



IN THE COURT OF QUEEN'S BENCH OF ALBERTA  
IN BANKRUPTCY AND INSOLVENCY

IN THE MATTER OF THE PROPOSAL OF  
INVERIDGE DEVELOPMENT CORP. & 844712 ALBERTA LTD.

BEFORE THE )  
                  *K. LAYCOCK* )     At the Court House, in Calgary, Alberta  
REGISTRAR     )     on Wednesday the 31<sup>st</sup> day January, 2007.

**ORDER APPROVING PROPOSAL (Sec. 60(5))**

UPON THE APPLICATION OF the Trustee, Alger & Associates Inc.,

AND UPON reading the Report of the Trustee filed January 11<sup>th</sup>, 2007;


AND UPON hearing the Trustee and the Court being satisfied that the required majority of creditors have duly accepted the proposal in the terms contained in the paper writing marked "A" annexed hereto, as amended at the meeting of creditors to consider the Proposal held on January 8<sup>th</sup>, 2007;

AND BEING satisfied 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;

IT IS ORDERED the said proposal is hereby approved.

*K. Laycock*  
REGISTRAR

Entered this 5 day of  
February, 2007.

*A. Brand* 

CLERK OF THE COURT

I hereby certify this to be a true copy of the original order of which it purports to be a copy.

Copy to O.S.B. on February 8<sup>th</sup> 07 *[Signature]*

Dated this 5 day of Feb/07  
*Y. Rayabali*  
for Registrar of Calgary  
Bankruptcy Division of the  
Court of Queen's Bench of Alberta



IN THE MATTER OF THE PROPOSAL OF  
INVERIDGE DEVELOPMENT CORP. & 844712 ALBERTA LTD.  
OF THE CITY OF CALGARY  
IN THE PROVINCE OF ALBERTA

PROPOSAL

Inveridge Development Corp. & 844712 Alberta Ltd., being insolvent, hereby submit the following proposal pursuant to the provisions of Part III Division I of the *Bankruptcy and Insolvency Act*.

PART I

INTERPRETATION

**Definitions**

1. In this *Proposal*, the following terms can be defined as follows:

- a) "*Administrative Fees and Expenses*" means:
  - i) all proper fees and expenses of the *Trustee*;
  - i) the legal fees and disbursements of the *Trustee* on and incidental to the preparation of the *Proposal* and any proceedings arising out of the filing of the *Proposal*, including advice in connection therewith.
- b) "*Affected Claims*" means all of the *Crown Claims*, all of the claims of the *Affected Secured Creditors*, the *Preferred Creditors* and the *Ordinary Unsecured Creditors*.
- c) "*Affected Creditors*" means the holders of *Crown Claims*, the *Affected Secured Creditors*, the *Preferred Creditors* and the *Ordinary Unsecured Creditors*.
- d) "*Affected Secured Creditors*" means those creditors holding a second mortgage or charge on real estate assets or other assets of the *Companies* and Bacchus Corporation, who hold a General Security Agreement registered against the *Other Assets*. Those creditors holding a second mortgage or charge on real estate assets are secured, to the extent of the *Sale Proceeds*, after payment of the *DIP Financing* and the *Unaffected Secured Creditors*. Bacchus Corporation has agreed to accept \$15,000 as a settlement of their security to be paid from the *Sale Proceeds*. Beyond those funds to which they are entitled from the *Sale Proceeds*, the *Affected Secured Creditors* will receive no further distribution pursuant to the *Proposal*.

