

COURT FILE NUMBER   **0901-15297**

COURT                    Court of Queen's Bench of Alberta

JUDICIAL CENTRE        Calgary

PLAINTIFF(S)            **PIIKANI NATION and CHIEF REG CROW  
SHOE**

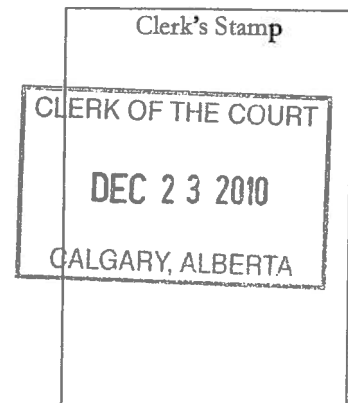
DEFENDANT(S)            **PIIKANI INVESTMENT CORPORATION**

DOCUMENT                **REPORT OF ALGER & ASSOCIATES INC.  
INVESTIGATOR'S THIRD REPORT**

ADDRESS FOR  
SERVICE AND  
CONTACT  
INFORMATION OF  
PARTY FILING THIS  
DOCUMENT

**CARON & PARTNERS LLP**  
Barristers & Solicitors  
2100, 700 - 2<sup>nd</sup> Street S.W.  
Calgary, Alberta T2P 2W1

**Attention: Richard J. Gilborn, Q.C.**  
Phone No.: (403) 262-3000; Fax No.: (403) 237-0111  
File No.: 27-43387-001



## **Exhibits**

1. Court Order November 24, 2010
2. Minutes and attendance list of the First Meeting of Creditors
3. S. 164 demand letter sent to Dale McMullen on December 22, 2010
4. Draft proposal for repayment of a portion CIBC Trust funds advanced to PIC and PBEs.
5. Statement of Receipts and Disbursements for the Period May 20, 2010 to December 23, 2010

## **Introduction**

1. Alger & Associates Inc. (“Alger”) was appointed Receiver (the “Receiver”) of Piikani Energy Corporation (“PEC” or the “Company”) on May 20, 2010 pursuant to a Receivership Order granted by the Honourable Justice R. A. Graesser of the Court of Queen’s Bench of Alberta.
2. The Court made an Order on November 24, 2010 granting the Receiver the power to assign PEC into Bankruptcy, which Order is attached as Exhibit 1.
3. Alger was appointed Interim Conservator of Piikani Energy Corporation (“PEC” or the “Corporation”) in an Interim Preservation Order granted by the Honourable Justice R. J. Graesser of the Court of Queen’s Bench of Alberta (the “Court”) on December 21, 2009.
4. Alger had also previously been appointed Investigator of Piikani Investment Corporation (“PIC”) pursuant to an Order granted by the Honourable Justice R. J. Graesser on October 22, 2009 (Action No. 0901-15297). Pursuant to this Order Alger had also undertaken an investigation of the financial affairs of PEC.
5. This report is made by Alger in both its role as Investigator and Receiver.

## **Limitations of Report**

6. The information contained in this report has been obtained from the records of PEC and from discussions with various officers and directors of PEC, and its agents and auditor. The Receiver has relied on this information and has not performed an audit, review or any other verifications of such information.

## **Summary of the Receiver’s Activities**

7. On November 29, 2010 the Receiver assigned PEC into bankruptcy. Alger was appointed Trustee pursuant to the November 24, 2010 Order granting it the power to make the assignment on behalf of PEC.
8. The Trustee, in its capacity as Trustee of PEC, held the First Meeting of Creditors on December 14, 2010. The Trustee received one Proof of Claim from PIC prior to the meeting. The Trustee admitted the Proof of Claim for voting purposes at the first meeting. Inspectors

were not appointed and the meeting was adjourned sine die. The meeting minutes and attendance list are attached as Exhibit 2.

