

**IN THE COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL DISTRICT OF CALGARY
IN BANKRUPTCY**

**IN THE MATTER OF THE PROPOSAL OF
354034 ALBERTA LTD.
O/A KITCHEN & PATIO FURNITURE GALLERY**

PROPOSAL

354034 Alberta Ltd. o/a Kitchen & Patio Furniture Gallery (hereinafter referred to as "the Debtor") hereby submits the following proposal pursuant to the provisions of the Bankruptcy and Insolvency Act.

1. **THAT** payment be made by the Debtor to secured creditors in the following manner:

Secured creditors shall be paid by the Debtor in accordance with present arrangements existing between the Debtor and the holders of such secured claims or as may be arranged between the Debtor and the holders of such secured claims or the holders of secured claims shall be permitted to realize upon their security.

2. **THAT** payment of all proper fees and expenses of the Trustee on and incidental to the proceedings arising out of this proposal and its preparation shall be made in the following manner:

Trustee's fees and expenses shall be paid in full and in priority to the claims of all unsecured creditors.

3. **THAT** payment in priority to all other claims directed by the said Act to be so paid in the distribution of the property of an insolvent person shall be provided for as follows:

Preferred claims, without interest, as prescribed by Section 136 of the Bankruptcy and Insolvency Act, be paid in full priority to the claims of all other unsecured creditors.

4. **THAT** the Debtor will make payments to the Trustee as set out in the cash flow projections attached hereto as Schedule A, for a total payment of \$1,600,000.00. The Debtor will pay \$300,000.00 within 20 days of Court approval of the accepted proposal. Payments will then be made in accordance with the timetable outlined on the cash flow projection attached to this proposal as Schedule "A" with the final payment being made to the Trustee in August, 2011. All payments made pursuant to this proposal shall be subject to the levy payable to the Superintendent of Bankruptcy as required, pursuant to Section 147 of the Bankruptcy and Insolvency Act.

5. **THAT** the Trustee will distribute funds as follows: upon receipt of the initial payment of \$300,000, the Trustee will pay all creditors up to a maximum of their proven claim value or \$4,000.00 whichever is less. Subsequent distributions will follow when the Trustee is either directed by the Inspectors or when the Trustee's trust account has a balance of \$300,000, (which is expected to be following receipt of the June 2010, August, 2010, and June 2011 payments by the Debtor) with a final payment at the end of September 2011 when the Debtors final payment under the proposal has been received. The

Debtor has the ability to accelerate payments at its discretion once the proposal is accepted by the creditors and by the Court.

6. **THAT** the Debtor covenants and agrees that time shall be of the essence of this proposal, and in the event that any term, covenant, or provision herein not fully performed at the time and in the manner specified, each such deficiency shall constitute a default in the performance of a provision of this proposal, and, subject to Section 62.1 of the Bankruptcy and Insolvency Act, the Debtor shall consent to any application for annulment of this proposal.
7. **THAT** this proposal shall be deemed in default if, at any time of the filing of this proposal by the Debtor, or any person acting on his behalf, did not disclose all relevant information relating to its assets, liabilities, or any aspect of its business, practice or employment which should have been disclosed to all creditors, and the Debtor represents and warrants that it has disclosed all such relevant information in respect to the proposal.
8. **THAT** the Debtor represents and warrants that it has not committed any of the offences mentioned in sections 198 to 200 of the Bankruptcy and Insolvency Act, and has accurately disclosed all relevant information concerning the nature, extent and valuation of its assets, liabilities, and financial affairs as at the time for determining claims of this proposal, including particulars of all claims withdrawn or postponed in accordance with the preceding terms.
9. **THAT** nothing herein shall be construed in any way to limit or restrict the rights of any creditor to challenge the security of a secured creditor of the proponent, whether exercised before or after approval of this proposal.
10. **THAT** the Debtor covenants and agrees that during the course of the proposal he will:
 - a) remit current-year installment payments or corporate tax and file corporate tax returns as required by the Income Tax Act.
 - b) remit current GST payments and file GST returns as required by the Excise Tax Act (if applicable).
 - c) remit current-year payroll deductions (employment insurance premiums, Canada Pension Plan contributions and income tax deductions) as required by law (if applicable).
11. **THAT** the creditors will accept the distribution as set out in the proposal herein as full settlement and satisfaction of their claims and that any debt owing to the Canada Revenue Agency up to the date of filing this proposal should be included in the proposal and shall be discharged upon satisfactory completion of the terms of the proposal by the Debtor.
12. **THAT** Deloitte & Touche Inc., Licensed Trustee, shall be the Trustee acting under the proposal and the monies payable under this proposal, other than to secured creditors as set forth in Paragraph 1, shall be paid to the Trustee who shall make payments therefrom as set out therein.

13. **THAT** acceptance of this proposal by the majority in numbers of creditors required by the Bankruptcy and Insolvency Act and the approval of the Court, shall constitute a release and discharge from any and all manner of action, actions, cause and causes of actions, suits, debts, dues, sums of money, claims and demands whatsoever at law or in equity which the preferred and unsecured creditors of the Debtor shall or may have by reason of any matters, cause of whatsoever existing up to the time of this proposal against the Debtor and/or its directors.
14. **THAT** the statutory meeting of the creditors to be held to consider this proposal, the creditors may appoint one or more but not exceeding five inspectors under the proposal those duties shall be restricted to:
- a) Advising the Trustee concerning any dispute which may arise as to the validity of the claim of the unsecured creditors under this proposal.
 - b) Advising the Trustee in respect to such other matters as may be referred to by the Inspectors by the Trustee.

Dated at the City of Calgary, in the Province of Alberta, this 8th day of October, 2009.

**354034 ALBERTA LTD. o/a KITCHEN &
PATIO FURNITURE GALLERY**

A handwritten signature in black ink, consisting of a large, stylized 'R' followed by a horizontal line extending to the right.