- e) “*Agent*” means Alger & Associates Inc., acting on behalf of those *Affected Secured Creditors*, who hold a second mortgage or charge on the *Heron Point Lands*. The *Agent* will monitor the sale of the *Heron Point Lands* and the *Other Assets* and oversee any distributions to those *Affected Secured Creditors*, for whom they act, pursuant to the terms of the *Proposal*.
- f) “*Bacchus Claim*” means the claim by Bacchus Corporation under its General Security Agreement registered against the assets of Inveridge Development Corp. Bacchus Corporation may have priority with respect to their *Claim* against *Inveridge Et. Al.’s Other Assets*, which will be sold in conjunction with the *Fractionals* and the *Heron Point Lands*. They have agreed to accept \$15,000 as a settlement of their security to be paid from the *Sale Proceeds*. They will rank as an *Affected Secured Creditor* pursuant to the *Proposal*; therefore, beyond the \$15,000, they will receive no further distribution pursuant to the *Proposal*.
- g) “*BLA*” means the *Bankruptcy and Insolvency Act* (Canada), as amended from time to time.
- h) “*Claims*” means any indebtedness, liability, action, cause of action, suit, debt due, account, bond, covenant, contract, counterclaim, demand, claim, right and obligation of any nature whatsoever of the *Companies* or their successors and assigns or their respective directors, to any person, whether liquidated, unliquidated, fixed, contingent, matured, legal, equitable, secured, unsecured, present, future, known or unknown, and whether by guarantee, surety or otherwise, in any way, and whether in whole or in part, incurred or arising or relating to the period prior to or existing on the *Claims Date*, together with all *Claims* in respect of the costs of remedying any environmental condition or damage affecting real property whether the condition or the damage occurred or existed before or after the *Claims Date*.
- i) “*Claims Date*” means the Date of the Notice of Intention to File a Proposal, being October 12<sup>th</sup>, 2006.
- j) “*Creditor Class(es)*” means those creditors who are grouped together, based on commonality of interest. Pursuant to the *Proposal*, the *Affected Creditors* have been separated into two classes:
- i) The *Affected Secured Creditors*;
  - ii) The holders of *Crown Claims*, the *Preferred Creditors* and the *Ordinary Unsecured Creditors*.
- k) The “*Companies*” or “*Inveridge Et. Al.*” means Inveridge Development Corp. and 844712 Alberta Ltd.
- l) “*Court*” means the Court of Queen’s Bench of Alberta, Judicial District of Calgary.

- m) “*Creditors’ Meeting*” means the meeting of creditors called pursuant to the *BLA* for the purpose of considering and voting on the *Proposal*.
- n) “*Crown Claims*” means *Claims* of Her Majesty in right of Canada or a province.
- o) “*DIP Financing*” means funds totalling up to \$275,000, which may be advanced to the *Companies* pursuant to the Order granted by Justice Wilkins on October 27<sup>th</sup>, 2006 and have a priority ranking to any and all other liens, charges, encumbrances or security or whatever nature or kind. This financing will be used to fund regular business activities of *Inveridge Et. Al.* and the administration of the *Proposal*.
- p) “*Effective Date*” means the date on which the Order of the Court approving this *Proposal* becomes final and may no longer be appealed.
- q) “*Final Order*” means an Order granted by the Court, approving this *Proposal*, which is final and can no longer be appealed.
- r) “*Fractionals*” means the 5 fractional units owned by the *Companies*, which form part of Phase 1 of the Heron Point condominium development.
- s) “*Heron Point Lands*” means those lands, owned by the *Companies*, which form part of the Heron Point development and have parcel identifiers 025-523-678 and 025-523-694.
- t) “*Other Assets*” means the show suite and chattels contained therein, located on the *Heron Point Lands*, and owned by the *Companies*.
- u) “*Ordinary Unsecured Creditor(s)*” means those creditors with *Claims*, except for those *Claims* that:
  - i) have been finally and conclusively disallowed pursuant to the provisions of the *BLA* by the *Trustee*, or the *Court* (as may be applicable);
  - ii) may be contingent or unliquidated and found by the *Trustee*, or the *Court* (as may be applicable) not to be provable;
  - iii) are claims by *Unaffected Secured Creditors*;
  - iv) are claims by *Affected Secured Creditors*;
  - v) are *Crown Claims*;
  - vi) are claims by *Preferred Creditors*;

