

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

**VOLUME 2 OF THE
SEVENTH REPORT OF IRA SMITH TRUSTEE & RECEIVER INC.
IN ITS CAPACITY AS COURT-APPOINTED RECEIVER OF
STINSON HOSPITALITY INC.,
DOMINION CLUB OF CANADA CORPORATION,
THE SUITES AT 1 KING WEST INC. AND
2076564 ONTARIO INC.**

DATED SEPTEMBER 8, 2008

1.0 INTRODUCTION

This Volume 2 of the Seventh Report to Court (the “**Seventh Report-Volume 2**”) is filed by Ira Smith Trustee & Receiver Inc. (“**ISI**”) in its capacity as court-appointed receiver and manager (the “**Receiver**”) of all of the assets, undertakings and properties of Stinson Hospitality Inc. (“**SHI**”), Dominion Club of Canada Corporation (“**DCC**”), The Suites at 1 King West Inc. (“**Suites**”) and 2076564 Ontario Inc. (“**Housekeeping**”) (collectively referred to as the “**Debtors**” or the “**Companies**”). As noted in Volume 1 of the Seventh Report, the Receiver will seek a sealing Order concerning this Seventh Report-Volume 2 in order to protect the Sales Process and the estates of the Debtors in the event that the proposed sale to TSCC 1703 does not close. Capitalized terms not defined herein will have the meanings ascribed to them in Volume 1 of this Seventh Report.

1.1 Purpose of this Report

The purpose of this Seventh Report-Volume 2 is to provide this Honourable Court with full disclosure as to aspects of the Receiver's Sales Process which, for the reasons set out in Volume 1, are not disclosed in Volume 1, including details as to the names of each potential purchaser who submitted an initial and/or final LOI and the terms thereof. This Seventh Report-Volume 2, also provides additional details concerning the steps taken by the Receiver to meet with the Applicants in these receivership proceedings, one of whom holds security over certain real property assets of the Debtors, to ensure that such Applicants understood the Receiver's views on the initial and final LOI's and to determine if they had any objections to the Receiver's analysis, conclusions and proposed next steps in the Sales Process.

1.2 Disclaimer

The Receiver has relied upon the financial records and financial statements of the Debtors, as well as other information supplied by management and employees of the Debtors, its accountants, appraisers, valuers, and other advisors. Our procedures did not constitute an audit or review engagement.

Therefore, the Receiver is unable to and does not express an opinion on any financial statements, or elements of accounts referred to in this Seventh Report, or any of the attached Appendices or Exhibits forming part of this Seventh Report. Our procedures and enquiries did not include verification work or constitute an audit in accordance with generally accepted auditing standards. In the event any of the information we relied upon was inaccurate or incomplete, the results of our analysis could be materially affected. We reserve the right to review all calculations included

or referred to in this Seventh Report and, if we consider it necessary, to revise our calculations or conclusions in light of new information as such information becomes available.

2.0 SALES PROCESS

In its Sixth Report, the Receiver indicated the steps that it had undertaken to that date in connection with the Sales Process, and copies of its web pages and teaser were attached as exhibits. Reference was made to the Receiver's Confidential Information Memorandum ("CIM") but it was not attached at that time for obvious confidentiality reasons. A copy of the CIM is attached hereto as **Exhibit "A"**.

3.0 DESCRIPTION OF INITIAL LOI'S

In accordance with the Terms and Conditions of Sale, the deadline for submission of non-binding LOI's to the Receiver was 5PM Toronto time on March 31, 2008. In total, eleven (11) initial, non-binding LOI's were submitted to the Receiver. Attached as **Exhibit "B"** is a summary of the eleven (11) initial LOI's submitted to the Receiver, detailing the names of the offerors and the terms of the LOI's.

4.0 THE RECEIVER'S ANALYSIS AND DECISIONS REGARDING THE INITIAL LOI'S

As noted in Volume 1, the Receiver permitted six (6) parties to proceed with further due diligence. These six (6) parties, all of whom offered consideration totalling at least ten million dollars (\$10,000,000), were:

- TSCC 1703
- The Aquilini Investment Group and Asta Corporation Ltd.
- LJ/IHR
- Royal Host Hotels & Resorts
- Salim Manji in Trust for a Company to be Formed
- Roslyn Brown for a Company to be Incorporated

As noted in Volume 1, there were five (5) parties who submitted initial LOI's but who the Receiver did not permit to continue in the Sales Process. These five (5) unsuccessful bidders were:

- Ocean Pacific Hotels & Resorts
- Vista Hospitality Company
- Lark Hospitality Inc.
- Marriott Hotels of Canada
- Couture Cuisine and Event Artistry

5.0 DESCRIPTION OF FINAL LOI'S

As noted in Volume 1, six (6) final LOI's were submitted to the Receiver on or before May 20, 2008, the deadline for submission of such LOI's as established in the CIM.

One of those LOI's was from Hotel Partnership Inc. ("HPI"), a company which did not execute a CA and, as such, was not provided access to the CIM or the secure web based data room. The HPI offer was submitted on May 15, 2008 as the revised offer deadline of May 20, 2008 was published in the CIM, to which this party did not have access. The HPI offer also did not take the form of the Receiver's standard LOI as that form of LOI was only made available to those parties who had access to the secure online data room. In comparison to the other final LOI's submitted, this final LOI was significantly deficient – the consideration proposed was \$2 million, only 13% of the consideration offered by the highest final LOI, and the terms were complex and somewhat uncertain. The HPI final LOI was executed by Harry Stinson, who is apparently its principal. HPI's legal counsel was notified on Friday, May 23, 2008 that the Receiver had decided not to pursue any further discussions with HPI concerning its submission.

In addition to the party noted above, five (5) final LOI's were submitted to the Receiver on May 20, 2008 by the following prospective purchasers:

- TSCC 1703
- The Aquilini Investment Group and Asta Corporation Ltd.
- KWMC Toronto Ltd. (formerly Salim Manji in Trust for a Company to be Formed)
- Royal Host Hotels & Resorts

Attached as **Exhibit "C"** is a summary of all six (6) final LOI's submitted to the Receiver.

**6.0 ANALYSIS AND COMPARISON OF FINAL OFFERS SUBMITTED BY
INTERSTATE/LE JARDIN GROUP AND TSCC 1703**

As noted in Volume 1, the Receiver's assessment was that the offer of LJ/IHR was superior to that of TSCC 1703 and that, considering the interests of all stakeholders, that LJ/IHR provided for a potentially better result than the TSCC 1703 offer. The following table provides a summary comparison of the Receiver's initial analysis of these two (2) final LOI's:

Summary Comparison of Final Offers

	LJ/IHR	TSCC 1703
Purchase Price	Initially \$15,500,000 including a vendor take back mortgage in the amount of \$11,500,000. Amended to \$15,100,000 cash.	\$13,900,000 cash.
Main Terms and Conditions	\$15,100,000 cash on closing, conditional upon (a) the lender formalizing its commitment, (b) agreement by unit owners controlling a specified minimum number of condominium units to participate in the Rental Management Program, and (c) the issuance of an approval and vesting order.	\$13,900,000 cash on closing, conditional upon (a) the lender formalizing its commitment, (b) an additional time period to perform further due diligence, (c) agreement by the requisite majority of unit owners to the issuance of and/or amendment to TSCC 1703 by-laws allowing for the purchase and relating borrowings, and (d) the issuance of an approval and vesting order.
Impact on Creditors	Positive due to purchase price in excess of	Positive due to purchase price in excess of

	LJ/IHR	TSCC 1703
	secured creditor's debt.	secured creditor's debt.
Impact on Unit Owners	Positive due to significant experience in condominium hotel and food and beverage operations. Given the leverage of the IHR's global network and LJ's expertise in catering, the pro forma financial statements submitted with the final LOI indicated significant increases in distributions to unit owners in the Hotel pool. As well, the cost of all capital improvements to the commercial property were to be undertaken by the LJ/IHR Group and not by individual unit owners.	Potentially negative. The <i>pro forma</i> financial statements submitted by TSCC 1703 did not indicate increased distributions to unit holders, as compared to current distributions by the Receiver. Their forecasted distributions for 2008/09 were below the Receiver's 2008 budget and do not attain current year budgeted levels until the fourth year in their projections. More troubling to the Receiver's analysis was the issue of their financing. The loan was contemplated to be \$17 million, to fund the purchase, working capital and certain capital improvements. The loan was not to be secured principally by the commercial assets purchased, but rather by special assessments imposed by the condominium corporation on all unit owners, regardless whether in the hotel pool or not, which under the <i>Condominium Act, 1998</i> have priority over unit owners' mortgages. Given the amount of the loan, the special assessment would be approximately thirty-one thousand four hundred dollars (\$31,400) per unit. The Receiver was concerned that these assessments might adversely impact the ability of unit owners to refinance or sell their units as the

	LJ/IHR	TSCC 1703
		assessment would appear on any status or estoppel certificate issued by TSCC1703 in connection with such a transaction. However, given the identity of TSCC 1703 and its relationship with and knowledge of the stated desires of unit owners, the Receiver believes that it is reasonable and appropriate in these circumstances to yield to TSCC 1703's business judgement on behalf of unit owners and submit this matter to the unit owners for approval.
Impact on Employees	Positive due to international operations of IHR, associated learning and education opportunities, training programs, employee recognition programs and experience dealing with unions.	Neutral as a result of the proposal to retain the Receiver's existing operator, CK Atlantis Inc.
Closing Risk	Medium due to financing condition and requirement for a minimum of 250 units to participate in the hotel rental pool. However, the Receiver believed that many unit owners would be excited by the prospect of these operators.	Higher due to financing terms, concerns with a potential oppression remedy challenge (see discussion below), and the requirement for approval by unit holders for the transaction and the financing.

6.1 LJ/IHR Final LOI

A listing of the benefits and strengths that lead the Receiver to initially prefer the LJ/IHR Group final LOI is presented below:

- The offer's amended purchase price of fifteen million one hundred thousand dollars (\$15,100,000) cash on closing is one million two hundred thousand dollars (\$1,200,000) higher than TSCC 1703 final LOI. The consideration from this offer would provide proceeds for distribution to creditors higher than that contemplated by TSCC 1703's final LOI. Initially, the final LOI had proposed a price of fifteen million five hundred thousand dollars (\$15,500,000) including a vendor take-back mortgage in the amount of eleven million five hundred thousand dollars (\$11,500,000), but was amended by LJ/IHR after the Receiver made it clear that vendor take back security would not be acceptable.
- As a result of IHR's experience managing hotels, its global reservations network and its experience specifically in condominium hotels, the Receiver expected it to significantly improve hotel occupancy and room rates. LJ's expertise in providing catering services for social and special functions such as weddings, anniversaries and holiday parties was expected to not only improve the F&B revenue, service and reputation at The Suites at 1 King West, but also to generate incremental hotel business during traditionally low occupancy periods (i.e. weekends). These increased hotel revenues would translate into higher distributions for those unit holders participating in the rental pool. The *pro forma* financial statements submitted with LJ/IHR's final LOI projected that distributions to unit owners would increase from approximately six million dollars (\$6,000,000) in 2008/09 to approximately ten million dollars (\$10,000,000) by 2012/13.
- The Receiver expected that the perceived stabilization of the business subsequent to finalization of a sale of the assets by the Receiver, together with the anticipated improvement in both the hotel operations and food and beverage service, would

ultimately result in increased market value of the residential condominium units for all unit holders.

- LJ/IHR's LOI did not contemplate making any changes or amendments to the existing RMA's, the Lease Operating Agreement or the other documents under which the hotel is operated.
- After discussions with the Receiver concerning the May 9 letter from counsel to TSCC 1703, LJ/IHR was willing to provide a right of first refusal to TSCC 1703 in the event that LJ/IHR proposed to sell the business in the future.
- After discussions with the Receiver concerning the May 9 letter from counsel to TSCC 1703, LJ/IHR was willing to provide assurance to TSCC 1703 that the hotel management contract would not be assigned without TSCC 1703's input/approval.
- After discussions with the Receiver concerning the May 9 letter from counsel to TSCC 1703, LJ was willing to make provisions for food and beverage services for unit owners at discounted rates and to contribute the Austin Gallery (or other available space should this venue be previously booked) for private use by unit owners at no charge.
- Any investment required for capital improvements for the commercial property used in the hotel and food and beverage operations would be funded by LJ/IHR.
- Employees would be provided with a wider range of career opportunities through the multinational operations of IHR.
- IHR has experience in dealing with unions which would have helped to manage any issues arising from the unionization of the hotel employees.

Overall, the Receiver's assessment of the LJ/IHR final LOI was positive. It was the Receiver's opinion that this final LOI represented the best outcome for the combined group of stakeholders, including creditors, unit owners and employees.

6.2 TSCC 1703 Offer

The consideration from this final LOI would also provide significant proceeds for distribution to creditors. However, in order to secure the financing for the transaction, the Receiver was concerned that other stakeholders, namely unit owners, would be required to assume additional risk given the imposition of the special assessments contemplated as part of the financing proposal.

Some of the issues with the TSCC 1703 LOI, which contributed to the Receiver's decision that the LJ/IHR final LOI was preferable, are as follows:

- The financing would be secured by individual units through the levy of a special assessment by the Board of Directors of TSCC 1703. Assuming a purchase price of thirteen million nine hundred thousand dollars (\$13,900,000) plus two million five hundred thousand dollars (\$2,500,000) in anticipated capital improvements and a work fee to be imposed by the lender of one percent (1%) on the total amount to be financed, a special assessment of approximately thirty-one thousand four hundred dollars (\$31,400) would be imposed on each unit as security for the lenders.
- The Receiver was concerned not only with the issue of whether unit owners would approve that financing, but also with its potential impact on their ability to refinance or

sell their units, and the fact that the assessments would apply to all units whether or not in the hotel pool.

- According to the *pro forma* financial statements submitted by TSCC 1703, distributions to unit owners would be approximately six million five hundred thousand dollars (\$6,500,000) in 2008/09 and would increase to approximately seven million two hundred thousand dollars (\$7,200,000) in 2011/12. The projected 2011/12 distributions to owners was the first year in which their projected distributions exceeded the distributions projected by the Receiver for the 2008 fiscal year.
- As referenced in Volume 1, the Mirvish Group obtained the legal opinion of Mr. Mark Freedman, of Harris, Sheaffer LLP, on TSCC 1703's ability to make an offer for the assets for sale pursuant to Section 97 of the *Condominium Act, 1998* and the ability of TSCC 1703 to close a transaction given the need to win the required vote by unit owners. Based on Mr. Freedman's opinion, the Mirvish Group had indicated that it believed that the proposed purchase by TSCC 1703 to acquire the assets for sale could result in an oppression challenge by any unit owner. The Mirvish Group owns 32 units which, at approximately thirty-one thousand four hundred dollars (\$31,400) per unit for the special assessment, would result in approximately one million dollars (\$1,000,000) in special assessments against the Mirvish Group's units. This may provide significant enough prejudice to merit a potential legal challenge by the Mirvish Group, which could provide for significant closing risk.

For employees, the Receiver assessed the TSCC 1703 final LOI as neutral since it proposes to retain the operator currently engaged by the Receiver.

Overall, given the LJ/IHR final LOI, the Receiver viewed the TSCC 1703 final LOI as a mixed opportunity for unit owners. While the unit owners would ultimately own the commercial assets, and allow unit owners to “control their own destiny” as TSCC 1703 has indicated in these proceedings is the desire of the unit owners, it would impose both business and financing risk on unit owners (whether or not they participate in the Rental Management Program) which was not present with the LJ/IHR final LOI. Ultimately, while the Receiver is concerned for all stakeholders, the Receiver believes that it is reasonable and appropriate in these circumstances to yield to TSCC 1703’s business judgment on behalf of unit owners and to submit the matter to unit owners for approval as required.

7.0 TSCC 1703 COMMUNICATIONS

As noted in Volume 1, TSCC 1703’s counsel has sent a number of letters concerning various matters.

The May 9, 2008 letter set out thirty-seven (37) “concerns” which TSCC 1703 asserted regarding TSCC 1726. The letter also requested that the Receiver post the letter in the confidential data room so that all potential purchasers “receive full and fair disclosure” regarding matters which may arise as a consequence of acquiring the units of TSCC 1726. In the Sixth Report, the Receiver described its view of this letter and that the Receiver did not agree with either its analysis or conclusions. The Receiver did not post the letter in the data room, as it did not want such a letter to be posted within ten days of the final LOI bid deadline. The Receiver did not want to risk allegations that the letter might have skewed the Sales Process given that the author of the letter was representing a potential purchaser.

However, to ensure full disclosure, the Receiver provided a copy of the May 9 letter to counsel for LJ/IHR to allow them to better understand the position of TSCC 1703 and to consider those points in addressing any matters which may require unit holder approval.

The May 15, 2008 letter contained the views of TSCC 1703's counsel on the opinion rendered by Mark Freedman, which was discussed in Volume 1.

Attached as **Exhibit "D"** are copies of the above referenced letters, as well as the opinion letter from Mark Freedman, to provide this Honourable Court with the opportunity to better understand the *Condominium Act, 1998* issues.

8.0 AGREEMENT OF PURCHASE AND SALE WITH LJ/IHR

Following significant discussions and negotiations, a definitive asset purchase agreement dated as of June 27, 2008 was executed by the Receiver and LJ/IHR. This agreement contained a number of conditions, including:

- A period to July 18, 2008 to allow for LJ/IHR to finalize its financing arrangements and to confirm either that LJ/IHR would be willing to proceed with a transaction or advise that they would not proceed.
- A meeting of owners of the residential condominium to obtain acknowledgements from a sufficient number of unit owners to confirm that at least 250 units would continue to participate in the rental management program. This meeting of owners would be scheduled subsequent to the end of the due diligence period.
- Court approval.

Attached as **Exhibit "E"** is a copy of the LJ/IHR agreement.

On July 2, 2008, the Receiver notified TSCC 1703 that the Receiver would not be proceeding to enter into a definitive agreement with them. Attached as **Exhibit "F"** is a copy of the Receiver's letter to TSCC 1703.

On July 3, 2008, the Receiver met with the Mirvish Group to inform them that a definitive agreement had been entered into with the LJ/IHR Group.

9.0 FOLLOW UP DISCUSSIONS WITH MIRVISH GROUP REGARDING STATUS OF SALE PROCESS

In addition to the information set out in Volume 1 regarding the July 25 discussions with Mirvish Group, the Mirvish Group confidentially informed the Receiver that they had had discussions with the LJ principal subsequent to the termination of the LJ/IHR agreement (which the Receiver did not know about or authorize) and that the LJ principal expressed regret about terminating the agreement. The Mirvish Group inquired as to the ability to go back to LJ/IHR again and request that they now waive the financing condition. The Mirvish Group was advised that the LJ/IHR deposit had already been returned, that the LJ/IHR final LOI was no longer an option and that the Sales Process would continue with the final LOI submitted by TSCC 1703. The Receiver never received any direct contact from LJ/IHR requesting a further opportunity to enhance its bid. Nor would the Receiver have felt it appropriate to allow that to occur in a fair receivership process. In all, while not the best offer initially received, the Receiver believes that the TSCC 1703 APA is the best available outcome for the Debtors' estates and stakeholders in the circumstances in a fair and reasonable process.

All of which is respectfully submitted at Toronto, Ontario this 8th day of September, 2008.

IRA SMITH TRUSTEE & RECEIVER INC.

solely in its capacity as the Court-Appointed Receiver
of Stinson Hospitality Inc., Dominion Club of Canada Corporation,
The Suites at 1 King West Inc., and 2076564 Ontario Inc. and not in its
personal Capacity

Per: 

President

GOODMANS\5629901.5

EXHIBIT "A"

**CONFIDENTIAL INFORMATION
MEMORANDUM**

MARCH 2008



Confidential Information Memorandum

Ira Smith Trustee & Receiver Inc has been appointed Receiver and Manager (the "Receiver") of the assets, properties and undertakings of Stinson Hospitality Inc. ("SHI"), Dominion Club of Canada Corporation ("DCC"), 2076564 Ontario Inc. ("Housekeeping") and The Suites at 1 King West Inc. ("The Suites") (collectively "the Company") pursuant to an Order of the Ontario Superior Court of Justice (Commercial List). In its capacity as Receiver, Ira Smith Trustee & Receiver Inc. is undertaking a sales process to dispose of all of the properties, assets and undertakings of the Company on an "as is, where is" basis.

The Receiver is offering for either for sale or for lease and management thereof, on a non-exclusive basis, either individually or collectively, the Receiver's right, title and interest, if any, in all of the properties, assets and undertakings of SHI, DCC, Housekeeping and The Suites, real or personal, of whatever nature or kind and wherever situate, including, without limitation, any shares or units which may be legally or beneficially owned by SHI (collectively the "Assets"), to prospective purchasers/lessors.

This Confidential Information Memorandum (the "Memorandum") contains proprietary, non-public information regarding the Company and the Assets and is furnished to qualified purchasers on a confidential basis. The information contained herein has been obtained from the Company's management and other sources and has been prepared for the purpose of providing interested parties with general information to assist them in their evaluation of the Company and the Assets, for the purpose of determining whether or not to proceed with either the acquisition or leasing and management of any or all of the properties, assets or undertakings of the Company.

No representation or warranty, expressed or implied, is made by the Receiver as to the accuracy or completeness of the information or any other written or oral communication transmitted or made available to prospective purchasers or lessors of the Assets. Nothing contained in the Memorandum is, or shall be relied upon as, a promise or representation, whether as to the past or future performance of the Company. Any estimates or projections contained herein have been prepared by management of the Company, and are based on information currently available, and may involve significant subjective judgments and analyses. Accordingly, no representation is made as to the completeness or attainability of the projections. Only those representations and warranties made in a definitive agreement of purchase and sale shall have any legal or binding effect.

Recipients of this Memorandum are bound by a previously executed confidentiality agreement and agree that all of the information contained herein is of a confidential nature and will treat it in a confidential manner consistent with the terms and conditions of the agreement, will not be directly or indirectly disclosed or permit their agents, representatives, employees, officers, directors or any other affiliates to disclose any of such information and that they will use the Memorandum and any related information only to evaluate an acquisition of the Assets and for no other purpose. If either the recipient elects not to pursue the purchase or lease of the assets or is not successful in acquiring either the Assets or the right to manage the Assets, the recipient will return

this Memorandum to the Receiver together with any other material relating to the Assets which the recipient may have received from the Receiver, without retaining any copies or extracts thereof. Any information generated by the recipient that consists of analysis, compilations, designs, studies or other documents that contain or refer to such confidential information shall be destroyed by the recipient; the recipient will confirm such destruction in writing to the Receiver.

The Receiver reserves the right to negotiate with one or more parties at any time and to enter into a definitive agreement concerning the Company and/or the Assets without prior notice to any other parties.

The Receiver has not been retained to verify the information contained herein. Each recipient hereof is responsible for conducting its own independent analysis of any proposed transaction and for independently verifying the information contained herein. Each recipient agrees not to contact any owners, officers, directors, employees, representatives, agents, customers, suppliers or any other affiliates of the Company without the express prior consent of the Receiver.

This Memorandum is not, and under no circumstances is it to be construed as, a prospectus, a public offering, or an offering memorandum as defined under applicable securities legislation. All financial figures included in this Memorandum are in Canadian dollars unless noted otherwise.

All communications, inquiries and requests for information relating to the Memorandum or to the purchase of the Assets should be addressed to:

Ira Smith Trustee & Receiver Inc.
167 Applewood Crescent, Suite 6
Concord, Ontario L4K 4K7
T: (905) 738-4167
F: (905) 738-9848

Attention: Cindy Wilson
cindy@irasmithinc.com

-and-

Ira Smith
ira@irasmithinc.com

Recipients of this Memorandum who do not wish to pursue this matter are required to return all copies received, forthwith, to the attention of the aforementioned persons.

CONFIDENTIAL INFORMATION MEMORANDUM NUMBER: _____

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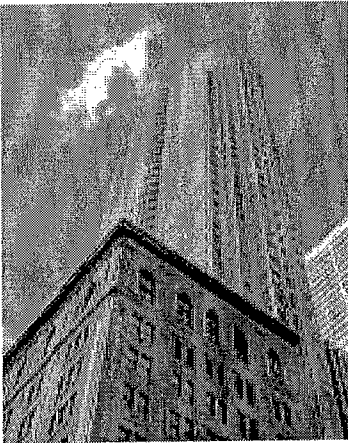
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1. Opportunity Overview and Process

Ira Smith Trustee & Receiver Inc., in its capacity as court-appointed receiver and manager (the "Receiver") of the assets, properties and undertakings of Stinson Hospitality Inc. ("SHI"), including the wholly owned subsidiaries Dominion Club of Canada Corporation ("DCC"), 2076564 Ontario Inc. ("Housekeeping") and The Suites at 1 King West Inc. ("The Suites") (collectively the "Company"), is offering the opportunity to either purchase, or lease and manage, any or all of the assets, properties and undertakings of SHI, DCC, Housekeeping and The Suites (the "Assets"), either individually or collectively, to prospective parties.

1.1. INTRODUCTION

The property known as The Suites at 1 King West ("1 King West") is a real estate development with a unique and complex ownership structure, operating as a hotel-condominium (the "hotel") overlooking the financial, entertainment and shopping districts in downtown Toronto, Ontario. The hotel is comprised of two distinct towers. The Historic tower forms the base of the complex. This tower was originally the 13 storey Dominion Bank Building built in 1914 at 1 King Street West and parts have been designated by the City of Toronto (By-law No. 278-90) as a heritage building. The new "sliver" Tower building at 51 storeys is located on the property formerly known as 5 King Street West and is integrated with the Historic tower for the first 15 floors (two floors were added to the Historic tower during construction) after which it rises a further 36 storeys beside and partially over the historic building.¹



Several different corporate entities (SHI, DCC and Housekeeping) have been set up to manage different operations within the building including the residential condominium unit leasing program (the "hotel operations"), food and beverage operations, parking operations, housekeeping services and other ancillary revenue sources (e.g. internet and telephone). SHI has been contracted as rental manager to manage the hotel operations (including the sale of rooms on a daily basis as well as providing all hotel services expected in a downtown Toronto hotel).

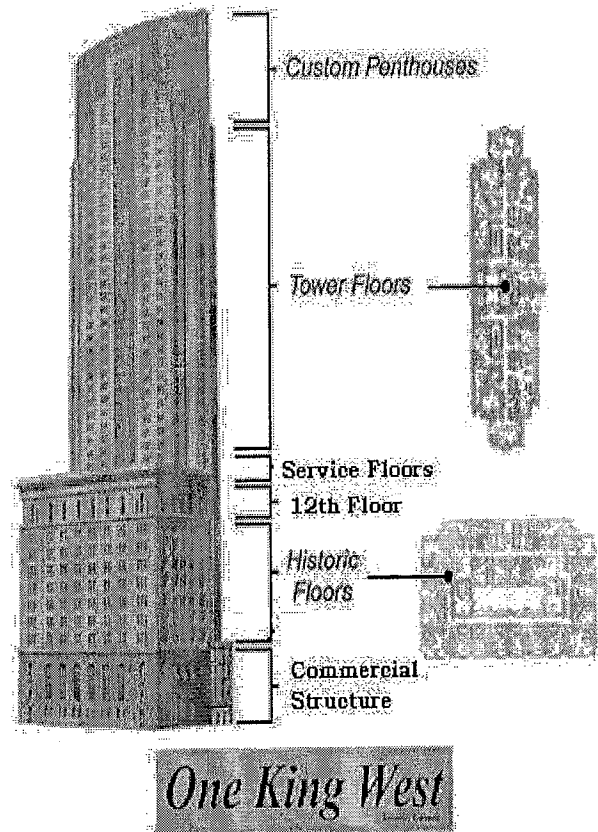
¹The 3rd and 4th floors of the Historic Tower are owned, in freehold, by DCC and serve as its principal banquet and function facilities. A commercial condominium, Toronto Standard Condominium Plan No. 1726, consists of 4 units including the service elevators, front desk, concierge desk, manager's office, servery and staff service facilities. The remainder of the building consists of units in a residential condominium corporation, Toronto Standard Condominium Corporation No. 1703, and includes common areas such as the dining facilities on the 12th floor. As a result of contractual arrangements between the residential and commercial condominium corporations, SHI has been appointed hotel manager.

SHI's three wholly owned subsidiaries include DCC, Housekeeping and The Suites. DCC manages the food and beverage operations on the hotel premises and owns certain freehold lands and appurtenances (the "Commercial Structure", as further described in Appendix A to this Memorandum). Housekeeping provides housekeeping services to the hotel operations and DCC. The Suites acts as a nominee to manage rental pool revenue and expenses on behalf of the residential condominium owners (the "Owners") who have contributed their suites to the rental pool. It is the assets, properties and undertakings of each of SHI, DCC, Housekeeping and The Suites which are available in this process either for sale or for leasing and managing, either individually or collectively.

The individual residential condominium units (whether in or out of the rental pool) are owned by individual owners and do not form any part of the assets, properties and undertakings available for sale as part of this opportunity.

