

District of: Alberta  
Division No. 01 - Edmonton  
Court No. 24-1071018  
Estate No. 24-1071018

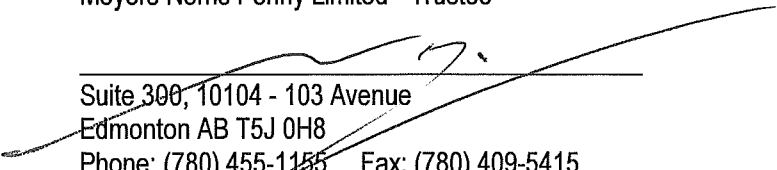
In the Matter of the Division I Proposal of  
Transglobal Communications Group Inc.  
Notice of Adjourned First Meeting of Creditors  
(Section 52 of the Bankruptcy and Insolvency Act)

Take notice that:

1. An initial first meeting of creditors had been requested to be held by the official receiver.
2. The initial first meeting of creditors of the debtor was held on the 30th day of October 2008, at 10:00 AM at Suite 400, 10104-103 Avenue, Edmonton, Alberta.
3. The meeting was adjourned to amend the Proposal and will be reconvened on the 15<sup>th</sup> day of December, 2008 at 10:00 AM, at Suite 400, 10104 – 103 Avenue, Edmonton, Alberta.
4. The only amendment included in the Amended Proposal (attached) has been to paragraph 16.2 whereby the timing of payment to the unsecured creditors has been changed to within 30 days of HSBC confirming to the Trustee that their debt has been paid in full rather than payment by January 15, 2009. It is uncertain when this may occur but it may happen in early 2009.
5. As some of you have already filed a claim with the Trustee prior to the October 30, 2008 initial first meeting of creditors you are entitled to vote at the reconvened meeting on December 15, 2008. However, as the votes submitted to the original meeting of creditors on October 30, 2008 may no longer be valid, you should resubmit your vote to the Trustee prior to the December 15, 2008 reconvened meeting. We attach a new Voting Letter for this purpose.
6. As some of you have already filed a claim and Voting Letter with the Trustee but it was subsequent to the onset of the initial first meeting of creditors you may be entitled to vote at the reconvened meeting if you complete the attached new Voting Letter and submit it to our office prior to the reconvened meeting to be held at 10:00 AM on December 15, 2008.
7. As some of you have not filed a claim or Voting Letter with the Trustee you may be entitled to vote at the reconvened meeting if you complete the attached Proof of Claim and new Voting Letter and submit it to our office prior to the reconvened meeting to be held at 10:00 AM on December 15, 2008.

Dated at the City of Edmonton in the Province of Alberta, this    th day of December, 2008.

Meyers Norris Penny Limited - Trustee

  
Suite 300, 10104 - 103 Avenue  
Edmonton AB T5J 0H8  
Phone: (780) 455-1155 Fax: (780) 409-5415

District of: Alberta  
Division No. 01 - Edmonton  
Court No. 24-1071018  
Estate No. 24-1071018

FORM 37

Amended Voting Letter  
(Paragraphs 51(1)(f) and 66.15(3)(c) of the Act)

I, \_\_\_\_\_, creditor (or I, \_\_\_\_\_, representative of \_\_\_\_\_, creditor), \_\_\_\_\_, a creditor in the above matter for the sum of \$ \_\_\_\_\_, hereby request the trustee acting with respect to the proposal of Transglobal Communications Group Inc., to record my vote \_\_\_\_\_ (for or against) the acceptance of the proposal as made on the 10th day of October 2008.

Dated at \_\_\_\_\_, this \_\_\_\_\_ day of \_\_\_\_\_.

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Individual Creditor

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Name of Corporate Creditor

Per \_\_\_\_\_  
Name and Title of Signing Officer

Return To:  
Meyers Norris Penny Limited - Trustee  
Suite 300, 10104 - 103 Avenue  
Edmonton AB T5J 0H8  
Phone: (780) 455-1155 Fax: (780) 409-5415

District of: Alberta  
Division No. 01 - Edmonton  
Court No. 24-1071018  
Estate No. 24-1071018

FORM 36  
Amended Proxy  
(Subsection 102(2) and paragraphs 51(1)(e) and 66.15(3)(b) of the Act)

I, \_\_\_\_\_, of \_\_\_\_\_, a creditor in the above matter,  
hereby appoint the trustee identified below  or \_\_\_\_\_,  
of \_\_\_\_\_, to be my proxy in the above matter,  
except as to the receipt of dividends, \_\_\_\_\_ (with or without) power to appoint another proxy  
in his or her place.