- vii) are claims by *Unaffected Unsecured Creditors*.
- v) "*Preferred Creditor(s)*" means any creditor entitled to receive payment of any amount owed to it in priority to other creditors as provided for in Section 136 of the *BL-4*.
- w) "*Proposal*" means this proposal made pursuant to the provisions of Part III Division I of the *BL-4* as filed on December 20<sup>th</sup>, 2006 and as amended or supplemented from time to time.
- x) "*Released Parties*" means each and every present and former director of the *Companies*, and their respective successors and assigns.
- y) "*Sale Proceeds*" means those net sale proceeds available to the *Unaffected* and the *Affected Secured Creditors*, subject to their various priorities, from the *Trust Funds* and the sale of the *Fractionals*, the *Heron Point Lands* and the *Other Assets*.
- z) "*Trustee*" means Alger & Associates Inc., the Trustee acting under the Proposal.
- aa) "*Trust Funds*" means funds, totaling approximately \$187,000, held by the *Companies* from the completed sale of fractional units, forming part of Phase 1 of the Heron Point Development.
- bb) "*Unaffected Secured Creditor(s)*" means those creditors holding a first mortgage or charge on real estate assets or other assets of the *Companies*.
- cc) "*Unaffected Unsecured Creditor(s)*" means DAG Building Ltd., who has agreed to subordinate the payment of their *Claim* against *Inveridge Et. Al.*

## Application

2. The *Proposal* applies to the holders of *Crown Claims*, all *Affected Secured Creditors*, all *Preferred Creditors* and all *Ordinary Unsecured Creditors*, whether or not such person proves a claim against the *Companies* under the Proposal. *Unaffected Secured Creditors* and *Unaffected Unsecured Creditors* are specifically excluded from the *Proposal*. Pursuant to Section 69.1(1) of the *BL-4*, a stay of proceedings is in place, which applies to all creditors, regardless of whether or not they are affected by the *Proposal*.

## PART II

### BACKGROUND

3. Inveridge Development Corp. and 844712 Alberta Ltd. were incorporated in October 2000 to purchase and develop the land in Invermere, British Columbia now known as Heron Point. Heron Point was originally intended as a 3 phase condominium development, with Phase 1, consisting of 36 condominium units, and Phases 2 & 3, each consisting of 24 condominium units.

4. In October 2000, a related company, Inveridge Mortgage (Invermere) Ltd. was incorporated in order to facilitate a private placement of \$2 million dollars under a co-lending agreement, which granted approximately 67 unit holders a first mortgage on the *Heron Point Lands*.
5. The construction of Phase 1 was originally scheduled to be completed within 18 months; however, an additional 9 months were required to complete construction, resulting in costs being substantially higher than budgeted.
6. In June 2002, Inveridge Development Corp. issued an additional private placement of \$3 million dollars under a co-lending agreement, which granted approximately 230 unit holders a second mortgage on the *Heron Point Lands*.
7. In all, *Inveridge Et. Al.* accumulated approximately \$5 million dollars in unpaid liabilities, after the purchase of land and the construction and marketing of Phase 1 of the Heron Point condominium development. Due to these substantial liabilities, the *Companies* were unable to continue with the development of Phases 2 & 3.
8. In April 2006, DAG Building Ltd. purchased the shares of *Inveridge Et. Al.* from its previous owner, the Kel-Mar Land Corp. Based on the *Companies'* financial situation, DAG Building Ltd. attempted to negotiate an informal proposal with *Inveridge Et. Al.'s* creditors. These negotiations proved unsuccessful and, on October 12<sup>th</sup>, 2006 the *Companies* filed a Notice of Intention to Make a Proposal under Part III of the *BLA*. Alger & Associates Inc. consented to act as Trustee under the Proposal.

