

District of Alberta  
Division No: 01 - Edmonton  
Court/Estate No: 24-1212720

**IN THE MATTER OF THE BANKRUPTCY OF  
TALSMAS WELDING LTD.**

**TRUSTEE'S PRELIMINARY REPORT**

**BACKGROUND**

1. Established in 1976, Talsma's Welding Ltd. ("Talsma's") had been operating as a welding shop in central Alberta. Talsma's operations were located in Bentley, Alberta.
2. Talsma's made an assignment in bankruptcy effective May 29, 2009 and Meyers Norris Penny Limited was appointed Trustee of the Estate (the "Trustee").

**CONSERVATORY AND PROTECTIVE MEASURES**

3. Prior to the appointment of the Trustee, Talsma's was subject to receivership proceedings pursuant to Orders of the Court of Queen's Bench of Alberta granted March 17, 2009 and May 26, 2009 whereby Meyers Norris Penny Limited was appointed as Interim Receiver and Receiver, respectively. As such, at the date of bankruptcy, all of Talsma's assets were in the possession of the Receiver.

**ASSETS**

4. As noted above, the Trustee is not in possession of Talsma's assets. The only asset that may be available to the bankrupt Estate is a surplus of funds, if any, from the receivership proceedings.

**ASSET REALIZATION AND PROJECTED DISTRIBUTION**

5. Based on the information available to date, the Trustee is of the view that the proceeds of realization from Talsma's assets may not be sufficient to repay the outstanding secured claims and accordingly, there may not be funds available for distribution to Talsma's unsecured creditors.

**LEGAL**

6. The Trustee retained the law firm of Gowling Lafleur Henderson LLP ("Gowlings") to conduct a review of the security granted by Talsma's to Servus Credit Union Ltd. ("Servus") and provide an independent opinion on the validity of the security granted. The security granted included a General Security Agreement and land mortgage. Gowlings are of the opinion the General Security Agreement and mortgage held by Servus are valid and enforceable as against the Trustee in Bankruptcy.
7. The Trustee expects there will be collaboration between the Receiver's legal counsel and the Bankrupt Estate's legal counsel regarding the best approach to gather evidence necessary to pursue the collection of outstanding accounts receivable due to Talsma.

**DISCLOSURE**

8. Meyers Norris Penny Limited is acting as Court appointed Receiver and as Trustee in Bankruptcy.

## SUMMARY OF CLAIMS

9. Below is a summary of claims contained in the Statement of Affairs.

	<b>Amount (\$)</b>
Secured	2,429,900
Preferred	-
Unsecured	2,666,751
	<u>5,096,651</u>

10. The following creditors have registered a security interest against the assets, property and undertakings of Talsma's at the Personal Property Registry. Certain claims noted below have been disallowed by the Trustee.

Caterpillar Financial Services Limited  
General Motors Acceptance Corporation  
Indcom Leasing Inc.  
Lacombe Ford Sales Ltd.  
National Leasing Group Inc.  
Praxair, Inc.  
Servus Credit Union Ltd.  
Valiant Financial Services Ltd. (disallowed)  
Vanden Brink Law Office  
Raydon Rentals Ltd. o/a The Cat Rental Store (disallowed)

Claims that may rank in priority to the claims of the secured creditors include claims of Canada Revenue Agency with respect to employee source deductions and claims under the Wage Earner Protection Program Act ("WEPPA"). Canada Revenue Agency has completed an audit of Talsma's payroll account and determined that the balance due to Canada Revenue Agency is approximately \$192,000. The Trustee has not yet determined what portion of this amount constitutes Canada Revenue Agency's deemed trust claim.

The Trustee has not yet determined the amount of WEPPA claims.

11. A summary of proven claims as at 5 pm, June 16, 2009 is attached.

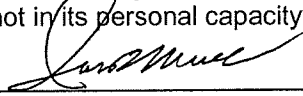
## REVIEWABLE TRANSACTIONS AND PREFERENCE PAYMENTS

12. At this time, the Trustee is not aware of any transactions that may constitute a reviewable transaction or preferential payment under the *Bankruptcy and Insolvency Act*.

Dated at Red Deer, Alberta this 16th day of June, 2009.

### MEYERS NORRIS PENNY LIMITED

In its capacity as Trustee of the Estate of  
Talsma's Welding Ltd. a bankrupt  
And not in its personal capacity

  
\_\_\_\_\_  
Ian P. Mackin, CA, CIRP  
Senior Vice President

**Meyers Norris Penny Limited**

**Claims Register  
(Standard)**

In the matter of the bankruptcy of  
Talsma's Welding Ltd.  
of the town of Bentley, in the Province of Alberta