Dated at \_\_\_\_\_, this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Individual Creditor

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Name of Corporate Creditor

Per \_\_\_\_\_  
Name and Title of Signing Officer

Return To:

Meyers Norris Penny Limited - Trustee  
Suite 300, 10104 - 103 Avenue  
Edmonton AB T5J 0H8  
Phone: (780) 455-1155 Fax: (780) 409-5415

## DIRECTIONS AS TO COMPLETING "PROOF OF CLAIM" FORM

**NOTE: THE MAJORITY OF FILES THIS OFFICE ADMINISTRATES RESULT IN A DIVIDEND. WE RECOMMEND ALL CREDITORS FILE A PROOF OF CLAIM.**

**Creditors who do not submit a claim do not share in any dividend, receive further notices, or have the right to object to the bankrupt's discharge.**

**SUPPORT DOCUMENTATION MUST ACCOMPANY PROOF OF CLAIM FORMS AND MUST SUPPORT THE AMOUNT FILED ON THE PROOF OF CLAIM OTHERWISE IT WILL NOT BE ACCEPTED.**

In completing the attached "Proof of Claim" your attention is directed to the following:

1. The declaration must be completed and signed by an individual and not a corporation. The signature of a witness is required.
2. Give the complete address where all notices or correspondence is to be forwarded.
3. If the individual completing the claim at Item 1 is not the creditor they must state the capacity in which they are acting, such as "*Credit Manager*", "*Secretary*", "*Authorized Agent*".
4. **For Item 3**, a Statement of Account containing details of the claim must be attached and marked 'A'. There should be an account of each item giving the date, nature of goods or services provided and the amount in order that the claim may be checked. Statements with a mere "balance" or "account rendered" may be insufficient; the more recent transactions making up final balance must be shown.
5. The status of the claim must be shown at **Item 4**. Select the appropriate category.
  - A. Unsecured Unless a claim is filed under B or C, all claims will fall under this category. There may be special circumstances where priority is claimed. If you claim a priority, mark "X" in (ii) in this section and file the appropriate documents to support the claim.
  - B. Secured if you are claiming to be secured, the value at which you assess your security should be inserted in the blank space. Details of each item of security you hold should be attached as a separate schedule along with a copy of your security contract showing proof of registration.
  - C. "Producers" The Bankruptcy and Insolvency Act gives special status to Farmers, Fisherman and Aquaculturists who have supplied their produce within 15 days prior to bankruptcy. Attachment of evidence of delivery is required.
6. **Item 5** - All claimants must indicate if they are related or not to the debtor, as defined in Section 4 of the Bankruptcy and Insolvency Act, by striking out "are" or "are not".
7. **Item 6** requires a detailed list of payments received by you for specified periods. Please complete a separate schedule for reply.
  - i) This typically refers to a significant change in the bankrupt's household income or expenses.
  - ii) This refers to the amount that is established that the bankrupt is to remit to the estate monthly from his household income.
  - iii) The Section 170(1) report is prepared by the trustee when the bankrupt is approximately 6 to 7 months old. It provides a description of what assets have been realized, what the trustee anticipates realizing, a summary of essential facts about the bankrupt, a report on whether the bankrupt has complied with his duties or not, and the total of claims submitted to the date of the report.
8. **Item 7** - Proxy. In the event a meeting of creditors is called you may wish to appoint someone to vote on your behalf. You can appoint your nominee by providing this person your proxy.

MEYERS NORRIS PENNY LIMITED, Trustees in Bankruptcy  
Suite 300, 10104 - 103 Avenue  
Edmonton, AB T5J 0H8  
Phone: (780) 455-1155 Fax: (780) 409-5415

Our File No. 338126-GB-DT  
Estate No. 24-1071018

Form 31

**PROOF OF CLAIM**

(Section 50.1, subsections 65.2(4), 81.2(1), 102(2), 124(2), 128(1),  
and paragraphs 51(1)(e) and 66.14(b) of the Act)

**IN THE MATTER OF THE PROPOSAL OF** Transglobal Communications Group Inc. of Edmonton Alberta, and the claim  
of:

\_\_\_\_\_ creditor.  
(name of creditor)

All notices or correspondence regarding this claim must be forwarded to the following address:

Name of Creditor: \_\_\_\_\_

Account Number: \_\_\_\_\_

Mailing Address: \_\_\_\_\_

Phone Number: \_\_\_\_\_ Fax Number: \_\_\_\_\_

I, \_\_\_\_\_ residing in the \_\_\_\_\_ of \_\_\_\_\_ in the  
Province of \_\_\_\_\_.

