meeting of Inspectors of Richard William Warke held at the office of the Trustee, #1000 - 1190 Hornby Street, in the City of Vancouver, in the Province of British Columbia, on January 17, 2001 at 10:00 o'clock in the forenoon.

**PRESENT:** Steve Barnes - Chairman, of Barnes Kissack Henfrey & George ("BKHG")  
Miguel Guardado - Inspector, of Canada Customs and Revenue Agency  
Jef Poulsen - Inspector, Counsel to the Royal Bank of Canada  
Cliff Hodson - Invited guest of CIBC  
Richard Warke - Debtor

Although not party to the Proposal, the CIBC is heavily involved in the funding and thus Cliff Hodson was invited so that he may satisfy the Inspectors that the CIBC is continuing to support the Proposal, that the Inspectors and the Trustee can satisfy CIBC that there is no default under the Proposal, and if there is, it will be remedied. These issues were discussed to the satisfaction of the meeting. Hodson undertook to provide the Trustee with the balance owing to the CIBC. Mr. Hodson then excused himself from the meeting.

Barnes explained that the original Proposal was filed in September 1998. It provided for the payment of \$300,000 out of which the cost of administration would be paid. In that Proposal, there was no cap on the CIBC loan. The initial Meeting of Creditors was not completed and over several months the amended Proposal was negotiated and debated. The meeting was scheduled for seven different dates before it was finally held.

At this point Warke was excused from the meeting so that the Inspectors could discuss their concerns.

The amended Proposal, which was passed, called for the payment of \$400,000. In addition, Warke was to pay all of the costs. It is in default on the amended Proposal if Warke fails to comply with any of the terms. One of the terms is the payment of costs.

The meeting was concerned about a number of issues. Mr. Warke had not filed his tax returns on time. He was late in one year and late by a few days the next. Another concern was that although he had filed tax returns, he had not paid the tax when due. There was also concern that the real estate market is at risk, especially for the top end of the market. After much discussion, it was unanimously agreed that:

1. Within 60 days Mr. Warke must bring his CIBC mortgage and loans down to \$1,275,000. (A fax received later in the day showed the balance at \$1,341,152.92).

2. Within 30 days he must provide evidence that 25% of his surplus income has been paid down on the CIBC mortgage.
3. He provide within 30 days the 1998 and 1999 Notice of Assessment from CCRA for both Richard and Carlotta Warke.
4. Within 30 days he pay all costs of administration at December 31, 2000 and thereafter on a quarterly basis. For clarity, the surplus income paid to the Trustee of \$6,760.98 is to be applied to the \$400,000 principal, not to costs.
5. March 31 and every 3 months thereafter he is to provide the Trustee with a statement from the CIBC that his mortgage loans and line of credit and those of his companies does not exceed \$1,275,000. That he be reminded that any late payments to CCRA, to the Trustee, or any returns that are not filed when due are default under the Proposal.
6. Providing that he complies with all of the forgoing, the Inspectors will waive the default of failure to file and pay on time for the 1998 and 1999 taxation years.

It was noted that there was some confusion as to the authority for the Trustee to draw fees. Initially, there was a \$12,000 resolution and this was followed by a \$7,000 resolution. The \$7,000 resolution was included in, and therefore a duplication of, the \$12,000 resolution.

**IT WAS RESOLVED THAT** the \$7,000 fee resolution be withdrawn and that the Trustee be authorized to draw a further \$4,500, the current work-in-process, as funds become available.

- CARRIED -

Warke joined the meeting. Barnes advised him that the Inspectors' decision would be relayed to him no earlier than January 18<sup>th</sup>.

Warke addressed the meeting. He said his income in 2000 was approximately \$105,000. 2001 looks promising. He took a software company public and now owns approximately 20% of that company. Sales in 2000 were approximately \$500,000. It is an Alberta company with 10 employees. The company is Cybercom Systems which makes authoring tools for teachers.

He has another shell company. He has received one intention to purchase and is under discussions with 2 other groups. He expects one deal will close.

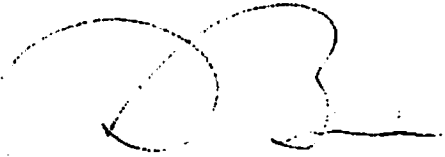
IGC Golf Corporation is his current project. In July of 2001 he intends to review his financial position. If business is not good then he will consider selling his home in August or September.

With respect to his home, a West Vancouver waterfront property with approximately 90 feet of frontage, he believes that land went up 20%. 3348 Marine Drive, a 58 foot wide waterfront lot, sold for \$2.4 million. A cliff house on the water is listed at nearly \$3 million. 4212 Evergreen, a bigger house, is listed at \$4.2 million. 4480 Ross is listed at \$5 million.

Poulsen pointed out that his mortgage payments are approximately \$72,000 per year. His net income would not exceed much more than \$80,000. How does he make up the difference? Warke reported that he has been selling shares and this has generated cash. It has not generated income because his cost base was considerably higher than the selling price. Warke advised that he did not have specific figures but could work with his accountant to provide further information. He advised that the first mortgage is current and is a PIT mortgage.

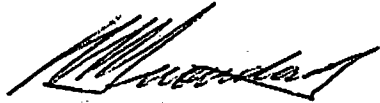
Warke left the meeting and the Inspectors then asked that the Trustee get from him a quarterly budget.

There being no further business, the meeting adjourned at approximately 11:30 AM.



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Steve Barnes, Chairman



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Miguel Guardado, Inspector

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Jef Poulsen, Inspector