9. The Trustee issued demands to PEC director Dale McMullen and the auditor of POHLP Vincent Leung pursuant to Section 164 of the Bankruptcy and Insolvency Act ("BIA") to provide documentation related to the \$7,800,000 advance from PEC to POHLP to acquire the 25% interest in the ATCO Joint Venture.
10. Mr. McMullen responded to the Receiver's s. 164 demand on December 21, 2010. Mr. McMullen's response did not contain any documents to support the existence of terms of interest or repayment of the advance that would support the General Security Agreement (the "GSA") registered against POHLP by PEC for the \$7,800,000 advance. The Receiver has not received a reply from Mr. Leung.
11. Based on its preliminary review of the information submitted by Mr. McMullen, the Receiver made an additional written request to Mr. McMullen on December 22, 2010 for documentation that would support his suggestion that PEC has an equity interest in POHLP apart from the Limited Partnership agreement or any interest in POHLP other than as General Partner. The Receiver also requested documentation to support any reason that PEC's interest in POHLP as general partner is not subject to termination. Lastly, the Receiver made a second request for proof of execution of a GSA from POHLP to PEC, and proof of approval from the Piikani Nation for PEC to grant itself a GSA as the General Partner of POHLP. A copy of the Receiver's request in this regard is attached as Exhibit 3.
12. The Receiver has obtained copies of legal opinions regarding the tax treatment of income from POHLP attributed to the Piikani Nation as limited partner which opinions the Receiver understands PEC's legal counsel had previously provided.

### **Proposal by PIC**

13. The Receiver has had constructive discussions with counsel for the Piikani Nation, PIC as well as preliminary discussions with the CIBC Trust about the possible terms of a proposal for repayment and settlement of the loans made to PIC and PBE's by the CIBC Trust.

14. Alger is of the view that it is not appropriate for PIC to finalize and file any proposal until any and all further documentation from Mr. McMullen and POHLP's auditors has been obtained regarding the terms of any loan agreement and security for the \$7,800,000 advanced by PEC to POHLP.
15. The Trustee has also had discussions with counsel for PIC who informs the Receiver that PIC may file its own proposal, or consent to a proposal drafted by the Receiver.
16. Based on discussions to date with the various parties the Receiver has prepared a draft proposal which is attached as Exhibit 4.

### **Legal Issues**

17. The Company had filed a Statement of Claim (Action No. 0901-15396) against the Piikani Nation on October 14, 2009. in which it is seeking repayment of \$2,000,000 advanced to the Piikani Nation as well as accrued interest and costs. In addition, the Company is seeking a declaration that this advance is secured by funds from the AltaLink project. The Receiver is currently assessing PEC's interest in this action and the implications that the filing of any proposal by PIC might have on this matter.
18. The Receiver has instructed counsel to proceed with necessary applications to recover funds paid to PEC directors Stephanie Ho Lem and Dale McMullen in the amounts of \$73,150 and \$240,000, respectively.
19. The Receiver has demanded return of 1000 shares of PEC issued to Edwin Yellow Horn in Trust for the Piikani Nation, requesting that Mr. Yellow Horn attend the Receiver's office to sign the share certificate. There has been no response to this request by Mr. Yellow Horn.
20. The Receiver is continuing with its assessment of PEC's interest, if any, in Action No. 0601-13081 "Piikani Nation and Piikani Investment Corporation Vs. Raymond James Ltd., et al."

**Statement of Receipts and Disbursements**

21. Attached as Exhibit 5 is a Statement of Receipts and Disbursements for the period September 14, 2010 to December 22, 2010. Funds on hand total \$250,799.

**DATED at Calgary, Alberta this 22<sup>nd</sup> day of December, 2010.**

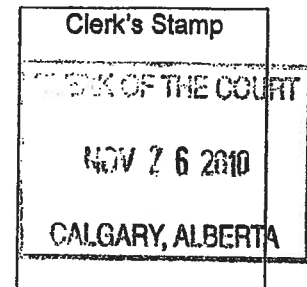
**Alger & Associates Inc., Receiver**

A handwritten signature in black ink, appearing to read 'B. Alger', written over the typed name below.

**Per: Bruce E. Alger**

Form 47  
[Rule 1.4]

COURT FILE NUMBER 0901-18971  
COURT Court of Queen's Bench of Alberta  
JUDICIAL CENTRE Calgary  
PLAINTIFF **PIIKANI NATION**  
DEFENDANT **PIIKANI ENERGY CORPORATION**  
DOCUMENT **ORDER**



ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT **CARON & PARTNERS LLP**  
Barristers & Solicitors  
2100, 700 - 2<sup>nd</sup> Street S.W.  
Calgary, Alberta T2P 2W1  
**Attention: Richard J. Gilborn, Q.C.**  
Phone No.: (403) 262-3000; Fax No.: (403) 237-0111  
File No:27-43387-001