DO HEREBY CERTIFY:

1. That I am a creditor of the above-named debtor, (or that I am \_\_\_\_\_ of \_\_\_\_\_)  
(state position or title) (name of creditor)
2. That I have knowledge of all the circumstances connected with the claim referred to below.
3. That the said debtor was at the **date of the proposal**, namely May 20, 2008, and still is indebted to the creditor in the sum of \$ \_\_\_\_\_ as specified by the statement of account (or affidavit or solemn declaration) attached and marked "Schedule A", after deducting any counterclaims to which the debtor is entitled. *(The attached statement of account or affidavit or solemn declaration must specify the vouchers or other evidence in support of the claim).*
4. *(Check and complete appropriate category.)*

( ) **A. UNSECURED CLAIM OF \$ \_\_\_\_\_**  
That in respect of the said debt, I do not hold any assets of the debtor as security and  
*(Check appropriate description)*

- i) ( ) Regarding the amount of \$ \_\_\_\_\_, I do not claim a right to a priority.
- ii) ( ) Regarding the amount of \$ \_\_\_\_\_, I claim a right to priority under section 136 of the Act.  
*(Set out on an attached sheet details to support priority claim)*

( ) **B. SECURED CLAIM OF \$ \_\_\_\_\_**  
That in respect of the said debt, I hold assets of the debtor valued at \$ \_\_\_\_\_ as security,  
particulars of which are as follows:  
*(Give full particulars of the security, including the date on which the security was given and the value at which the creditor assesses the security, and attach a copy of the security documents)*

( ) **C. CLAIMS BY FARMER, FISHERMAN, OR AQUACULTURIST OF \$ \_\_\_\_\_**  
That I hereby make a claim under subsection 81.2(1) of the *Bankruptcy and Insolvency Act* for the unpaid amount of \$ \_\_\_\_\_ *(Attach a copy of sales agreement and delivery documents).*

( ) **D. CLAIM AGAINST DIRECTOR OF \$ \_\_\_\_\_**

*(To be filed when a proposal provides for the compromise of claims against directors)*

That I hereby make a claim under subsection 50(13) of the Bankruptcy and Insolvency Act, particulars of which are as follows:

*(give full particulars of the claim, including the calculations upon which the claim is based)*

( ) **E. CLAIM BY WAGE EARNER OF \$ \_\_\_\_\_**

i) ( ) That I hereby make a claim under subsection 81.3(8) of the Act in the amount of \$ \_\_\_\_\_

ii) ( ) That I hereby make a claim under subsection 81.4(8) of the Act in the amount of \$ \_\_\_\_\_

( ) **F. CLAIM OF LESSOR FOR DISCLAIMER OF A LEASE \$ \_\_\_\_\_**

*(Give particulars the claim, including the calculations upon which the claim is based)*

( ) **G. CLAIM OF A CUSTOMER OF A DEBTOR SECURITIES FIRM \$ \_\_\_\_\_**

That I hereby make a claim as a customer for net equity as contemplated by section 262 of the Act, Particulars of which are as follows:

*(Give particulars the claim, including the calculations upon which the claim is based.)*

5. That to the best of my knowledge and belief, the creditor and debtor are (or are not) related within the meaning of Section 4 of the *Bankruptcy and Insolvency Act*. (cross out that which does not apply)

6. That the following are the payments that I have received from, and credits that I have allowed to, the debtor within the three months (or, if the creditor and the debtor are related as defined in Section 4 of the *Bankruptcy and Insolvency Act*, within 12 months) immediately preceding May 20, 2008:

*(provide details of payments and credits.)*

DATED at \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_\_\_\_.

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Creditor

**NOTE:** If an Affidavit or Solemn Declaration is attached, it must have been made before a person qualified to take affidavits or solemn declarations.

**WARNING:** A trustee may, pursuant to subsection 128(3) of the Act, redeem a security on payment to the secured creditor of the debt or the value of the security as assessed, in a proof of security, by the secured creditor. Subsection 201(1) of the Act provides severe penalties for making any false claim, proof, declaration or statement of account.

District of Alberta  
Division No. 01-Edmonton  
Court No.: 24-1071018  
Estate No.: 24-1071018

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**IN THE MATTER OF THE DIVISION I PROPOSAL OF  
TRANSGLOBAL COMMUNICATIONS GROUP INC.**

**AN INSOLVENT PERSON**

**AMENDED DIVISION I PROPOSAL**  
(Section 50 of the Act)

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**MEYERS NORRIS PENNY LIMITED  
INSOLVENCY AND RESTRUCTURING PROFESSIONALS**

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MEYERS NORRIS PENNY LIMITED

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**Form 35**

**IN THE MATTER OF THE DIVISION I PROPOSAL OF  
TRANSGLOBAL COMMUNICATIONS GROUP INC.**

**AN INSOLVENT PERSON**

**AMENDED DIVISION I PROPOSAL**  
(Section 50 of the Act)

**Article 1. Definitions**

**1.1 Definitions**

- a) "Acceptance" means the acceptance of the proposal by the Creditors and ratification by the Court.
- b) "Act" means the Bankruptcy and Insolvency Act.
- c) "Certain Crown Claims" means all those creditors of Transglobal Communications Group Inc. defined in Article 8.2 herein.
- d) "Creditor or Creditors" means the creditors of Transglobal Communications Group Inc. affected by the Proposal.
- e) "Director's Liability" means all those claims of Transglobal Communications Group Inc. defined in Article 8.5 herein that the director's are liable arising out of the director's legal capacity as director of the Insolvent Person.
- f) "Insolvent Person" means Transglobal Communications Group Inc.
- g) "Meeting of Creditors" means the meeting of creditors scheduled to consider and vote on the Proposal.
- h) "Notice of Meeting" means notice of Meeting forwarded to creditors.
- i) "Preferred Creditor" means all those creditors of Transglobal Communications Group Inc. defined in Article 8.7 herein.
- j) "Proposal" means the series of steps and arrangements contemplated herein, all of which are independent, by which the relations between Transglobal Communications Group Inc). and the Creditors will be reconstructed pursuant to the Act.
- k) "Proposal Valuation Date" means May 20th, 2008.