### PART III

#### PURPOSE & EFFECT

##### Purpose

9. The purpose of the *Proposal* is to sell the *Companies'* assets, consisting of the *Fractionals*, the *Heron Point Lands* and the *Other Assets*. These sales will be completed within 4 months of the *Effective Date* of the *Proposal*. It is anticipated that there will be sufficient funds to satisfy the *Claims* of the *Unaffected Secured Creditors* and to satisfy, in part, the *Claims* of the *Affected Secured Creditors*. Beyond those funds to which they are entitled from the *Sale Proceeds*, the *Affected Secured Creditors* will receive no further distribution pursuant to the *Proposal*.
10. The *Claims* of the *Unaffected Secured Creditors* are not included for participation in the *Proposal* and are unaffected by the *Proposal*. The *Claims* of the *Affected Secured Creditors* will be paid in part from the *Sale Proceeds*, beyond which they will receive no further distribution pursuant to the *Proposal*. Under the *Proposal*, the *Trustee* will pay the holders of *Crown Claims* and the *Preferred Creditors*, if any, in full, as prescribed by the *BLA*. The *Ordinary Unsecured Creditors* will be paid approximately 1% of the total value of their *Claims*.

11. Once all payments have been made pursuant to the *Proposal*, the unpaid balance of all *Affected Claims* will be transferred by the *Affected Creditors* to 1245174 Alberta Ltd. for the sum of \$1.00.

#### Effect

12. The *Proposal* will be considered to be completed when:

- a) *Inveridge Et. Al.*'s real estate assets have been sold in their entirety;
- b) The *Affected Secured Creditors* have been paid in part from the *Sale Proceeds*;
- c) *Crown Claims*, if any, have been paid pursuant to the terms of this *Proposal*;
- d) The *Preferred Creditors*, if any, have been paid pursuant to the terms of this *Proposal*; and
- e) The *Ordinary Unsecured Creditors* have been paid pursuant to the terms of this *Proposal*;
- f) The unpaid balance of the *Affected Claims* has been transferred to 1245174 Alberta Ltd.

### PART IV

#### SECURED CLAIMS

13. The *Unaffected Secured Creditors* have *Claims* totaling approximately \$550,000, plus accrued interest, secured by a registered 1<sup>st</sup> mortgage on the *Heron Point Lands*. It is anticipated that the *Unaffected Secured Creditors* will be paid in full from the *Sale Proceeds*. As a result, the *Unaffected Secured Creditors* are specifically excluded from the *Proposal*.

14. The *Affected Secured Creditors* includes the *Claims* of holders of a registered 2<sup>nd</sup> mortgage on the *Heron Point Lands*, totaling approximately \$3 million dollars and the *Bacchus Claim*. There will be insufficient funds from the *Sale Proceeds* to payout the second mortgage in full; however, the *Proposal* allows for the orderly sale of the *Companies'* real estate assets, thereby generating the highest possible recovery to the *Affected Secured Creditors*. The *Bacchus Claim* may have priority in respect of the *Other Assets* of *Inveridge Et. Al.* As the *Other Assets* are being sold in conjunction with the *Heron Point Lands*, Bacchus Corporation has agreed to accept a settlement of \$15,000 with respect to their security. Beyond those funds to which they are entitled from the *Sale Proceeds*, the *Affected Secured Creditors* will receive no further distribution pursuant to the *Proposal*.

PART V  
MANDATORY PAYMENTS

**Crown Claims**

15. During the term of the *Proposal*, the *Companies* will remit all required income tax, employee source deductions and GST installments directly to Canada Revenue Agency and file the required GST returns on time, with payment of any balance due made on filing.
16. *Inveridge Et. Al.* is not aware of any outstanding *Crown Claims*.
17. Not later than six months following the *Court's* approval of the *Proposal*, the *Trustee* shall pay Her Majesty in right of Canada or a province all claims of a kind that could be subject to a demand under subsection 224(1.2) of the *Income Tax Act* (Canada) or under any substantially similar provision of provincial legislation that were outstanding on the date of the filing of the *Proposal*.

PART VI  
PREFERRED CLAIMS

18. The *Claims* of all *Preferred Creditors*, if any, shall be paid in full, without interest or penalty, and subject to the Superintendent of Bankruptcy's levy, in priority to all claims of the *Ordinary Unsecured Creditors*.
19. *Inveridge Et. Al.* is not aware of any outstanding *Claims of Preferred Creditors*.