SHI owns three of the four units and holds a two thirds co-ownership interest in the fourth unit in Toronto Standard Condominium Plan No. 1726 (the "Commercial Condo Corp."), which permits, inter alia, the appointment of the rental manager. DCC owns the Commercial Structure (also known as the Club Lands) which consists of the vaults on the basement level, certain parts of the lobby level, and the second, third and fourth floors, excluding 1,500 square feet on the third floor (a perpetual lease agreement is in place for this space) and three rooms on the twelfth floor along with various service elements including the service elevators. The remainder of the building, including the remainder of the twelfth floor, the parking levels and the fitness centre as well as the remaining one third co-ownership interest in the Commercial Condo Corp., is owned by Toronto Standard Condominium Corporation No. 1703 ("the Residential Condo Corp."). In addition, meeting room and gallery space on the twelfth floor is leased to the Commercial Condo Corp by the Residential Condo Corp.

The combined towers contain 575 privately owned residential suites. Many of the suites are owned by investors who contribute their suites to the rental pool managed by SHI. The Owners who contribute their residential condominium units to the rental pool share in profits from certain of the hotel operations, as described and defined in their current rental management agreements. There are currently 386 suites in the rental pool. Rental suites are located in both the Historic and Tower buildings.



This hotel differs from other downtown Toronto hotel offerings in that it offers an extensive list of in-room amenities, including refrigerator, microwave oven, dishwasher, and washer & dryer. Other hotel amenities include restaurant and bar, business centre, fitness centre and pool, pay for use limousine service, valet parking, 24 hour concierge services and connection to Toronto's underground "PATH" walkway.

1 King West was originally approved by the City of Toronto for the establishment of a residential condominium project along with minor amounts of non-residential space for service and retail uses and a theatre. Approval was obtained in 2000 and 2001 for the development to exceed the zoning by-law density limit for residential uses. In addition, approval was obtained in 2000 for the provision of parking spaces for the residential units at a rate lower than that required by the zoning by-law. A hotel use is permitted at 1 King West, but the establishment of such a use must meet a number of zoning development standards and requirements.²

1.2. OVERVIEW

The assets for sale or lease include various physical assets and contractual revenue streams of each of the operating companies as outlined below.

1.2.1. Physical Assets

Commercial Structure

The commercial portion of the hotel includes units of the Commercial Condominium Corp. owned by SHI and the Commercial Structure owned by DCC. This includes approximately 40,000 square feet consisting of the vaults on the basement level, the main/lobby level, and the second, third and fourth floors (excluding 1,500 square feet on the third floor) as follows:

- Approximately 9,200 square feet (23%) of the basement level accommodating meeting space, kitchen, service and storage;
- Approximately 6,100 square feet (15%) of the main level accommodating the front desk, concierge, 34-seat restaurant, 20-seat lobby bar, administrative offices, newsstand and service areas;
- Approximately 8,700 square feet (22%) on the second floor housing the main dining room and service facilities as well as the electrical room;
- Approximately 5,000 square feet (13%) on the third floor used for meetings, service areas and storage of telephone and telecommunications equipment. The remaining 1,500 square feet on the third floor is leased in perpetuity to a third party; and
- Approximately 2,600 square feet (6.5%) on the fourth floor primarily used as hotel management and corporate offices;

² Reporting letter of The Lakeshore Group dated September 18, 2007 to the Receiver.

- Approximately 5,200 square feet (13%) on the twelfth and thirteenth floors used for meetings and functions with a small service area; and
- Additional space for service elements including a service elevator and service/storage areas.

Note that ownership of the front desk unit is shared by the Commercial Condo Corp. and the Residential Condo Corp. The Commercial Condo Corp. holds two-thirds co-ownership interest in the unit while the Residential Condo Corp. holds the remaining one-third interest. Provisions in the Reciprocal Agreement (summarized in Appendix D below and a copy of which will be made available in the data room) place the Commercial Condo Corp. in sole control of the use, management and operation of the front desk service. The Residential Condo Corp. contributes one-third of the overall costs of the front desk service.

SHI

The assets owned by SHI and available for purchase include:

- Computer equipment and software;
- In-room safes;
- Cleaning equipment;
- Luggage carriers; and
- Sundry audiovisual equipment.

DCC

The owned and leased assets for operation of the food and beverage services are available for purchase. The assets include:

- Kitchen equipment;
- Dining room, lobby restaurant/bar furniture;
- Tableware and linen; and
- Service equipment.

1.2.2. Revenue Streams

Revenue is generated within three operating companies, each responsible for a different aspect of hotel operations. The revenue streams and the applicable operating company are identified below:

SHI

Of the 575 residential condominium units contained in 1 King West, 386 have been placed in a rental pool by individual owners who entered into a Rental Management Agreement for an initial term of 10 years with automatic yearly extensions thereafter. Units may be temporarily withdrawn from the rental pool by providing the rental manager 35 days written notice and subject to honouring any previous bookings of the

unit. Permanent withdrawal from the program is possible for owner occupancy upon providing a minimum of four months written notice.

The leasing program allows SHI to operate the premises as a hotel for short term or monthly stays. Owners are not permitted to lease their units outside the pool unless the lease term exceeds one year.

The revenue stream generated from units placed in the rental pool is determined by:

- A fixed administrative fee of \$165 per room per month (CPI adjusted); and
- An incentive fee of 5% of the aggregate annual Net Rental Revenue generated from rental of units placed in the pool. Net Rental Revenue is defined in the rental management agreements.

Administrative fees are calculated and paid monthly while incentive fees are calculated annually and paid subsequent to the release of the annual audited financial statements for The Suites Leasing Program.

DCC

Food and beverage operations are managed separately from the hotel leasing program by DCC. Additionally, the 100-space parking garage is under management by DCC on a fee basis.

Revenue streams are generated through:

- All food and beverage sales through the main floor restaurant and bar, banquet and meeting rooms and through room service to guests in the pooled hotel suites and owner occupied residential units;
- Management fees for oversight of the valet parking operations. This is a new revenue stream and fees are currently being negotiated with the Residential Condo Corp. but it is anticipated that they will generate revenue within the range of \$5,000 to \$10,000 per month;
- A 50% share of any net profits arising from parking operations after repayment of a subsidy funded by the Residential Condo Corp.; and
- Annual rental income of \$180,000 from The Suites for use of DCC owned office space on the third and fourth floors.

Housekeeping

Housekeeping services are provided to hotel and residential components of the building, as follows:

- Daily service to units in the rental pool. Also included is daily service of the hotel common areas including the hotel lobby, fitness centre, non-food and beverage back-of-house areas on the main floor and basement. Fees are calculated based upon hotel occupancy rates and range from \$20.50 per suite to \$22.50 per suite and are billed to SHI monthly.
- Service of specified food and beverage areas (including main floor restaurant, banquet and meeting rooms, food preparation). A verbal agreement exists between

DCC and Housekeeping which sees DCC pay Housekeeping \$12,500 per month for these services.

- Cleaning services to the Residential Condo Corp responsible for the non rental pool units and common areas. The revenue stream is calculated using a rate of \$16 per hour (adjusted annually) plus 16% benefits as follows:
 - 16 hours per day, 7 days per week for common area cleaning services; and
 - 8 hours per day, 7 days per week for recycling pickup.

The legal descriptions of the assets for sale are contained in Appendix A.

Information concerning the DCC and Housekeeping revenue streams is currently not shared with the residential condominium unit Owners, in accordance with the current Rental Management Agreements.

A purchaser considering the collective management or acquisition of SHI, DCC and Housekeeping might consider collapsing one or more of these legal entities.

1.3. PROCESS

To ensure an orderly process, target dates have been established as follows:

1. Information summary ("Teaser") sent to interested parties	Commencing March 11, 2008
2. Confidentiality Agreements ("CA") sent to interested parties	Commencing March 11, 2008
3. CIM document sent to interested parties once CA has been signed and received by the Receiver	Commencing March 13, 2008
4. Non-binding Letter of Intent ("LOI") submission deadline	March 31, 2008 (5:00 PM EST)
5. Web based data room access provided to approved potential purchasers/lessors	Commencing April 15, 2008
6. Final binding offers submission deadline	May 20 2008 (5:00PM EST)
7. Finalize Definitive Agreement	May 30, 2008 (5:00PM EST)
8. Closing	No later than July 11, 2008

Upon receipt of non-binding Letters of Intent ("LOI"), the Receiver will invite selected parties to proceed with further due diligence and submit final binding offers.

Appendix G contains the template form of LOI that prospective purchasers are required to submit by no later than 5:00PM EST March 31, 2008 if they wish to be considered for selection for additional due diligence and have the opportunity to submit final binding offers.

Parties submitting final binding offers will be provided with a detailed purchase and sale agreement template at a later date.

2. Investment Highlights & Opportunities

The sale or leasing and managing of the assets outlined in this Memorandum presents a range of investment opportunities, taken together or individually. Among the key features presented in this opportunity are the following.

2.1. A DESIRABLE LOCATION

1 King West is located in the heart of the central Toronto business, shopping and entertainment districts. Among the locational advantages is the direct connection to the underground "PATH" system (a series of walkways linking all major downtown office buildings) as well as the Toronto subway system (the King subway station is located under the building), Eaton Centre, Union Station and municipal government offices. The location offers consummate access to business, leisure and convention delegates throughout the year.

2.2. A REPOSITIONING OPPORTUNITY

Despite the 386 all-suite units, The Suites has not been positioned as a unique product offering within the highly desirable downtown Toronto marketplace. Only four other hotels with a total of 836 rooms offer an all-suite configuration, a distinct advantage in the central commercial core of a major metropolitan area. The Suites is the largest all-suite hotel in downtown Toronto.

2.3. BRAND EXPANSION

The Suites has operated as an independent hotel since opening in 2005. The project provides an attractive opportunity for a major national or international brand to enter the market or for an existing brand to extend market coverage.

2.4. IMPROVING "TOP LINE" REVENUE

The Suites produced RevPAR of \$101.64 in 2007, some \$21.80 or 21.4% below the Downtown Toronto average RevPAR (for the 11 months ending November 30, 2007). RevPAR penetration of only 82.3% compared with the Downtown Toronto hotel market suggests the property currently has significant upside potential. RevPAR has been increasing under receivership administration, and reached \$92.86 for the month of February 2008. Given the location and suite product, among other factors, RevPAR penetration potential should be much greater.

2.5. A UNIQUE FOOD/BEVERAGE/ENTERTAINMENT VENUE

The historic building in which The Suites is located offers a range of unique food and beverage areas. These spaces offer the opportunity to create both a branded restaurant concept (with an in-house demand source in the hotel and residential units) and special event venues operated in association with or independent of the hotel.

2.6. AN ABILITY TO IMPROVE OPERATIONAL EFFICIENCY

The organizational structure in which the rental pool units, food and beverage areas and core services (i.e., housekeeping) are contained, is not designed to achieve operational synergies. Prospective purchasers may be able to achieve a reduction in operating costs if all components of the Company are brought together in one entity.

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3. Facility & Business Operations Profile

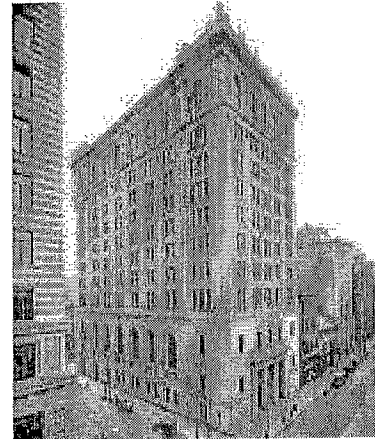
This section of the Memorandum provides an overview of The Suites hotel facility and operations, the food and beverage operations and the housekeeping business.

3.1. HISTORY AND BACKGROUND OF 1 KING WEST

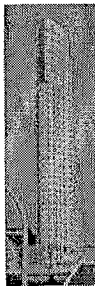
1 King West is located at the corner of King and Yonge Streets in downtown Toronto, Ontario. The condominium hotel concept combines condominium ownership with luxury hotel privileges and services.

The original historical building located at 1 King Street West was opened in 1914 as the head office of The Dominion Bank of Canada. The newer facility, a 51 story residential condominium hotel was integrated with the heritage site, preserving all its prominent features. In total, the development has 575 residential suites and 102 parking spaces.

Once construction was completed in 2005 and ownership transferred to the condominium owners, SHI was engaged as rental manager to manage the hotel leasing program.



3.2. 1 KING WEST FACILITIES AND OPERATIONS



The 1 King West construction project was completed in mid 2005 and 94% of the condominium units have since been sold. Most of the condominium units have been purchased by investors who do not permanently reside in their suites. As such, 386 of the units have been placed into a rental pool for use in the hotel operations.

Within 1 King West, The Suites manages the hotel operations, DCC oversees the food and beverage operations and Housekeeping performs housekeeping duties.

Each of the hotel, food and beverage and housekeeping business operations is outlined below.

3.2.1. Hotel Operations

Introduction

The Receiver understands that when The Suites hotel operations began in August 2005, there were only 24 rooms available in inventory and major construction was ongoing both on the exterior and interior of the building for several months. In addition, it is also the Receiver's understanding that the hotel did not obtain a liquor license until October 2005 so food and beverage offerings were very limited throughout this period.

In December of 2005, construction on the guestrooms neared completion, and the hotel inventory rose to 377 rooms. By March 2006, construction was complete and an

aggressive marketing strategy was implemented with a view to positioning the hotel as the best value in the Toronto market. The Suites was marketed in over 300 community newspapers in Ontario, as well as in in-flight magazines, border state publications, and hotel booking websites.

The results of the marketing campaign were immediate and within one week of launch, call volume tripled and the hotel's positioning on the most popular hotel booking websites moved from less than 1% market share to over 10% in the first month. Since that time, the hotel has continued to make its mark on the Toronto hotel market with occupancy rates and average room rate performance continuing to improve. An overview of how The Suites compares to other downtown Toronto hotels is provided in Section 4 below.

As described further in this Memorandum, the Receiver has repositioned the marketing direction of The Suites, resulting in all aspects of the hotel operation now operating on a profitable basis.

Current Operations

The Suites hotel operations are managed under contract by SHI which acts as rental manager for the condominium units in the rental pool. SHI manages the day to day operations including sales and marketing, advertising, reservations, accounting and purchasing.

For rendering rental management services, SHI is paid a management fee of \$165 per unit per month and an incentive fee of 5% of Net Rental Revenue. Additional details pertaining to the Rental Management Agreements are included in Section 5 and Appendix D below.

The Suites hotel operations employ a broad spectrum of employees across the following functional areas:

- General Manager & Assistant to the General Manager
- Department of the Controller
- Sales & Marketing
- Human Resources
- Department of Director of Rooms
- Engineering

A detailed organization chart detailing the functional areas and staffing for The Suites hotel operations is contained in Appendix B. Note that in the organization chart, reservation employees are shown reporting to the Director of Sales & Marketing who oversees the team, but for payroll classification purposes, these employees are considered part of the Rooms Department.

The Suites currently employs a total staff of 66 employees, 27 of which are salaried and 39 of which are hourly staff. At present, no union has been certified or recognized as the bargaining agent for the employees of the hotel operations.³

A summary of the Suites staff complement is provided in the table below:

Table 3.1 – The Suites Employees by Department

Employees by Department		
Department	Salaried	Hourly
Administration	13	6
Engineering	2	5
Rooms Department	6	28
Sales & Marketing	6	-
Total	27	39

Guest Suites

Five hundred and forty units have been sold to date, of which 386 have been put into the rental pool by their owners.

The configuration of the available guest suites currently in the rental pool is as follows:

Table 3.2 –The Suites Guest Suite Configuration

Type of Unit	Number	Sq. Ft.
Studio Suites	117	300-350
Superior Suites	173	350-400
Premium Suites	39	350-420
One Bedroom Suites	46	550-600
Murphy Bed Suites	9	410-460
Feature Suites	2	-
Total Pooled Units	386	-

Each of the guest suites contains the following standard amenities:

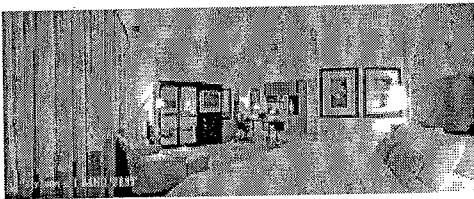
- Refrigerator
- Microwave Oven
- Dishwasher
- Washer & Dryer
- Working and dining area
- Two direct dial phones with voicemail

³ Readers are directed to the subheading "Labour Relations" under Section 3.2.3 of this Memorandum for a fuller explanation of the current status of organizing activities by the Union, Unite HERE Local 75.

- 27" LG TV with DVD Player
- Sony Dream Machine Clock Radio/CD Player
- Coffee maker and kettle
- Linen, china and cutlery
- Electronic room safe
- Individual climate control
- Iron and ironing board

Additional descriptions of each suite type are provided below.

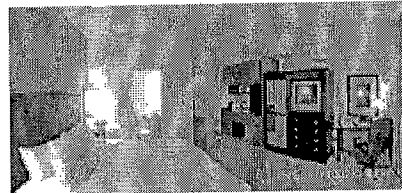
Studio Suites



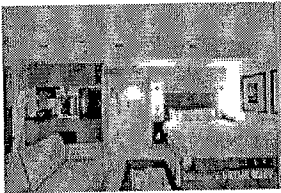
Studio Suites consist of one king or queen bed with pillow top mattress and down duvet. Some suites may have interior atrium/courtyard views instead of exterior views. Suites are located in both the Historic and Tower sections up to the 20th floor and range in size from 300–350 square feet.

Superior Suites

Each Superior Suite contains either one king or queen bed with pillow top mattress and down duvet. Superior Suites are located in both the Historic and Tower sections with Yonge, King, and Melinda Street views. Room sizes for Superior Suites range from 350–400 square feet.



Premium Suites



Each Premium suite consists of one king bed with pillow top mattress and down duvet. Premium Suites have either city or lake views and are located in the Tower section of the property. Rooms range from 350–420 square feet in size.

One Bedroom Suites



One Bedroom Suites contain one king bed with pillow top mattress and down duvet in the bedroom and one double sofa bed in a separate living area. Rooms have either city or lake views and are located in both the Historic and Tower sections of the property. Each suite ranges in size up from around 550 to 600 square feet.



Murphy Bed Suites

Each Murphy Bed Suite consists of one wall mounted retractable queen bed with pillow top mattress and down duvet. Suites are located in both the Historic & Tower sections with Yonge, King, and Melinda Street views and Tower Suites also with city views and bay windows. Each suite ranges in size from 350 to 400 square feet.

Feature Suites



The feature suites are large, luxury suites which consist of a living room, lounge, kitchen, dining room, two or three bedrooms, office and laundry and hot tubs.



Supplementary photos of the various suite types are contained in Appendix C.

Commercial Structure and Commercial Condo Corp Assets

SHI, through its wholly owned subsidiary, DCC, owns the Commercial Structure which includes the Main, 2nd and 4th floors and all but 1,500 square feet of the 3rd floor of the building, along with the Vaults below street level. In addition, SHI fully owns three of the four units and owns a two-thirds interest in the fourth unit in the Commercial Condo Corp. which include the critical accoutrements necessary to operate the hotel rental management program, including the front desk (ownership shared with the Residential Condo Corp.), concierge desk, service elevators, manager's office, servery and staff service facilities. SHI also owns a 4% undivided interest in specific service units of the Residential Condo Corp. The remainder of the building, including the parking levels and fitness centre, is owned by the Residential Condo Corp and is not available for sale.

As noted above, the ownership of the front desk unit is shared by the Commercial Condo Corp. and the Residential Condo Corp. The Commercial Condo Corp. holds two-thirds co-ownership interest in the unit while the Residential Condo Corp. holds the remaining one-third interest. Provisions in the Reciprocal Agreement (summarized in Appendix D below and a copy of which will be made available in the data room) place the Commercial Condo Corp. in sole control of the use, management and operation of the front desk service. The Residential Condo Corp. contributes one-third of the overall costs of the front desk service.

The Commercial Structure and units of the Commercial Condominium Corp include approximately 40,000 square feet of space as summarized in the table below:

Table 3.3 – Commercial Structure and Commercial Condo Corp Assets

Owned Space including Commercial Structure and Commercial Condo Corp Units			
Floor	Description	Current Use	Approx Size (sq ft)
Concourse	Lower vaults and perimeter	Function rooms, storage, back of house space	5,000
Concourse	Upper vaults and perimeter	Function rooms, bar, staff areas and change rooms	4,200
Main	Lobby retail, raised lounge, lobby bar, kitchen	Public bar, restaurant, room service and take out kitchen	5,300
Main	Front desk, office, sales desk, loading dock	Hotel reception, office, leasing program	1,000
2	Entire floor	Grand Banking Hall, kitchens, service	8,700
3	Entire floor (except 1,500 sq ft south office)	Function rooms, service, management offices	6,500
4	Entire floor	Hotel management, corporate offices, reservation room	2,600
5 to 11	Housekeeping, service area	Laundry carts, linen, cleaning equipment	1,200
12	Servery, guest supplies	Kitchen, dishwashing, guest supplies	500
12	Historic boardrooms	Large function rooms	4,700
13	Mezzanine	Small function rooms	
All	Service elevator	Housekeeping, room service, catering	100
Total Owned Areas			39,800

Note that the size of the owned space is an estimate only. Access to the owned space will be provided during the data room phase of the sale process.

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To further clarify the ownership structure of the Owned Space, the following table outlines the split between the owned spaces:

Table 3.4 – Available Space by Owner

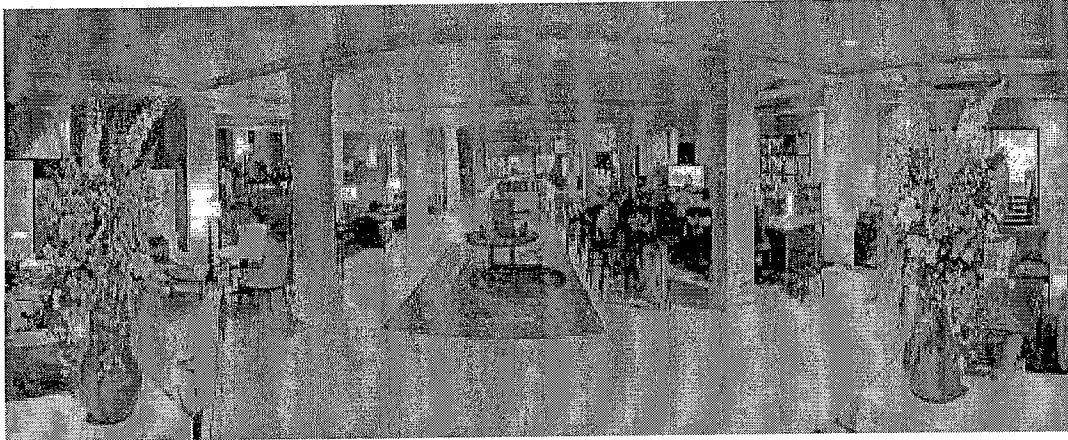
Available Space (Excluding Corridors)	
Type of Space	Description of Space
<i>Freehold Structure (DCC Owned)</i>	
Lower Vault	Storage and Back of House Space
Upper Vault	Meeting Rooms and Bar
Upper Vault	Staff Areas and Change Rooms
Lobby Retail	King Street Atrium and Gift Store
Lobby Restaurant	Room Service, Bar, Kitchen, washroom, Seating
Second Floor	Banking Hall, Kitchens and Back Corridors
Second Floor	Managers Boardroom and Manager's Office
Third Floor	Accounting Office and South Storage Area
Third Floor	Washrooms
Third Floor	King and Melinda Galleries
Fourth Floor	General Manager Office
Twelfth Floor	Chairman's Boardroom and Office
<i>Commercial Condominium Units</i>	
Lobby	Private Dining room
Hotel Services	Front Office, Desk, Bell, Valet Areas
Second Floor	Kitchen Dishwashing Area
Fourth Floor	Reservations Office Area
Five to Eleven	Housekeeping Storage Areas
<i>Shared Space (Common Ownership)</i>	
Second Floor	Electrical Room
Third and Fourth Floors	Shared Telephone Equip Rooms
Service elevator	
<i>Ontario Club Leased Space</i>	
Twelfth Floor	Austin Gallery
Twelfth Floor	Interview Room
Twelfth Floor	Strategy Room
Twelfth Floor	Committee Room
Twelfth Floor	The Ante Room

Note: For additional information pertaining to the Ontario Club, see the section entitled "The Ontario Club" on page 20 below.

The legal description for each of the freehold structure spaces forming the Commercial Structure and the units in the Commercial Condo Corp is provided in Appendix A.

An overview of each component of the Commercial Structure and units in the Commercial Condo Corp is provided below.

The Lobby



The lobby is accessible from either King Street (north entrance) or Melinda Street (south entrance). It contains the front desk, a concierge desk, a bar and lounge area with food and beverage service provided, a newsstand, and an office.

The Second Floor

The Grand Banking Hall is located on the 2nd floor and has become one of Toronto's most sought after function rooms. The 2nd floor also contains the Manager's Boardroom and Manager's Office which are small function/dining rooms.

Additional details regarding functions/events are contained in the Food & Beverage Operations section below.

The Third Floor

On the 3rd floor are the King & Melinda Galleries, both of which have glass walls which overlook the Grand Banking Hall.

The Fourth Floor

The 4th floor consists primarily of offices for hotel management, accounting, reservations and marketing.

The Twelfth & Thirteenth Floors⁴

The twelfth and thirteenth floors are owned by the Residential Condo Corp. and leased to the Commercial Condo Corp. The leased space includes meeting rooms, the severly area and the service space on the twelfth and thirteenth floors. The Chairman's Boardroom, the Chairman's Office and the Ante Room, freehold property owned by DCC and forming part of the Commercial Structure, are currently used by the Ontario Club for

⁴ Readers are directed to read the section titled "The Ontario Club" on page 20 of this Memorandum.

their restaurant operations. The Ontario Club also occupies the remainder of the space on the twelfth and thirteenth floors. Additional details pertaining to the Ontario Club's occupancy are provided in Section 3.2.2, Food & Beverage Operations, below.

Concourse Level

The Vaults are located below the lobby level and consist of three rooms. The Vault and Deposit Room are used for functions and events. There are other employee rooms, including a change room on this level. The lower vault is unfinished and is currently used as storage space.

The Concourse level provides direct access to Toronto's underground "PATH" system. Further details are provided in Section 4 below.

Supplementary photographs of selected function rooms and common areas are included in Appendix C.

Other Hotel Amenities

The following hotel amenities are owned and maintained by the Residential Condo Corp but are made available to Owners and registered hotel guests.

Parking

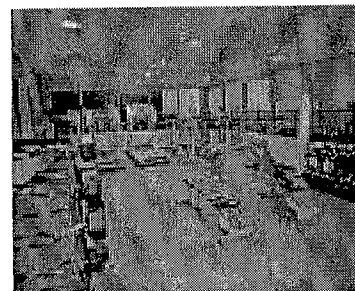
The three level parking garage has approximately 100 spaces, and is owned by the Residential Condominium as part of its common elements. Ten spaces are available for hotel guests, with four spaces available for the use of the Commercial Condo Corp. All other spaces have been allocated for use by unit Owners. Owners may not use their parking space unless they are in residence. When condo units are placed in the leasing pool, the related parking spaces are also placed in the pool for pay per use by hotel guests.

Valet parking is available to hotel guests for a fee, subject to availability. The valet parking operations are managed by DCC on behalf of the Residential Condo Corp. DCC receives a management fee for this service. In addition, any parking profits in excess of a subsidy provided by the Residential Condo Corp are split equally by DCC and the Residential Condo Corp.

There are currently 15 hourly staff members employed by the Valet Department.

Fitness Club

The fitness club is situated on the 17th floor of the Tower overlooking Lake Ontario. It has a rooftop exercise room with a full complement of exercise equipment, a lap pool, a hot tub, a sauna and a roof-top garden. The health club is available to hotel guests and owners, when in residence.



Business Centre

There is a complimentary business centre located in the lobby adjacent to the front desk which is available 24 hours per day for hotel guests and owners, when in residence.

Information Technology

Property Management System

The Springer-Miller System ("SMS") from PAR Springer-Miller Systems provides a front desk revenue management component, a reservation system and an owner distribution module. The "Back Office" module provides the front desk with a guest ledger and accounts receivable ledger and is used for tracking all guest account charges. The "Central Reservations" module is linked to Global Distribution Systems (GDS) allowing bookings from online travel agents and contains a travel agent commission model. The "Owner Fulfillment" module allows for the calculation and payment of owner distributions as well as distribution reporting.

TheShift4 Credit Card and Transaction Processing Software are used under license to provide real-time electronic credit card payment authorizations during the front desk check in process.

Back Office Accounting System

The Data Plus system from Data Plus Hospitality Solutions provides general ledger, reporting, accounts payable and purchasing functionality. Data Plus maintains the general ledgers for all business operations including The Suites hotel operations, DCC food and beverage operations and Housekeeping operations. General ledger data from the food and beverage system (TAI) is downloaded periodically to the Data Plus general ledger.

Telephone System

The Avotus system is used for telephone call accounting for all guest telephone usage. When calls are logged by guests, the system determines the actual tariff for the call and marks it up by a preset rate. All telephone costs are communicated to SMS which records the charge against the guest's account⁵.