- l) "Secured Creditor" means all those creditors of Transglobal Communications Group Inc. defined in Article 8.3 herein.
- m) "Termination Date" means the date upon which the claims of all creditors have been satisfied in accordance with the Proposal or otherwise satisfied.
- n) "Trustee" means Meyers Norris Penny Limited.
- o) "Unsecured Creditors" means all those creditors of Transglobal Communications Group Inc. defined in Article 8.8 herein.
- p) "Valuated Claim" means the claim of a creditor valued by the trustee as of May 20<sup>th</sup>, 2008.
- q) "Wage Claim" means all those creditors of Transglobal Communications Group Inc. defined in Article 8.4 herein.

## **Article 2. Insolvent Person**

- 2.1** Transglobal Communications Group Inc. ("Transglobal" or the "Company"), the above named Insolvent Person, hereby submits the following Proposal under the Bankruptcy and Insolvency Act.

## **Article 3. Purpose and Effect of Proposal**

- 3.1** The purpose of the Proposal is to allow the Insolvent Person, Transglobal Communications Group Inc. to:
- i) offer a compromise to its creditors; and
  - ii) offer a compromise and extension with respect to director's liabilities arising out of claims for which the director of the Insolvent Person is personally liable in his legal capacity as director for wage claims, employee source deduction claims, goods and services tax claims, WCB claims and environmental claims.
- 3.2** The insolvent person wishes to avoid further collection action and judicial proceedings and also wishes to avoid subjecting the creditors to the uncertainties and potential losses involved in a bankruptcy.

## **Article 4. Meeting of Creditors**

- 4.1** The Creditors of the Insolvent Person shall be given formal notice to attend a Meeting of Creditors at the office of the Trustee, Meyers Norris Penny Limited located at Suite 300, 10104 - 103 Avenue, Edmonton, Alberta, T5J 0H8.

### **Article 5. Conditions for Implementation of the Proposal**

- 5.1 That the Proposal shall be implemented upon the fulfilment of the following conditions:
- a) A resolution of the creditors to accept the Proposal as made or as altered at the Meeting of Creditors or any adjournment thereof; and
  - b) An Order of the Court approving the Proposal.
- 5.2 That the creditors, with the consent of the Insolvent Person, may include such provisions or terms in the Proposal with respect to the supervision of the affairs of the Insolvent Person as they may deem advisable.
- 5.3 That the creditors may appoint one or more, but not exceeding five, inspectors of the Proposal of the Insolvent Person.
- 5.4 That the Proposal shall be terminated upon the date on which the claims of all creditors have been satisfied pursuant to the terms of the Proposal, or upon the bankruptcy of the Insolvent Person, or upon default under the terms of the Proposal by the Insolvent Person.

### **Article 6. Third Party Undertakings**

- 6.1 There are no Guarantee Agreements of Third Party Deposit Agreements with respect to funding this Proposal.

### **Article 7. Default by Insolvent Person in Performance of Terms of Proposal**

- 7.1 That default under the terms of the Proposal by the Insolvent Person, shall be arrears in payments as defined in Article 16.2 herein, to the extent of one month or one month arrears in any one payment or any default having occurred pursuant to Article(s) 9.2 to 9.4, inclusive.
- 7.2 That where default is made in the performance of any provision of the Proposal and the default is not waived by the inspectors, or if there are no inspectors, by a majority of the creditors as defined in dollar value of proven claims, within thirty (30) days immediately following the default, the trustee shall so inform all the creditors and the Official Receiver in the manner prescribed pursuant to the Bankruptcy and Insolvency Act.