**DATE ON WHICH ORDER WAS PRONOUNCED:**

**November 24, 2010**

**NAME OF JUSTICE WHO MADE THIS ORDER:**

**MR. JUSTICE R.A. GRAESSER**

UPON the Application of Alger & Associates Inc. ("Alger") in its capacity as Receiver and Manager ("Receiver") of Piikani Energy Corporation pursuant to the Order of the Honourable Mr. Justice R.A. Graesser dated May 20, 2010 (the "Receivership Order"); AND UPON hearing read Alger's preliminary report on the financial affairs of Piikani Investment Corporation dated November 30, 2009, the First Report of the Conservator of Piikani Energy Corporation prepared by Alger dated January 7, 2010, filed, and the First Receiver's Report dated September 15, 2010; AND UPON hearing counsel for Alger and counsel present for other interested parties, IT IS HEREBY ORDERED AND DECLARED THAT:

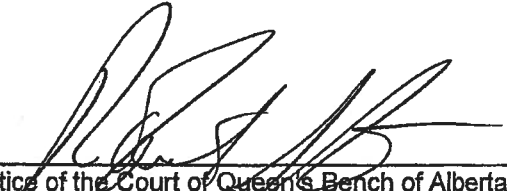
1. Service of the Application is hereby abridged, if necessary, so that the Application is properly returnable today and, further, any requirements for service of the Application on any party not served is hereby dispensed with.

A handwritten signature in black ink, appearing to be "R.A. Graesser".

2. In accordance with Sections 243(1)(c) and 249 of the *Bankruptcy and Insolvency Act*, Paragraph 5 of the Receivership Order is amended to include new sub-paragraph (t) as stated below:

"(t) To assign Piikani Energy Corporation into bankruptcy and to take any steps reasonably incidental to the exercise of such power.

3. In the event that Alger assigns Piikani Energy Corporation into bankruptcy or a bankruptcy order is granted in respect of Piikani Energy Corporation, Alger is appointed to act as Trustee in Bankruptcy until the first meeting of creditors at which time the creditors, in accordance with the terms of the *Bankruptcy and Insolvency Act* may vote to confirm Alger as Trustee or substitute such other Trustee in Bankruptcy as may be decided by the requisite vote of creditors.

  
Justice of the Court of Queen's Bench of Alberta



**Court of Queen's Bench of Alberta**  
**Minutes for the First Meeting of Creditors**

In the Matter of the Bankruptcy of

Piikani Energy Corporation

Province of Alberta  
 District #2, Calgary  
 Estate No.: 25-1436014

Trustee appointed by Official Receiver:

Alger & Associates Inc.

Location of meeting:

Alger & Associates Inc.  
 400, 602 – 11 Avenue SW  
 Calgary, Alberta T2R 1J8

Chairperson of meeting: Bruce Alger

Date of meeting: December 14, 2010

Time of meeting: 10:00am

**I. Present**

See attached attendance list.

**II. Quorum**

The Chairman examined the Proof of Claim and Proof of Notice of the meeting and the meeting was duly convened.

There was a legally constituted quorum.

There being no quorum, the meeting was adjourned sine die with the understanding that the Trustee would administer the Estate under the provisions of Section 14.06(1) of *The Bankruptcy and Insolvency Act*.

**III. The Chairperson called the meeting to order pursuant to Section 105(1) of *The Bankruptcy and Insolvency Act*.**

**IV. The following documents were tabled.**

Assignment in Bankruptcy or Receiving Order

Statement of Affairs

Trustee's Report to the Creditors

Proof of "Service of Notice" of the meeting

Proof of publication in the Calgary Herald

**V. Question Period**

The meeting took note of the Trustee's preliminary administration, as well as the affairs of the debtor and proceeded to a question period.

Patrick Fitzpatrick - impending contempt application - who can give instructions

**VI. Trustee Affirmation**

- The Creditors affirmed the appointment of Alger & Associates Inc. in its functions as Trustee in the subject bankruptcy.

Moved Mark Klassen                      Seconded N/A

**VII. Inspector's Nomination**

- The meeting confirmed the nomination of \_\_\_\_\_ persons to the position of Inspectors.