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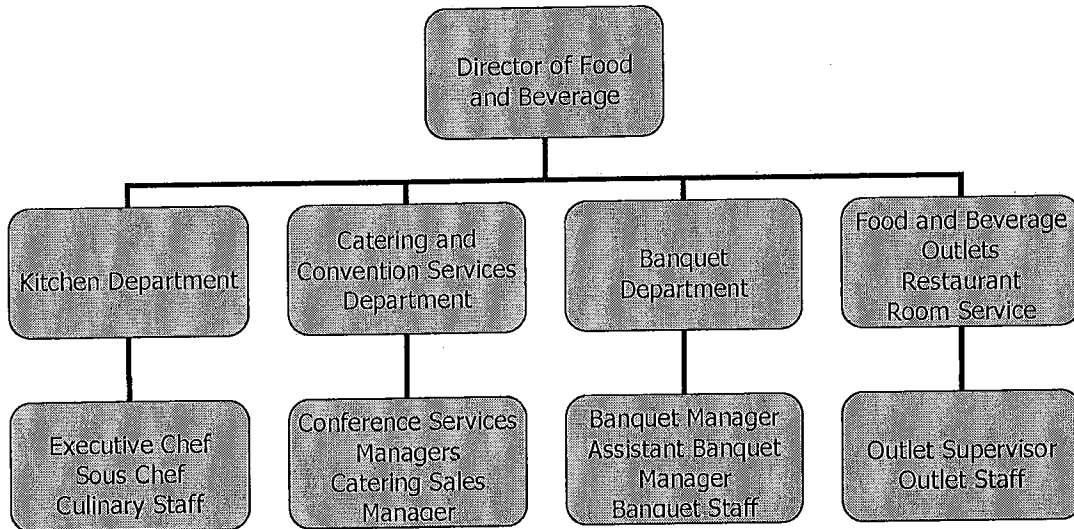
⁵ The Receiver is currently negotiating with Bell Canada regarding charges by Bell Canada in excess of the amount stipulated in the Bell Canada contract. The amount is currently under negotiation. More information will be available in the data room.

3.2.2. Food & Beverage Operations

The Food and Beverage ("F&B") department operates on the 1 King West premises within DCC, a wholly owned subsidiary of SHI.

F&B operations have been structured to operate as a traditional department within a hotel as outlined in the diagram below.

Chart 3.1: F&B Organizational Structure



A more detailed organization chart for F&B operations is included in Appendix B.

All F&B departments report to the Director of Food and Beverage who in turn reports to the General Manager of The Suites.

A summary of the F&B employees by department is provided in the table below:

Table 3.5: Listing of F&B Employees by Department

Food & Beverage Department Employees	
Department	Number of Employees
<i>Kitchen & Stewarding Department</i>	
Salaried Employees	2
Hourly Staff	17
<i>Catering & Convention Services</i>	
Salaried Employees	4
<i>Banquet Department</i>	
Salaried Employees	2
Hourly Staff	26
<i>Food & Beverage Outlets</i>	
Hourly Staff	20
<i>Total Food & Beverage Employees</i>	<i>71</i>

At present, no union has been certified or recognized as the bargaining agent for the employees of DCC.⁶

Food and Beverage Services

The F&B department services guests by providing a number of lines of service. Each of these services is outlined below.

Bistro On King Restaurant and Lobby Bar

The restaurant is located in the main lobby and serves breakfast, lunch and dinner seven days per week. The menu is casual upscale. A buffet is served at breakfast.

There are 20 seats at the bar and 34 seats in the restaurant.

Room Service

This department provides food and beverage service to the 386 units in the rental pool and any condominium owners who wish to use this service while in residence.

Banquets and Catering

All banquet and catering business is sold, contracted and detailed in the convention services department. Contracts are issued and then executed by the kitchen and banquet departments.

The following table summarizes the facility's meeting and function room facilities.

Table 3.6—Meeting and Function Room Facilities

The Suites at 1 King West - Meeting Space Specifications										
Room Specifications			Room Capacity							
Meeting Room	Sq. Ft.	Ceiling Height	Theatre Style	Classroom Style	Boardroom Style	Hollow Square	U Shape	Rounds of 8	Rounds of 10	Reception
3rd Floor										
King Gallery	1,971	16'10"	150	76	50	40	40	80	100	150
Melinda Gallery	1,178	16'10"	100	44	40	30	24	64	80	100
2nd Floor										
Grand Banking Hall	3,500	35'	400	180	N/A	N/A	N/A	200	250	500
Manager's Boardroom	1,178	12'	100	44	40	30	24	64	80	100
Manager's Office	333	12'	N/A	N/A	12	N/A	N/A	N/A	10	
B1										
The Vault	929	8'	40	20	20	N/A	N/A	32	40	80/120
The Deposit Room	230	10'7"	N/A	N/A	8	N/A	N/A	8	10	15
Ontario Club (12th Floor)										
Austin Gallery	1,903	24'	200	76	N/A	N/A	N/A	96	120	220/350
The Interview Room	196	10'5"	N/A	N/A	6	N/A	N/A	8	10	N/A
The Strategy Room	251	10'5"	15	N/A	8	N/A	N/A	16	20	20
The Committee Room	558	10'5"	45	24	20	N/A	14	24	30	30
Total Meeting Space	12,227		1,050	464	204	100	102	592	750	1,215/1,385

Note: The capacity numbers listed above are maximum numbers. Any set up requirements (i.e. AV equipment, head table, registration table, etc) will reduce room capacity.

⁶ Readers are directed to the subheading "Labour Relations" under Section 3.2.3 of this Memorandum for a fuller explanation of the current status of organizing activities by the Union, Unite HERE Local 75.

The catering department offers a full range of meeting services including menu planning, room décor, audio visual, power and staging requirements.

Photographs of many of the meeting and function rooms are contained in Appendix C.

The Twelfth & Thirteenth Floors

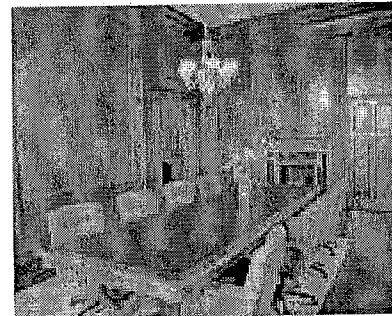
The meeting rooms on the 12th floor and mezzanine space on the 13th floor are leased to SHI by the Residential Condo Corp. The lease is for 5,000 square feet consisting of the Austin Gallery, breakout rooms rooms for meetings or banquets and a small servery.

The Chairman's Boardroom, the Chairman's Office and the Ante Room on the twelfth floor form part of the Commercial Structure owned by DCC.

The Ontario Club

Prior to the appointment of the Receiver, SHI and DCC purported to enter into a lease of certain space on the twelfth and thirteenth Floors with the Ontario Club. This was highly publicized at the time in the media. The Receiver's position is that such purported transaction never took place and in fact, the Receiver determined that the Ontario Club was not paying rent to any party.

The Receiver of DCC entered into an oral agreement with the Ontario Club such that the Ontario Club currently occupies all the Commercial Structure space (i.e. the Chairman's Boardroom, the Chairman's Office and the Ante Room) on the twelfth floor for their member restaurant facilities as well as the remainder of the twelfth and thirteenth floors which are leased from the Residential Condo Corp. on a month to month basis.



Under the oral agreement, the Ontario Club is not paying rent for the use of either the DCC owned space or the leased space it occupies.

DCC supplies the food and beverage services to the club members, including payment of staffing costs; however, if the Ontario Club food and beverage operations are not profitable, the Ontario Club pays for the losses on a monthly basis. To date, the Ontario Club has not contributed on any significant basis to conference business at the hotel.

Interested parties are requested to specify in their LOI if they wish to either attempt to enter into a long term arrangement with Ontario Club or require as part of their contemplated transaction to have vacant possession of the space. This space represents upside to the hotel operations in that if Ontario Club was not occupying this space, the Receiver would utilize it for corporate conference and food and beverage facilities.

Food & Beverage Department Physical Assets

A summary of DCC's Food & Beverage department assets provided in the tables below.

Table 3.7A– DCC Food & Beverage Physical Assets

Dominion Club & Vault Bar Assets		
Brand	Description	Quantity
Everpure	Water filtration system	4
Bunn	Coffee brewer with thermos	2
Nuova Simonelli	Cappucino machine	1
Perlick	Hand sink	3
Perlick	48" Ice chest, cocktail sink	4
Perlick	6 Head U/C Draft beer dispenser	2
Perlick	4 Door back bar cooler	4
Perlick	48" Glass froster	2
Perlick	Dump sink cabinet	2
Perlick	Glass washer	3
Perlick	Stainless steel filler station	11
Perlick	Draft beer power pack	1
N/A	Back bar lockups and cabinets	Lot
N/A	Miscellaneous smallwares, glasses, bar utensils, etc	Lot
N/A	Stainless steel glass drain table	2
N/A	Stainless steel 2 door remote beer coolers	2
Hoshizaki	250lb Ice Machine	1
True	2 Door beer cooler	1

Table 3.7B– DCC Food & Beverage Physical Assets

Lobby Furniture Assets		
Brand	Description	Quantity
N/A	Leather studded sofas	8
N/A	Rectangular marble topped coffee tables	4
N/A	Assorted leather studded chairs	26
N/A	3' square dining tables with base	9
N/A	Leather studded Captain's chairs	10

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Table 3.7C– DCC Food & Beverage Physical Assets

Main Floor Kitchen & Cafe Assets		
Brand	Description	Quantity
Blakeslee	Dishwasher with RO & spray	Lot
N/A	Stainless steel well sink with spray	1
Metro	Portable racks	4
N/A	Stainless steel hand rinse sink	1
True	Stainless steel 4' fridge	1
N/A	Custom stainless steel 2 door counter w/ice cream cabinet	1
N/A	Stainless steel wall shelf	1
N/A	Stainless steel portable counter	1
N/A	Microwave, portable tray rack, portable bus cart	Lot
N/A	Custom stainless steel 4 well steam table w/sink & cutout	1
N/A	Stainless steel shelf with heat lamp	1
True	Stainless steel 2 door cold prep table	1
Rational	CT Cooking centre with stand	1
Garland	6 Burner oven with salamander	1
Garland	36" Char broiler	1
Garland	18" Griddle	1
Frymaster	Fryers	2
Hoshizaki	250lb Ice Machine	1
Perlick	Stainless steel 4 door beer cooler	1
Perlick	Carousel glasswasher	1
Perlick	Stainless steel glass storage cabinet	4
Perlick	Hand sink	1
Perlick	Stainless steel cocktail sink	1
Rapid	2 Door pop cooler	1
Bunn	CW Coffee maker with thermos	2
SK	U/C 2 Door cooler	1
N/A	Miscellaneous smallwares, utensils, etc	Lot

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Table 3.7D- DCC Food & Beverage Physical Assets

Catering Kitchen Assets		
Brand	Description	Quantity
N/A	Well sink	3
N/A	Pot and utensil rack	Lot
N/A	Sani sink	2
N/A	Soap and towel dispenser	4
N/A	Clean dish table	1
N/A	Portable tray racks	8
Hobart	C54A Dishwasher with hoods, racks, opti-rinse and RO	Lot
Hatco	Hot water booster	1
Cleveland	Tilting frypan	1
N/A	8' Stainless steel counter with sink	1
N/A	10' Stainless steel overshef	2
Hoshizaki	KM1300SAH Ice machine with bin	1
N/A	Stainless steel 6' counter with shelf and drawers	1
Globe	30 Quart mixer SP-30	1
Cleveland	40 Gallon Kettle, KGL-40T	1
Garland	35# Fryer	1
Garland	Convection oven, 34" griddle	1
N/A	17" & 24" High back guard, 34" double deck shelf	Lot
Garland	24" Charbroiler	1
Garland	4 Burner oven	1
Garland	Salamander	1
True	Cold prep table	1
N/A	Double overhead shelf	1
N/A	Portable flour bins	4
Robot	Coupe food processor	1
Omega	Slicer	1
Rational	Combi oven with rack	1
Hatco	Toaster	1
True	Undercounter cooler	1
N/A	Stainless steel hood with CO2	Lot
N/A	Portable bus carts	5
True	24" Cold prep table	1
Bakers Pride	Electric pizza oven	2
N/A	Portable work tables	3
N/A	Prep table with sani sink	1
N/A	Prep table with 2-well sink	1
True	Stainless steel 2 door upright freezer	1
Doughpro	Pizza press	1
Curtis	Combo walk-in cooler	1
Carter Hoffman	Hot holding banquet carts	2
Panasonic	Microwave	1
Hatch	Queen Mary	2
N/A	Miscellaneous smallwares, inserts, utensils, etc	Lot

Leased assets include restaurant equipment and a dishwasher condenser. A summary of outstanding operating leases is provided below.

Table 3.8– DCC Operating Leases

Summary of Operating Leases							
Lessor	Lessee	Supplier	Start Date	Number of Payments	Payment Amount (excl. taxes)	Payment Amount (incl. taxes)	Description of Leased Assets
DSM Leasing Ltd.	DCC	United Restaurant Supplies	1-Sep-2006	24	\$ 7,915.07	\$ 8,944.03	Restaurant equipment
DSM Leasing Ltd.	DCC	United Restaurant Supplies	1-Sep-2006	24	\$ 577.71	\$ 652.81	Dishwasher condenser
Gould Leasing	DCC	United Restaurant Supplies	1-Jan-2006	24	\$ 7,915.07	\$ 8,944.03	Restaurant equipment
Total Monthly Operating Lease Payments					\$ 16,407.85	\$ 18,540.87	

The three outstanding operating leases will be fully retired by August 2008.

Information Technology

DCC uses TAI (Talbot & Associates, Minneapolis), a club accounting system, for managing Accounts Receivable and Revenue posting. The Point of Sale (POS) system is Restaurant Manager, which contains menu detail and pricing and tracks all F&B revenue. TAI and the POS are interfaced and all revenue detail tracked in the POS system is downloaded into TAI and ultimately to SMS.

Food & Beverage Service Preparation and Storage Facilities

Kitchens

The facility contains three kitchen areas as follows:

Main Kitchen

The main kitchen is located immediately adjacent to the Grand Banking Hall. The facility produces food products directly for all banquet functions as well as providing preparation capacity and storage capacity for the outlet finishing kitchen.

The main kitchen contains a full range of culinary production equipment including:

- Walk in Fridge x 2
- True reach in fridge x 2
- 2 pizza box ovens
- 1 deep fryer
- 2 Garland lower convection ovens
- 1 griddle
- 1 salamander
- 1 broiler
- 1 6 burner Garland range top
- 1 tilt fryer – 25 gal capacity
- 1 kettle 50 gal capacity

- 1 floor model Hobart mixer
- 1 Rational combi oven (full size)
- 2 hot boxes 120 plate capacity
- 1 hot box 80 plate capacity
- 1 hot box 50 plate capacity

The main kitchen area also contains a fully functional dishwashing and pot wash area.

Outlet Finishing Kitchen

The outlet finishing kitchen is located off the main lobby behind the lobby bar. It produces finished product for the Lobby Bar, Bistro on King, Room Service and The Ontario Club.

This kitchen contains a full hot line including:

- 1 Rational combi oven (medium size)
- 1 8 burner garland range top
- 1 garland lower convection oven
- 1 two door salad fridge
- 1 deep fryer
- 1 hot buffet table
- 1 half size griddle
- 1 salamander
- 1 full size broiler
- 1 upright fridge 2 door

Storage capacity in this kitchen is limited to meal period requirements only and is supported by the main kitchen for pre-preparation and storage.

The outlet kitchen also contains a functional dishwashing area.

Twelfth Floor Finishing Kitchen

The twelfth floor finishing kitchen is located off the Austin Gallery. It is a small preparation area equipped with a 1 Rational Combi Oven.

Food & Beverage Receiving and Storage

Additional kitchen storage is located on level B2. This storage includes a walk in refrigerator, walk in freezer and dry stores area. An elevator is nearby which connects directly to the main kitchen. Beverage storage is on the B1 level.

Food and beverage product is received through the main receiving dock and taken directly to the individual storage areas noted above. There is no main storage room in receiving.

Furniture and equipment storage is limited and so there is a need to move banquet chairs and tables throughout the building on a regular basis.

Food & Beverage Service Equipment

All areas of the Food & Beverage department are fully equipped to service the guest's and owners' in residence needs. Banquets provide chairs, tables, linen, with a variety of settings and room set up formats. The restaurant is fully equipped to meet the needs of all meal periods. Room service provides limited service and is not equipped with room service tables or hot boxes.

3.2.3. Housekeeping Operations

2076564 Ontario Inc. ("Housekeeping") is a privately owned company that currently provides housekeeping services to the following three business operations located at 1 King West:

- The hotel operation
- The food & beverage operation
- The Residential Condo Corp

The staff complement required for Housekeeping to perform contracted housekeeping services includes:

Table 3.8: Housekeeping Employees

Housekeeping Employees		
Job Title	Full Time	Part Time
Housekeeping Manager	1	-
Supervisor	5	-
Houseman	6	-
Room Attendant	27	4
Total	39	4

Of the 43 employees in Housekeeping, six are salaried and the remaining 37 are hourly staff.

An organization chart for Housekeeping is contained in Appendix B.

Labour Relations

Unite HERE Local 75 (the "Union") has been certified as the official bargaining agent of the non-management Housekeeping employees who provide housekeeping services. While no collective bargaining agreement is currently in place, in April 2007, a Neutrality Agreement was entered between SHI, Housekeeping, The Suites and the Union providing that, in return for no labour disruptions, SHI, Suites and Housekeeping agreed to take a positive approach to the unionization of Employees.

Late last year, the Union provided notice of its desire to proceed with a court review to evidence their claim that it represents the majority of the employees of the hotel operations as a result of Union card signings. The Receiver took the position that the

Receiver is not bound by the Neutrality Agreement and that it had repudiated the Neutrality Agreement in any event. That matter is ongoing before the courts.

The Receiver and the Union are currently in discussions in an attempt to settle this matter to avoid the hearing of the Union's application to apply to the Ontario Labour Relations Board to be certified as the exclusive bargaining agent for certain employees or require the Receiver to abide by the terms of the Neutrality Agreement.

A copy of the Neutrality Agreement and the union's notice of motion material will be available in the data room. Updates regarding this matter will be communicated once they become available.

Housekeeping Services

Housekeeping services provided to each of the three business operations are summarized below:

The Suites

A written contract is in place for Housekeeping to invoice the hotel operation monthly at a negotiated per room cleaned rate. This rate fluctuates from \$20.50 to \$22.50 per room depending on hotel occupancy rates.

Housekeeping services are provided for the rooms available in the daily leasing program. This includes the servicing of all:

- Occupied rooms
- Check out rooms
- Scheduled cleaning of any long term or extended stay guests.

Services also include the daily cleaning of:

- Hotel lobby (ground floor)
- All back of the house areas (Lobby and Concourse level)
- 17th Floor Amenity room (Fitness Centre)
- All 3rd floor and 4th floor offices

Housekeeping is not contracted to provide any cleaning services to suites that do not participate in the hotel program. The suites which are not part of hotel rental program can purchase housekeeping services at a fixed daily rate.

DCC

Although not in writing, Housekeeping and DCC have agreed upon a monthly cleaning charge of \$12,500 for provision of the following services:

- All public washrooms (12th floor, 3rd floor, lobby, concourse staff)
- Main floor, 2nd floor and 12th floor kitchens
- Lobby bar area
- Raised lobby/dining area

- Room service area
- Grand Banking Hall (including staircase)
- 2nd Floor Managers Platform and room
- 2nd floor back of house corridor and front of house
- 3rd floor corridors facing Grand Banking Hall
- 3rd floor King and Melinda Galleries
- Staircase to Vault area
- Vault area
- Vault bar area
- 12th & 13th floors

Residential Condo Corp

Housekeeping provides a cleaning service to the Residential Condo Corp as follows:

- Common areas, loading dock and parking area for 16 hours a day 7 days a week, plus benefits; and
- Recycling services for 8 hours a day 7 days a week, plus benefits

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There are various consequences of this type of transaction which may include issues under the *Ontario Securities Act* and which may also affect the Condominium Corporation's status pursuant to the *Income Tax Act*. I profess no opinion on these issues other than to say it would be incumbent on the board and its professional consultants to address all of the issues as well as others as part of fulfilling its obligations under S.97(3) so that the residential owners can make a decision based on a full, fair and informed disclosure of the acquisition and the consequences thereof. Compliance with S.97 would include at a minimum, disclosure of all costs associated with acquiring the assets and the business and how they would be paid for; how the business would be operated and all obligations and liabilities with that operation; any Reserve Fund issues; any impact or change in status of the Condominium from residential to commercial and the consequence, if any. The Board must ensure full disclosure of all aspects of the acquisition to fulfill the consumer protection aspects of the legislation.

Once the Corporation has the authority, either by way of amending its Declaration or passing a By-law to operate the business of the short term rental management contracts and has complied with Section 97 of the Act, the Board could enter into an agreement with the Receiver to purchase the units of TSCC 1726 and to purchase the contracts which provide for the operation of the short term rental management business and such purchase, in my opinion, would be fully enforceable and in compliance with the Act.

Oppression

I am advised that approximately 25% of residential unit owners have not enrolled in the short term leasing program and that such units are utilized for residential purposes either for personal occupancy or standard residential rental. These owners would ostensibly receive little, if any, benefit from the purchase of the units in TSCC 1726 and the acquisition of the contracts to operate the short term leasing program and would have the burden of having to pay their proportionate share of the purchase price of the acquisition and would also have to share in any profits or losses from the business operation of the short term leasing management. These purchasers initially purchased their units in the development on the basis that they had the option to enroll or not enroll in the short term leasing program and I understand any owner can change the status of his/her residential unit at any time by subsequently enrolling or (un)enrolling their respective units.

If the dissenting owners (which I understand would be the owner of units not enrolled in the short term leasing program but could include any owners in TSCC 1703) were to bring an application pursuant to Section 135, in order to be successful, the dissenting owners would have to demonstrate that the purchase of units in TSCC 1726 and the purchase of the short term leasing business as well as the capital and operating costs associated with that purchase are oppressive or unfairly prejudicial to the applicant or unduly disregards the interests of the Applicant.

There is virtually no case law on this issue in the context of condominium law. There is significant case law on this issue in the realm of business corporations. In the condominium case of *Walta Properties Ltd. v. York Condominium Corporation No. 478 et al.* (Court File No. 05-CV-2959/15PDI) (Sup. Ct. J.), Madam Justice Harrison Young reviewed the law and stated:

Section 135 allows a unit owner to apply to the court for relief from conduct that is or threatens to be oppressive or unfairly prejudicial to the applicant or unfairly disregards the interests of the applicant. The section came into effect in 2001. While this is a new concept for Ontario condominium corporations, Canadian courts have dealt with the

oppression remedy for many years in the context of corporate law. Corporate law principles regarding oppression are, therefore, applicable in determining what constitutes conduct that is oppressive, unfairly prejudicial or unfairly disregards the applicant's interests in the context of condominium law: see *Niedermeier v. York Condominium Corp. No. 50* (2006), 149 A.C.W.S. (3d) 708, [2006] O.J. No. 2612 (Sup. Ct. J.).

[23] In the corporate law context, oppressive conduct requires a finding of bad faith, while conduct that is unfairly prejudicial or that unfairly disregards the interests of the applicant does not: see *Brant Investments v. Keeprite Inc.* 1991 CanLII 2705 (ON C.A.), (1991), 3 O.R. (3d) 289 (C.A.) at 305-306. Oppressive conduct has been described as conduct that is burdensome, harsh and wrongful. Unfair prejudice has been held to mean a limitation on or injury to a complainant's rights or interests that is unfair or inequitable. Unfair disregard means to unjustly ignore or treat the interests of the complainant as being of no importance: see *Niedermeier*, supra, and *Consolidated Enfield Corp. v. Blair* (1994), 47 A.C.W.S. (3d) 728, [1994] O.J. No. 850 (Gen. Div.) at para. 80. Loeb suggests that in the context of condominium law

"unfairly prejudicial" more appropriately describes deception, or different treatment for what may seem to be similar categories, whether financial or otherwise. "Unfairly disregards," however, may more accurately describe an alleged failure to take into account a legitimate minority interest or viewpoint: see *Audrey M. Loeb, Condominium Law and Administration*, looseleaf (Scarborough, Ontario: Thomson Carswell, 1998) at 23-23.

[24] When determining whether conduct falls within the meaning of s. 135, the court must be mindful that the oppression remedy protects the reasonable expectations of shareholders or unit owners. Reasonable expectations should be determined according to the arrangements that existed between the shareholders or unit owners of a corporation: see *Nanell v. Con-Crete Holdings Ltd.* 1995 CanLII 959 (ON C.A.), (1995), 23 O.R. (3d) 481 (C.A.). In addition, the court must examine the cumulative effect of the conduct complained of. In *Blue-Red Holdings Ltd. v. Strata Plan VR 857* (1994), 42 R.P.R. (2d) 49 (B.C.S.C.) Dorgan J. looked at the cumulative effect of the conduct complained of, and concluded that the conduct was unfairly prejudicial because it resulted in substantial and significant changes that affected only the commercial owners in a mixed-use condominium. Commenting on this case, Loeb suggests that where a proposed change or course of conduct in management dramatically alters the relationship between commercial and residential unit owners, courts are likely to grant a remedy to the aggrieved minority interest unless it can be demonstrated that the proposed change or the conduct itself represents an attempt to balance the competing economic interests of the two groups.

Assuming that the Board fulfills all of the legal requirements as specified in this opinion and obtains the requisite percentage of approvals from the owners, a dissenting owner, would, in my opinion, be successful in an application under Section 135 for the following reasons:

1. As the oppression remedy "protects the reasonable expectations of share holders or unit owners" according to Madam Justice Harrison Young, it cannot be a reasonable expectation of an owner of a residential unit to be "forced" to purchase a business even if the majority of owners approve the purchase in accordance with the Act.
2. The acquisition costs to be borne by all owners are substantial and therefore oppressive or burdensome. Purchasers of units in a residential condominium would not be expected to have to pay a specific assessment or the borrowing costs for the acquisition of real property and a business, albeit related in certain respects to some, but not all, of the residential unit owners.
3. There are multiple uses for the residential units and the acquisition as referred to in this opinion would be unfairly prejudicial or would unduly disregard those owners who utilize their units solely for residential purposes as it will affect the relationship between the various unit owners.
4. Those unit owners who have contracted for the short term leasing program with a third party manager could be unfairly prejudiced as their expectations were to have a "worry free" investment and, with the acquisition, would as a unit owner become an owner of the business of managing the short term leasing program and would be responsible for all of the costs and ongoing obligations and business risks in conjunction therewith.

Therefore, based on Mr. Justice Young's analysis, the acquisition would be oppressive, unfairly prejudicial and would unduly disregard the interests of the dissenting owners, irrespective of the fact that there was full compliance with the Act.

Yours very truly,

HARRIS, SHEAFFER LLP



Mark R. Freedman
MLF/jg

EXHIBIT “E”

THIS AGREEMENT OF PURCHASE AND SALE made as of June 27, 2008

B E T W E E N:

IRA SMITH TRUSTEE & RECEIVER INC., solely in its capacity as court-appointed receiver and manager of **Stinson Hospitality Inc. ("SHI")**, **Dominion Club of Canada Corporation ("DCC")**, **The Suites at 1 King West Inc. ("Suites")** and **2076564 Ontario Inc. ("Housekeeping")**

(the "Vendor")

– and –

LE JARDIN / IHR JOINT VENTURE CORPORATION, a company incorporated under the laws of the Province of Ontario

(the "Purchaser")

WHEREAS, the Vendor was appointed receiver and manager of SHI, DCC, Suites and Housekeeping by Order of Madam Justice Pepall of the Ontario Superior Court of Justice (Commercial List) (the "Court"), dated August 24, 2007 (the "Receivership Order");

WHEREAS, pursuant to an Order of the Court dated January 24, 2008, the Vendor has carried out a sales process in respect of the property, assets and undertaking of SHI, DCC, Suites and Housekeeping's business carried on as a going concern, including the Purchased Assets (as defined herein) (the "Sales Process");

WHEREAS, the Purchaser participated in the Sales Process;

WHEREAS, 1 King West Inc. ("1 King") currently owns the 1 King Assets which are viewed by the Purchaser as important to the value, use and enjoyment of the Purchased Assets, and which the parties agree should be conveyed to the Purchaser as part of the Purchased Assets;

WHEREAS, the Vendor desires to sell or otherwise transfer the Purchased Assets to the Purchaser and the Purchaser wishes to purchase the Purchased Assets from the Vendor, all on the terms and conditions set forth herein.