### **Article 8. Definition of Creditor Claims**

- 8.1 That the claims of creditors shall be defined as follows:
- 8.2 Certain Crown Claims means any claim of Her Majesty in the Right of Canada or a Province of all amounts of a kind that could be subject to a demand under:

- (i) subsection 224(1.2) of the Income Tax Act;
  - (ii) any provision of the Canada Pension Plan or the Employment Insurance Act that refers to subsection 224(1.2) of the Income Tax Act;
  - (iii) or under any substantially similar provincial legislation that has a similar purpose to subsection 224(1.2) of the Income Tax Act.
- 8.3** Secured claim means a person holding a mortgage, hypothec, pledge, charge or lien on or against the property of the Insolvent Person or any part of that property as security for a debt due or accruing due to the person from the Insolvent Person, or a person whose claim is based on, or secured by, a negotiable instrument held as collateral security and on which the Insolvent Person is only indirectly or secondarily liable.
- 8.4** Wage claim includes any claim of employees and former employees of amounts equal to the amounts that employees may be qualified to receive pursuant to subsection 136(1)(d) of the Bankruptcy and Insolvency Act as at the time of the filing of the Notice of Intention or of filing the Proposal. Wage claim shall also include any wages, salaries, commissions or compensation for services rendered after that date and before Court approval of the Proposal, together with, in the case of travelling sales persons, disbursements properly incurred by those sales persons in and about the Insolvent Persons business during the same period.
- 8.5** Director's liability claim includes any claim for obligations of the Insolvent Person where the claim extends to the Directors of the Insolvent Person and the Directors are by law personally liable in their legal capacity as Director of the Insolvent Person for: (Select those that apply)
- i) certain crown claims as defined in Article 6.2 herein;
  - ii) wage claims as defined in Article 6.4 herein;
  - iii) Goods and Services Tax claims as defined pursuant to the Excise Tax Act;
  - iv) Workers' Compensation premiums as directed under any provincial Workers' Compensation Act; and
  - v) any claim respecting any environmental contamination or condition under any provincial Environmental Act.
- 8.6** That for greater certainty, Director's liability claim excludes any claims that relate to obligations arising out of contractual obligations or claims that are based on allegations of misrepresentation or wrongful or oppressive conduct.
- 8.7** Preferred claim includes any claim defined pursuant to subsection 136 (1) of the Bankruptcy and Insolvency Act, however preferred claim shall exclude any wage claim coming within subsection 136 (1)(d) of the Bankruptcy and Insolvency Act as defined in Article 8.4 herein.
- 8.8** Unsecured claim includes all obligations of the Insolvent Person of any nature and kind whatsoever, whether due or not due for payment at the time of the filing of the Notice of Intention or of filing the Proposal and including contingent or unliquidated claims arising

out of any transactions entered into by the Insolvent Person prior to the time of the filing of the Notice of Intention or of filing the Proposal.

#### **Article 9. Arrangements Affecting Canada Revenue Agency ("CRA")**

- 9.1** That the Insolvent Person shall be deemed to have completed a year-end on the day prior to the filing of the Notice of Intention or of filing the Proposal. Federal and provincial income taxes, including interest and penalty charges thereon and goods and services taxes, including interest and penalty charges thereon, accruing due or payable for the current calendar year up to and including the day preceding the filing of the Notice of Intention or of filing the Proposal shall be included as an unsecured claim pursuant to Article 8.8 herein.
- 9.2** That the Insolvent Person shall comply with the Income Tax Act and the Excise Tax Act and all other applicable tax related matters including, but not necessarily limited to, the filing of all pertinent statutory returns on or before the date upon which the returns become due and the payment all monies for income tax, GST and source deductions, including the employer's portion where applicable, on or before the date upon which the payments become due.
- 9.3** That CRA shall apply as a credit all remittances for GST and source deductions made by the Insolvent Person following the time of the filing of the Notice of Intention or of filing the Proposal to the Insolvent Person's respective post proposal tax accounts, with the exception of any one or more payments identified by the Insolvent Person as being payment of Certain Crown Claims as defined in Article 8.2 herein.
- 9.4** That CRA is directed to pay to the Trustee all federal and provincial corporate income tax refunds arising from all income tax returns filed by the Insolvent Person during the term of the Proposal. All proceeds arising from the realization of the aforesaid income tax returns by the Trustee shall be distributed pursuant to Article 15 herein, in addition to any other sums payable to the unsecured creditors as provided within this Proposal.
- 9.5** That for greater certainty, CRA shall have no right of set off for any indebtedness of the Insolvent Person at the time of filing the Notice of Intention or filing the Proposal against any remittances made by the Insolvent Person or any federal or provincial income tax refunds payable to the Insolvent Person for the period following the time of the filing of the Notice of Intention or of filing the Proposal.

#### **Article 10. Arrangements Affecting Certain Creditors**

- 10.1** That any indebtedness incurred by the Insolvent Person for the provision of goods, services, supplies, or any other considerations subsequent to the filing of the Notice of Intention or of filing the Proposal and prior to the approval of the Proposal by the Court, shall be paid in full in the ordinary course of business from proceeds realized in relation to the business operations in priority only to the claims of the unsecured creditors as defined in Article 8.8 herein, existing at the time of the filing of the Notice of Intention or of filing the Proposal.
- 10.2** That creditors dealing with the Insolvent Person following the time of the filing of the Notice of Intention or of filing the Proposal shall have no right of set-off.