Moved \_\_\_\_\_                      Seconded \_\_\_\_\_

Inspector \_\_\_\_\_                      Representing \_\_\_\_\_

Inspector \_\_\_\_\_                      Representing \_\_\_\_\_

*- Mark Klassen requested appointing inspectors be postponed to next creditor meeting.*

**VIII. Creditor's Instructions**

- None

- The meeting gave the following instructions to the Trustee:

\_\_\_\_\_

**IX. Bond**

- The Chairperson informed the meeting that the estate bond fixed by the Official Receiver is ordered in the amount of \$\_\_\_\_\_.

**X. Meeting Summary**

- The Trustee will continue to act in accordance with Section 14.06(1) of the *Bankruptcy and Insolvency Act*.
- The meeting adjourned to \_\_\_\_\_ at \_\_\_\_\_ hours.
- The debtor or representative of the debtor company is \_\_\_\_\_ to attend at the adjourned first meeting of creditors.
- There being nothing further on the agenda, the meeting is adjourned.

**XI. Appendices**

- Attendance List
- Trustee's Report

*[Signature]*  
Chairperson

**Attendance List**

<b>Date:</b>	December 14, 2010
<b>Time:</b>	10:00 AM

<b>Debtor:</b>	Pikani Energy Corporation <i>by its Receiver Alger &amp; Associates Inc.</i>
<b>Signature:</b>	<i>per: B. Alger</i>
<b>Estate No.:</b>	25-1436014

**Alger & Associates Inc., Trustee Or Representative - Signature:** *B. Alger* 

Creditors Present or Represented:		
Name	Representing	Amount of Proven Claim
PATRICK FITZPATRICK BURTON WINGER LLP	Board of Directors, Pikani Energy Corporation	\$ N/A
STEPHANIE HOLEM	" "	\$
STAN KOOPMAN	Board of Directors PIC/PEC	\$ N/A
Mark Klassen	Counsel for PIC	\$
Dave McMullen	Board of Pikani Energy	\$
Lindsay Girice	counsel Stephanie Holm	\$ N/A
		\$
		\$
		\$
		\$
		\$
		\$
		\$
		\$

R.J.N. Gilborn QC *Solicitor for Alger & Associates Inc* 



900, 833 - 4 Avenue SW  
Calgary, Alberta Canada T2P 3T5  
T 403 298 5800  
F 403 296 2988  
www.alger.ca

VIA EMAIL: [dalemcmullen7@hotmail.com](mailto:dalemcmullen7@hotmail.com)

December 22, 2010

Dear Mr. Dale McMullen:

**RE: Section 164 Notice from the Trustee of Piikani Energy Corporation ("PEC")**

We are in receipt of your December 20, 2010 memo in response to our December 16, 2010 letter. With respect to this and our earlier requests to you, we require the following information:

1. Are you aware of any other record or document upon which PEC could make a claim of an equity interest in the POHLP, apart from the Limited Partnership Agreement dated June 4, 2007 and if so, forward copies forthwith;
2. Are you aware of any record or document pursuant to which PEC's interest in the POHLP is other than as a General Partner under the June 4, 2007 Agreement and if so, forward reasons and copies of any documents to support these reasons forthwith;
3. Are you aware of any reason that PEC's interest as a general partner in the POHLP is not subject to termination pursuant to the provisions of 8.9 of that Agreement and if so, forward copies forthwith; and
4. On November 25, 2010, I requested by email to you, proof of execution of the GSA and specific approval by the Nation of PEC granting itself a GSA as the purported General Partner of the Limited Partnership and also, confirmation that no loan agreements and terms exist concerning the terms of repayment of advance to POHLP. A copy of this email is attached for your information. Please provide this information forthwith.

The Trustee hereby requires, under section 164 of the Bankruptcy and Insolvency Act, which you have previously received a copy, that you provide all and any information you have related to the above questions.

Yours very truly,  
Alger & Associates Inc.