NOW THEREFORE, in consideration of the mutual covenants contained in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

**ARTICLE 1
DEFINITIONS**

1.1 Definitions

In this Agreement and in any amendments hereto and in all schedules hereto, the following terms shall have the following meanings:

"1 King Assets" shall mean all assets owned by 1 King located at the Real Property and intended to be used by TSCC 1726, by the rental manager under the Rental Management Agreements or by the Debtors Related to the Business, including for greater certainty the assets listed on Schedule "G" hereto;

"Accounts Payable" shall mean all accounts payable, accrued expenses and any other items classified as "current liabilities" and incurred or accrued prior to the Cut-off Time in the ordinary course of the Business (including without limitation commissions, salaries, vacation pay, workers' compensation levies, bonuses, provincial and federal sales and value added taxes, withholding deductions for federal and provincial income taxes, other payroll deductions such as union dues, pension payments and all other employee payments and deductions and rents payable);

"Accounts Receivable" means all accounts receivable, credit card accounts, book debts and other debts due or accruing due to the Vendor in respect of the Business outstanding at the Cut-off time and includes the full benefit of all security for each such amount;

"Affiliate" shall have the meaning provided in the *Business Corporations Act* (Ontario);

"Agreement" means this Agreement as the same may be amended from time to time, including all Schedules set out in Section 1.9 of this Agreement. The expressions "hereof" "herein", "hereto", "hereunder", "hereby" and similar expressions refer to this Agreement;

"Approval and Vesting Order" means an approval and vesting Order of the Court (or separate orders) of the Court, in form and substance satisfactory to each of the Vendor and the Purchaser, each acting reasonably and without delay; pursuant to which the Transaction is approved by the Court and pursuant to which all right, title and interest in the Purchased Assets shall be vested in and to the Purchaser on Closing free and clear of the Encumbrances (save and except for the Permitted Encumbrances);

"Assumed Liabilities" shall mean all liabilities assumed by the Purchaser pursuant to Section 3.1 of this Agreement;

"Authority" means any governmental authority, body, agency, department, commission, bureau or other instrumentality whether federal, provincial or municipal, having or claiming jurisdiction over the Purchased Assets;

"Bookings" means contracts or reservations for the use or occupancy of guest rooms and meeting and banquet facilities Related to the Business, including all deposits with respect thereto, whether cash or otherwise and all prospect lists Related to the Business and related files;

"Business" means the business located on the Real Property formerly carried on by the Debtors as a going concern and now carried on by the Vendor as a going concern, including, without limitation, the operations of the Debtors and the Hotel (including any operations ancillary thereto) carried on at the date hereof (and all revenue therefrom); the food and beverage operations and activities resulting in rights to all revenue streams to which the Debtors had rights, and the Vendor currently have rights (including the administrative and incentive fees under the Rental Management Agreements and food and beverage operations on the main floor

restaurant and bar, in banquet and meeting rooms, in the Ontario Club, and room service); the parking services and other services offered to TSCC 1703; all rental operations (including any rights of DCC to the annual rental income of \$180,000 relating to office space on the third and fourth floors); and the cleaning service operation offered by Housekeeping and all revenue therefrom;

"Business Day" means any day except Saturday, Sunday or a day which is a statutory holiday under the laws of Canada or Ontario;

"Cash Payment" shall have the meaning set out in Subsection 2.2(b) of this Agreement;

"Closing" means the completion of the sale and purchase of the Purchased Assets by the transfer, delivery, execution and registration of documents of title thereto, delivery of the documents and other items required under Sections 13.1 and 13.2 and the payment of the Purchase Price;

"Closing Date" means July 30, 2008 or such other date as the parties may agree upon in writing;

"Computer Equipment" means computer servers and any related hardware and computer programs and all cable and high speed internet data equipment Related to the Business and which are owned or leased by the Debtors, including that listed in Schedule "K" hereto;

"Confirmation Period" means the period ending at 5:00pm on July 18, 2008;

"Court" shall have the meaning set out in the first recital of this Agreement;

"Cut-off Time" means 12:01 a.m., Toronto time, on the Closing Date;

"Data Room" means the virtual data room containing the documents for inspection provided by link from the Trustee's website located at www.irasmithinc.com as at the execution date of this Agreement, as may be updated from time to time by the Vendor as a result of further information or discovery of relevant omissions or amendments required to the documents for inspection contained therein from time to time;

"Debtors" means collectively, SHI, DCC, Suites and Housekeeping;

"Deposit" means the sum of One Million Dollars (\$1,000,000.00) that has been paid to the Vendor on the date hereof, together with all interest earned thereon under Section 2.4 hereof;

"Encumbrance" means any mortgage, lien, hypothec, claim, charge or encumbrance;

"Equipment and Tangible Personal Property" means all equipment and operating equipment (whether actually in operation or otherwise), furniture, furnishings, fixtures, trade fixtures, attachments, appliances, chattels and tangible personal property owned or leased by the Debtors or 1 King Related to the Business, including without limitation the Equipment and Tangible Personal Property to be listed in Schedule "F" hereto, subject to such depletions, resupplies, substitutions, and replacements as shall occur and be made in the normal course of business but in accordance with present standards excluding, however: (i) property owned by unit owners, guests or Employees; (ii) Improvements; and (iii) Inventory. The Vendor shall work with the

Purchaser to prepare a list of Equipment and Tangible Personal Property by the end of the Confirmation Period and such list shall be attached as Schedule "F" to this Agreement;

"Equipment Leases" means all leases or agreements to lease the Equipment and Tangible Personal Property used in the Business listed in Schedule "C" hereto, all as terminated, amended or supplemented in accordance with this Agreement and such additional contracts as are entered into in accordance with this Agreement;

"Estimated Statement" shall have the meaning set out in Section 2.7 of this Agreement;

"Excluded Assets" means the assets listed on Schedule "E" hereto;

"Final Purchase Price" means the amount of the Purchase Price adjusted by the Final Statement;

"Final Statement" shall have the meaning set out in Section 2.8 of this Agreement;

"Goodwill" means all goodwill of the Business as a going concern, including all intangibles Related to the Business;

"Hotel" means the hotel operated from the building located at 1 King Street West, Toronto, Ontario, including the use of certain condominium units from time to time made available for such purpose pursuant to the Rental Management Agreements;

"Hotel Contracts" means those contracts, leases, agreements and warranties listed on Schedule "B" hereto and all contracts, licenses, agreements, commitments and other agreements including operating leases to which the Debtor, Vendor (as manager or otherwise) or TSCC 1726 is a party, including amendments, supplements, modifications or side letters Related to the Business, all as terminated, amended or supplemented in accordance with this Agreement and such additional contracts as are entered into in accordance with this Agreement including the Rental Management Agreements;

"Improvements" means all improvements on the Real Property and includes all appurtenances (including fixed machinery and fixed equipment), structures and Systems situated in or forming part of the Real Property, but excludes equipment and trade fixtures owned by unit owners or tenants;

"Initial Purchase Price" means the amount of the Purchase Price adjusted by the Estimated Statement for purposes of the Closing;

"Intellectual Property" means all intellectual property, including rights to names and trademarks and all other proprietary rights and intangible personal property of the Debtors that are Related to the Business, including the names "Suites at 1 King West" and "Dominion Club of Canada" and the Internet domain name "www.onekingwest.com"; and as more particularly described in Schedule "G" hereto;

"Inventory" means all perishable and non-perishable food and beverage items (including alcoholic and non-alcoholic beverages whether opened or unopened), guest supplies, room supplies, cleaning supplies, engineering, maintenance, housekeeping supplies, including soap,

toiletries and lotions, paper supplies and all other materials and supplies on hand to be used or consumed in carrying on the Business as a going concern;

"Lease Operating Agreement" means the Lease Operating Agreement entered into between TSCC 1726 and TSCC 1703 and dated November 18, 2005 registered October 12, 2006 as part of TSCC 1703's By-law No. 3 as Instrument No. AT946829;

"Licenses" means all permits, licenses, approvals and authorizations of Governmental Authorities or third parties and all licenses, permits or other authorities necessary to lawfully carry on the Business, including, without limitation, all licenses necessary to carry on all food and beverage operations at the Hotel such as liquor licenses issued by the Alcohol and Gaming Commission of Ontario under the *Liquor License Act* (Ontario);

"Operating Systems" means all systems in the possession and/or management of the Debtors (and utilized by the Vendor) normally used in the management of a condominium or hotel including, but not limited to, a property management system, an accounting system, and a telephone system and all operating systems, manuals, marketing, advertising, the right to participate in any points or loyalty program, sales and promotional and quality assurance plans and literature, books, records, files, documents, operating manuals, personnel records of all current and former employees, customer lists, supplier lists, budgets, guest services records, compliance records, preprinted materials and copyrighted and copyrightable materials used primarily in the operation of the Business in all media and forms of expression;

"Parking Spaces" means the four spaces located within TSCC 1703 which TSCC 1726 is entitled to utilize, ten further spaces on Level A of the parking structure used for visitor parking and certain additional spaces under various Rental Management Agreements subject to the payment of license fees;

"Pending Purchase Orders List" shall have the meaning set out in Section 8.4 of this Agreement;

"Permitted Encumbrances" means the encumbrances, easements and reservations listed in Schedule "J" hereto.

"Plans" means all building plans and prototypes utilized in the development of the property that are in the possession or control of the Vendor, including architectural plans and drawings of the property which identify the ownership of each part of the property and in particular architectural plans and drawings for floors one to four, inclusive;

"Prepaid Expenses" means advance payments made by the Vendor for services to be rendered or expenses to be incurred after the Closing Date Related to the Business including, without limitation, insurance premiums relating to policy coverage after the Closing Date to the extent such policies are assigned pursuant to Section 8.2, security deposits or advance payments relating to Equipment Leases or Hotel Contracts, as well as the cost of promotional and marketing materials including any sums paid with respect to advertising and marketing, provided that such expenses incurred after the date hereof have been approved by the Purchaser and relate to the Business;

“Purchase Price” shall have the meaning set out in Section 2.2 of this Agreement;

“Purchased Assets” shall include all of the property, assets and undertaking of the Debtors used to carry on the Business and shall include (without limitation):

- (a) the Prepaid Expenses;
- (b) the Bookings;
- (c) the Business;
- (d) the Equipment and Tangible Personal Property;
- (e) the Equipment Leases;
- (f) the Computer Equipment;
- (g) the Goodwill;
- (h) the Hotel;
- (i) the Hotel Contracts;
- (j) the Improvements;
- (k) the Intellectual Property;
- (l) the Inventory;
- (m) all rights of the Debtors or the Vendor, if any, under the Licenses;
- (n) the Systems and Operating Systems;
- (o) all rights and interests of the Debtors or the Vendor, if any, with respect to the Parking Spaces;
- (p) the Plans;
- (q) the Real Property;
- (r) the Rental Management Program;
- (s) the Real Property Agreements;
- (t) the Records;
- (u) the Telephone Numbers;
- (v) the Warranties; and

(w) the 1 King Assets;

"Purchaser's Ancillary Documents" shall have the meaning set out in Subsection 5.1(b) of this Agreement;

"Real Property" means the ownership interests of the Debtors, as more particularly described in Schedule "A" hereto, in the real property described in Schedule "A" hereto;

"Real Property Agreements" means the various real property agreements, Declarations and By-laws shown on the title to the Real Property and listed in Schedule "H" hereto;

"Rental Management Program" means the leasing program entered into by unit owners through Rental Management Agreements to be part of a rental pool operated by the rental manager for TSCC 1726;

"Receivership Order" shall have the meaning set out in the first recital of this Agreement;

"Records" means all files, books, records, invoices, correspondence, guest ledgers, guest lists, advertising aids, promotional materials, litigation reports, insurance policies, business and other tax records, all rights, minutes, government filings and assessments (excluding income tax records), stationery, brochures, price lists, operating data, computer programs and software, renderings, statements of profits and losses, all financial records and accounting, internal and audit records, room revenue rate information with respect to customers (including corporate and individual group discount information), reports, studies and analyses concerning the Hotel and financial information available by various media, including computer-readable concerning the suite leasing programs, operating statements and operating budgets, prospect lists Related to the Business and related files, files and correspondence pertaining to the Hotel Contracts, Equipment Leases, and Intellectual Property, research materials, environmental reports and audits, engineering reports, building plans and prototypes utilized in the development of the Hotel, including architectural plans and drawings of 1 King Street West to the extent same are available to assist in identifying the ownership of each part of the property and other written information or computer files and data in the possession or control of the Vendor, all of which is Related to the Business to the extent they may be owned by the Debtors;

"Reciprocal Agreement" means the Reciprocal Agreement between TSCC 1703, TSCC 1726 and 1 King West Inc. dated November 18, 2005 and effective September 9, 2005 registered October 12, 2006 as part of By-law No. 4 of TSCC 1703 as Instrument No. AT946830;

"Related to the Business" shall mean used in, arising from, or related to, the Business;

"Rental Management Agreements" means the agreements entered into between unit owners in TSCC 1703 with the rental manager for the short term leasing of units by the rental manager;

"Sales Process" shall have the meaning set forth in the second recital of this Agreement;

"Settlement Date" means the 30th calendar day following the Closing Date;

"Systems" means the mechanical and electrical systems owned by the Debtors and Related to the Business, including any safety, fire prevention, alarm, security, heating, ventilation, air

conditioning, lighting, sprinkler, drainage, plumbing, sanitation, swimming pool, door and access systems and elevator and escalator systems;

"Telephone Numbers" means all rights to (i) any reservation telephone numbers Related to the Business; (ii) the telephone numbers of the Debtors which are Related to the Business; and (iii) telephone numbers currently being used at the principal offices of the Debtors which are Related to the Business; and with respect to each of the above all fax numbers and e-mails;

"Transaction" means the transaction(s) contemplated herein;

"Transfer" shall have the meaning set out in Section 13.3 below of this Agreement;

"TSCC 1703" shall mean Toronto Standard Condominium Corporation 1703;

"TSCC 1726" shall mean Toronto Standard Condominium Corporation 1726;

"Union Contracts" shall have the meaning set out in Section 7.2 of this Agreement;

"Vendor's Ancillary Documents" shall have the meaning set out in Subsection 4.1(a) of this Agreement; and

"Warranties" means all warranties, rights to indemnification or similar rights, whether arising by contract, operation of law or otherwise in favour of the Debtors or the Vendor in connection with the operation of the Business or affecting any of the Purchased Assets.

1.2 Canadian Dollars

All dollar amounts referred to in this Agreement are in Canadian funds unless otherwise provided.

1.3 Tender

Any tender of documents, notices or money hereunder may be made upon the Vendor or the Purchaser or counsel acting for either of them and money may be tendered by negotiable cheque or bank draft certified or issued by a Canadian chartered bank.

1.4 Extended Meanings

In this Agreement, words importing the singular number include the plural and vice versa and words importing the masculine gender include the feminine and neutral genders and vice versa.

1.5 Entire Agreement

This Agreement constitutes the entire agreement between the parties hereto pertaining to the subject matter hereof and supersedes all other prior agreements, either oral or written. No amendments, supplements, modifications or waivers of this Agreement shall be binding unless executed in writing by the party to be bound thereby.

1.6 Headings

Article headings are not to be considered part of this Agreement and are included solely for convenience of reference and are not intended to be full or accurate descriptions of the contents thereof.

1.7 Successors and Assigns

All terms and provisions of this Agreement shall be binding upon and shall enure to the benefit of the parties hereto and their respective successors and permitted assigns.

1.8 Assignability

The rights and obligations of Purchaser under this Agreement will be assignable to any Affiliate of the Purchaser without the prior consent of, but on prior written notice to, the Vendor, provided that no such assignment shall relieve the Purchaser of its obligations under this Agreement, nor shall it delay the Closing. Except as provided in this Section, this Agreement may not be assigned by the Vendor or Purchaser without the prior written consent of the other party.

1.9 Schedules

The following are the schedules attached to and incorporated in this Agreement by reference and are deemed to be a part hereof:

Schedule "A"	-	The Real Property
Schedule "B"	-	Hotel Contracts
Schedule "C"	-	Equipment Leases
Schedule "D"	-	Closing Adjustments
Schedule "E"	-	Excluded Assets
Schedule "F"	-	Equipment and Tangible Personal Property
Schedule "G"	-	1 King Assets
Schedule "H"	-	Real Property Agreements
Schedule "I"	-	Intellectual Property
Schedule "J"	-	Permitted Encumbrances
Schedule "K"	-	Computer Equipment

1.10 Proper Law of Agreement

This Agreement shall be governed by the laws of the Province of Ontario and the laws of Canada applicable therein. Each party hereby irrevocably submits to the exclusive jurisdiction of the courts of the Province of Ontario.

1.11 Invalidity of Provisions

The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision hereof and any such invalid or unenforceable provision shall be deemed to be severable.

1.12 Statutes

Any reference to a statute shall mean the statute in force as at the date hereof, unless otherwise expressly provided.

1.13 Calculation of Time

When calculating the period of time within which or following which any act is to be done or step taken, the date which is the reference day in calculating such period shall be excluded. If the last day of such period is not a Business Day, the period shall end on the next Business Day.

1.14 Amendment

This Agreement may be amended only by written agreement of the parties.

1.15 Waiver

No waiver of any provision of this Agreement shall be binding unless it is in writing. No indulgence or forbearance by a party shall constitute a waiver of such party's right to insist on performance in full and in a timely manner of all covenants in this Agreement. Waiver of any provision shall not be deemed to waive the same provision hereafter, or any other provision of this Agreement at any time.

1.16 Time of Essence

Time shall be of the essence to every provision of Agreement. Extension, waiver or variation of any provision of this Agreement shall not be deemed to affect this provision and there shall be no implied waiver of this provision.

1.17 Preparation of Documents

All documents required to be executed by the parties to give effect to this Agreement and shall be in a form approved by the Vendor and Purchaser, each acting reasonably.

ARTICLE 2 PURCHASE AND SALE OF PURCHASED ASSETS

2.1 Purchase and Sale

Subject to the terms and conditions of this Agreement, on the Closing Date the Vendor shall sell to the Purchaser and the Purchaser shall purchase from the Vendors all of the Debtor's and the Vendor's right, title and interest, if any, in and to the Purchased Assets in consideration of the Purchase Price.

2.2 Purchase Price

Subject to the adjustment process in Sections 2.6 through 2.9 hereof, the purchase price payable as consideration for the Purchased Assets shall be Fifteen Million, One Hundred Thousand Dollars (\$15,100,000) (the "Purchase Price"), payable as follows:

- (a) by application of the Deposit, together with all interest earned thereon, as contemplated in Section 2.4; and
- (b) by payment of an amount equal to the difference between the Initial Purchase Price and the sum of the Deposit (inclusive of accrued interest under Section 2.4) to be paid to the Vendor in cash or by certified cheque on Closing (the "Cash Payment").

2.3 Allocation of Purchase Price

The Purchase Price shall be allocated among the various Purchased Assets as may be determined by the Vendor and the Purchaser acting reasonably on or prior to Closing. Such allocation shall be binding and the Vendor and the Purchaser shall file all filings which are necessary or desirable under the *Income Tax Act* (Canada) or any other taxation statute to give effect to such allocation.

2.4 Deposit

The parties acknowledge that the Purchaser has delivered the Deposit to the Vendor, who shall hold the Deposit in accordance with the terms of this Agreement. The Deposit shall be placed in an interest-bearing account with a Canadian chartered bank and, subject as hereinafter provided, the Deposit, together with all interest thereon, shall be credited to the Purchaser on account of the Purchase Price at Closing.

2.5 Return or Forfeiture of Deposit

- (a) If the sale and purchase of the Purchased Assets does not close for any reason other than the Purchaser's failure to fulfill its obligations hereunder or if this Agreement is terminated pursuant to any term or condition hereof entitling the Purchaser to have the Deposit returned, the Deposit, together with all interest thereon, shall be repaid to the Purchaser without recourse by one party against the other.
- (b) The Deposit shall be forfeited to the Vendor if the Purchaser fails to complete the purchase of the Purchased Assets in accordance with this Agreement for any reason other than the Vendor's failure to fulfill its obligations hereunder. Such forfeiture of the Deposit shall constitute liquidated damages in full satisfaction of all rights or damages available to the Vendor at law.

2.6 Adjustments

A statement of adjustments shall be prepared to account for all revenue and expense items customarily adjusted between a vendor and a purchaser in the sale of a hotel, including, without limitation, guest invoices (excluding Accounts Receivable), security deposits, property taxes, local improvement rates, insurance premiums, insurance proceeds (if any) in respect of the Purchased Assets and the Business, as a going concern, and employee and operating expenses such as salaries, rents, taxes, utilities, fuel and licenses, as more particularly set out in Schedule "D" hereto.

2.7 Estimated Statement

Not less than five (5) Business Days before the Closing Date, the Vendor shall deliver to the Purchaser a statement of adjustments (the "Estimated Statement") which shall reflect the Vendor's good faith estimate of the final statement of adjustments as at the Cut-off Time. The Vendor shall also deliver its calculations of the Initial Purchase Price based on the Estimated Statement.

2.8 Final Statement

Not less than five (5) Business Days prior to the Settlement Date, the Vendor shall deliver the final statement of adjustments (the "Final Statement") to the Purchaser which shall be prepared as at the Cut-off Time by a joint team comprising representatives of the Vendor and the Purchaser. In the event that either the Vendor or the Purchaser engages any external advisors to assist in the preparation of the Final Statement, the costs of so engaging such external advisors shall be paid solely by the Vendor (where the Vendor engaged such external advisors) or solely by the Purchaser (where the Purchaser engaged such external advisors). In order to enable the Vendor to prepare the Final Statement, the Purchaser shall permit the Vendor access to all relevant books and records of the Business and shall co-operate fully with the Vendor in the preparation of the Final Statement.

2.9 Determination of Final Purchase Price

- (a) On the Settlement Date, the parties shall determine the Final Purchase Price based on the adjustments contained in the Final Statement.
- (b) If the Final Purchase Price is greater than the Initial Purchase Price, then on the Settlement Date the Purchaser shall pay to or to the order of the Vendor in cash or by certified cheque the amount by which the Final Purchase Price exceeds the Initial Purchase Price.
- (c) If the Final Purchase Price is less than the Initial Purchase Price, then on the Settlement Date the Vendor shall pay to or to the order of the Purchaser in cash or by certified cheque the amount by which the Initial Purchase Price exceeds the Final Purchase Price.

2.10 Transfer Taxes

In addition to the Purchase Price, the Purchaser shall be liable for and pay to the Vendor or directly to the appropriate taxing Authority or other entity, as required, within the prescribed time period, all federal and provincial taxes and all other similar taxes, duties, registration charges or other like charges (but excluding any taxes based upon the income, revenues or capital receipts of the Vendor) payable by a purchaser in connection with the transfer of the Purchased Assets. Alternatively, the Purchaser shall have the option of furnishing the Vendor with such purchase exemption certificates, elections and other documentation, which are in form and content satisfactory to the Vendor, together with an indemnity satisfactory to the Vendor, which indemnity shall hold the Vendor harmless from any costs, expenses or damages suffered

by the Vendor in the event that an exemption is not, in fact, available under the relevant legislation.

**ARTICLE 3
ASSUMPTION AND DISCHARGE OF LIABILITIES**

3.1 Assumption and Discharge of Liabilities by the Purchaser

From and after the Cut-off Time, the Purchaser shall assume, pay, discharge and perform, as the case may be, and indemnify the Vendor and the Debtors from:

- (a) all obligations of the Debtors or the Vendor under the Hotel Contracts, Equipment Leases, Licences and Real Property Agreements; and
- (b) all obligations of the Vendor under the purchase orders listed in the Pending Purchase Orders List to be provided to the Purchaser pursuant to the provisions of Section 8.4 of this Agreement,

(collectively, the "Assumed Liabilities").

**ARTICLE 4
REPRESENTATIONS AND WARRANTIES OF THE VENDOR**

4.1 Representations and Warranties of the Vendor

The Vendor represents and warrants to Purchaser and acknowledges that the Purchaser is relying on such representations and warranties in entering into this Agreement and in purchasing the Purchased Assets:

- (a) The Vendor is the court-appointed receiver and manager of the Debtors and, subject to the approval of the Court, has the power, authority and capacity to enter into this Agreement and all other agreements, documents and certificates contemplated hereby to be executed by Vendor (the "**Vendor's Ancillary Documents**") and to carry out the transaction contemplated hereby and thereby;
- (b) the Vendor has not created any encumbrance on the Purchased Assets, other than the Receiver's Charge or the Receiver's Borrowing Charge as contemplated in the Receivership Order;
- (c) the Vendor is not a non-resident of Canada for the purposes of the *Income Tax Act* (Canada); and
- (d) no party has sought leave in the receivership of the Debtor to remove the Purchased Assets (including the 1 King Assets) from the proceedings.

ARTICLE 5
REPRESENTATIONS AND WARRANTIES OF THE PURCHASER

5.1 Representations and Warranties of the Purchaser

The Purchaser represents and warrants to the Vendor and acknowledges that the Vendor is relying on such representations and warranties in entering into this Agreement and in selling the Purchased Assets:

- (a) the Purchaser is a corporation duly incorporated, organized and subsisting under the laws of Ontario with the corporate power to own its assets and carry on its business;
- (b) the Purchaser has the power, authority and capacity to enter into this Agreement and all other agreements, documents and certificates contemplated hereby to be executed by the Purchaser (the "**Purchaser's Ancillary Documents**") and to carry out the transactions contemplated hereby and thereby;
- (c) on the Closing Date, this Agreement and the Purchaser's Ancillary Documents shall each have been duly authorized by all required proceedings and shall each constitute a valid and binding obligation of the Purchaser enforceable against it in accordance with its terms;
- (d) the execution and delivery of this Agreement and each of the Purchaser's Ancillary Documents by the Purchaser, the consummation of the transactions contemplated hereby and thereby, and the fulfilment by the Purchaser of the terms, conditions and provisions hereof and thereof will not contravene or violate or result in the breach (with or without the giving of notice or lapse of time, or both) or acceleration of any obligations of the Purchaser under:
 - (i) any judgment, order, writ, injunction or decree of any court or of any Authority which is presently applicable to the Purchaser;
 - (ii) the constating documents of the Purchaser; or
 - (iii) the provisions of any agreement, arrangement or understanding to which the Purchaser is a party or by which it is bound; and
- (e) the Purchaser is not a non-resident of Canada for the purposes of the *Income Tax Act* (Canada).

ARTICLE 6
ACKNOWLEDGEMENTS OF THE PURCHASER

6.1 "As Is, Where Is" Condition

The Purchaser acknowledges that the Purchased Assets shall be purchased on an "as is, where is" basis and without representation or warranty and with all faults and that, prior to the Closing, it will inspect the Purchased Assets and will accept the same in their present state, condition and

location. Unless specifically stated herein, no representation, warranty or condition, whether statutory (including under the *Sale of Goods Act* (Ontario)), express or implied, oral or written, legal, equitable, conventional, collateral or otherwise is being given as to title, outstanding liens, description, fitness for purpose, merchantability, quantity, condition, quality, value, suitability, durability or marketability thereof or in respect of any other matter or thing whatsoever including, without limitation, the respective rights, titles and interests of the Vendor, if any, therein and wherever all or part of the Purchased Assets are situate and all of the same are expressly excluded. Except for the representations and warranties contained herein, the Purchaser shall be deemed to have relied entirely on its own inspection and investigation in proceeding with the transactions contemplated hereunder. The description of the Purchased Assets contained herein (including the Schedules hereto) is for the purposes of identification only. The inclusion of any item in the description does not confirm the existence of any such items or that such item is owned by the Vendor or the Debtors. Without limiting the generality of the foregoing, the Purchaser hereby confirms that it has not relied on any descriptions or information provided by the Vendor to the Purchaser in any document for the Purchaser's review including the Terms and Conditions of Sale and the Confidential Information Memorandum.

ARTICLE 7 PERSONNEL

7.1 Personnel

From and after the Closing, the Purchaser shall assume all employer obligations of the Debtors or the Vendor with respect to Continued Employees (as hereafter defined). Not later than five (5) Business Days prior to the Closing Date, the Purchaser shall offer employment to all personnel at the Business in the same capacity and on the same terms and conditions of their present employment, including seniority and length of service credits. Personnel that accept such offers of employment are hereinafter called "**Continued Employees**" and personnel that decline such offers of employment are hereinafter called "**Terminated Employees**".

7.2 Union Contracts

From and after the Closing, the Purchaser agrees to assume any employer obligations of the Debtors under any union contracts or certifications ("**Union Contracts**").

7.3 General

From and after the Cut-Off Time, the Purchaser shall be responsible for all employment matters to the entire exoneration of the Vendor, whether relating to the period prior to or from and after the Cut-off Time but subject to Schedule "D" hereto, relating to the Continued Employees. The term "**employment matters**" includes all liabilities relating to any claims for wages, severance pay, notice of termination of employment or pay in lieu of such notice, damages for wrongful dismissal or other employee benefits or claims, including vacation pay.

**ARTICLE 8
COVENANTS OF THE VENDOR**

8.1 Conduct of Business Prior to Closing

Until the Closing Date, the Vendor will operate the Business in the ordinary course of business and will maintain the Hotel in a manner consistent with past practice, and without limiting the generality of the foregoing, the Vendor will maintain inventories and operating supplies at their usual level and continue to accept reservations for guests of the Hotel in the ordinary course of business. No agreement to lease, lease, lease amendment, assignment, sublease, consent or other commitment or agreement relevant to the operation, maintenance and management of the Purchased Assets shall be made or renewed by the Vendor from the date hereof without the prior written consent of the Purchaser, such consent not to be unreasonably withheld or delayed.