### **Article 11. Arrangements Affecting Certain Crown Claims**

- 11.1** That the claims defined in Article 8.2 herein, comprised of all amounts outstanding at the time of the filing of the Notice of Intention or of filing the Proposal, shall be paid in full within six (6) months following Court approval of the Proposal or in an extended period of time if approved by Her Majesty in Right of Canada as represented by Canada Revenue Agency from proceeds realized in relation to the business operations in subordination to the Trustee's fees and disbursements and in priority only to the payment of the claims of the preferred creditors as defined in Article 8.7 herein and the payment of the claims of the unsecured creditors as defined in Article 8.8 herein.
- 11.2** That for greater certainty the payment of the claim(s) defined in Article 8.2 herein, of all amounts outstanding at the time of filing the Notice of Intention or of filing the Proposal shall be the sole responsibility of the Insolvent Person and the claim(s) shall not be included for distribution of any dividends payable by the Trustee with respect to this Proposal.
- 11.3** That the Insolvent Person is not aware of any indebtedness to Her Majesty in the Right of Canada or a Province as defined in Article 8.2 herein.

### **Article 12. Arrangements Affecting Secured Creditors**

- 12.1** That the creditors with secured claims shall prove the secured claims with the Trustee. Where the security interest held by the secured creditor is unperfected or invalid for any reason whatsoever and such imperfection or invalidity renders the security interest held by the secured creditor subordinate to the security interest held by the Trustee, the Trustee shall disallow the secured claim. Where the secured claim is disallowed by the Trustee, all property that comprises the security interest held by the secured creditor shall vest in the Trustee in priority to the secured creditor for the general benefit of the unsecured creditors. All proceeds arising from the realization of the aforesaid property by the Trustee shall be distributed pursuant to Article 16 herein, in addition to any other sums payable to the unsecured creditors as provided within this Proposal.
- 12.2** That the creditors with proven secured claims shall be divided into three (3) separate classes, consisting of the following:
- Class I – Operating Lines of Credit (HSBC)  
Class II – Term Debt Financing (Business Development Bank of Canada)  
Class III – Lease Financing (Key Equipment Finance Canada Ltd. and National Leasing Group Inc.)
- 12.3** That subject to Article 12.1 herein, the payment of the claims of the secured creditors in Class I of the Insolvent Person shall be made pursuant to the terms and conditions of the security agreement in respect of the property held as security from proceeds realized in relation to the business operations. In the alternative, that the payment of the claims of the secured creditors in Class I of the Insolvent Person shall be made as agreed between the Insolvent Person and the holders of the secured claims. If the terms and conditions of payment cannot be agreed to then the Insolvent Person will assign itself into bankruptcy.

- 12.4** That subject to Article 12.1 herein, the payment of the claims of the secured creditors in Class II of the Insolvent Person shall be made pursuant to the terms and conditions of the security agreement in respect of the property held as security from proceeds realized in relation to the business operations. Normal monthly payments will resume one (1) month after Court approval and any arrears accumulated prior to the Court approval of this proposal shall be repaid by additional regular monthly payments made subsequent to the scheduled expiration of the finance agreement in such amount that satisfies the entire debt obligation.
- 12.5** That subject to Article 12.1 herein, the payment of the claims of the secured creditors in Class III of the Insolvent Person shall be made pursuant to the terms and conditions of the security agreement in respect of the property held as security from proceeds realized in relation to the business operations. Normal monthly payments will resume one (1) month after Court approval and any arrears accumulated prior to the Court approval of this proposal shall be repaid by additional regular monthly payments made subsequent to the scheduled expiration of the finance agreement in such amount that satisfies the entire debt obligation.
- 12.6** That if the Insolvent Person and the holders of the secured claims are unable to agree to the terms and conditions of payment, the holders of the secured claims may realize the security. All costs, expenses, and obligations incurred of every nature and kind whatsoever with respect to the enforcement and realization of security is the sole responsibility of the secured creditor undertaking enforcement and realization.
- 12.7** The principal of the Insolvent Person, Steve Prescott, currently has a \$120,000 secured position but he will postpone his position in favour of all other secured creditors and unsecured creditors in the event that the Proposal is accepted by the creditors and approved by the Court.

### **Article 13. Arrangements Affecting Employees and Former Employees**

- 13.1** That the claims defined in Article 8.4 herein, of all amounts outstanding at the time of the filing of the Notice of Intention or of filing the Proposal, together with all amounts accrued due for services rendered after that date and before Court approval of the Proposal, shall be paid in full immediately following Court approval of the Proposal from proceeds realized in relation to business operations and in priority to the claims of all other creditors, however payment to wage claimants shall be subordinate to payment of the Trustee's fees and disbursements.
- 13.2** That for greater certainty, the payment of the claims defined in Article 8.4 herein shall be the sole responsibility of the Insolvent Person and the claims shall not be included for distribution of any dividends payable by the Trustee with respect to this Proposal.
- 13.3** That the Insolvent Person is not aware of any indebtedness to employees or former employees as defined in Article 8.4 herein.