PART VII  
UNSECURED CLAIMS

20. The *Company* estimates that the *Claims of Ordinary Unsecured Creditors* will total approximately \$373,000 dollars. Payments to the *Ordinary Unsecured Creditors* shall be without interest or penalty and subject to the Superintendent's levy.

PART VIII  
CLASSES OF CREDITORS

21. Pursuant to the *Proposal*, the *Affected Creditors* have been separated into two classes:
  - a) The *Affected Secured Creditors*,
  - b) The holders of *Crown Claims*, the *Preferred Creditors* and the *Ordinary Unsecured Creditors*.

22. In the event that the *Proposal* is not accepted by all *Creditor Classes*, the *Proposal* will be deemed to have been rejected by all *Creditor Classes*, and the *Companies* will be deemed to have made an assignment in bankruptcy.

## PART IX

### PRIORITY OF PAYMENTS UNDER THIS PROPOSAL

23. An amount totaling \$4,000 will be made available to satisfy *Crown Claims*, if any, the *Claims* of the *Preferred Creditors* and the *Claims* of the *Ordinary Unsecured Creditors*, as follows:

- a) *Crown Claims*, if any, as described in Part V of this *Proposal*;
- b) The *Claims* of the *Preferred Creditors*, if any, without interest, as specified by s. 136 of the *BLA*;
- c) The *Claims* of the *Ordinary Unsecured Creditors*, on a pro rata basis.

## PART X

### TIMING & PAYMENT OF CLAIMS

24. At such time as the sales of the *Fractionals* and the *Heron Point Lands* are completed, and within 4 months of the *Effective Date* of the *Proposal*, \$4,000 will be made available for distribution to the holders of *Crown Claims*, the *Preferred Creditors* and the *Ordinary Unsecured Creditors*, in accordance with this *Proposal*.

25. Proceeds from the sale of the *Fractionals* and the *Heron Point Lands* will be applied as follows:

- a) Repayment of the *DIP Financing*;
- b) The *Unaffected Secured Creditors*, who hold a first mortgage or charges on the subject properties;
- c) Those *Affected Secured Creditors*, who hold a second mortgage or charges on the subject properties.

26. As set out herein, it is anticipated that the *Sale Proceeds* will allow for payment in full of the *Unaffected Secured Creditors*; however, there will be a shortfall in satisfying the *Claims* of the *Affected Secured Creditors*. Beyond those funds to which they are entitled from the *Sale Proceeds*, the *Affected Secured Creditors* will receive no further distribution pursuant to the *Proposal*.

27. Once all payments have been made pursuant to the *Proposal*, the unpaid balance of all *Affected Claims* will be transferred by the *Affected Creditors* to 1245174 Alberta Ltd. for the sum of \$1.00.

### Effect of Payment & Transfer

28. Upon the *Trustee* making the payments to the *Affected Creditors* and the balance of the *Affected Claims* being transferred to 1245174 Alberta Ltd., both in accordance with this *Proposal*, the *Companies*, their successors and assigns, and its directors shall be deemed to have satisfied in full the terms of the *Proposal*.

## PART XI

### TRUSTEE, MONITORING AND ADMINISTRATIVE COSTS

#### Trustee

29. The *Trustee* is acting in its capacity as *Trustee* and not in its personal capacity and no officer, director, employee or agent of the *Trustee* shall incur any obligations or liabilities in connection with the *Proposal* or in connection with the business or liabilities of the *Companies*.
30. All monies payable under the *Proposal*, unless otherwise provided herein, shall be paid over to the *Trustee*, who shall make the payment of all dividends in accordance with the terms of the *Proposal*.
31. Any payments made by the *Trustee* to the *Affected Creditors* hereunder shall be made by the *Trustee* net of any levies payable or due under the *BLA*.
32. The *Trustee's* services will be based on time spent by the *Trustee* and the various members of its staff at their respective billing rates plus any direct out of pocket expenses incurred. The *Trustee's* fees and disbursements will be taxed by the *Court*. The *Trustee* will be entitled to take regular interim fees.