8.2 Insurance

Until Closing, the Vendor shall continue to maintain in full force and effect all policies of insurance now in effect (or renewals thereof) with respect to the Purchased Assets and the Business and shall give all notices and present all claims under all policies of insurance in a due and timely fashion. The Vendor shall forthwith provide to the Purchaser details of all policies of insurance obtained by the Debtors or the Vendor with respect to the Purchased Assets and the Business and copies of all claims and notices under such policies made since August 24, 2007. On the Closing, the Vendor may elect (upon not less than five (5) Business Days notice to the Purchaser) to cancel some or all of the insurance policies relating to the Purchased Assets or the Business in which event the Purchaser shall arrange its own insurance in replacement thereof.

8.3 Hotel Contracts and Equipment Leases

The Vendor shall forthwith provide to the Purchaser a copy of all new Hotel Contracts and Equipment Leases entered into after the date hereof and all amendments or terminations or assignments of existing Hotel Contracts or Equipment Leases made after the date hereof in accordance with Section 8.1 of this Agreement.

8.4 Pending Purchase Order List

At least fifteen (15) Business Days prior to Closing, the Vendor shall prepare and deliver to the Purchaser a list (the "**Pending Purchase Orders List**") of all of the outstanding, unfilled or partially filled purchase orders for supplies or materials required for the Business in accordance with the provisions of Section 8.1 of this Agreement. The Pending Purchase Orders List shall be updated on the Closing Date and shall then form part of the Assumed Liabilities.

8.5 Employee Matters

From and after the date hereof, the Vendor shall give the Purchaser notice of all hirings, terminations and changes of employment for all full-time employees of the Business.

The Vendor shall also forthwith provide to the Purchaser a copy of all new employment arrangements entered into after the date hereof and all amendments made to existing employment contracts after the date hereof as well as the Union Contracts.

8.6 Vendor's Obligations Regarding Assignment of Hotel Contracts, Equipment Leases, Licenses and Real Property Agreements

The Vendor shall use reasonable efforts, at the Purchaser's sole cost and expense on a full indemnity basis, to assist the Purchaser in obtaining all consents required for the assignment of any Hotel Contracts, Equipment Leases, Licenses and Real Property Agreements.

8.7 Accuracy of Representations and Warranties and Fulfilment of Conditions

The Vendor shall use reasonable efforts to ensure that the representations and warranties set forth in Article 4 of this Agreement are true and correct on and as of the Closing Date as if such representations and warranties were made on and as of such date and that the conditions of Closing for the benefit of the Purchaser set forth in Article 11 of this Agreement have been fulfilled, performed or satisfied on or prior to the Closing Date.

8.8 Ontario Club Condition

The Purchaser will consider entering into a formal lease and/or service agreement with the Ontario Club failing which, by no later than July 18, 2008, it shall advise the Vendor in writing of its inability to enter into a satisfactory arrangement with the Ontario Club. Upon such notice, the Vendor shall take steps to ensure that the Ontario Club leaves vacant possession of the rooms it occupies prior to the Closing Date and the Vendor shall seek to include in the approval and Vesting Order issued by the Court a provision stating/declaring that the Ontario Club has no right at law to use any space or asset in the Hotel or on the Real Property.

**ARTICLE 9
COVENANTS OF THE PURCHASER**

9.1 Confidential Information

The Purchaser acknowledges that: (i) it continues to be bound by the Confidentiality Agreements executed by Le Jardin Conference & Event Centre Inc. and Interstate Hotels and Resorts Inc. with respect to the Sales Process and its consideration of the transaction contemplated herein (the "Confidentiality Agreements"); (ii) all information in respect of the Business furnished to the Purchaser or Le Jardin Conference & Event Centre Inc. and Interstate Hotels and Resorts Inc. in connection with this Agreement is and will be so furnished subject to the terms of the Confidentiality Agreements; and (iii) the provisions of the Confidentiality Agreements will remain in force up to and including the Closing Date, subject to the right of the Purchaser to make such disclosure as may be required to obtain its financing, carry out its due diligence and meet with other parties as contemplated hereby.

9.2 Purchaser's Obligations Regarding Licenses and Hotel Contracts

From and after the date hereof, the Purchaser shall use its best efforts to obtain as soon as possible all consents or permissions required for the assignment of the Hotel Contracts, Equipment Leases, Real Property Agreements and Licences or the issuance of new licences as of the Closing Date. The Purchaser shall pay all application fees, transfer fees and other fees and costs in this regard, including normal application or administrative fees incurred by the Purchaser in connection with obtaining any replacement licenses.

9.3 Accuracy of Representations and Warranties and Fulfillment of Conditions

The Purchaser shall use reasonable efforts to ensure that the representations and warranties set forth in Article 5 of this Agreement are true and correct on and as of the Closing date as if such representations and warranties were made on and as of such date and that the conditions of closing for the benefit of the Vendor set forth in Article 12 of this Agreement have been fulfilled, performed or satisfied on or prior to the Closing Date.

9.4 Access to Books and Records

Following the Closing, upon reasonable prior notice and during mutually convenient business hours on Business Days, the Vendor shall be afforded access to all books and Records relating to the Business for 2007 and 2008 (for the period up to Closing) and prior years in order that the Debtors' auditors may prepare the 2007 and 2008 year-end audits and in connection with any provincial or federal government request to review such books and Records or in connection with any tax matters, until the date following the expiration of all periods allowed for objecting and appealing the determination of any proceedings relating to any assessment or re-assessment of the Vendor or the Debtors by any taxing Authority in respect of any taxation period ending prior to the Closing or in which the Closing occurs.

ARTICLE 10 SURVIVAL AND INDEMNIFICATION

10.1 Survival of Vendor's Representations and Warranties

The representations and warranties of the Vendor contained in this Agreement or any of the Vendor's Ancillary Documents shall survive the Closing for the benefit of the Purchaser for a period of one (1) year unless a *bona fide* notice of a claim shall have been given in writing before the expiry of that period in which case the representation and warranty to which such notice applies shall survive in respect of that claim until the final determination or settlement of that claim.

10.2 Survival of Purchaser's Representations and Warranties

The representations and warranties of the Purchaser contained in this Agreement or any of the Purchaser's Ancillary Documents shall survive the Closing for the benefit of the Vendor for a period of one (1) year unless a *bona fide* notice of a claim shall have been given in writing before the expiry of that period, in which case the representation and warranty to which such notice applies shall survive in respect of that claim until the final determination or settlement of that claim.

10.3 Survival of Covenants

Subject to Sections 10.1 and 10.2, the covenants of the Vendor and the Purchaser, as the case may be, contained in Sections 3.1, 8.1, 9.4, 15.1, 15.4 and 15.8 of this Agreement shall survive the Closing for the benefit of the Purchaser or the Vendor, as the case may be. All other covenants shall merge on Closing.

ARTICLE 11
DUE DILIGENCE; CONDITIONS IN FAVOUR OF THE PURCHASER

11.1 Due Diligence

The Purchaser shall have the Confirmation Period to participate in, carry out and complete a subsequent due diligence review as outlined herein, all at its own expense. The Purchaser and its authorized representatives and the authorized representatives of its lender shall have reasonable access to the Debtor's and Vendor's books, records, contracts, equipment and access to the site and Real Property and Purchased Assets to conduct the review, to complete all title searches and complete asset review and obtain confirmation that AJAC Capital Trust or another lender acceptable to the Purchaser and Vendor has completed its due diligence review. During the Confirmation Period:

- (a) the Purchaser shall investigate compliance with the agreements on title and determine the extent to which substantive work, if any, needs to be completed, and to determine if there are any work orders or deficiency notices outstanding respecting or concerning zoning, the Real Property, environmental, building systems, health, fire or elevator; and
- (b) the Purchaser shall be granted permission to address the Unit holders of the Residential Condominium Corporation, individually or collectively, and/or the current employees of the Company for the purposes of contractual ratification and/or surveying of interest and demand or performance expectations of all parties concerning successor employer obligations and continuation of the Rental Management Agreements.

The Vendor covenants to do the following:

- (c) assist the Purchaser in having TSCC 1726, at the Purchaser's cost, take the steps necessary to ensure its compliance with the *Condominium Act 1998* and the declarations, by laws, rules and regulations and all governing documents of TSCC 1726 as an active condominium on or before Closing;
- (d) make all payments pursuant to the Reciprocal Agreement and the Lease Operating Agreement that it is responsible to pay or remit since the date of the Receivership Order;
- (e) direct its counsel to work with the Purchaser's counsel to prepare a list of parties to be served with the motion materials in respect of the Vendor's motion for the Approval and Vesting Order; and
- (f) assist the Purchaser in making such arrangements as the Purchaser deems necessary, acting reasonably, before Closing with TSCC #1703 and the Unit Owners of TSCC #1703 with respect to the Reciprocal Agreement, the Lease Operating Agreement and the Rental Management Agreements, it being acknowledged that the Purchaser will not seek amendments to any of those documents as part of such arrangements.

11.1A Confirmation Period Financing Due Diligence Condition in Favour of the Purchaser

The Purchaser's obligations under this Agreement are conditional until the expiry of the Confirmation Period upon AJAC Capital Trust or another lender acceptable to the Purchaser having completed its due diligence and being satisfied and prepared to advance the amounts required for the Purchaser to make the Cash Payment. This condition is for the sole benefit of the Purchaser and may be waived by it in whole or in part. Unless the Purchaser or its solicitors notifies the Vendor or its solicitors in writing on or before the end of the Confirmation Period that such condition has been satisfied or waived by the Purchaser then, notwithstanding any intermediate acts or negotiations, this Agreement shall be of no further force or effect, the Deposit shall be returned to the Purchaser and the parties hereto shall have no further obligations or costs hereunder.

11.2 Conditions of Closing in Favour of the Purchaser

The obligation of the Purchaser to purchase the Purchased Assets is subject to the performance or satisfaction of each of the conditions set forth below. The Vendor acknowledges that the following conditions are for the exclusive benefit of the Purchaser:

- (a) All representations and warranties of the Vendor made in this Agreement or in any of the Vendor's Ancillary Documents shall be true and correct, in all material respects, on and as of the Closing Date with the same force and effect as if made on and as of such date;
- (b) The Vendor shall have performed or complied with, in all material respects, all of the obligations, covenants and agreements in this Agreement which are to be performed or complied with by the Vendor at or prior to the Closing Date;
- (c) No action or proceeding shall be pending or threatened by any Authority or any other person to restrain, restrict, enjoin or prohibit the completion of the Transaction;
- (d) Prior to the Closing Date, the Vendor shall have completed the deliveries contemplated by Section 13.1 of this Agreement;
- (e) Prior to the Closing Date, the Approval and Vesting Order shall have been duly granted, and the operation and effect of the Approval and Vesting Order shall not have been stayed, reversed or dismissed at the time of Closing and no appeals of such orders shall be pending;
- (f) On Closing the Vendor shall have caused 1 King to take steps to convey the 1 King Assets to the Purchaser under the Approval and Vesting Order;
- (g) The Purchaser shall have obtained acknowledgements from a sufficient number of unit owners to confirm that at least 250 units will continue to participate in the Rental Management Program; and

- (h) On or before Closing, the Purchaser shall have received liquor license issued by the Alcohol and Gaming Commission of Ontario under the *Liquor License Act* (Ontario).

11.3 Waiver

If any of the conditions set forth in this Article have not been fulfilled, performed or satisfied on or prior to the Closing, the Purchaser may, by written notice to the Vendor, terminate this Agreement, and the Deposit, together with all interest thereon, shall be returned to the Purchaser without deduction and the Purchaser and Vendor shall be released from their obligations under this Agreement. Any of the conditions set forth in this Article may be waived, in whole or in part, by the Purchaser by instrument in writing, without prejudice to any of its rights of termination in the event of non-performance by the Vendor of any other condition, obligation or covenant, in whole or in part, and without prejudice to its right to complete the transaction of purchase and sale contemplated by this Agreement and claim damages for breach of a representation, warranty or covenant, other than with respect to the ones waived.

ARTICLE 12 CONDITIONS OF CLOSING IN FAVOUR OF THE VENDOR

12.1 Conditions of Closing in Favour of the Vendor

The obligation of the Vendor to sell the Purchased Assets is subject to the fulfillment, performance or satisfaction of each of the conditions set forth below. The Purchaser acknowledges that the following conditions are for the exclusive benefit of the Vendor:

- (a) All representations and warranties of the Purchaser made in this Agreement at or in any of the Purchaser's Ancillary Documents shall be true and correct, in all material respects, on and as of the Closing Date with the same force and effect as if made on and as of such date;
- (b) The Purchaser shall have performed or complied with, in all material respects, all the obligations, covenants and agreements in this Agreement to be performed or complied with by the Purchaser on or prior to the Closing Date. The Purchaser shall not be in breach of any covenant on its part contained in this Agreement;
- (c) No action or proceeding shall be pending or threatened by any Authority or any other person (including, a party hereto) to restrain or prohibit the completion of the transactions contemplated by the Agreement;
- (d) Prior to the Closing Date, the Purchaser shall have completed the deliveries contemplated by Section 13.2 of this Agreement; and
- (e) On or prior to the Closing Date, the Approval and Vesting Order shall have been duly granted, and the operation and effect of the Approval and Vesting Order shall not have been stayed, reversed or dismissed at the time of Closing and no appeals of such orders shall be pending.

12.2 Waiver

If any of the conditions set forth in this Article (other than that in Subsections 12.1(c) and 12.1(e)) have not been fulfilled, performed or satisfied on or prior to the Closing, the Vendor may, by written notice to the Purchaser, terminate this Agreement, and the Vendor shall be entitled to retain the Deposit, together with all interest thereon, and the Vendor and Purchaser shall be released from their obligations under this Agreement. In the event that the conditions in Subsections 12.1(c) and 12.1(e) are not satisfied or waived and the Vendor terminates this Agreement, then the Deposit, together with all interest thereon, shall be returned to the Purchaser and the Vendor and the Purchaser shall be released from their obligations under this Agreement. Any of the conditions set forth in this Article may be waived, in whole or in part, by the Vendor by instrument in writing, without prejudice to any of its rights of termination in the event of non-performance by the Purchaser of any other condition, obligation or covenant, in whole or in part, and without prejudice to its right to complete the transaction of purchase and sale contemplated by this Agreement and claim damages for breach of a representation, warranty or covenant.

ARTICLE 13 COMPLETION OF PURCHASE

13.1 Delivery of Documents - Vendor

On Closing, the Vendor shall deliver or cause to be delivered to the Purchaser the following:

- (a) executed deed of conveyance of the Real Estate in registrable form (the "Deed");
- (b) a conveyance of the 1 King Assets to the Purchaser under the Approval and Vesting Order;
- (c) executed bills of sale in respect of the Purchased Assets in favour of the Purchaser or as the Purchaser may direct (the "Bills");
- (d) an executed assignment by the Vendor and assumption by the Purchaser of the Assumed Liabilities, on terms satisfactory to the Vendor, acting reasonably, and to include assignments and assumptions of the Equipment Leases, Licenses (to the extent possible), Real Property Agreements, Bookings and Hotel Contracts in favour of the Purchaser or as the Purchaser may direct;
- (e) an executed assignment by the Vendor of its interest in the Intellectual Property in favour of the Purchaser or as it may direct;
- (f) certified copy of the Approval and Vesting Order that has been issued and entered;
- (g) a Receiver's Certificate as filed with the Court;
- (h) the Pending Purchase Order List contemplated by Section 8.4 of this Agreement;
- (i) the original Records;

- (j) all duplicate keys and master keys to the locks in the facilities in/on the Real Property; and
- (k) any other documents necessary or desirable to complete the transactions contemplated hereby as mutually agreed by the Vendor's counsel and the Purchaser's counsel, acting reasonably.

13.2 Delivery of Documents - Purchaser

On Closing, the Purchaser shall deliver:

- (a) the Deed;
- (b) the Bills;
- (c) the Cash Payment;
- (d) evidence that the Purchaser is not a non-resident of Canada;
- (e) evidence that all necessary action and authorization has been taken or obtained by the Purchaser in connection with this Agreement and the transactions contemplated hereby; and
- (f) any other documents necessary or desirable to complete the transactions contemplated hereby as mutually agreed by the Vendor's counsel and the Purchaser's counsel, acting reasonably.

13.3 Closing

The Closing shall commence at 10:00 a.m. Toronto time on the Closing Date at the offices of the Vendor's solicitors in Toronto.

ARTICLE 14 RISK OF LOSS

14.1 Risk of Loss

The Purchased Assets shall be at the risk of the Vendor until the Closing. Until the Closing, the Vendor shall maintain in force all of the policies of property damage insurance under which any of the Purchased Assets are insured. If before the Closing, Purchased Assets are lost, damaged or destroyed such that the loss, damage or destruction of such Purchased Assets (individually or in the aggregate) would materially impair the Purchaser's ability to carry on a material part of the Business after Closing then:

- (a) the Purchaser may terminate this Agreement forthwith upon written notice to the Vendor to such effect; or
- (b) the Purchaser may require the Vendor to assign to the Purchaser the proceeds of any insurance payable as a result of the occurrence of such loss, damage or

destruction and the Purchaser shall complete the purchase of the Purchased Assets hereunder.

If before the Closing Purchased Assets are lost, damaged or destroyed and such loss, damage or destruction (individually or in the aggregate) does not materially impair the Purchaser's ability to carry on a material part of the Business after Closing, the Purchaser shall complete the purchase of the Purchased Assets hereunder and shall be entitled to the proceeds of any and all insurance payable as a result of such loss or damage.

ARTICLE 15 GENERAL

15.1 Public Announcements

The Vendor and the Purchaser shall jointly issue a press release publicly announcing the transaction contemplated herein upon the mutual execution of this Agreement and having obtained the Approval and Vesting Order. It is understood and agreed that all press releases or other public announcements relating to the transaction contemplated herein (other than any of the foregoing required by law in which event this obligation shall be limited to prior consultation to the extent circumstances permit) will be subject to the prior approval of the Vendor, which approval may be granted or withheld in its sole discretion.

15.2 Baggage and Guest Property

All baggage or other property of guests of the Hotel which has been checked with or left in the care of the personnel of the Business and remains in the Hotel at the Cut-off Time shall (except for safety deposit boxes) be inventoried and tagged jointly by the Purchaser and the Vendor. The Purchaser hereby agrees to defend, indemnify and hold harmless the Vendor against any claims, losses or liabilities in connection with such baggage and property arising out of the acts or omissions of the Purchaser after the Cut-off Time. The Vendor hereby agrees to defend, indemnify and hold harmless the Purchaser against any claim, losses or liabilities with respect to such baggage and property arising, out of the acts or omissions of the Vendor prior to the Cut-off Time.

15.3 Expenses

Unless otherwise specifically provided in this Agreement, each party shall be responsible for its own legal fees and other charges incurred in connection with the purchase and sale of the Purchased Assets, all negotiations between the parties and the consummation of the transactions contemplated hereby. The Purchaser shall pay all fees in connection with the registration of the Vesting Order/Deeds and all other documents requiring registration.

15.4 Notice

Any notice, document or other communication required or permitted to be given hereunder shall be in writing and shall be sufficiently given if delivered by hand or sent by fax or telecopier as follows:

To the Vendor:

Ira Smith Trustee & Receiver Inc.
167 Applewood Crescent, Suite 6
Concord, ON L4K 4K7

Attention: Ira Smith

Tel: (905) 738-4167 x111
Fax: (905) 738-9848
E-Mail: ira@irasmithinc.com

with a copy to:

Goodmans LLP
250 Yonge Street, Suite 2400
Toronto, ON M5B 2M6

Attention: L. Joseph Latham

Tel: (416) 597-4211
Fax: (416) 979-1234
E-Mail: jlatham@goodmans.ca

and in the case of the Purchaser to:

Le Jardin/IHR Joint Venture Corporation
8440 Highway 27
Woodbridge, ON L4L 1A5

Attention: Carlo Parentela, President

Tel: (905) 851-2200
Fax: (905) 851-2292
E-Mail: carlo@lejardin.com

with a copy to:

Lang Michener LLP
Brookfield Place
181 Bay Street, Suite 2500
Toronto, ON M5J 2T7

Attention: Richard J. Meagher

Tel: (416) 307-4025
Fax: (416) 365-1719
E-Mail: rmeagher@langmichener.ca

Each of the foregoing shall be entitled to specify a different address by giving written notice as aforesaid to the other. Any such notice, if delivered by hand or sent by fax or telecopier, shall be deemed to have been given on the date of delivery or fax as the case may be, if delivered or faxed during business hours on a Business Day in the receiving jurisdiction, or on the Business Day next following the day of delivery or fax if delivered or faxed during business hours on a Business Day in the receiving jurisdiction.

15.5 Further Assurances

Following the date hereof each of the parties shall execute and deliver, at the request of the other party, all such further documents, deeds and instruments, and shall do and perform all such further acts as may be reasonably necessary to give full effect to the intent and meaning of this Agreement.

15.6 Counterparts

This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which shall constitute one and the same instrument.

15.7 Brokerage

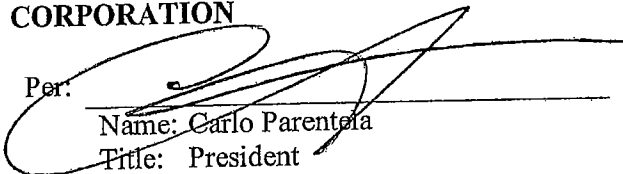
The Purchaser represents and warrants to the Vendor that it has had dealings with a broker, agent or finder in connection with the transaction contemplated by this Agreement. The claim of any such broker, agent or finder shall be the responsibility of the Purchaser.

15.8 Non-Registration

The parties agree not to register this Agreement or any notice thereof against title to the Real Property.

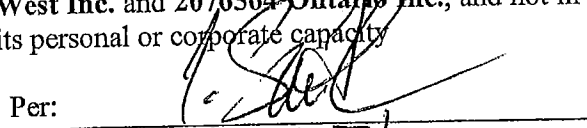
IN WITNESS WHEREOF the parties hereto have executed this Agreement on the 27th day of June, 2008.

LE JARDIN / IHR JOINT VENTURE CORPORATION

Per: 
Name: Carlo Parentefi
Title: President

I have authority to bind the Corporation.

IRA SMITH TRUSTEE & RECEIVER INC.,
solely in its capacity as Court-appointed receiver
of **Stinson Hospitality Inc., Dominion Club of
Canada Corporation, The Suites at 1 King
West Inc. and 2076564 Ontario Inc.,** and not in
its personal or corporate capacity

Per: 
Name: IRA SMITH
Title: PRESIDENT

Per: _____
Name:
Title:

I have authority to bind the Corporation.

SCHEDULE "A"
LEGAL DESCRIPTION OF THE REAL PROPERTY

1. Commercial Structure (Registered owner is DCC):

(a) **PIN 21407-0051 (LT)**

Part of Town Lot 2, South Side of King Street West, Town of York Plan, designated as Parts 7, 8 and 15 on Plan 66R-21873. The boundaries of Yonge Street as confirmed by Boundaries Act Plan BA-1120 as in CT273365; City of Toronto.

(b) **PIN 21407-0053 (LT)**

Part of Town Lot 2, South Side of King Street, Town of York Toronto, designated as Parts 14, 16 and 22 on Plan 66R-21873; City of Toronto.

(c) **PIN 21407-0054 (LT)**

Part of Town Lot 2, South Side of King Street, Town of York Toronto, designated as Parts 6 and 12 on Plan 66R-21873; City of Toronto.

2. Units in the Commercial Condominium (Registered owner is SHI):

(a) **PIN 12726-0001 (LT)**

Unit 1, Level 1, Toronto Standard Condominium Plan No. 1726 and its appurtenant interest; City of Toronto.

(b) **PIN 12726-0003 (LT)**

Unit 3, Level 1, Toronto Standard Condominium Plan No. 1726 and its appurtenant interest; City of Toronto.

(c) **PIN 12726-0004 (LT)**

Unit 4, Level 1, Toronto Standard Condominium Plan No. 1726 and its appurtenant interest; City of Toronto.

3. Units in the Residential Condominium (SHI is registered owner as to a 4% interest):

(a) **PIN 12703-0001 (LT)**

Unit 1, Level 1, Toronto Standard Condominium Plan No. 1703 and its appurtenant interest; City of Toronto.

(b) **PIN 12703-0002 (LT)**

Unit 2, Level 1, Toronto Standard Condominium Plan No. 1703 and its appurtenant interest; City of Toronto.

(c) **PIN 12703-0003 (LT)**

Unit 3, Level 1, Toronto Standard Condominium Plan No. 1703 and its appurtenant interest; City of Toronto.

(d) **PIN 12703-0004 (LT)**

Unit 1, Level 2, Toronto Standard Condominium Plan No. 1703 and its appurtenant interest; City of Toronto.

(e) **PIN 12703-0005 (LT)**

Unit 2, Level 2, Toronto Standard Condominium Plan No. 1703 and its appurtenant interest; City of Toronto.

(f) **PIN 12703-0204 (LT)**

Unit 8, Level 13, Toronto Standard Condominium Plan No. 1703 and its appurtenant interest; City of Toronto.

(g) **PIN 12703-0205 (LT)**

Unit 9, Level 13, Toronto Standard Condominium Plan No. 1703 and its appurtenant interest; City of Toronto.

(h) **PIN 12703-0596 (LT)**

Unit 1, Level 50, Toronto Standard Condominium Plan No. 1703 and its appurtenant interest; City of Toronto.

(i) **PIN 12703-0597 (LT)**

Unit 1, Level 51, Toronto Standard Condominium Plan No. 1703 and its appurtenant interest; City of Toronto.

4. The following units of Toronto Standard Condominium Corporation No. 1703 (Registered owner is 1 King):

(a) Unit 1, Level 3

(b) Unit 1, Level 4

(c) Unit 26, Level 5

(d) Unit 26, Level 6

- (e) Unit 26, Level 7
- (f) Unit 26, Level 8
- (g) Unit 26, Level 9
- (h) Unit 26, Level 10
- (i) Unit 26, Level 11
- (j) Unit 1, Level 52
- (k) Unit 2, Level 52
- (l) Unit 3, Level 52

SCHEDULE "B"
HOTEL CONTRACTS

1. Rental Management Agreements.
2. Housekeeping Contracts, if any.
3. All contracts, Licenses, agreements, commitments and other agreements including amendments, supplements, modifications or side letters Related to the Business.

SCHEDULE "C"
EQUIPMENT LEASES

1. Lease #14564: lease of equipment from DSM Leasing Limited by DCC dated September 1, 2006.
2. Lease #14575: lease of equipment from DSM Leasing Limited by DCC dated September 1, 2006.

SCHEDULE "D"
CLOSING ADJUSTMENTS

With respect to Subsection 2.6 of the Agreement, in addition to any other items or matters requiring adjustment pursuant to the terms of this Agreement the following items shall be pro-rated and adjusted between the parties as of the Cut-off Time (except as otherwise specifically provided in this Agreement) and this Schedule with respect to the Purchase Price:

1. **Room Rentals and Other Revenues.** The Vendor shall receive a credit for 100% of guest room rentals from guests up to Cut-Off Time who are in-house at the Cut-off Time. The Vendor shall be entitled to the full amount of all other revenues generated in connection with the Business to the Cut-off Time.
2. **Vending Machines.** It is understood that all monies in the vending machines at the Hotel will be cleared by the Vendor as of the Cut-off Time.
3. **Telephone Company Commissions.** Revenue from the telephone company relating to all public telephones in the Hotel shall accrue to Vendor to the Cut-off Time.
4. **Space Leases.** Rents and other amounts collected under any space leases, including percentage rents as and when collected shall be adjusted. If at the Closing Date it is not feasible to determine the amount of percentage rent due under any space lease for the percentage rent accounting period during which the Cut-off Time occurs, the apportionment with respect to such percentage rent shall be made on a per diem basis promptly after the final percentage rent is known, subject to collections.
5. **Gift Certificates.** Gift certificates issued by the Vendor prior to the Cut-off Time shall be valued and credited to the Purchaser. The Purchaser shall honour all such certificates.
6. **Salaries and Wages.** In respect of such personnel employed at the Hotel, the following adjustments will be made:
 - (a) the accrual for vacation and sick pay, including retroactive pay, if any, shall be based upon individual calculations for each employee in conformity with past practices as to vacations and sick days allowed employees up to Cut-off Time; the Purchaser and Vendor shall adjust for vacation pay on the basis of the Vendor being responsible until the Cut-off Time for all such vacation pay, with such adjustment to be credited to the Purchaser on the Closing Date. The Purchaser shall be responsible to ensure that the employees gratuities are paid after the Cut off Time with respect to accounts incurred after such Cut-off Time;
 - (b) the Vendor shall be responsible for all salaries, wages, and sick pay, including retroactive pay, fringe employee benefit premiums, employer's share of payroll taxes, Canada Pension, unemployment insurance and contributions and worker's compensation and payroll deductions to the Cut off Time;

- (c) the payroll shall be cut off at the Cut-off Time for personnel whose shift straddles the Cut-off Time and the salaries and wages of such personnel shall be the responsibility of the Vendor up to the Cut-off Time. The Purchaser shall be responsible for the salaries and wages of all employees after the Cut-off Time; and
 - (d) The Vendor will be responsible for all obligations and liabilities accrued up to the Cut-off Time for employment matters. The Purchaser will be responsible for all obligations and liabilities for employment matters after the Cut-off Time.
7. **Utilities.** Charges for water and sewer, electricity, steam, gas and telephone. The Vendor shall notify the utility companies furnishing such services that the billing thereof to Vendor or the Lessee shall be discontinued at the Closing Date, and the Purchaser shall make arrangements to have such billing charged to Purchaser commencing with the Closing Date. The Vendor shall be responsible for all charges billed with respect to such utilities for the period prior to the Closing Date. The Vendor shall have all utilities meters at the premises read as of the Closing Date and shall be responsible for all charges billed in accordance with such readings promptly after receipt of such bills. If the utility meters cannot be read as of the Closing Date, then the charges in the first billing received after the Closing Date shall be pro rated on a time basis up to the Closing Date.
 8. **Cash Floats.** All cash floats at the Cut-off Time shall be credited to the Vendor. All amounts in the Hotel bank accounts shall be credited to the Vendor and shall remain the property of the Vendor on the Closing Date.
 9. **Commissions.** Commissions due to credit and referral organizations, travel agents and others shall follow the room rental to which they relate. (See Item 1 hereof.)
 10. **Sales Tax.** There shall be an apportionment with respect to provincial and federal sales and excise taxes charged to guests occupying rooms at the Hotel or to others incurring other expenditures at the Hotel subject to such taxes. If required by law, the Vendor shall file final sales and excise tax returns with respect to the Hotel with the appropriate tax authority and be responsible for sales and excise taxes charged to guests and others during the period of time up to the Cut-off Time. The Purchaser shall be responsible for sales and excise taxes applicable to taxable events occurring any time from and after the Cut-off Time.
 11. **Room Deposits.** Any deposits, paid to the Vendor prior to the Closing Date relating to room rentals (guest room, banquets, or public rooms) up to the Cut off Time and thereafter shall be credited to the Purchaser.
 12. **Employee Key Deposits.** Any employee key deposits held by the Vendor at the Closing Date shall be listed and handed over and credited to the Purchaser.
 13. **Utility Deposits.** The Purchaser agrees to pay to the Vendor at the Closing Date the amount of all transferable utility deposits, if any, and upon such payment, the Vendor will assign all its rights, title and interest in and to such deposits to the Purchaser, if any.