#### **Article 14. Arrangements Affecting Director's Liabilities**

- 14.1** That upon the full performance of the terms of the Proposal, the Directors of the Insolvent Person shall be released from all claims including contingent claims as defined in Article 8.5 herein, that arose prior to the filing of the Notice of Intention or of filing the Proposal, but the Directors of the Insolvent Person shall not be released from claims that relate to obligations arising out of contractual obligations or claims that are based on allegations of misrepresentation or wrongful or oppressive conduct.

#### **Article 15. Arrangements Affecting Preferred Creditors**

- 15.1** That the funds available for distribution in this Proposal shall be distributed to the preferred creditors as defined in Article 8.7 herein, in priority only to the unsecured creditors and the distribution of dividends to the preferred creditors shall be subordinate to payment of the Trustee's fees and disbursements.
- 15.2** That the Insolvent person is not aware of any indebtedness to preferred creditors as defined in Article 8.7 herein.
- 15.3** The principal of the Insolvent Person, Steve Prescott, is a preferred creditor for \$2,000 but Mr. Prescott will not participate in any dividend distribution to the preferred creditors.

#### **Article 16. Arrangements Affecting Unsecured Creditors**

- 16.1** That the Insolvent Person shall contribute the sums referenced in paragraph's 16.2, 16.3, 16.4, 16.5 and 16.7 to the Trustee for payment of the Trustee's fees and disbursements in priority to all claims, payment of the Superintendent's levy and for distribution, where applicable, to the preferred creditors as defined in Article 8.7 herein in priority only to the unsecured creditors, and to the unsecured creditors as defined in Article 8.8 herein, in complete and full satisfaction of all claims against the Insolvent Person at law or in equity.
- 16.2** That the Insolvent Person shall provide the Trustee with an initial deposit of \$300,000 within 30 days of HSBC confirming to the Trustee that their debt has been paid in full.
- 16.3** That should the Insolvent Person realize any proceeds from the following actions outlined in Article 16.4 prior to March 15, 2012, that all or a portion of such proceeds shall be paid to the Trustee whereby \$300,000 net of the Trustee's fees are distributed to the creditors.
- 16.4** That should the Insolvent Person realize any proceeds from the following actions, all or a portion of such proceeds shall be paid to the Trustee to a maximum whereby \$300,000 net of the Trustee's fees are distributed to the creditors:
- Export Development Insurance on uncollected accounts receivable from QVC UK Inc. - estimated realization of \$100,000 USD;
  - Export Development Insurance on uncollected accounts receivable from Baker & Taylor - estimated realization of \$275,000 USD;
  - Export Development Insurance on uncollected accounts receivable from Anderson Merchandising - estimated realization of \$125,000 USD;

- Proceeds paid into Court to secure costs for the Kulbalba litigation appeal - estimated realization \$75,000 CAD;
- Recovery of embezzled monies from former controller, Kulbalba – estimated realization unknown;
- Recovery of costs in the Canadian Stone Sapphire litigation upon successful defense of the appeal - estimated realization unknown;
- Insurance payment for claim filed with Co-operators Insurance for a frivolous lawsuit defense in the United States. The lawsuit was filed by a litigation trust for the creditor's group of Betta Products Inc. (now bankrupt) and was dismissed with prejudice, the claim is for \$1,200,000 in legal fees; and
- Claim filed against Stone Sapphire in the United States. Lawsuit filed by wholly owned subsidiary in the United States. Estimated realization unknown

- 16.5** That the Insolvent Person shall provide the Trustee with an amount equivalent to the greater of \$50,000 or 30% of Net Income (for further clarity Net Income refers to Net Income after tax as described on the Company's accountant prepared year end financial statements) on or before March 15 of the following year (for example prior to March 15, 2010 for the December 31, 2009 fiscal year end), for the fiscal years 2009, 2010 and 2011. The principal of the Company, Steve Prescott, will personally contribute the \$50,000 each year or an amount required to reach \$50,000 if 30% of the Net Income is below \$50,000 and the Insolvent Person cannot raise the \$50,000 or a portion thereof.
- 16.6** That the Insolvent Person shall not pay management salaries in excess of \$180,000 per annum (\$15,000 per month) for the duration of this Proposal which is \$10,000 per month less than recent historical records indicate.
- 16.7** That should the Insolvent Person obtain equity financing or alternative financing, that a lump sum payment of \$150,000 would provide early termination of the proposal. For further clarity, should the equity or alternative financing be obtained in the 2009 fiscal year prior to the payment referenced in Article 16.5, the early termination payment would be \$150,000, if the equity or alternative financing was obtained subsequent to the first payment referenced in Article 16.5 the early termination payment would be \$100,000, and if the equity or alternative financing was obtained subsequent to the second payment referenced in Article 16.5 the early termination payment would be \$50,000.
- 16.8** That the aforesaid sum may be pre-paid by the Insolvent Person at any time without penalty.
- 16.9** That the Insolvent Person shall voluntarily surrender the security held by Xerox Canada Ltd. and Xerox Capital Services with respect to two separate lease agreements, and that any losses suffered by Xerox Canada Ltd. and Xerox Capital Services shall be submitted as unsecured claims to the estate.
- 16.10** That the Trustee shall distribute dividends, where applicable, firstly to the preferred creditors as defined in Article 8.7 herein, in priority only to the unsecured creditors, and finally to the unsecured creditors as defined in Article 8.8 herein, once per annum commencing in April 2010.
- 16.11** That the Trustee's fees and disbursements shall be paid in priority to the claims of all creditors defined in Article 8, herein.