  
Bruce Alger  
T 403 296 2970  
[balger@alger.ca](mailto:balger@alger.ca)

cc: Rick Gilborn, VIA EMAIL: [rgilborn@caronpartners.com](mailto:rgilborn@caronpartners.com)  
Lindsay Grice, VIA EMAIL: [grice@cllawyers.com](mailto:grice@cllawyers.com)

**Valerie Lock**

---

**From:** Dale McMullen [dalemcmullen7@hotmail.com]  
**Sent:** Friday, November 26, 2010 9:07 AM  
**To:** Bruce E. Alger  
**Cc:** Gordon Boersma; Richard Gilborn; stephanieholem@me.com; Kerry Scott; Stan Knowlton; Patrick Fitzpatrick  
**Subject:** RE: Registered GSA of PEC

Bruce, I will preparing additional information for you in respect to this matter. It may be appropriate to meet and discuss this information to ensure a complete understanding of the facts surrounding the investment into POHLP.

Regards,  
Dale McMullen

---

Subject: RE: Registered GSA of PEC  
Date: Thu, 25 Nov 2010 14:03:14 -0700  
From: balger@alger.ca  
To: dalemcmullen7@hotmail.com  
CC: stephanieholem@me.com; kerry\_scott24@hotmail.com; knowsc@uleth.ca; gboersma@alger.ca; rgilborn@caronpartners.com; vincentleung555@gmail.com; vwleung@clwpartners.com

Dale,

I am responding to your email below.

The GSA is an agreement which pledges POHLP's assets including its interest in the Atco Oldman River Hydro Plant as security for enforcement of POHLP's "obligations". These obligations will include how much, when and at what interest rate the loan from PEC is to be repaid. The GSA does not spell out the obligations. These obligations would be contained in an executed loan agreement between PEC and POHLP. PEC has never provided us with any such a loan agreement and despite requests to both PEC and its auditors we have never received any loan agreement.

We again renew our request for such documents which should include proof of execution. Proof of execution is also requested regarding the GSA.

Regards,

Bruce Alger

**Bruce Alger**  
**Phone: (403) 296-2970**

12/22/2010

E-Mail: [balger@alger.ca](mailto:balger@alger.ca)



**CALGARY • EDMONTON • RED DEER**

This message is intended only for the use of the addressee and may contain information that is privileged and confidential. If you are not the intended recipient, you are hereby notified that any dissemination of this communication is strictly prohibited. If you have received this communication in error, please notify us immediately. Thank you

---

**From:** Dale McMullen [mailto:[dalemcmullen7@hotmail.com](mailto:dalemcmullen7@hotmail.com)]  
**Sent:** November-24-10 5:13 PM  
**To:** Bruce E. Alger; Richard Gilborn; Gordon Boersma  
**Cc:** [stephanieholem@me.com](mailto:stephanieholem@me.com); Kerry Scott; Stan Knowlton  
**Subject:** Registered GSA of PEC

Pursuant to the registered GSA from POHLP to PEC registered in June 2008 , could you please provide a full accounting of the monies due to PEC from POHLP for 2010. These funds are unaccounted for at this stage and are the property of PEC.

Regards,  
Dale McMullen

12/22/2010

## PROPOSAL

Alger & Associates Inc., having been appointed as the Liquidator of Piikani Investment Corporation (“PIC” or the “Company”) pursuant to s. 13 of the Winding Up and Restructuring Act (the “Liquidator”) for the limited purpose of making a proposal pursuant to s. 50(1)(c) of the Bankruptcy and Insolvency Act. on December XX, 2010, hereby submits the following Proposal pursuant to the provisions of Part III Division I of the Bankruptcy and Insolvency Act.

## INTERPRETATION

### Definitions

1. In this Proposal, the following terms are defined:
  - a) “Administrative Fees and Expenses” means:
    - i) all proper fees and expenses of the Proposal Trustee; and
    - ii) the legal fees and disbursements of the Proposal 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 Secured Claims” means the CIBC Trust.
  - c) “ATCO JV” means the Piikani Oldman Hydro Electric Dam joint venture between ATCO and POHLP.
  - d) “Affected Creditors” means holders of Crown Claims, Affected Secured Creditors, Preferred Creditors and Ordinary Unsecured Creditors.
  - e) “BIA” means the *Bankruptcy and Insolvency Act* (Canada), as amended from time to time.
  - f) “Claim” 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, including any portion thereof, of the Company or its successors and assigns or its 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.
  - g) “Claims Date” means the date of filing this Proposal, being January XX, 2010.
  - h) “Company” or “PIC” means Piikani Investment Corporation
  - i) “Court” means the Court of Queen’s Bench of Alberta, Judicial District of Calgary.