14. **Prepayments.** The Vendor shall receive credit for payments made before the Cut-off Time relating to goods, services, real estate taxes, licence fees or any other similar item relating to the period after the Cut-off Time. Such prepayments and accruals shall include, without limitation:
- (a) real estate taxes;
 - (b) municipal permit fees;
 - (c) permit fees;
 - (d) telephone charges and rentals;
 - (e) Hotel Contracts;
 - (f) dues and subscriptions;
 - (g) miscellaneous prepayments and accruals;
 - (h) utilities (if required, under item 7 hereof);
 - (i) purchase order deposits;
 - (j) Equipment Lease payments or deposits; and
 - (k) insurance premiums, if applicable.
15. **Inventory.** The Vendor shall receive credit for unopened alcoholic beverages and for cleaning supplies and toiletries at the Cut-off Time. The Vendor shall not receive credit for any other item of Inventory.

SCHEDULE "E"
EXCLUDED ASSETS

This Schedule shall be completed within five (5) business days of the execution of the Agreement by the Vendor and the Purchaser jointly, otherwise it shall be deemed to be Nil.

SCHEDULE "F"
EQUIPMENT AND TANGIBLE PERSONAL PROPERTY

To be completed by the Confirmation Date.

SCHEDULE "G"
1 KING ASSETS

1. The following units of Toronto Standard Condominium Corporation No. 1703:
 - (a) Unit 1, Level 3
 - (b) Unit 1, Level 4
 - (c) Unit 26, Level 5
 - (d) Unit 26, Level 6
 - (e) Unit 26, Level 7
 - (f) Unit 26, Level 8
 - (g) Unit 26, Level 9
 - (h) Unit 26, Level 10
 - (i) Unit 26, Level 11
 - (j) Unit 1, Level 52
 - (k) Unit 2, Level 52
 - (l) Unit 3, Level 52
2. Surrender of all rights under a Lease and Option To Purchase between DCC and 1 King West Inc. dated March 3, 2006 of certain premises known as Suite 302, 1 King West, Toronto and registered as Instrument No. AT1082053.
3. All rights to the name "1 King West" and the Intellectual Property.

SCHEDULE "H"
REAL PROPERTY AGREEMENTS

1. Underpinning Agreement entered into among Lormac Limited, Montreal Trust Company (the owners of the property to the west of the Real Property) and the owners of 5 King Street West, Toronto dated March 9, 1964 and registered as Instrument No. 56837ES on March 23, 1964.
2. City of Toronto By-Law 278-90 designating 1 King Street West as being of architectural and historical value or interest registered on May 18, 1990 as Instrument No. CA091334.
3. Development Agreement dated June 14, 1990 between the owner of 5 King Street West and the City of Toronto registered June 27, 1990 as Instrument No. CA097283
4. Settlement agreement between OMERS Realty Management Corporation and 5 King West Inc. regarding the minor variance approval of the construction of the project and relationship with the property to the west of the project dated August 4, 2000 and registered September 22, 2000 as Instrument No. E359118.
5. Heritage Easement Agreement dated July 18, 2001 between 1 King West Inc. and 5 King West Inc. and the City of Toronto registered on July 24, 2001 as Instrument Nos. CA734408 and E436044.
6. Agreement dated March 11, 2002 between 1 King West Inc. and the City of Toronto under section 45(9) of the Planning Act where the owner agreed to make a cash contribution to a public art program and connect the building to the city PATH system registered on May 2, 2002 as Instrument Nos. CA766701 and E531266.
7. Development Agreement dated May 12, 2002 between 1 King West Inc. and the City of Toronto dealing with parking, traffic, garbage and other matters registered may 23, 2002 as Instrument Nos. CA769507 and E539473.
8. Collateral Agreement dated May 12, 2002 between 1 King West and the City of Toronto dealing with environmental matters, heritage restoration, transit facilities and other matters registered on May 23, 2002 as Instrument No. CA769511 and E539477.
9. Tunnel Agreement dated January 9, 2003 between 1 King West Inc. and the City of Toronto dealing with the construction use and maintenance of the tunnel connecting from the building to the PATH.
10. Easement Agreement dated July 26, 2004 between 1 King West Inc. and Rogers Communications Inc. for operation of a distribution system registered September 13, 2004 as Instrument No. AT604402.
11. TSCC 1703's Declaration registered September 9, 2005 as Instrument No. AT916595.
12. TSCC 1726's Declaration registered November 1, 2005 as Instrument No. 982430.

13. Reciprocal Agreement.
14. Lease Operating Agreement.

SCHEDULE "I"
INTELLECTUAL PROPERTY

To be completed by the Confirmation Date.

SCHEDULE "J"
PERMITTED ENCUMBRANCES

1. Real Property Agreements
2. By-laws of TSSC #1703
3. Rental Management Agreements.

SCHEDULE "K"
COMPUTER EQUIPMENT

1. All computer servers and any related hardware and: (i) all computer software programs, including all source and object code Related to the Business, (ii) databases and compilations, including data and collections of data, whether machine-readable or otherwise Related to the Business, (iii) the content and information contained on any website Related to the Business, including metags, (iv) all descriptions, flow-charts and other work product Related to the Business and used to design, plan, organize and develop any of the foregoing, (v) all documentation, including user manuals and training materials, relating to any of the foregoing, and (vi) all licenses, warranties, and service agreements relating to any and all of the foregoing Related to the Business.

GOODMANS\5606753.6

EXHIBIT “F”

Ira Smith

TRUSTEE & RECEIVER INC.
Suite 6-167 Applewood Crescent, Concord, Ontario, Canada L4K 4K7

Ira Smith
Tel. (905) 738-4167
Fax (905) 738-9848
Email: ira@irasmithinc.com
Website: www.irasmithinc.com

July 2, 2008

VIA EMAIL Bob.Gardiner@gmail.com

Toronto Standard Condominium Corporation No. 1703
c/o Gardiner Miller Arnold LLP
Barristers and Solicitors
390 Bay Street
Suite 1202
Toronto, ON M5H 2Y2

Attention: Mr. J. Robert Gardiner

Dear Sirs

Your Final Letter of Intent dated May 20, 2008

We refer to your Final Letter of Intent (the "LOI") and the discussions and correspondence that has been entered into between us and our respective legal counsel since that submission was made. We have carefully considered your serious submission and we have determined that, at this time, we will not be proceeding to enter into a definitive Agreement of Purchase and Sale with you. Thank you for your interest in the 1 King West opportunity and for participating in this sales process.

Yours truly,

IRA SMITH TRUSTEE & RECEIVER INC.
solely in its capacity as Court-appointed Receiver and Manager of
Stinson Hospitality Inc., Dominion Club of Canada Corporation,
2076564 Ontario Inc. and The Suites at 1 King West Inc.

Per: 

Ira Smith
President

cc Mr. B. Smith – President, TSCC No. 1703, brianjsmith@rogers.com
Mr. L.J. Latham, Goodmans LLP, jlatham@goodmans.ca
Mr. F. Myers, Goodmans LLP, fmyers@goodmans.ca

**ED MIRVISH ENTERPRISES LIMITED
AND 1 KING WEST INC.**

Applicants

**STINSON HOSPITALITY INC.,
DOMINION CLUB OF CANADA
CORPORATION AND HARRY STINSON**

Respondents

Court File No: 07-CL-6913

**ONTARIO
SUPERIOR COURT OF JUSTICE**

Proceeding commenced at Toronto

**RECEIVER'S SEVENTH REPORT – VOLUME 2
Dated September 8, 2008**

GOODMANS LLP

Barristers & Solicitors

Suite 2400, Box 20

250 Yonge Street

Toronto, Canada M5B 2M6

Fred Myers (LSUC#26301A)

Tel: 416-597-5923

Fax: 416-979-1234

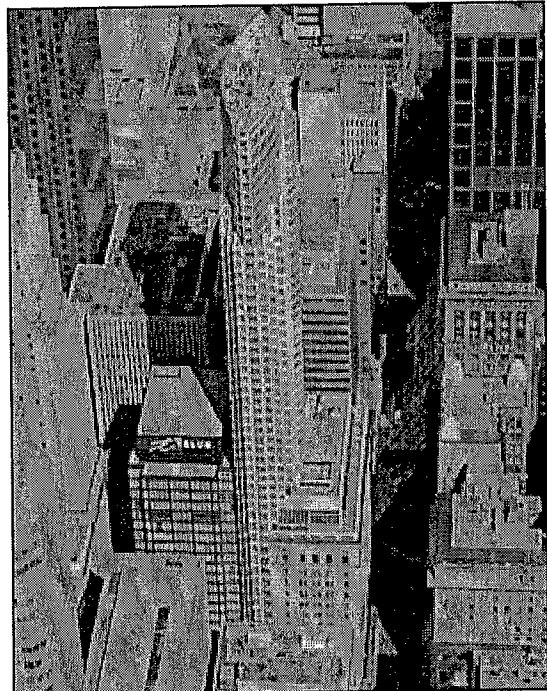
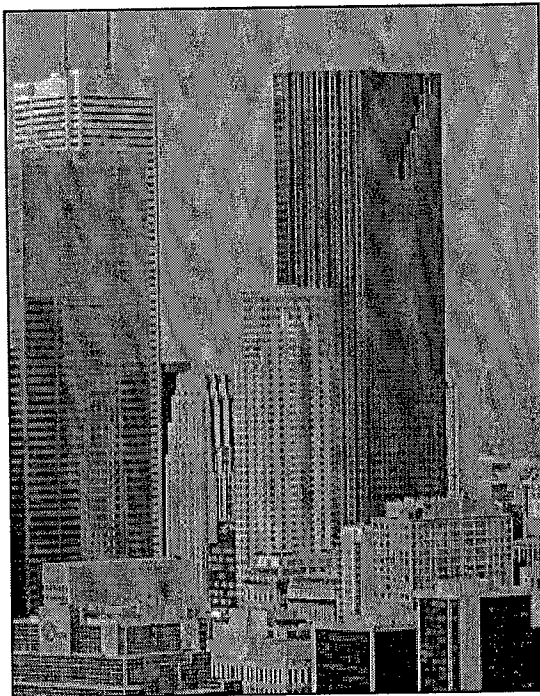
L. Joseph Latham (LSUC#32326A)

Tel: 416-979-2211

Fax: 416-979-1234

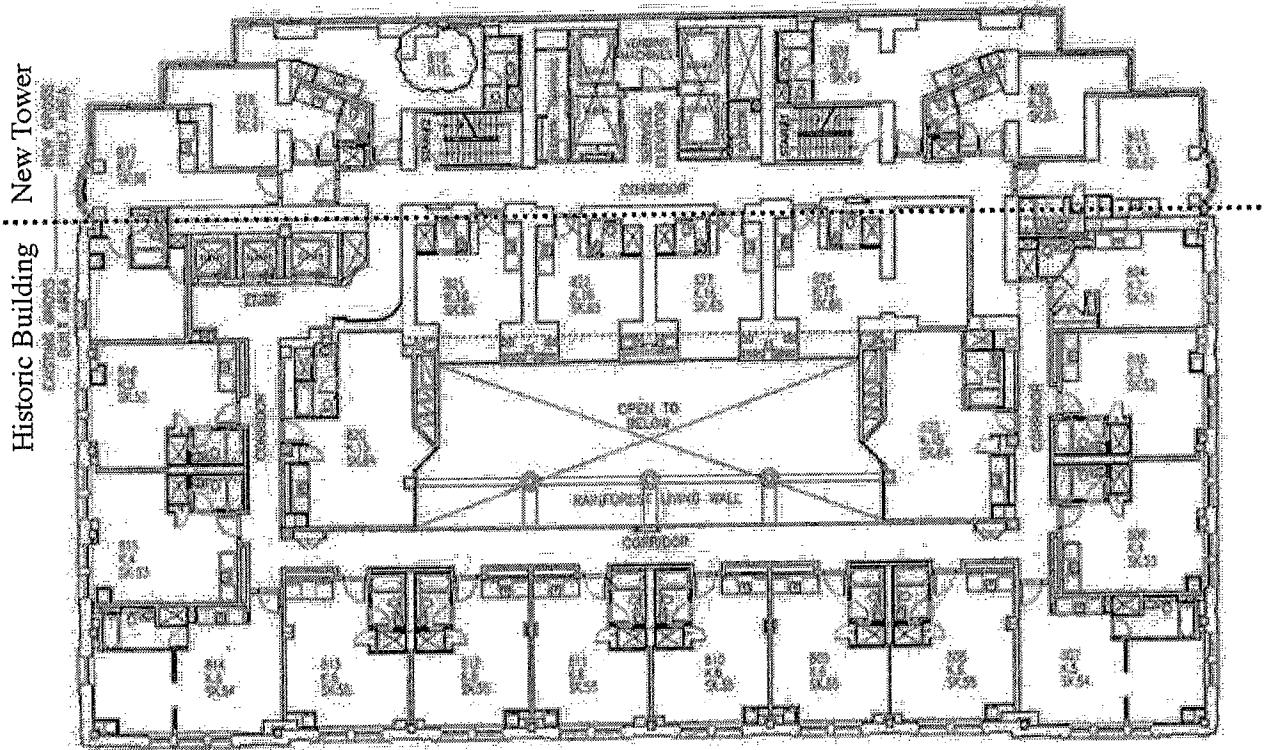
Counsel to Ira Smith Trustee & Receiver Inc., in its capacity as receiver and manager and former monitor of Stinson Hospitality Inc., Dominion Club of Canada Corporation, The Suites at 1 King West Inc. and 2076564 Ontario Inc.

BUILDING EXTERIOR

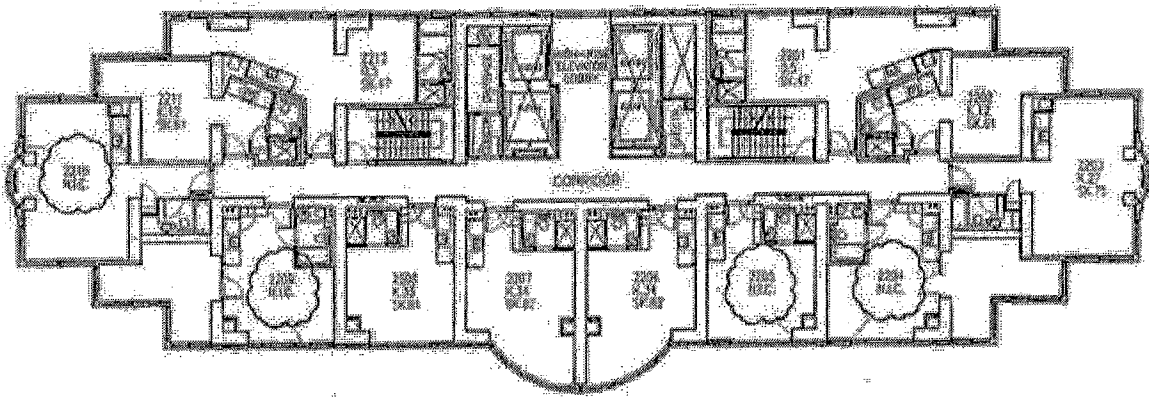


TYPICAL FLOOR PLATE

5th Floor to 17th Floor



17th floor and up (new tower)



APPENDIX D:
SUMMARY OF KEY CONTRACTS

APPENDIX D – SUMMARY OF KEY CONTRACTS

1. RENTAL MANAGEMENT AGREEMENT

A summary of the terms of a standard Rental Management Agreement entered into with each unit Owner is provided below:

A short term leasing agreement is entered into at the Owner's option upon purchase of a unit in the Residential Condominium unit. Agreements are made between each unit Owner and the designated Rental Manager, SHI. Each agreement specifies the following:

- A term of 10 years, automatically renewed annually thereafter unless the Rental Manager defaults in its obligations, or owner chooses to remove Unit from the leasing program for the purpose of owner occupancy, by providing at least 4 months written notice.
- The Rental Manager is to use 'commercially reasonable efforts' to secure suitable tenancies. The Rental Manager does not assure owner of an economic return.
- The Owner must give the Rental Manager 35 days prior notice to use their unit by temporarily withdrawing it from the leasing program, subject to honouring already registered bookings for that unit.
- The Rental Manager may reserve the unit for leasing during future specific time periods beyond the 35 day notice period.
- The Rental Manager provides housekeeping and cleaning services during changeover from one tenant to another.
- A fixed administration fee of \$165 per unit per month and an annual incentive fee of 5% of the aggregate annual Net Rental Revenue are to be paid to the Rental Manger for provision of services.
- "Net Rental Revenue" is defined as: Gross Rental Revenue from the short term leasing of the units less housekeeping fees; general marketing costs; Capital Expense Reserve Fund allocations; direct costs of operating the leasing program; the \$165 per month per unit administration fee (adjusted for CPI after five years); pro-rated insurance premiums; cost of operating the PBX system; payroll costs for rental management staff, housekeeping, bellhop, reservations staff, security, laundry, front desk and concierge staff; cost of providing cleaning services and supplies, uniforms, printing and stationary, business centre expenses, laundry, linen and glassware replacement, and hardware/software maintenance contracts used in the leasing program; operation of the business centre, maintenance department, maintenance and repairs, decorating and general equipment maintenance; cost of preparing audited financial statements ; and any further direct costs of operating the leasing program.

In addition, the detailed Terms of Engagement, Duties of the Rental Manager, Monthly Payment and Accounting, Duties of the Owner, and Additional Responsibilities of the Parties, among other Articles, are contained in the agreement.

This summary of the Rental Management Agreement is provided to assist readers of this Memorandum. The Receiver believes it to be accurate; however, the Receiver cautions

readers that, if they wish to pursue this opportunity, they should have their respective legal counsel review all relevant documents and agreements. The Receiver does not warrant that this information is accurate or correct in every respect.

A sample Rental Management Agreement will be provided in the data room.

2. LEASE OPERATING AGREEMENT

Between Toronto Standard Condominium Corporation No. 1703 (Residential Condo Corp.) and Toronto Standard Condominium Corporation No. 1726 (Commercial Condo Corp.), dated November 18, 2005 designed to ensure that the Rental Manager, conducts its rental management program in accordance with the requirements of the Residential Condominium declaration, by-laws and rules of the Residential Condominium.

The terms of the agreement are summarized as follows:

- The Residential Condo Corp. acknowledges and agrees that the Commercial Condo Corp. has the right to appoint the exclusive Rental Manager for a 10 year term, automatically extended each year thereafter for a further aggregate term of 10 years on the same terms and conditions, unless terminated earlier.
- The Residential Condo Corp. may terminate the agreement if:
 - the Commercial Condo Corp. defaults under any material covenant, agreement, term or provision, and:
 - The default cannot be cured, or
 - The default can be cured but the Commercial Condo Corp. fails to commence to cure it within 14 days of receiving written notice of such default, or
 - The default continues for 45 days after notice is received by Commercial Condo Corp.
 - The Rental Manager makes an assignment of its property for the benefit of its creditors.
- 10 year lease by the Residential Condo Corp. to the Commercial Condo Corp. of business centre, including meeting rooms, server area, service bar and lounge amenity space on 12th and 13th floors for \$12,000 plus GST per annum paid monthly in arrears. May be increased annually by up to the annual increase in CPI.
 - The Commercial Condo Corp. is required to furnish and equip, operate, clean and staff the leased premises at its own cost to provide service to owners in residence and hotel guests. The Residential Condo Corp. shall be responsible for maintenance and repair.
- The Residential Condo Corp. covenants not to amend its declaration, rules or by-laws in such a way as to be inconsistent with the Rental Management Program.
- Duties of the Rental Manager:
 - From gross rental revenues, remit to the Residential Condo Corp. monthly common expense contributions and other charges due from the unit, such as parking license fees, along with a record of each short term rental.

- Specifies insurance policies to be taken out by unit holders and the Commercial Condo Corp.
- Maintain records of short term rentals and provide access to Residential Condo Corp. of such.
- Force Majeure, Dispute Resolution and Notice are also specified in the agreement.

This summary of the Lease Operating Agreement is provided to assist readers of this Memorandum. The Receiver believes it to be accurate; however, the Receiver cautions readers that, if they wish to pursue this opportunity, they should have their respective legal counsel review all relevant documents and agreements. The Receiver does not warrant that this information is accurate or correct in every respect.

A copy of the Lease Agreement will be provided in the data room

3. RECIPROCAL AGREEMENT

Between Toronto Standard Condominium Corporation No. 1703 (the Residential Condo Corp.), Toronto Standard Condominium Corporation No. 1726 (the Commercial Condo Corp.) and the owner of the Commercial Structure dated November 18, 2005 but with effect as of September 9, 2005, to describe the easements and cost sharing arrangements between the parties and to govern the operation, maintenance and repair of certain shared components and shared services within the building.

The terms of the agreement are summarized as follows:

- Mutual Easements: easements for the granting of support for each structure, for emergency fire route access over corridors and stairs, for repair and maintenance of mutual use items such as wiring, pipes etc. All are subject to each party's continued contribution of its Proportionate Share of the Costs as defined
- Shared Facilities: include the shared service corridors, stairs and elevators, parts of the HVAC systems, the hot water system, steam, gas, fire alarm and sprinkler systems, telephone and telecom equipment located in telephone rooms on the 2nd and 3rd floors, Toronto Hydro main electrical supply lines, sump pumps and water meters, garbage chutes and disposal equipment, mailboxes, staff change rooms and all other shared systems or services described in the mechanical and electrical drawings, plus the service units, including the front desk, trash compactor, loading dock, mechanical rooms, the CACF room, rooftop mechanical equipment and elevators machine room.
- The service elevator will be owned and operated by the Commercial Condo Corp. exclusively for the operation of the rental management program, however, the maintenance costs shall be a Shared Expense.
- Shared Services include:
 - Maintenance and repair of Shared Facilities, elevator maintenance, garbage disposal, cleaning of common service areas, snow removal;
 - Professional services with respect to the operations or maintenance of the Shared Facilities, including auditors; and
 - Utility consumption for the Shared Facilities, including insurance premiums.

- Each party shall be severally responsible for inspection and maintenance of Shared Facilities within its own structure
- The Residential Condo Corp. shall be primarily responsible for arranging the maintenance and repair of the Shared Facilities except:
 - Commercial Condo Corp. shall maintain and operate:
 - The telephone/telecommunication equipment; and
 - The front desk concierge service unit.
 - Owner of the Commercial Structure shall maintain the staff change rooms.
- Terms for utilities, taxes, insurance, damage, alterations are also included.

This summary of the Reciprocal Agreement is provided to assist readers of this Memorandum. The Receiver believes it to be accurate; however, the Receiver cautions readers that, if they wish to pursue this opportunity, they should have their respective legal counsel review all relevant documents and agreements. The Receiver does not warrant that this information is accurate or correct in every respect.

A copy of the Reciprocal Agreement will be available in the data room.

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APPENDIX E:
THE SUITES LEASING PROGRAM 2007 AUDITED FINANCIAL STATEMENTS

1 KING WEST LEASING PROGRAM

FINANCIAL STATEMENTS

DECEMBER 31, 2007

Draft Copy - February 27, 2008

1 KING WEST LEASING PROGRAM

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Statement of Capital Expense Reserve Fund	4
Statement of Operations and General Equity	5
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Draft Copy - February 27, 2008

AUDITORS' REPORT

To the Receiver and Manager of
1 King West Leasing Program

We have audited the statement of financial position of **1 King West Leasing Program** as at December 31, 2007 and the statements of capital expense reserve fund and operations and general equity for the year then ended. These financial statements are the responsibility of the Leasing Program's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Leasing Program as at December 31, 2007 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

The balance sheet as at December 31, 2006 and the statements of capital expense reserve fund and operations and general equity for the year then ended were audited by another firm of Chartered Accountants whose report was dated February 16, 2007.

Toronto, Ontario
February 4, 2008

SBLR LLP
Chartered Accountants
Licensed Public Accountants

1 KING WEST LEASING PROGRAM

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31

	2007	2006
ASSETS		
CURRENT		
Cash	\$ 1,846,355	\$ 643,903
Accounts receivable	622,507	1,018,907
Prepaid expenses	35,822	-
Due from rental manager and related entities (note 4)	5,464	83,589
	<hr/>	<hr/>
	\$ 2,510,148	\$ 1,746,399
<hr/>		
LIABILITIES AND LEASING PROGRAM EQUITY		
CURRENT		
Accounts payable and accrued liabilities	\$ 989,387	\$ 745,360
Advance deposits	96,864	155,244
Due to rental manager and related entities (note 4)	317,231	196,706
	<hr/>	<hr/>
	1,403,482	1,097,310
<hr/>		
LEASING PROGRAM EQUITY		
General equity	146,575	255,135
Capital expense reserve fund (note 5)	960,091	393,954
	<hr/>	<hr/>
	1,106,666	649,089
	<hr/>	<hr/>
	\$ 2,510,148	\$ 1,746,399

On behalf of the Leasing Program:

Receiver and Manager

*See accompanying notes
Subject to Auditors' Report dated February 4, 2008*

1 KING WEST LEASING PROGRAM

STATEMENT OF CAPITAL EXPENSE RESERVE FUND YEAR ENDED DECEMBER 31

	2007	2006
Capital Expense Reserve Fund, beginning of year	\$ 393,954	\$ 39,631
Allocation from general equity (note 5)	576,765	447,086
Contributions from long-term stay program	42,497	42,608
Capital expenditures	(53,125)	(135,371)
Capital Expense Reserve Fund, end of year	\$ 960,091	\$ 393,954

Draft Copy - February 27, 2008

*See accompanying notes
Subject to Auditors' Report dated February 4, 2008*

1 KING WEST LEASING PROGRAM

STATEMENT OF OPERATIONS AND GENERAL EQUITY YEAR ENDED DECEMBER 31

	2007	2006
REVENUES		
Room rental	\$ 14,073,794	\$ 10,832,147
Other rental revenue	271,757	177,416
Miscellaneous income	73,584	167,589
	<u>14,419,135</u>	<u>11,177,152</u>
EXPENDITURES		
Staff salaries and benefits	2,420,746	2,139,689
Cleaning and housekeeping (note 4)	1,875,128	1,625,423
Management fees (note 4)	768,440	570,401
Laundry and supplies	437,483	380,721
Sales salaries and benefits	415,366	299,383
Credit cards and processing	323,950	220,097
Advertising and promotion	304,251	448,731
Guest supplies and hospitality	292,390	255,661
Incentive management fee (note 4)	272,823	199,343
Repairs and maintenance	221,443	123,053
Administration	221,179	307,809
Management office rent (note 4)	180,000	135,000
Bad debts	178,883	9,533
Security	171,124	92,203
Travel agent commissions	146,694	233,644
Operating expenses	119,159	177,291
Professional fees	107,445	73,007
Insurance	106,118	73,175
Sales expense	83,008	49,894
Miscellaneous	20,066	110,583
	<u>8,665,696</u>	<u>7,524,641</u>
Net rental income for the year	5,753,439	3,652,511
General equity, beginning of year	255,135	-
Contribution from rental manager (note 4)	-	207,767
Allocation to Capital Expense Reserve Fund (note 5)	(576,765)	(447,086)
	<u>5,431,809</u>	<u>3,413,192</u>
Distributions to the owners (note 5)	(5,285,234)	(3,158,057)
General equity, end of year	\$ 146,575	\$ 255,135

See accompanying notes
Subject to Auditors' Report dated February 4, 2008

1 KING WEST LEASING PROGRAM

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2007

1. NATURE OF OPERATIONS

The 1 King West Leasing Program ("Leasing Program") commenced operations on August 1, 2005 pursuant to a Rental Management Agreement between certain unit owners of the property of 1-5 King Street West, Toronto, Ontario and the rental manager, Stinson Hospitality Inc.