<i>Creditor Name</i>	<i>Proof of Claim?</i>	<i>Claim Status</i>	<i>Rank / Class</i>	<i>SOA Amount</i>	<i>Amount Filed</i>	<i>Admitted for Dividend</i>
<b>Secured creditors</b>						
1. SERVUS CREDIT UNION Attn: ASSET MANAGEMENT DEPARTMENT GSA	Yes	Admitted		1,368,000.00	1,507,503.04	
2. SERVUS CREDIT UNION Attn: ASSET MANAGEMENT DEPARTMENT Mortgage	Yes	Admitted		600,000.00	592,132.68	
<b>Total : Secured creditors</b>				<b>1,968,000.00</b>	<b>2,099,635.72</b>	
<b>Unsecured creditors</b>						
1. 1293842 Alberta Ltd./Extc Welding and Fabricating Attn: Walter Pacholko action#090900078	Yes	Admitted		14,994.02	14,994.02	14,994.02
2. Alberta Industrial Metals TAL040& TAL041	Yes	Admitted		390,000.00	390,092.92	390,092.92
3. Andy's Oilfield Hauling Ltd.	Yes	Admitted		2,913.75	6,155.63	6,155.63
4. Bar S Welding & Fabricating Attn: Luke Serle inv#052473	Yes	Admitted		3,402.00	3,402.00	3,402.00
5. Big Mountain Welding	Yes	Admitted		8,190.00	12,836.25	12,836.25
6. Brown Smith Owen LLP TAL1227 001	Yes	Admitted		33,113.40	35,087.72	35,087.72
7. Carriage Auto Upholstry	Yes	Admitted		346.50	346.50	346.50
8. Century Vallen 166983	Yes	Admitted		506.40	2,831.31	2,831.31
9. Commercial Solutions Inc.	Yes	Admitted		6,099.99	6,045.50	6,045.50
10. EMCO/ Westlund Industrial 620744	Yes	Admitted		92.11	92.11	92.11
11. Faucher Industries 00242199	Yes	Admitted		1,359.06	2,411.20	2,411.20
12. Flashback Welding & Fab Ltd. Attn: Mark Nichols	Yes	Admitted		18,541.50	28,621.50	28,621.50
13. G & B Rubber Products	Yes	Admitted		8,200.50	8,200.50	8,200.50
14. Goodall Rubber 038784	Yes	Admitted		4,131.08	1,227.17	1,227.17
15. Gregg Distributors Action #P0990300962	Yes	Admitted		4,875.46	5,190.41	5,190.41
16. Hawk Sheet	Yes	Admitted		124,989.90	144,627.00	144,627.00
17. Hitek Urethane Ltd.	Yes	Admitted		1,430.00	4,651.50	4,651.50
18. Hofer's Welding Services Inc. Attn: Albert Hofer	Yes	Admitted		12,825.75	12,825.75	12,825.75
19. J. Coulson Construction Ltd.	Yes	Admitted		66,873.90	66,873.90	66,873.90
20. Jim Eisenbeis inv#025316	Yes	Admitted		21,312.50	11,500.63	11,500.63

**Claims Register for Talsma's Welding Ltd. - Concluded**

<i>Creditor Name</i>	<i>Proof of Claim?</i>	<i>Claim Status</i>	<i>Rank / Class</i>	<i>SOA Amount</i>	<i>Amount Filed</i>	<i>Admitted for Dividend</i>
21. KAS Oilfield Hauling	Yes	Admitted		3,255.00	5,953.50	5,953.50
22. KDS Welding	Yes	Admitted		16,261.88	16,261.50	16,261.50
23. McCoy Corporation	Yes	Admitted		443.53	7,331.62	7,331.62
24. McLevin Industries (1982) Ltd.	Yes	Admitted		572.74	3,740.90	3,740.90
25. MHS Contracting	Yes	Admitted		5,492.47	5,492.47	5,492.47
26. Mueller Flow Control Attn: Peter Norell	Yes	Admitted		105,342.23	105,261.19	105,261.19
27. N. W. P. Industries file #54438-26	Yes	Admitted		47,204.79	50,370.66	50,370.66
28. Nugget Oilfield Hauling	Yes	Admitted		2,661.75	2,661.75	2,661.75
29. NWP Industries Attn: Debi DeBelsler NWP Industries	Yes	Admitted		1.00	50,370.66	50,370.66
30. Pinnacle Machining	Yes	Admitted		94.50	94.50	94.50
31. Raven Printing	Yes	Admitted		158.09	158.53	158.53
32. Russel Metals Inc.	Yes	Admitted		156,611.59	159,610.79	159,610.79
33. Spectrum Testing Inc.	Yes	Admitted		1,388.10	774.90	774.90
34. Titan Supply LP	Yes	Admitted		6,180.78	6,180.78	6,180.78
35. Varsteel Attn: Peter Blacher	Yes	Admitted		89,217.55	82,386.73	82,386.73
36. Victory Rig Equipment Corporation 00426	Yes	Admitted		10,582.82	53,011.34	53,011.34
37. Walters Machine Inc. Attn: Jerry Walters	Yes	Admitted		5,804.40	13,389.60	13,389.60
38. Westside Services Ltd.	Yes	Admitted		1,176.00	1,176.00	1,176.00
39. Willow Consulting	Yes	Admitted		173.25	173.25	173.25
<b>Total : Unsecured creditors</b>				<b>1,176,820.29</b>	<b>1,322,414.19</b>	<b>1,322,414.19</b>
				<b>Grand Total:</b>	<b>3,144,820.29</b>	<b>3,422,049.91</b>
					<b>1,322,414.19</b>	<b>1,322,414.19</b>