- j) "Creditors' Meeting" means the meeting of creditors called pursuant to the BIA for the purpose of considering and voting of the Proposal.
- k) "Crown Claims" means Claims of Her Majesty in right of Canada or a province as listed in Schedule 1.
- l) "Effective Date" means the date on which the Order of the Court approving this Proposal becomes final and may no longer be appealed.
- m) "Final Order" means an Order granted by the Court, approving this Proposal, which is final and can no longer be appealed.
- n) "Gross Revenue from ATCO JV" means funds received from POHLP's 25% interest in the ACTO JV before any reductions of operating costs or any other expenses.
- o) "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 BIA by the Proposal Trustee, or the Court;
  - ii) may be contingent or unliquidated and found by the Proposal Trustee, or the Court not to be provable;
  - iii) are Crown Claims;
  - iv) are Claims by Preferred Creditor(s);
  - v) are the secured portion of Claim by the Affected Secured Creditor;
  - vi) are Claims of the Unaffected Secured Creditor; and
  - vii) are Claims of the Unaffected Operating Creditors but only to the extent that such Unaffected Operating Creditors hold Claims that are of the nature described in the definition of Unaffected Operating Creditors.
- p) "Liquidator" means Alger & Associates Inc. pursuant to the Liquidation Order granted December 23, 2010
- q) "Ordinary Unsecured Creditor(s)" means those creditors with Claims, except for those Claims that:
  - viii) have been finally and conclusively disallowed pursuant to the provisions of the BIA by the Trustee, or the Court;
  - ix) may be contingent or unliquidated and found by the Trustee, or the Court not to be provable;

- x) are Crown Claims;
  - xi) are Claims by Preferred Creditor(s);
  - xii) are the secured portion of Claim by the Affected Secured Creditor;
  - xiii) are Claims of the Unaffected Secured Creditor; and
  - xiv) are Claims of the Unaffected Operating Creditors but only to the extent that such Unaffected Operating Creditors hold Claims that are of the nature described in the definition of Unaffected Operating Creditors.
- r) "Piikani Business Entities" means the entities contemplated by as defined in 1.2.16 of the Trust Agreement. The Proposal affects the assets of the following Piikani Business Entities:
- i) Piikani Energy Corporation ("PEC")
  - ii) Oldman Irrigation Ltd. ("OIL")
  - iii) Piikani Land Holdings Corporation ("PLHC")
  - iv) Piikani Resource Development Ltd. ("PRDL")
  - v) Piikani Oldman Hydro Limited Partnership ("POHLP")
- s) "Piikani Nation Trust" means the Investment Account established pursuant to the Settlement Agreement and Trust Agreement dated September XX, 2003.
- t) "Proposal Trustee" means Alger & Associates Inc.
- u) "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 BIA, as listed in Schedule 2.
- v) "Proposal" means this Proposal made pursuant to the provisions of Part III Division I of the BIA as filed on January XX, 2010 and as amended or supplemented from time to time.
- w) "Released Parties" means each and every present and former director of the Company, and their respective successors and assigns.
- x) "Settlement Agreement" means the agreement entered into July 16, 2002 among the Piikani Nation, the government of Canada, and the government of Alberta.
- y) "Trust Agreement" means the agreement between the Piikani Nation and the CIBC Trustee and attached as Schedule "L" to the Settlement Agreement.

## Application

2. The Proposal applies to the holders of all Crown Claims, Affected Secured Claims, Preferred Creditors and Ordinary Unsecured Creditors, whether or not such person proves a claim against the Company under the Proposal.