The purpose of the Leasing Program is to manage the units of certain owners as hotel operations, located at 1 King Street West, Toronto, Ontario. At year end, the Leasing Program represented 389 owners (2006 - 423).

As of May 1, 2007, a long-term stay program was introduced into the Leasing Program. The long-term stay program is subject to the terms and conditions of the Rental Management Agreement. In previous years, the long-term stay program was administered and reported independent of the Leasing Program.

2. BASIS OF PRESENTATION

These financial statements present the financial position and result of operations of the Leasing Program and do not include all of the assets, liabilities, revenue and expenses of the owners. No provision has been made in the accounts for income taxes and realty taxes, which are the responsibility of each owner.

3. SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Canadian generally accepted accounting principles. The significant policies are detailed as follows:

(a) REVENUE RECOGNITION

Room rental revenue is recognized when the room rental services are provided and ultimate collection is reasonably assured.

(b) FINANCIAL INSTRUMENTS

Unless otherwise noted, it is management's opinion that the Leasing Program is not exposed to significant interest rate and currency risk arising from its financial instruments. Although the Leasing Program is exposed to credit risk from its customers, the concentration of this risk is minimized due to a large and diverse customer base. The fair value of the Program's financial instruments approximate their carrying values, unless otherwise noted. All of the Leasing Program's funds are held at one financial institution.

1 KING WEST LEASING PROGRAM

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

3. SIGNIFICANT ACCOUNTING POLICIES, continued

(c) USE OF ESTIMATES

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

4. RENTAL MANAGER, RELATED ENTITIES AND CONTINUING OPERATIONS

(a) Continuing Operations

As set out in the Nature of Operations, the Leasing Program operates under a Rental Management Agreement with Stinson Hospitality Inc. On August 24, 2007, Ira Smith Trustee & Receiver Inc. was appointed by the Ontario Superior Court of Justice as Receiver and Manager of all of the assets, undertaking and properties of Stinson Hospitality Inc. and the related entities referred to in note 4 (b). The long term continuing operation of the Leasing Program is dependent upon the continued satisfactory management of the Leasing Program.

(b) Due to (from) Rental Manager and its Related Entities

At year end, the following amounts were due to (from) the Rental Manager and entities owned by the principal shareholder of the Rental Manager:

	2007	2006
Due (from) Stinson Hospitality Inc.	\$ (5,464)	\$ (83,589)
Due to Dominion Club of Canada Corporation	\$ 286,786	\$ 37,369
Due to 2076564 Ontario Inc.	30,445	159,337
	<u>\$ 317,231</u>	<u>\$ 196,706</u>

The amounts are non-interest bearing, unsecured and due on demand. Subsequent to year end, the outstanding payable was repaid by cash or reduced through an agreement of offset.

Amounts receivable from Dominion Club of Canada Corporation amounting to \$167,341, which arose prior to the Receivership of August 24, 2007 as referred to in note 4 (a), were deemed by management to be uncollectible and have been included in bad debts in the statement of operations and general equity. Due to the Receivership, the Leasing Program could not offset these amounts receivable against the due to Dominion Club of Canada Corporation balance.

1 KING WEST LEASING PROGRAM

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

4. RENTAL MANAGER, RELATED ENTITIES AND CONTINUING OPERATIONS, continued

(c) Transactions with the Rental Manager and its Related Entities

The following amounts were charged to the Leasing Program by the Rental Manager and entities owned by the principal shareholder of the Rental Manager:

	2007	2006
Management fees	\$ 768,440	\$ 570,401
Management office rent	180,000	135,000
Housekeeping charges	1,875,128	1,625,423
Incentive management fees	272,823	199,343

The management fees are based on \$165 per month per suite enrolled in the Leasing Program. The Rental Manager waived management fees of \$Nil (2006 - \$209,525) and made a special contribution to the Leasing Program in the amount of \$Nil (2006 - \$207,767).

The Rental Manager has charged the Leasing Program \$30 per square foot as management office rent for the Rental Manager's offices, which are owned by Dominion Club of Canada Corporation.

Housekeeping charges are based on per night usage and occupancy levels and are payable to 2076564 Ontario Inc.

The incentive management fees are based on 5% of aggregate net rental revenue of the Leasing Program to be paid to the Rental Manager within 30 days of the date of issuance of the auditors' report.

5. CAPITAL EXPENSE RESERVE FUND AND DISTRIBUTIONS

The Leasing Program, as required by the Rental Management Agreement, has established a Capital Expense Reserve Fund for financing future major repairs and replacements of furnishings and equipment of the units. Under the Rental Management Agreement, the Leasing Program is required to transfer a minimum of 4% (2006 - 4%) of gross rental revenue to the Fund.

A formal study to evaluate the adequacy of the contributions to the Capital Expense Reserve Fund to date has not been completed. As per the Rental Management Agreement, in the event that there are insufficient funds in the Capital Expense Reserve Fund to support the required capital expenditures, the owners enrolled in the Leasing Program may be assessed an additional amount to be immediately contributed into the fund.

1 KING WEST LEASING PROGRAM

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

5. **CAPITAL EXPENSE RESERVE FUND AND DISTRIBUTIONS, continued**

Distributions to the owners represent the aggregate of each owner's proportionate share and entitlement, on a monthly basis, of the net rental revenue computed in accordance with the terms of the Rental Management Agreement. The general equity balance at year end represents the undistributed portion of the owner's share of net rental revenue.

As a result of the December 31, 2006 year end audit adjustments, net rental revenue for the prior year was reduced by \$222,383. This resulted in an overpayment of distributions to owners in the same amount. The Receiver and Manager, in order to comply with the Rental Management Agreement, reduced the October 2007 and November 2007 distributions by the amount of the overpayment.

6. **CONTINGENCY**

Management has identified that during the year, the Leasing Program was overcharged for telephone long distance services. The service provider has acknowledged the billing error and has agreed to reimburse the Leasing Program. The amount of this reimbursement is not yet determinable.

7. **STATEMENT OF CASH FLOWS**

A statement of cash flows has not been prepared as the cash flow information is readily apparent from the other financial statements provided.

8. **SUBSEQUENT EVENT**

Subsequent to year end, the Ontario Superior Court of Justice empowered the Receiver and Manager to borrow funds from the Leasing Program that are necessary for the discharge of its duties, provided the outstanding principal amount does not exceed \$500,000. On January 23, 2008, the Receiver and Manager issued a Receiver's Certificate, borrowing an amount of \$255,000, with interest at the prime rate, from the Capital Expense Reserve Fund of the Leasing Program to fund outstanding fees and costs of the Receiver and Manager and the court appointed legal counsel.

APPENDIX F:
HISTORICAL OPERATING STATEMENTS AND 2008 OPERATING BUDGETS

The Suites at 1 King West
Operating Budget 2008
Profit and Loss Statement

March 13, 2008

Inflation rate 2%	400	Actual 2007												Var Bid vs Act/For							
		Budget 2008												%	POR						
		Jan 31	Feb 29	Mar 31	Apr 30	May 31	June 30	July 31	Aug 31	Sept 30	Oct 31	Nov 30	Dec 31			\$	%				
Number of rooms	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400		
Days in month	31	28	31	30	31	30	31	30	31	30	31	30	31	30	31	30	31	30	31		
Number of rooms	11,600	11,600	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	148,400	6.0%
Rooms Available	6,361	6,361	7,966	8,679	10,539	10,538	10,539	10,539	10,539	10,539	10,539	10,539	10,539	10,539	10,539	10,539	10,539	10,539	10,539	109,448	18.9%
Rooms Sold	58.2%	55.0%	64.2%	72.3%	86.0%	87.8%	86.1%	81.5%	83.5%	83.3%	85.8%	83.3%	74.8%	65.8%	66.6%	74.8%	66.6%	74.8%	66.6%	74.8%	66.6%
Paid Occupancy %	7.20	6.481	8.066	8.779	10.638	10.638	10,033	10,205	10,837	10,430	9,191	10,029	110,648	91,943	83,943	83,943	83,943	83,943	83,943	91,943	17.8%
Rooms Occupied	59.0%	55.9%	65.0%	73.2%	85.8%	88.7%	80.9%	82.3%	84.1%	84.1%	75.6%	84.8%	118,871	91,943	83,943	83,943	83,943	83,943	83,943	91,943	3.4%
Occupancy %	\$131.53	\$141.02	\$152.32	\$147.42	\$173.30	\$173.49	\$147.11	\$181.21	\$181.21	\$170.80	\$150.77	\$138.17	\$157,777	\$152,611	\$101,641	\$101,641	\$101,641	\$101,641	\$101,641	\$157,777	18.0%
Average Paid Rate	\$76.55	\$78.02	\$97.85	\$106.62	\$148.13	\$152.35	\$117.84	\$122.82	\$162.13	\$142.28	\$122.07	\$88.36	\$117,995	\$101,641	\$101,641	\$101,641	\$101,641	\$101,641	\$101,641	\$157,777	23.0%
REVPAR																					23.5%
Revenue	849,788	904,987	1,213,371	1,279,467	1,838,835	1,826,234	1,461,222	1,522,993	1,945,806	1,764,247	1,464,819	1,085,822	1,267,452	1,486,000	1,388,000	1,388,000	1,388,000	1,388,000	1,388,000	1,486,000	23.0%
Rooms	15,180	13,449	23,190	26,556	30,594	30,584	28,845	29,340	31,166	29,866	26,423	23,085	308,386	308,386	308,386	308,386	308,386	308,386	308,386	308,386	23.0%
Telephone	13,070	11,787	15,293	15,333	17,845	17,844	16,953	17,213	18,134	17,450	15,795	14,043	190,845	190,845	190,845	190,845	190,845	190,845	190,845	190,845	23.5%
-Other Income	977,838	977,838	1,252,151	1,321,158	1,855,266	1,875,662	1,507,030	1,569,516	1,954,836	1,811,772	1,506,977	1,132,750	1,766,385	1,766,385	1,766,385	1,766,385	1,766,385	1,766,385	1,766,385	1,766,385	23.5%
Total Revenue	616,639	605,191	852,532	898,924	1,388,407	1,390,054	1,093,479	1,090,641	1,483,402	1,324,297	1,078,311	794,822	12,516,400	12,516,400	12,516,400	12,516,400	12,516,400	12,516,400	12,516,400	12,516,400	24.6%
Operating Department Profit	5,732	4,657	17,315	22,718	22,722	21,453	21,811	23,146	22,278	19,680	19,680	17,268	218,695	218,695	218,695	218,695	218,695	218,695	218,695	218,695	-18145.7%
Rooms	4,919	4,024	6,682	5,433	6,088	6,088	5,875	5,935	6,158	5,014	5,578	5,169	68,651	68,651	68,651	68,651	68,651	68,651	68,651	68,651	-5.9%
Other Income	627,191	614,473	836,823	874,472	1,417,213	1,418,863	1,060,806	1,118,387	1,522,705	1,352,589	1,103,569	757,069	12,803,856	12,803,856	12,803,856	12,803,856	12,803,856	12,803,856	12,803,856	12,803,856	79.52%
Gross Operating Income (GOI)	146,138	162,951	158,063	151,987	162,041	161,025	154,477	155,697	162,155	160,703	150,821	148,953	1,874,041	1,874,041	1,874,041	1,874,041	1,874,041	1,874,041	1,874,041	1,874,041	12.6%
Overhead Expenses	45,536	64,582	110,914	79,887	86,788	101,209	123,986	104,041	106,637	86,464	45,359	68,286	1,028,278	1,028,278	1,028,278	1,028,278	1,028,278	1,028,278	1,028,278	1,028,278	36.4%
General & Administrative	40,953	41,756	40,996	51,772	40,657	39,791	41,720	39,593	40,651	41,720	37,764	42,594	499,008	499,008	499,008	499,008	499,008	499,008	499,008	499,008	10.4%
Advertising & Promotion	232,667	269,289	307,873	283,646	291,485	301,025	318,783	299,321	311,473	288,887	233,945	259,933	3,399,327	3,399,327	3,399,327	3,399,327	3,399,327	3,399,327	3,399,327	3,399,327	18.5%
Repairs & Maintenance																					
Total Overhead Expenses	394,573	345,184	578,556	540,825	612,578	611,713	741,023	619,068	622,121	606,572	569,624	497,225	9,404,629	9,404,629	9,404,629	9,404,629	9,404,629	9,404,629	9,404,629	9,404,629	28.8%
Gross Operating Profit (GOP)	66,000	66,000	66,000	66,000	66,000	66,000	66,000	66,000	66,000	66,000	66,000	66,000	792,000	792,000	792,000	792,000	792,000	792,000	792,000	792,000	4.5%
Mgt. Fee, Taxes & Insurance	9,700	9,700	9,700	9,700	9,700	9,700	9,700	9,700	9,700	9,700	9,700	9,700	117,370	117,370	117,370	117,370	117,370	117,370	117,370	117,370	0.7%
Management Fee	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	160,000	160,000	160,000	160,000	160,000	160,000	160,000	1.3%	
Insurance	47,487	45,250	60,659	63,973	91,842	91,412	73,061	97,290	88,212	73,241	54,781	863,358	863,358	863,358	863,358	863,358	863,358	863,358	863,358	863,358	3.8%
Office Rent	135,187	135,350	151,369	154,673	182,542	182,112	163,761	167,044	186,174	179,106	164,135	145,676	1,962,728	1,962,728	1,962,728	1,962,728	1,962,728	1,962,728	1,962,728	1,962,728	11.2%
FF&E Reserve																					
Total Mgt Fee & Insurance	256,336	209,234	427,188	468,153	643,186	635,727	577,262	652,022	623,058	606,536	505,439	351,551	7,451,802	7,451,802	7,451,802	7,451,802	7,451,802	7,451,802	7,451,802	7,451,802	39.2%
Operating Profit(Loss)	12,817	10,462	21,959	24,308	47,159	46,786	28,863	32,601	51,153	44,230	35,274	17,578	373,590	373,590	373,590	373,590	373,590	373,590	373,590	373,590	2.0%
Incentive Fee 5% of Operating F	243,520	198,772	405,828	461,845	888,027	888,940	548,399	619,424	971,905	840,366	670,214	333,974	7,079,212	7,079,212	7,079,212	7,079,212	7,079,212	7,079,212	7,079,212	7,079,212	37.2%
Net Operating Profit(Loss)	442,292	442,292	442,292	442,292	442,292	442,292	442,292	442,292	442,292	442,292	442,292	442,292	442,292	442,292	442,292	442,292	442,292	442,292	442,292	442,292	32.3%
Cum. Operating Profit(loss)	243,520	442,292	884,584	1,326,876	2,205,992	3,094,932	3,643,331	4,252,752	5,234,657	6,075,024	6,745,238	7,079,212	7,079,212	7,079,212	7,079,212	7,079,212	7,079,212	7,079,212	7,079,212	7,079,212	32.3%

The Suites at 1 King West
 Summary Income Statement
 End of Year 2007

ACTUAL	%	MONTH BUDGET	%	LAST YEAR	%	YTD ACTUAL	%	YTD BUDGET	%	YTD PRIOR YR	%
11,736	0.00	12,400	0.00	11,504	0.00	138,152	0.00	146,000	0.00	139,464	0.00
6,590	56.15	6,600	53.23	6,818	59.27	94,033	68.06	95,200	65.21	77,744	55.74
6,398	54.52	6,500	52.42	6,624	57.58	92,012	66.60	94,000	64.58	75,106	53.85
843,017	131.76	962,650	148.10	856,640	129.32	14,041,706	152.61	16,238,475	172.75	10,787,446	143.63
843,017	71.83	962,650	77.63	856,640	74.46	14,041,706	101.64	16,238,475	111.22	10,787,446	77.35
843,017	95.96	962,650	96.93	856,640	98.22	14,041,706	97.60	16,238,475	97.37	10,787,446	95.13
15,027	1.71	9,900	1.00	12,084	1.39	160,777	1.12	142,800	0.86	113,570	1.00
20,432	2.33	20,564	2.07	3,444	0.39	184,564	1.28	296,408	1.78	438,293	3.87
878,476	100.00	993,114	100.00	872,169	100.00	14,387,048	100.00	16,577,683	100.00	11,339,309	100.00
Revenue											
Department Profit											
591,107	70.12	566,879	60.96	570,127	66.55	10,045,125	71.54	11,496,542	70.80	7,078,398	65.62
2,120	14.11	(1,998)	(20.18)	(10,565)	(87.43)	(1,212)	(0.75)	(12,092)	(6.47)	(62,307)	(46.06)
15,192	74.35	4,486	21.82	(5,115)	(148.49)	72,816	39.45	84,501	21.76	369,158	84.23
608,419	69.26	569,367	59.35	554,447	63.57	10,116,729	70.32	11,548,951	69.25	7,395,250	65.22
Undistributed Expenses											
90,784	10.34	131,979	13.29	136,664	15.90	1,663,934	11.57	1,592,870	9.55	1,327,411	11.71
37,985	4.32	42,237	4.25	128,614	14.75	752,643	5.23	890,649	5.34	787,497	6.94
19,730	2.23	33,787	3.40	52,018	5.96	451,993	3.14	495,058	2.43	442,144	3.90
148,508	16.91	208,002	20.94	319,296	36.61	2,868,569	19.94	2,888,577	17.32	2,557,051	22.55
459,910	52.35	381,365	38.40	285,151	26.96	7,248,160	50.38	8,660,373	51.93	4,838,198	42.67
Non-Operating Expenses											
9,715	1.11	7,000	0.70	184	0.02	106,118	0.74	84,000	0.50	73,175	0.65
64,345	7.32	68,805	6.93	74,550	8.55	768,440	5.34	827,640	4.96	570,401	5.03
16,252	1.85	13,111	1.32	13,777	1.58	281,630	1.96	347,631	2.08	199,343	1.76
15,000	1.71	15,000	1.51	135,000	15.48	180,000	1.25	180,000	1.08	135,000	1.19
33,721	4.00	38,505	4.00	149,104	17.41	560,996	4.00	649,540	4.00	447,086	4.14
139,033	15.83	142,422	14.34	372,615	42.72	1,897,184	13.19	2,088,611	12.52	1,425,005	12.57
320,878	36.53	238,943	24.06	(137,464)	(15.76)	5,350,976	37.19	6,571,562	39.40	3,413,193	30.10

The Suites at 1 King West
Summary Income Statement
End of Year 2006

	ACTUAL	%	MONTH BUDGET	%	LAST YEAR	%	YTD ACTUAL	%	YTD BUDGET	%	YTD PRIOR YR	%
	11,504	0.00	11,408	0.00	(23,901)	0.00	139,484	0.00	172,056	0.00	0	0.00
	6,818	59.27	6,897	58.70	(7,348)	(60.74)	77,744	55.74	103,037	59.92	0	0.00
	6,624	57.58	6,497	56.95	(6,073)	(25.41)	75,106	53.85	102,027	59.30	0	0.00
	856,840	129.32	650,000	100.05	197,163	32.47	10,787,446	143.63	18,832,353	184.58	1,314,519	0.00
	856,640	74.46	650,000	56.98	197,163	8.25	10,787,446	77.35	18,832,353	109.45	1,314,519	0.00
	856,640	98.22	650,000	97.75	197,163	29.81	10,787,446	95.13	18,832,353	98.10	1,314,519	73.55
	12,084	1.39	5,100	0.77	153	0.02	113,570	1.00	81,839	0.32	1,540	0.09
	3,444	0.39	9,821	1.45	484,138	70.17	438,293	3.87	302,489	1.58	471,111	26.36
	872,169	100.00	654,921	100.00	661,484	100.00	11,339,309	100.00	19,196,681	100.00	1,787,170	100.00
	570,127	66.55	382,185	58.80	97,853	49.63	7,078,398	65.92	12,601,025	66.81	572,758	43.57
	(10,565)	(87.43)	(5,760)	(112.94)	(1,300)	(848.24)	(52,307)	(46.06)	(84,765)	(137.07)	(4,594)	(294.52)
	(5,115)	(148.49)	3,413	34.75	484,096	98.99	369,158	84.23	70,988	23.47	489,456	99.65
	554,447	63.57	379,838	57.13	560,650	84.76	7,395,250	65.22	12,587,248	65.57	1,037,880	58.06
	138,664	15.90	110,480	16.62	79,314	11.99	1,327,411	11.71	1,404,208	7.31	405,075	22.67
	128,614	14.75	52,898	7.96	75,911	11.48	787,497	6.94	813,091	4.24	412,952	23.11
	52,018	5.96	36,502	5.49	25,247	3.82	442,144	3.80	524,995	2.73	97,356	5.45
	319,296	36.61	199,880	30.06	180,471	27.25	2,557,051	22.55	2,742,295	14.29	915,382	51.22
	235,151	26.98	179,958	27.06	380,179	57.48	4,838,198	42.87	9,844,954	51.28	122,297	6.84
	184	0.02	6,559	0.99	9,188	1.39	73,175	0.65	190,659	0.99	79,059	4.42
	74,550	8.55	60,720	9.13	0	0.00	570,401	5.03	924,660	4.82	0	0.00
	13,777	1.58	4,496	0.68	0	0.00	199,343	1.76	186,192	0.97	0	0.00
	135,000	15.48	0	0.00	0	0.00	135,000	1.19	0	0.00	0	0.00
	149,104	17.41	19,500	3.00	6,982	3.54	447,086	4.14	564,971	3.00	39,631	3.01
	372,615	42.72	91,275	13.73	16,170	2.44	1,425,005	12.57	1,866,482	9.72	118,690	6.64
	(137,464)	(15.76)	88,683	13.34	354,009	55.03	3,413,193	30.10	7,978,472	41.66	3,608	0.20

March 13, 2009

The Dominion Club SHI
Operating Budget 2008
Profit and Loss Statement

Number of days Rooms Occupied	Actual 2007												Actual 2008		Budget 2008		Actual 2007		Var Bud vs Act/For	
	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Total	\$	%	\$	%	\$	%	
Covers	7,320	6,481	8,068	8,778	10,638	10,638	10,033	10,205	10,837	10,430	9,191	8,028	94,543	110,848	0.0%	110,848	0.0%	16,105	1.7%	
Dominion Club	1,389	1,304	1,446	1,541	1,978	2,125	1,978	2,084	2,178	1,978	1,877	1,801	2,727	2,727	18.5%	2,727	1.7%	(2,727)	-100.0%	
Bistro on King	0	0	0	0	0	0	0	0	0	0	0	0	30,740	30,740	0.0%	30,740	0.0%	(6,060)	-29.9%	
Vault	2,069	1,969	2,168	2,927	2,986	3,208	2,986	3,148	3,288	2,985	2,834	2,718	799	799	0.5%	799	0.5%	(799)	-100.0%	
Room Service	4,491	4,006	3,332	5,380	5,427	5,338	4,557	5,255	10,411	9,525	8,821	8,428	38,612	38,612	33.2%	38,612	33.2%	(5,911)	-10.7%	
Barquets	75	80	100	150	150	200	200	150	200	250	300	350	2,943	2,943	1.8%	2,943	1.8%	(6,227)	-86.3%	
Ontario Club	8,001	7,353	9,028	9,239	10,542	10,870	9,872	10,935	15,076	14,739	14,902	13,889	45,770	45,770	100.0%	45,770	100.0%	(2,653)	-2.6%	
Total Covers	18,120	16,110	18,073	17,979	17,979	17,888	17,979	17,979	17,886	17,792	17,593	17,605	146,826	146,826	3.5%	146,826	3.5%	86,460	44.7%	
Revenue	42,820	40,802	45,293	48,221	61,867	66,478	61,867	65,205	68,134	61,867	59,735	56,556	812,102	812,102	13.7%	812,102	13.7%	(5,596)	-100.0%	
Bistro on King	0	0	0	0	0	0	0	0	0	0	0	0	20,423	20,423	0.0%	20,423	0.0%	0.22	0.0%	
Vault	34,042	32,852	35,856	38,004	48,028	51,393	48,028	50,463	52,611	48,028	45,713	43,971	512,871	512,871	11.5%	512,871	11.5%	45,726	3.1%	
Room Service	100,177	205,238	250,871	234,337	276,149	274,169	173,004	182,220	337,170	401,967	465,916	361,531	2,449,572	2,449,572	54.8%	2,449,572	54.8%	889,998	36.3%	
Barquets	4,922	4,831	5,483	9,245	9,245	12,328	9,245	9,245	12,328	15,408	18,489	21,571	176,975	176,975	4.0%	176,975	4.0%	(14,460)	-25.0%	
Ontario Club	44,936	42,096	44,817	43,749	45,081	43,233	45,225	44,379	43,387	45,311	45,681	45,143	546,744	546,744	12.2%	546,744	12.2%	5,78	-2.7%	
Garage	324,779	343,740	401,873	351,555	458,373	459,482	356,272	370,092	531,514	690,613	648,229	546,176	4,487,415	4,487,415	100.0%	4,487,415	100.0%	958,309	21.5%	
Total Revenue	18,120	16,110	18,073	17,979	17,979	17,888	17,979	17,979	17,886	17,792	17,593	17,605	164,421	164,421	1.1%	164,421	1.1%	188,667	1208.8%	
Operating Department Profit	(1,779)	(1,229)	(3,871)	(2,017)	3,258	14,274	10,556	12,383	11,562	7,463	5,376	7,058	89,766	89,766	5.9%	89,766	5.9%	(24,723)	-27.5%	
Rental Income	0	0	0	0	0	0	0	0	0	0	0	0	2,751	2,751	0.2%	2,751	0.2%	(6,683)	-3.2%	
Bistro on King	9,605	10,230	11,249	12,575	19,117	22,834	19,117	20,827	22,831	19,117	18,848	18,268	202,277	202,277	38.3%	202,277	38.3%	208,940	13.7%	
Vault	74,437	97,550	84,457	84,900	127,483	137,598	67,485	56,582	172,162	178,490	228,147	172,848	1,124,044	1,124,044	73.7%	1,124,044	73.7%	310,042	27.6%	
Room Service	(1,820)	(1,510)	(1,579)	(1,479)	(1,479)	(1,588)	(1,479)	(1,479)	(1,369)	(1,282)	(1,188)	(1,105)	(16,059)	(16,059)	-1.1%	(16,059)	-1.1%	(1,058)	8.4%	
Barquets	8,550	8,744	8,469	2,883	2,891	2,357	2,939	2,054	2,845	3,766	2,853	3,707	98,920	98,920	5.5%	98,920	5.5%	(46,849)	-48.7%	
Ontario Club	107,378	137,798	126,804	114,841	171,249	193,441	116,939	110,836	185,682	224,338	271,483	216,180	1,525,803	1,525,803	34.2%	1,525,803	34.2%	424,854	27.8%	
Garage	18,120	16,110	18,073	17,979	17,979	17,888	17,979	17,979	17,886	17,792	17,593	17,605	164,421	164,421	1.1%	164,421	1.1%	188,667	1208.8%	
Total Revenue	(1,779)	(1,229)	(3,871)	(2,017)	3,258	14,274	10,556	12,383	11,562	7,463	5,376	7,058	89,766	89,766	5.9%	89,766	5.9%	(24,723)	-27.5%	
Overhead Expenses	17,081	18,167	18,729	24,635	19,209	19,340	18,269	18,425	20,096	20,983	21,150	20,150	228,478	228,478	5.1%	228,478	5.1%	6,288	2.7%	
General & Administrative	24,039	37,379	47,294	39,287	34,344	44,037	32,594	32,084	34,837	38,064	32,037	38,064	426,728	426,728	7.9%	426,728	7.9%	238,644	42.6%	
Advertising & Promotion	30,031	30,010	38,068	34,010	30,010	34,068	30,010	30,010	34,068	30,010	34,068	34,068	381,370	381,370	8.1%	381,370	8.1%	21,281	5.9%	
Repairs & Maintenance	9,568	9,568	9,568	9,568	9,568	9,568	9,568	9,568	9,568	9,568	9,568	9,568	114,794	114,794	2.1%	114,794	2.1%	2,251	2.0%	
Utilities	81,617	95,122	114,787	102,497	93,209	107,010	90,439	90,095	98,477	93,253	92,762	86,478	1,000,732	1,000,732	22.4%	1,000,732	22.4%	357,884	15.3%	
Total Overhead Expenses	25,761	36,676	42,047	52,343	78,040	66,431	65,140	65,140	72,208	78,133	78,721	78,133	628,051	628,051	11.8%	628,051	11.8%	287,010	60.9%	
Gross Operating Profit (GOP)	13,750	13,750	13,750	13,750	13,750	13,750	13,750	13,750	13,750	13,750	13,750	13,750	154,550	154,550	3.5%	154,550	3.5%	10,450	6.8%	
Non-Operating Expense	23,309	23,309	23,309	23,309	23,309	23,309	23,309	23,309	23,309	23,309	23,309	23,309	187,200	187,200	4.1%	187,200	4.1%	92,502	0.0%	
Property Tax	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0%	0	0.0%	0	100.0%	
Equipment Lease DSM & Cold	37,053	37,053	37,053	37,053	37,053	37,053	37,053	37,053	37,053	37,053	37,053	37,053	444,702	444,702	8.2%	444,702	8.2%	164,058	39.5%	
Interest on Mortgage	(11,237)	(11,237)	(11,237)	(11,237)	(11,237)	(11,237)	(11,237)	(11,237)	(11,237)	(11,237)	(11,237)	(11,237)	183,301	183,301	0.1%	183,301	0.1%	164,058	39.5%	
Total Non-Operating Expense	(11,237)	(11,237)	(11,237)	(11,237)	(11,237)	(11,237)	(11,237)	(11,237)	(11,237)	(11,237)	(11,237)	(11,237)	183,301	183,301	0.1%	183,301	0.1%	164,058	39.5%	
Net Operating Profit/(Loss)	(11,237)	(11,237)	(11,237)	(11,237)	(11,237)	(11,237)	(11,237)	(11,237)	(11,237)	(11,237)	(11,237)	(11,237)	183,301	183,301	0.1%	183,301	0.1%	164,058	39.5%	
Cum. Operating Profit/(Loss)	(11,237)	(11,680)	(36,832)	(81,407)	(20,426)	26,947	18,028	1,781	31,378	122,952	244,615	347,359	1,643,559	1,643,559	1.1%	1,643,559	1.1%	164,058	39.5%	