## PART XII

### OPERATIONS AND POST-PROPOSAL GOODS AND SERVICES

33. Operations during the course of the *Proposal* will be limited to the management of the *Companies'* assets and the marketing and sale of both the *Fractionals* and the *Heron Point Lands*. These sales will be completed within 4 months of the *Effective Date* of the *Proposal*.

#### No Right of Set-Off

34. *Affected Creditors* under the *Proposal* who have dealings with the *Companies* after the *Claims Date* shall not have the right to set-off (either legally or equitably) any amounts owing to them in respect of post-*Proposal* good and services, as against *Claims*.

## PART XIII

## UNAFFECTED UNSECURED CREDITORS

35. *Unaffected Unsecured Creditors* will subordinate the payment of their *Claims* against the *Company* with respect to the \$4,000 payment, which is detailed above and is being made available for distribution to the holders of *Crown Claims*, the *Preferred Creditors* and the *Ordinary Unsecured Creditors*.

## PART XIV

## INSPECTORS

36. At the *Creditors' Meeting*, the *Affected Creditors* will be entitled to appoint one or more, but not exceeding five *Inspectors*, who's powers shall be as follows:

- a) advising the *Trustee* in respect of such matters as may be referred to the *Inspectors* by the *Trustee*;
- b) advising the *Trustee* concerning any dispute that may arise as to the validity of the *Claims* of *Affected Creditors* under this *Proposal*; and
- c) exercising all powers given to the *Inspectors* of a bankrupt estate appointed pursuant to the provisions of the *BLA*.

## PART XV

## RELEASE OF COMPANIES &amp; DIRECTORS

37. Upon the *Effective Date*, no *Affected Creditor* shall have any right or ability to pursue *Inveridge Et. Al.* with respect to any *Affected Claims*, which are being transferred to 1245174 Alberta Ltd. pursuant to the terms of the *Proposal*.

38. Upon the *Effective Date*, the *Released Parties* shall be released and discharged by all *Affected Creditors* from all *Claims*, which any *Affected Creditor* may have or have been entitled to assert against any of the *Released Parties* for which they would be by law liable in their capacity as director for the payment of such *Claims*, provided that nothing herein shall release or discharge any of the *Released Parties* from *Claims* that:

- a) Relate to contractual rights of one or more of the *Affected Creditors* arising from contracts with one or more of the *Released Parties*; or
- b) Are based on allegations of misrepresentation made by the *Released Parties* to the *Affected Creditors* or of wrongful or oppressive conduct by the *Released Parties*.

PART XVI  
MISCELLANEOUS

Consents, Waivers and Agreements

39. On the *Effective Date*, all *Affected Creditors* shall be deemed to have consented and agreed to all of the provisions of the *Proposal* in its entirety. Each *Affected Creditor* will be deemed to have waived any default by the *Companies* in any provision, express or implied or in any agreement existing between the *Affected Creditor* and *Inveridge Et. Al.* that occurred on or prior to the *Effective Date*. Each *Affected Creditor* will be deemed to have agreed that, to the extent that there is any conflict between the provisions of any such agreement and the provisions of the *Proposal*, the provisions of the *Proposal* take precedence and priority and the provisions of any such agreement are amended accordingly.

Agency Agreement

40. Pending receipt of an independent legal opinion that the second mortgage, registered against the subject properties, is valid and enforceable, Alger & Associates Inc. will be accepting an appointment as *Agent* for those second mortgage holders, who are classed as *Affected Secured Creditors* pursuant to the *Proposal*.


Binding Effect

41. The provisions of the *Proposal* will be binding on the *Affected Creditors*, the *Companies*, and their respective heirs, executors, administrators, personal and legal representatives, successors and assigns, on the *Effective Date*.

PART XVII  
ANNULMENT OF PROPOSAL

42. If the *Proposal* is annulled by an Order of the *Court*, all payments on account of *Claims* made pursuant to the terms of the *Proposal* will reduce the *Claims* of the *Affected Creditors*.

Dated at Calgary this 20<sup>th</sup> day of December 2006.

  
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Witness

Inveridge Development Corp. & 844712 Alberta Ltd.

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

Mr. Dennis Besler