

Court File No. CV-11-9233-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

BETWEEN:

2251263 ONTARIO INC.

Applicant

- and -

BRUSHSTROKES FINE ART INC.

Respondent

**FRIST SUPPLEMENT TO THE FIRST REPORT OF
IRA SMITH TRUSTEE & RECEIVER INC.
IN ITS CAPACITY AS COURT-APPOINTED INTERIM RECEIVER
AND RECEIVER OF BRUSHSTROKES FINE ART INC.**

DATED AUGUST 10, 2011

**FIRST SUPPLEMENT TO THE FIRST REPORT OF
IRA SMITH TRUSTEE & RECEIVER INC.
IN ITS CAPACITY AS COURT-APPOINTED INTERIM RECEIVER AND RECEIVER
OF BRUSHSTROKES FINE ART INC.**

DATED AUGUST 10, 2011

A. INTRODUCTION

1. This report (the “**Supplemental First Report**”) is filed by Ira Smith Trustee & Receiver Inc. (“**ISI**”) in its capacity as Court-appointed interim receiver and receiver (the “**Receiver**”) pursuant to sections 47(1) and 243(1) of the *Bankruptcy and Insolvency Act*, R.S.C 1985, c. B-3, as amended (the “**BIA**” or the “**Act**”), and section 101 of the *Courts of Justice Act*, R.S.O 1990, c. C.43, as amended, without security, of all of the assets, undertaking and property of Brushstrokes Fine Art Inc. (the “**Company**” or the “**Debtor**”).

B. PURPOSE OF REPORT

2. The purpose of the Supplemental First Report is to provide this Honourable Court with updated and additional information requested to be provided by legal counsel for two stakeholders, after their respective reading of the Receiver’s First Report to Court dated August 5, 2011 (the “**First Report**”).

C. RICHMOND HILL LEASED PREMISES

3. As stated in the First Report, the Company leases approximately 40,786 square feet at the property described as 60 Leek Crescent, Richmond Hill, ON (the "**Ontario Leased Premises**"). The monthly gross rent is the amount of \$38,564.71. The lease term ends on March 31, 2014. The landlord is Orlando Corporation and Investors Trust Co. Ltd. (the "**Landlord**").

4. After reading the First Report, the Landlord's counsel requested that the Receiver place the lease of the RH Leased Premises before this Honourable Court as part of the Receiver's application to Court on August 12, 2011.

5. Attached hereto as **Appendix "A"** is a copy of the Lease dated April 16, 2003, two lease extension agreements dated February 14 and December 5, 2008, respectively, and an Indemnity Agreement dated April 16, 2003 (with attachments). The Receiver is not aware of any other documents regarding the Company's tenancy of the Ontario Leased Premises.

D. GREENFIELD FINANCIAL GROUP INC., FORMERLY KNOWN AS GREENFIELD COMMERCIAL CREDIT INC. ("Greenfield")

6. In the First Report the Receiver described the role of Greenfield in advancing funds for the Receiver's borrowings by way of Receiver's Certificates. Since reviewing the Receiver's First Report, the Applicant's counsel has clarified that although the Receiver has dealt with representatives of Greenfield Commercial Credit LLC in connection with all borrowings, that entity is acting as servicer for the Applicant, which is the lender.

E. UPDATED INFORMATION

7. Since preparing its First Report:

- a. The Receiver has received an opinion from Ontario counsel, subject to usual assumptions and qualifications, opining that the Applicant has valid, enforceable and perfected security over the personal property of the Debtor under the laws of Ontario. The Receiver is waiting to receive an opinion from Mexical counsel regarding the Applicant's security over the assets in that jurisdiction; and,
- b. The Receiver has received an executed offer from the Applicant, a copy of which is attached hereto as Appendix "B". The Receiver notes that the offer differs from that which was enclosed in its First Report in that the Purchased Property specifically excludes the Company's supply contract with Canon, and specifically includes the Company's contract with Ikea.

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All of which is respectfully submitted at Toronto, Ontario this 10th day of August, 2011.

IRA SMITH TRUSTEE & RECEIVER INC.
solely in its capacity as Court-Appointed Interim Receiver
and Receiver of Brushstrokes Fine Art Inc.
and not in its personal Capacity

Per: 

Ira Smith
President