The Dominion Club
 Summary Income Statement
 December 2007

	ACTUAL	%	MONTH BUDGET	%	LAST YEAR	%	YTD ACTUAL	%	YTD BUDGET	%	YTD PRIOR YR	%
Covers												
Dominion Club Covers	0	0.00	0	0.00	1,437	0.10	2,727	0.02	0	0.00	15,443	0.16
Michie's Covers	1,765	18.04	0	0.00	1,466	10.61	30,740	18.49	0	0.00	27,606	28.74
Vault Covers	0	0.00	0	0.00	0	0.00	799	0.51	0	0.00	0	0.00
Room Service Covers	1,504	15.37	0	0.00	2,898	20.98	36,612	23.22	0	0.00	21,166	22.03
Banquet Covers	5,829	59.57	0	0.00	8,010	58.00	83,882	53.19	0	0.00	31,855	33.15
12th Floor Covers	687	7.02	0	0.00	0	0.00	2,943	1.87	0	0.00	0	0.00
Total Covers	9,785	0.00	0	0.00	13,811	0.00	157,703	0.00	0	0.00	96,070	0.00
Revenue												
Dominion Club	16,500	3.19	0	0.00	34,103	6.07	148,828	3.33	0	0.00	281,007	10.83
Michie's	59,756	11.55	0	0.00	37,490	8.87	612,104	13.70	0	0.00	475,762	18.50
The Vault	0	0.00	0	0.00	0	0.00	20,423	0.46	0	0.00	0	0.00
Room Service	29,302	5.87	0	0.00	44,312	10.48	512,970	11.48	0	0.00	369,537	14.37
Banquet	340,452	65.83	0	0.00	259,019	51.05	2,449,543	54.83	0	0.00	1,229,962	47.83
12th Floor	35,039	0.00	0	0.00	0	0.00	176,976	0.00	0	0.00	0	0.00
Garage	36,132	6.99	0	0.00	48,713	11.53	546,745	12.24	0	0.00	215,481	8.38
Total Revenue	517,180	100.00	0	0.00	422,636	100.00	4,467,388	100.00	0	0.00	2,571,750	100.00
Department Profit												
Dominion Club	16,500	100.00	0	0.00	(11,154)	(32.71)	16,423	11.05	0	0.00	(189,389)	(67.40)
Michie's	4,334	7.25	0	0.00	15,928	45.15	89,786	14.67	0	0.00	(28,929)	(6.08)
The Vault	0	0.00	0	0.00	0	0.00	2,750	13.47	0	0.00	0	0.00
Room Service	4,597	15.89	0	0.00	18,693	42.19	208,940	40.73	0	0.00	193,686	52.41
Banquet	184,180	54.10	0	0.00	70,163	27.19	1,124,044	45.89	0	0.00	434,486	35.33
12th Floor	10,014	0.00	0	0.00	0	0.00	(16,054)	0.00	0	0.00	0	0.00
Garage	(6,351)	(17.55)	0	0.00	19,018	39.04	99,920	18.28	0	0.00	81,345	37.75
Total Department Profit	213,274	41.24	0	0.00	113,647	26.89	1,525,808	34.15	0	0.00	491,200	19.10
Undistributed Expenses												
Administrative and General	87,284	16.88	0	0.00	(39,965)	(9.46)	229,432	5.14	0	0.00	122,420	4.76
Sales and Marketing	20,730	4.01	0	0.00	72,387	17.13	298,169	6.67	0	0.00	456,085	17.73
Repairs and Maintenance	34,881	6.74	0	0.00	(37,151)	(8.79)	360,613	8.07	0	0.00	152,621	5.93
Utilities	(500)	(0.10)	0	0.00	0	0.00	112,543	2.52	0	0.00	1,142	0.04
Total Undistributed Expenses	142,394	27.53	0	0.00	(4,729)	(1.12)	1,000,757	22.40	0	0.00	732,268	28.47
Gross Operating Profit	70,880	13.71	0	0.00	118,376	28.61	525,051	11.75	0	0.00	(241,068)	(9.37)
Non-Operating Expenses												
Insurance	0	0.00	0	0.00	(2,000)	(0.47)	0	0.00	0	0.00	1,349	0.05
Property Tax	13,750	2.68	0	0.00	0	0.00	154,550	3.46	0	0.00	125,544	4.88
Equipment Leases	46,615	9.01	0	0.00	0	0.00	187,200	4.19	0	0.00	0	0.00
Total Non-Operating Expenses	60,365	11.67	0	0.00	(2,000)	(0.47)	341,750	7.65	0	0.00	126,893	4.93
Operating Profit/(Loss)	10,515	2.03	0	0.00	120,376	28.48	183,301	4.10	0	0.00	(367,961)	(14.31)

The Dominion Club
 Summary Income Statement
 End of Year 2006

ACTUAL	%	MONTH BUDGET	%	LAST YEAR	%	YTD ACTUAL	%	YTD BUDGET	%	YTD PRIOR YR	%
1,437	0.10	9,000	0.51	0	0.00	15,443	0.16	36,525	0.21	0	0.00
1,466	10.61	4,867	27.78	(4,800)	(65.20)	27,606	28.74	57,305	33.48	0	0.00
0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00
2,898	20.98	543	3.10	(191)	(3.79)	21,166	22.03	7,095	4.15	0	0.00
8,010	58.00	3,110	17.75	(51)	(1.01)	31,855	33.16	70,173	41.01	0	0.00
0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00
13,811	0.00	17,520	0.00	(5,042)	0.00	56,070	0.00	171,098	0.00	0	0.00
34,103	8.07	204,600	56.57	327	0.40	281,007	10.33	1,412,400	38.90	327	0.20
37,490	8.87	80,854	22.35	19,718	24.38	475,762	18.50	951,993	26.22	97,178	68.23
0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00
44,312	10.48	13,664	3.78	6,776	8.37	369,537	14.37	178,408	4.91	10,758	6.45
256,019	61.05	62,585	17.30	54,121	66.86	1,229,962	47.83	1,087,767	29.96	58,462	35.06
0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00
48,713	11.53	0	0.00	0	0.00	215,481	8.39	0	0.00	0	0.00
422,636	100.00	361,703	100.00	80,941	100.00	2,571,750	100.00	3,630,568	100.00	166,725	100.00
(11,154)	(32.71)	22,962	11.22	327	100.00	(189,389)	(67.40)	164,988	11.69	327	100.00
18,928	45.15	25,131	31.08	(29,576)	(150.00)	(28,929)	(6.08)	30,871	3.22	(98,131)	(100.98)
0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00
18,693	42.19	3,485	28.51	6,776	100.00	193,686	52.41	55,908	31.34	10,758	100.00
70,163	27.19	(700)	(1.12)	17,459	32.26	434,486	35.33	173,509	15.95	17,717	30.30
0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00
19,018	39.04	0	0.00	0	0.00	81,345	37.75	0	0.00	0	0.00
113,647	26.89	50,878	14.07	(5,014)	(6.19)	491,200	19.10	425,075	11.71	(69,329)	(41.89)
(39,865)	(9.46)	34,841	9.63	18,823	23.25	122,420	4.76	467,022	12.86	51,745	31.04
72,387	17.13	8,500	2.35	13,503	16.69	456,085	17.73	102,000	2.81	47,258	28.35
(37,151)	(8.79)	16,124	4.46	3,823	4.72	152,621	5.93	194,006	5.34	17,315	10.39
0	0.00	18,500	5.11	0	0.00	1,142	0.04	237,000	6.53	7,000	4.20
(4,729)	(1.12)	77,965	21.55	36,154	44.67	732,268	28.47	1,000,026	27.54	123,318	73.87
118,376	28.01	(27,087)	(7.49)	(41,168)	(50.88)	(241,068)	(9.37)	(574,953)	(15.84)	(192,648)	(115.55)
(2,000)	(0.47)	2,000	0.55	800	0.99	1,349	0.05	24,000	0.66	1,600	0.96
0	0.00	15,000	4.15	0	0.00	125,544	4.88	180,000	4.96	0	0.00
0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00
(2,000)	(0.47)	17,000	4.70	800	0.99	126,893	4.83	204,000	5.62	1,600	0.96
120,376	28.48	(44,087)	(12.19)	(41,968)	(51.86)	(367,861)	(14.31)	(778,955)	(21.46)	(194,248)	(116.61)

The Suites at 1 King West
Operating Budget 2008
Housekeeping Company

2% 400 \$ 20.56	Inflation rate												Actual 2007	Variance	%
	January	February	March	April	May	June	July	August	September	October	November	December			
	7,320	6,481	8,066	8,779	10,639	10,638	10,033	10,205	10,337	10,430	9,191	8,029	83,943	16,705	
Revenue	153,729	136,110	165,355	179,987	218,090	216,079	205,579	209,205	222,155	213,805	188,407	184,603	1,872,535	302,651	99.3%
Special Cleaning	0	0	0	0	0	0	0	0	0	0	0	0	87,170	(97,170)	3.0%
Denim Club Change	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	22,588	(2,070)	1.0%
Total Revenue	165,729	148,110	177,355	191,987	230,090	228,079	217,579	221,205	234,155	225,805	200,407	196,603	2,008,361	210,225	6.9%
Wages & Benefits	4,168	3,765	4,403	4,657	5,345	5,260	5,153	5,203	5,343	5,250	4,595	4,392	54,755	2,870	2.5%
Vacation Pay	1,202	1,124	1,357	1,457	1,657	1,600	1,553	1,563	1,603	1,550	1,350	1,260	96,474	(24,611)	1.7%
Holiday Pay (stat)	6,375	5,964	6,715	7,170	8,045	7,860	7,698	7,766	7,940	7,700	6,170	6,375	91,363	(16,094)	4.1%
Wages - Management	13,589	12,713	15,309	16,151	18,945	18,398	16,945	16,398	16,845	13,151	13,598	13,598	199,990	(19,639)	9.1%
Wages - Housekeeping Supervisor	57,448	50,854	63,300	68,890	83,487	80,483	78,796	80,086	85,043	81,847	72,124	69,012	794,778	(79,548)	9.3%
Wages - Room Attendant	26,821	25,091	26,821	25,896	26,821	25,968	26,821	26,821	25,968	26,821	25,955	25,621	253,352	63,311	25.0%
Wages - Houseman	2,030	3,355	1,450	1,015	1,698	1,378	1,378	1,378	1,378	1,378	3,335	3,335	22,040	22,040	0.0%
Wages - Meetings - Special Projects	(11,904)	(11,904)	(11,904)	(11,904)	(11,904)	(11,904)	(11,904)	(11,904)	(11,904)	(11,904)	(11,904)	(11,904)	(147,301)	6,373	-4%
Wages - Recovery (condo common area)	89,731	81,356	104,035	109,395	129,286	127,434	124,708	126,111	129,930	127,291	113,912	108,024	1,283,409	107,805	8.4%
Total Wages	5,634	5,281	6,186	6,456	7,599	7,510	7,297	7,380	7,605	7,488	6,665	6,177	68,025	13,463	19.8%
HRV	13,019	13,001	15,211	15,844	18,600	18,595	17,901	18,100	18,525	18,359	16,318	15,169	184,280	34,253	20.8%
Benefits	(2,738)	(2,650)	(2,738)	(2,650)	(2,738)	(2,650)	(2,738)	(2,738)	(2,650)	(2,738)	(2,650)	(2,738)	(11,577)	(11,577)	56.3%
Recovery Benefits (condo)	15,115	15,632	18,668	19,660	23,451	23,296	22,460	22,741	23,582	23,109	20,334	18,608	211,578	36,038	17.0%
Total Benefits	116,846	106,988	122,703	129,055	152,738	150,691	147,167	148,853	153,572	150,400	134,245	126,632	1,494,988	143,843	3.6%
Operating Expenses	50	50	50	50	50	50	50	50	50	50	50	50	475	125	0.3%
Bank Charges	800	800	800	800	800	800	800	800	800	800	800	800	13,300	(3,700)	8.8%
Data Processing	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	20,000	(6,000)	40.0%
Legal Fees	15,000	15,000	25,000	40,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	110,000	65,000	77.3%
ire Smith Fee	0	0	0	0	0	0	0	0	0	0	0	0	531	(531)	-100.0%
Miscellaneous	0	0	0	0	0	0	0	0	0	0	0	0	(625)	825	-100.0%
Incentive	250	250	250	250	250	250	250	250	250	250	250	250	3,000	3,000	0.0%
Cleaning supplies	0	545	545	3,045	3,045	3,045	3,045	3,045	3,045	3,045	545	545	15,998	15,998	0.0%
Training	542	542	542	542	542	542	542	542	542	542	542	542	6,804	(304)	-4.5%
Uniforms	17,642	18,187	28,187	43,187	55,687	55,687	5,687	5,687	3,187	3,187	3,187	3,187	150,285	82,413	61.5%
Total Operating Expenses	17,642	18,187	28,187	43,187	55,687	55,687	5,687	5,687	3,187	3,187	3,187	3,187	150,285	82,413	61.5%
Total Payroll & Expenses	53,498	42,576	150,891	172,242	208,424	206,377	152,854	154,539	155,699	153,587	137,433	129,819	1,645,273	236,256	14.4%
Housekeeping Profit	32,241	22,835	25,465	19,725	21,666	23,702	64,825	65,665	77,456	72,219	62,974	46,783	563,688	(25,431)	-4.5%
Proposed rate increase	22.50	20.50	21.00	20.00	21.00	20.00	21.00	20.00	21.00	20.00	21.00	20.00			

Current	22.50
Increase \$	0.00
	20.50
	0.00
	21.00
	0.00

2076564 Ont. Inc.
Housekeeping Company
December 2007

ACTUAL	%	MONTH BUDGET	%	LAST YEAR	%	ROOMS CLEANED	YTD ACTUAL	%	YTD BUDGET	%	YTD PRIOR YR	%
6,590		6,600		7,158		Rooms Cleaned	93,888		95,200		80,348	
138,390	77.17	135,300	93.87	150,318	91.07	Revenue	1,972,534	89.32	1,985,000	94.68	1,693,207	92.05
28,847	16.09	0	0.00	5,441	3.30	Guest Room Cleaning Charge	67,170	3.04	0	0.00	46,594	2.53
0	0.00	0	0.00	0	0.00	Special Cleaning Charge	22,586	1.02	0	0.00	11,452	0.62
12,090	6.74	9,300	6.43	9,300	5.63	Common Area Cleaning Charge	146,070	6.51	111,600	5.32	88,252	4.80
179,327	100.00	144,600	100.00	165,059	100.00	Domition Club Cleaning Charge	2,208,360	100.00	2,096,600	100.00	1,839,504	100.00
6,478	9.04	6,412	5.84	9,547	9.59	Wages and Benefits	91,362	7.66	76,364	6.09	96,208	8.47
42,558	59.37	56,140	80.20	73,864	74.23	Management	794,776	66.67	749,885	59.79	757,543	66.72
14,164	19.76	18,687	17.01	15,589	15.67	Room Attendants	199,990	16.78	216,189	17.24	154,322	13.59
20,384	28.44	29,788	27.11	18,566	18.66	Housekeeping Supervisor	253,351	21.25	345,709	27.56	242,391	21.35
(11,904)	(16.61)	(11,160)	(10.16)	(18,061)	(18.15)	Housepersons	(147,301)	(12.36)	(133,920)	(10.68)	(115,097)	(10.14)
0	0.00	0	0.00	0	0.00	Condo Recovery	0	0.00	0	0.00	0	0.00
71,680	39.97	109,866	75.98	99,505	60.28	Bonus	1,192,179	53.98	1,254,227	59.82	1,135,367	61.72
9,602	9.85	25,089	17.76	12,359	9.06	Total Wages	160,833	10.76	285,269	17.90	185,774	12.58
6,983	7.16	2,625	1.86	11,227	8.23	Statutory Benefits	36,474	2.44	11,704	0.73	76,656	5.19
709	0.73	0	0.00	0	0.00	Statutory Holiday	3,457	0.23	0	0.00	0	0.00
3,798	3.89	4,841	3.43	4,733	3.47	Sick Pay	54,755	3.66	55,461	3.48	57,896	3.91
(1,905)	(0.00)	(1,116)	(0.00)	(1,786)	(0.00)	Vacation Pay	(20,735)	(0.00)	(13,392)	(0.00)	(15,898)	(0.00)
6,656	6.82	0	0.00	10,407	7.63	Condo Recovery Benefits	68,025	4.55	0	0.00	37,672	2.55
25,843	14.41	31,438	21.74	36,940	22.38	Other Benefits	302,809	13.71	339,042	16.17	341,901	18.59
97,523	54.38	141,305	97.72	136,445	82.66	Total Wages and Benefits	1,494,988	67.70	1,593,269	75.99	1,477,268	80.31
0	0.00	0	0.00	0	0.00	Operating Expenses	0	0.00	0	0.00	0	0.00
44	0.00	250	0.00	1,066	0.00	Guest Supplies	476	0.00	3,000	0.00	4,456	0.00
1,297	0.00	800	0.00	0	0.00	Bank Charges	13,301	0.00	9,600	0.00	8,224	0.00
60,000	33.46	0	0.00	0	0.00	Data Processing	(825)	(0.04)	0	0.00	854	0.05
0	0.00	0	0.00	0	0.00	Cleaning Supplies	110,000	4.98	0	0.00	0	0.00
0	0.00	0	0.00	0	0.00	Receiver's Fees	20,000	0.00	0	0.00	0	0.00
0	0.00	0	0.00	0	0.00	Legal Fess	495	0.02	0	0.00	433	0.02
0	0.00	0	0.00	375,000	0.00	Miscellaneous	0	0.00	0	0.00	375,000	0.00
0	0.00	0	0.00	0	0.00	Management Fee	33	0.00	0	0.00	0	0.00
0	0.00	0	0.00	0	0.00	Office Supplies	0	0.00	0	0.00	0	0.00
0	0.00	0	0.00	0	0.00	Print and Stationery	6,804	0.31	5,000	0.24	6,162	0.34
0	0.00	0	0.00	0	0.00	Uniforms	150,284	6.81	17,600	0.84	395,129	21.48
61,341	34.21	1,050	0.73	376,066	227.84	Total Operating Expenses	17,600	0.84	485,731	23.17	(32,893)	(1.79)
20,463	11.41	2,245	1.55	(347,452)	(210.50)	Department Profit/(Loss)	563,038	25.60	485,731	23.17	(32,893)	(1.79)

2076564 Ont. Inc.
Housekeeping Company
End of Year 2006

ACTUAL	%	MONTH BUDGET	%	LAST YEAR	%	YTD ACTUAL	%	YTD BUDGET	%	YTD PRIOR YR	%
7,158	0.04	13,576	0.11	(7,913)	(0.12)	80,348	0.04	90,897	0.04	0	0.00
150,318	91.07	114,750	94.10	55,453	82.11	1,593,207	92.05	2,188,113	92.00	251,947	70.24
5,441	3.30	0	0.00	4,860	7.07	46,594	2.53	45,000	1.89	60,929	16.99
0	0.00	0	0.00	3,720	5.41	11,452	0.62	24,840	1.04	29,369	8.19
9,300	5.63	7,200	5.90	3,720	5.41	88,252	4.80	120,539	5.07	16,440	4.56
195,059	100.00	121,950	100.00	88,753	100.00	1,839,504	100.00	2,378,492	100.00	358,685	100.00
Revenue											
9,547	9.59	9,080	12.24	6,687	11.25	96,208	8.47	82,135	5.94	32,154	10.48
73,864	74.23	49,331	66.50	23,235	39.10	757,543	66.72	827,578	59.89	130,994	42.70
15,589	15.67	9,061	13.29	15,113	25.43	154,322	13.59	147,513	10.68	67,474	22.00
18,566	18.66	17,072	23.01	14,385	24.21	242,391	21.35	441,183	31.93	76,136	24.82
(18,061)	(18.15)	(11,160)	(15.04)	0	0.00	(115,097)	(10.14)	(116,551)	(8.43)	0	0.00
0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00
99,505	60.28	74,184	60.83	59,421	66.43	1,135,367	61.72	1,381,859	58.10	306,758	85.52
Wages and Benefits											
12,359	9.06	8,230	8.08	7,135	8.97	185,774	12.58	272,500	15.36	35,099	9.47
11,227	8.23	14,000	13.75	7,848	9.86	76,656	5.19	54,725	3.09	12,023	3.24
0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00
4,733	3.47	5,414	5.32	3,329	4.18	57,896	3.91	64,801	3.85	13,777	3.72
(1,786)	(0.00)	0	0.00	0	0.00	(15,898)	0.00	0	0.00	0	0.00
10,407	7.85	0	0.00	1,840	2.31	37,872	2.55	0	0.00	3,144	0.85
36,940	22.38	27,644	22.67	20,152	29.31	341,901	18.59	392,026	16.48	64,042	17.85
135,445	82.66	101,828	83.50	79,573	115.74	1,477,268	80.31	1,773,884	74.58	370,800	103.38
Operating Expenses											
0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00
1,066	0.00	801	0.00	41	0.00	4,456	0.00	2,853	0.00	214	0.00
0	0.00	0	0.00	0	0.00	8,224	0.00	0	0.00	0	0.00
0	0.00	0	0.00	0	0.00	854	0.05	1,350	0.06	0	0.00
0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00
0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00
0	0.00	0	0.00	0	0.00	0	0.00	1,125	0.05	0	0.00
0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00
0	0.00	0	0.00	0	0.00	433	0.02	0	0.00	2,922	0.81
375,000	0.00	0	0.00	801	1.16	375,000	0.00	450	0.02	0	0.00
0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	559	0.16
0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	22,013	6.14
0	0.00	0	0.00	202	0.28	0	0.00	0	0.00	202	0.06
0	0.00	0	0.00	0	0.00	0	0.00	1,350	0.06	18	0.01
0	0.00	0	0.00	0	0.00	6,162	0.34	2,550	0.11	0	0.00
376,066	227.84	801	0.66	1,044	1.52	395,128	21.48	9,678	0.41	25,928	7.23
(347,452)	(210.50)	19,321	15.84	(11,864)	(17.26)	(32,893)	(1.79)	594,929	25.01	(58,043)	(10.61)

APPENDIX G:
LETTER OF INTENT TEMPLATE

APPENDIX G – LETTER OF INTENT TEMPLATE

[Letterhead of Purchaser/Lessor]

Private and Confidential

[Date]

Ira Smith Trustee & Receiver Inc.
167 Applewood Crescent, Suite 6
Concord, Ontario
L4K 4K7

Attention: Ms Cindy Wilson and
Mr Ira Smith

Subject: Stinson Hospitality Inc. ("SHI"), Dominion Club of Canada Corporation ("DCC"), 2076564 Ontario Inc. ("Housekeeping") and The Suites at 1 King West Inc. (the "Suites") (collectively the "Company")

Dear Ms Wilson and Mr Smith:

This letter (the "Letter") sets out the terms of our (the "Purchaser" [or the "Lessor"]) interest with respect to either the acquisition of or the leasing and management of all or a portion of the assets, properties and undertakings of the assets of the Company, located at 1 King Street West in the City of Toronto, Ontario (referred to herein as the "Transaction"). We understand that following receipt of this letter, Ira Smith Trustee & Receiver Inc. in its capacity as court appointed Receiver and Manager (the "Receiver" or "Seller") will decide whether to proceed with respect to our expression of interest. All dollar amounts in this Letter are in Canadian dollars unless otherwise indicated. We also confirm our understanding that the Assets (as herein defined) are being sold pursuant to a sales process overseen by the Ontario Superior Court of Justice (Commercial List) (the "Court") and, accordingly, that any sales transaction may only be undertaken by the Receiver with the Court's approval.

The Receiver is offering, either individually or collectively, the Receiver's right, title and interest, if any, in all of the properties, assets and undertakings of SHI, DCC, Housekeeping and the Suites, real or personal, of whatever nature or kind and wherever situate, including, without limitation, any shares or units which may be legally or beneficially owned by SHI (collectively the "Assets").

We acknowledge that the Seller is not bound to accept the highest or any offer and reserves the right to withdraw all or any part of the Assets from the sale at any time.

Purpose of Letter of Intent

The purpose of this Letter is to confirm our intent to acquire/lease and manage ● and submit a binding definitive Agreement of Purchase and Sale (the "Definitive Agreement").

Purchaser/Lessor (please specify)	The ● will be purchased [or leased] (please specify) by ●.
Description of Assets	We are interested in the following: ●
Price for Transaction	The price (the "Purchase Price") for the Transaction shall be \$● to be paid at Closing in immediately available funds at Toronto on the Closing Date.
Definitive Agreement	Purchaser and Seller shall negotiate the Definitive Agreement on the basis set forth in this Letter, and provide same on or before May 30, 2008. A template Definitive Agreement for Purchaser/Lessor mark-up will be provided in the next phase of the selling process.
Terms of Purchase	The Assets shall be acquired on an "as is, where is" basis. The Purchaser/Lessor acknowledges that the completion of a Transaction may be subject to requirements for third party consents prior to any transfer or assignment of certain assets or contracts. The Purchaser/Lessor further acknowledges that the completion of a Transaction will be subject to Court approval.
Source of Funds	The Purchaser/Lessor intends to finance the contemplated Transaction ●.
Due Diligence Review	<p>It is understood that the Purchaser/Lessor shall, if selected to participate, carry out and complete a subsequent due diligence review of the Assets ("Due Diligence"). Due Diligence shall be commenced by the Purchaser/Lessor forthwith after notice of selection of the Purchaser/Lessor to participate in the next phase (the "Notice"). The Purchaser/Lessor and its authorized representatives shall have reasonable access to the Company's books, records, contracts, equipment and site to conduct the Due Diligence.</p> <p>The Purchaser/Lessor shall not approach nor have discussions of any kind with any of the employees of the hotel, without the prior written permission of the Receiver, prior to Closing.</p>
Conditions to Closing	<p>The closing shall be subject to the satisfaction of the following conditions:</p> <ol style="list-style-type: none"> 1. Satisfactory completion of due diligence by Purchaser/Lessor; 2. Agreement as to the structure of the Transaction and execution of the Definitive Agreement, and any other necessary agreements by both parties;

3. Receipt of all required consents, approvals and waivers, required for the transfer of necessary contracts, leases and agreements which shall be arranged by the Purchaser/Lessor;
4. Receipt of all required governmental and regulatory consents, approvals and/or waivers; and
5. Court Approval.

Governing Law

This Letter and its application and interpretation shall be governed exclusively by the laws of the Province of Ontario, Canada.

Expenses

The Purchaser/Lessor shall be responsible for any and all costs and expenses incurred by it pursuant to this Letter.

Confidentiality

The Purchaser/Lessor agrees to treat as confidential the existence and terms of this Letter and acknowledges that the Seller may disclose this letter and the terms herein where required by the Court or applicable law.

The Purchaser/Lessor confirms that it is bound by the terms of the Confidentiality Agreement entered into between the Purchaser/Lessor and the Seller.

Nature of Agreement

The Letter of Intent (other than the obligations set out above in the 'Expenses', 'Confidentiality' and 'Governing Law' sections and this section 'Nature of Agreement' which are intended to be and shall be legally binding upon the Purchaser/Lessor) is not and does not constitute a legally binding agreement and sets forth our intentions and interests in conducting negotiations on the basis outlined above. This Letter may not be assigned by operation of law or otherwise without the express prior written consent of the parties hereto. The Purchaser/Lessor agrees that irreparable damage would occur in the event that any legally binding provision of this Letter was not performed in accordance with the terms hereof and that the Seller shall be entitled to specific performance hereof, in addition to any other remedy at law or equity. The Purchaser/Lessor acknowledges that the Seller is seeking letters of intent from several parties and the delivery of this letter does not create any legal rights in the Purchaser/Lessor to require the Seller to proceed to negotiate a Transaction with the Purchaser/Lessor or with any person.

Yours truly,

[PURCHASER/LESSOR]

Per:

Name:

Title::