## **BACKGROUND**

3. On July 16, 2002 the Settlement Agreement was entered into among the Piikani Nation, the government of Canada, and the government of Alberta which in part settled a Trust (the "Trust") into which Canada and Alberta made payments totaling \$64.3 million.
4. Of the amounts paid into the Trust, \$36.3 million plus a portion of the Trust's income are to be kept in a separate "Investment Account" per section 6 of the Trust Agreement. PIC was set up as a key control over the use of Trust funds from the Investment Account.
5. CIBC Trust Corporation ("CIBC") has acted as Trustee for the Trust since inception and in accordance with subsection 6.1 of the Trust Agreement. The Trustee advanced a total of \$14,025,000 to PIC in six loans.
6. Fundamental to the Trust Agreement is the concept of a Piikani Business Entity ("PBE") as defined in 1.2.16 of the Trust Agreement. PIC advanced a total of \$11,485,000 to PBE's, which consists of a net advance of \$10,710,000 to PEC (consisting of \$11,410,000 advanced to PEC less \$700,000 repaid by PEC to PIC), \$275,000 to PLHC and \$500,000 to OIL.
7. PEC has advanced \$7,800,000 to POHLP which it used to pay for a 25% interest in a hydro electric power generation project known as the ATCO JV. POHLP is 99% owned by the Piikani Nation and 1% owned by the General Partner. PEC was the General Partner until December 17, 2009 when it was replaced by PRDL.
8. Alger & Associates Inc. became court appointed Investigator of the conduct and financial affairs of Piikani Investment Corporation ("PIC") and a number of related Piikani business entities on October 22, 2009 pursuant to section 14 of the Winding up and Restructuring Act, R.S.C. 1985, c. W-11 (the "Act") The related entities included Piikani Energy Corporation ("PEC"), Oldman Irrigation Ltd. ("OIL"), Piikani Land Holdings Corporation ("PLHC") or the Oldman Hydro Limited Partnership ("POHLP"), collectively called the "Companies".
9. Alger & Associates Inc. was appointed Liquidator according to an Order of the Court for the purpose of facilitating a proposal to be made by the Liquidator.
10. The Liquidator is filing this Proposal on behalf of PIC.

## **PURPOSE & EFFECT**

### **Purpose**

11. The purpose of the Proposal is to settle the loans due to the Trust by way of repayment of a portion of the amount due over time with a forgiveness of the remaining amount borrowed from the Piikani Nation Trust. The Proposal, if successful, will allow for the following to occur:
  - a) Payment of all Crown and Preferred Claims, if any, in cash;

- b) Payment over time of a portion of Ordinary Unsecured Claims in cash.
12. The Proposal will be considered complete when funds have been paid to all Crown, Preferred, and Ordinary Unsecured Creditors pursuant to the terms of this Proposal.

#### **UNAFFECTED CREDITORS**

13. There are no Unaffected Secured Creditors.
14. There are no Unaffected Unsecured Creditors.

#### **AFFECTED SECURED CLAIM**

15. The CIBC Trustee may have an Affected Secured claim.

#### **CROWN CLAIMS**

16. All Crown Claims, if any, shall be paid in full in cash, without interest or penalty, and subject to the Superintendent of Bankruptcy's levy, in priority to all claims of the Ordinary Unsecured Creditors. There are no known Crown Claims.

#### **PREFERRED CLAIMS**

17. There are no Preferred Claims.

#### **ORDINARY UNSECURED CLAIMS**

18. The Ordinary Unsecured Creditors, of which it is believed the Trust is the only such creditor, will receive regular cash payments for a portion of its Claim.
19. Payments to the Ordinary Unsecured Creditor(s) shall be with simple interest at 1% and without penalty and subject to deduction of the BIA Section 147 levy payable to the Superintendent of Bankruptcy in cash, based on payments pursuant to the Proposal.

#### **REVIEWABLE TRANSACTION**

20. The Liquidator is not currently pursuing any reviewable transactions by PIC.

#### **TIMING & PAYMENT OF CLAIMS**

21. All indebtedness of PIC will be satisfied with direct assignment to affected unsecured creditors of:
- a) future revenue of POHLP in amount of \$x,xxx,xxx with interest at 1% on any unpaid balance. Payments shall be XX% of the Gross Revenue from the POHLP, with payments being made to the Trust upon distribution by the ATCO JV, and shall be directly assigned and consented to by the partners of POHLP being the Piikani Nation and PRDL and shall be conditional upon the consent of the ATCO JV;

- b) the assignment of the cash realization from the Receivership of PEC, net of taxed costs of the receivership;
  - c) the amount receivable from Lone Wolf Gas and Grub, currently estimated to be \$\$xxx,xxx.;
  - d) the \$275,000 loan to OIL.
22. Upon formal execution of all legal documents necessary to effect the above assignments,,, the Company, its successors and assigns, and its Directors shall be deemed to have satisfied in full the terms of the Proposal.