- 16.12** That the Trustee's fees to date are estimated to total the sum of (\$100,000) plus disbursements and GST. Fees to date and any additional fees incurred by the Trustee shall be submitted to the Court for approval and taxation pursuant to the Bankruptcy and Insolvency Act.
- 16.13** The principal of the Insolvent Person, Steve Prescott, is an unsecured creditor for approximately \$1,202,000 but Mr. Prescott will not participate in any dividend distribution to the unsecured creditors.

#### **Article 17. Comparative Analysis – Division I Proposal vs. Bankruptcy**

- 17.1** That the Comparative Analysis of Projected Dividends, attached hereto as Exhibit "A" to this Proposal, calculates the minimum estimated funds available for distribution to creditors pursuant to the Proposal at the sum of \$450,000 representing a dividend of 10.13%. As outlined in Article 16.5 this amount may increase subject to Net Income.
- 17.2** That conversely, the Comparative Analysis calculates the estimated funds available for distribution to creditors in a Bankruptcy at the sum of \$0.00 representing a dividend of 0.00%.

#### **Article 18. Valuation of Claims, Voting and Applicable Dates**

- 18.1** That the Claims of all proven creditors shall be valued as at May 20<sup>th</sup>, 2008 by the Trustee, at or before the meeting of creditors.
- 18.2** That proofs of claim, proxies and voting letters intended to be used at the Meeting of Creditors must be lodged with the Trustee prior to the Meeting of Creditors.
- 18.3** That creditors must vote their claims by either returning a properly completed voting letter to the Trustee prior to the Meeting of Creditors, or by attending at the Meeting of Creditors and voting in person or by proxy.

#### **Article 19. Modifications and Amendments**

- 19.1** The Trustee, with the approval of the Court and without notice to the Creditors, may agree to concur in any modification or amendment to the Proposal after the Creditors have voted on the Proposal, including without limiting the generality of the foregoing, any extension of time for carrying out the terms of the Proposal or for taking any steps or proceedings hereunder, other than any modification or amendments which would materially adversely affect the rights of any creditor.

#### **Article 20. Notice**

- 20.1** Unless otherwise indicated, any notice required or permitted to be given pursuant to the Proposal shall be sufficiently given or made if delivered, faxed or mailed by prepaid post as follows:

To the Trustee:

**MEYERS NORRIS PENNY LIMITED**  
Insolvency and Restructuring Professionals  
Suite 300, 10104 – 103 Ave  
Edmonton, Alberta  
T5J 0H8

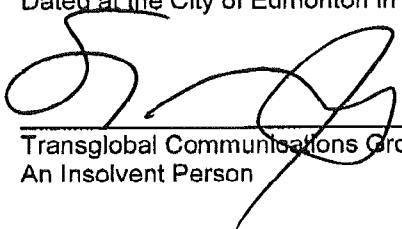
Attention: Grant Bazian, CIRP, Trustee  
Telephone: (780) 455-1155  
Facsimile: (780) 409-5415

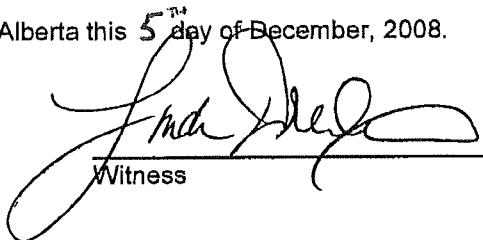
To the Creditors:

At their last known address according to the Insolvent Person or such other addresses as any of the foregoing may designate from time to time.

Any notice delivered as aforesaid shall be deemed to have been received when delivered, if delivered on a day other than Saturday, Sunday or statutory holiday, and otherwise on the next following business day. Any notice mailed as aforesaid shall be deemed to have been received on the 7th business day following the day on which such notice is mailed.

Dated at the City of Edmonton in the Province of Alberta this 5<sup>th</sup> day of December, 2008.

  
\_\_\_\_\_  
Transglobal Communications Group Inc.  
An Insolvent Person

  
\_\_\_\_\_  
Witness