### **PROPOSAL TRUSTEE, MONITORING AND ADMINISTRATIVE COSTS**

23. The Proposal Trustee is acting in its capacity as Proposal Trustee and not in its personal capacity and no Officer, Director, employee or agent of the Proposal Trustee shall incur any obligations or liabilities in connection with the Proposal or in connection with the business or liabilities of the Company.
24. The Proposal Trustee's services will be based on time spent by the Proposal Trustee and the various members of its staff at their respective billing rates plus any direct out of pocket expenses incurred. The Court will tax the Proposal Trustee's Administrative Fees and Expenses. Upon approval of the Proposal, the Proposal Trustee will be entitled to take regular interim fees as granted by the Court previously.

### **OPERATIONS AND POST-PROPOSAL GOODS AND SERVICES**

#### **No Right of Set-Off**

25. Affected Creditors under the Proposal who have dealings with the Company 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 goods and services, as against Claims.

### **INSPECTORS**

26. At the Creditors' Meeting, the Affected Creditors will be entitled to appoint one or more, but not exceeding five Inspectors, whose powers shall be as follows:
- a) advising the Proposal Trustee in respect of such matters as may be referred to the Inspectors by the Proposal Trustee;
  - b) advising the Proposal Trustee concerning any dispute that may arise as to the validity of the Claims of Affected Creditors under this Proposal;
  - c) exercising all powers given to the Inspectors of a bankrupt estate appointed pursuant to the provisions of the BIA; and

- d) altering or extending the time for payments to be made pursuant to this Proposal, but not the total amount paid.

### RELEASE OF COMPANY AND DIRECTORS

27. 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 Directors 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.

### CONSENTS, WAIVERS AND AGREEMENTS

28. 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 Company in any provision, expressed or implied, or in any agreement existing between the Affected Creditor and PEC 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.

#### Binding Effect

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

### ANNULMENT OF PROPOSAL

30. 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 xx<sup>th</sup> day of December, 2010.

Piikani Investment Corporation

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

\_\_\_\_\_  
Witness

Alger & Associated Inc. in its Capacity as  
Liquidator of Piikani Investment Corporation

Consented to by Piikani Investment Corporation

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

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

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

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

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

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

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

Draft - Discussion Purposes Only

**IN THE MATTER OF THE PROPOSAL OF  
PIIKANI INVESTMENT CORPORATION  
OF THE CITY OF CALGARY  
IN THE PROVINCE OF ALBERTA**

**PROPOSAL**

**SCHEDULE 1**

**CROWN CLAIMS**

- There are no known Crown Claims.

*Draft - Discussion Purposes Only*

**IN THE MATTER OF THE PROPOSAL OF  
PIIKANI INVESTMENT CORPORATION  
OF THE CITY OF CALGARY  
IN THE PROVINCE OF ALBERTA**

**PROPOSAL**

**SCHEDULE 2**

**PREFERRED CREDITORS**

- There are no known preferred creditors.

*Draft - Discussion Purposes Only*

**IN THE MATTER OF THE PROPOSAL OF  
PIIKANI INVESTMENT CORPORATION  
OF THE CITY OF CALGARY  
IN THE PROVINCE OF ALBERTA**

**PROPOSAL**

**SCHEDULE 3**

**UNAFFECTED CREDITORS**

- There are no unaffected creditors
- Shelley Small Legs

*Draft - Discussion Purposes Only*

**Exhibit 5**

**In the Matter of the Receivership of Piikani Energy Corporation  
Statement of Receipts & Disbursements  
May 20, 2010 to December 22, 2010**

**Receipts**

Funds from conservator's account	\$ 366,698.73
Funds from 3rd party retainer	20,000.00
Sale of assets	1,834.00
Refund of deposits - AESO application	53,000.00
Insurance Refund	128.00
Interest	931.46
	<u>442,592.19</u>

**Disbursements**

Conservator's fees & costs	19,184.83
Receiver's fees & costs	40,215.90
OSB fee	70.00
Legal fees	44,682.60
Solicitor to Conservator	44,032.49
Solicitor to Receiver	13,311.55
Audit fees	13,600.00
Telephone, courier, & computer services	627.45
Repairs & maintenance, moving expense, & operating expenses	569.86
Rent	4,450.00
Director's expenses	253.62
GST paid	10,795.19
	<u>191,793.49</u>

**Cash on hand**

250,798.70

**Cash consists of**

Trust account	2,763.01
T-Bill saving account	248,035.69
	<u>\$ 250,798.70</u>