

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

**SUPPLEMENTARY 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 10, 2008

1.0 INTRODUCTION

This Supplementary Seventh Report 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 herein as the “**Debtors**” or the “**Companies**”), appointed pursuant to an Order of the Court dated August 24, 2007 (the “**Appointment Order**”) issued by the Honourable Justice Pepall.

The purpose of this Supplementary Seventh Report is to provide the Court with an update regarding two matters that arose after the completion of the Receiver’s Seventh Report dated September 8, 2008 (the “**Seventh Report**”).

All capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Seventh Report.

2.0 ADDITIONAL MATTERS

On September 9, 2008, counsel for TSCC 1703 provided a letter to counsel for the Receiver confirming that TSCC 1703 had waived condition 10.3(i) of the APA, having completed its due diligence, having received a satisfactory financing commitment letter and being satisfied with the quality of the assets purchased pursuant to the APA. This letter is attached hereto as **Exhibit "A"**.

On September 9, 2008, counsel for the Receiver sent a notice to the President of the Ontario Club, Michael Martincek, notifying the Ontario Club that, at the request of TSCC 1703 and pursuant to its rights under the APA, the Receiver would be seeking an Order of the Court declaring that, from and after February 28, 2009, any rights the Ontario Club has to use or occupy the hotel premises shall be terminated. This notice is attached hereto as **Exhibit "B"**.

The Ontario Club's use of the twelfth floor of the hotel premises is based upon an unwritten arrangement with Harry Stinson that pre-dated the receivership proceedings in respect of the Debtors. The Ontario Club has no written lease arrangements with the Debtors or the Receiver. To date, the Receiver has allowed the Ontario Club to use the twelfth floor of the hotel on a month-to-month basis subject to a requirement that the Ontario Club fund any losses incurred by DCC in providing ongoing F&B services to the Ontario Club.

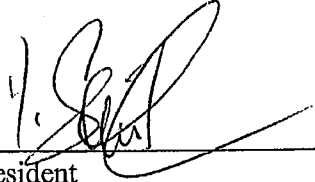
The Receiver has previously reported on the arrangements with the Ontario Club in the First Receiver's Report dated October 1, 2007 (at pages 34 and 35), the Second Receiver's Report dated October 22, 2007 (at page 23) and the Third Receiver's Report dated January 9, 2008 (at pages 35 and 36). The applicable pages excerpted from these Receiver's Reports are attached hereto as **Exhibits "C", "D" and "E"** respectively.

All of which is respectfully submitted at Toronto, Ontario this 10th 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\5631597.1

TAB A

GARDINER MILLER ARNOLD LLP
BARRISTERS & SOLICITORS

J. ROBERT GARDINER
390 BAY STREET, SUITE 1202, TORONTO, ON M5H 2Y2
PHONE (416) 363-2614 ext. 226 FAX (416) 363-8451
e-mail: bob.gardiner@gmalaw.ca www.gmalaw.ca

September 9, 2008

Goodmans LLP
Barristers and Solicitors
#2400 - 250 Yonge Street
Toronto, Ontario
M5B 2M6

Attention: Joe Latham

jlatham@goodmans.ca

Dear Mr. Latham:

Re: Waiver of Condition 10.3 (i)

This will confirm that pursuant to Article 10.4 of the Agreement of Purchase and Sale ("APS"), the Purchaser hereby waives Condition 10.3 (i), having completed its due diligence investigations, having received a satisfactory financing commitment letter, and being satisfied with the state, quality and condition of the Purchased Assets.

Yours truly
GARDINER MILLER ARNOLD LLP

"J. Robert Gardiner"

Per: J. Robert Gardiner
JRG:it

c.c. Brian Smith
Yehudi Hendler

TAB B

NOTICE

TO: The Ontario Club
FROM: Ira Smith Trustee and Receiver Inc.
DATE: September 9, 2008

RECITALS:

- A. By Order of Madam Justice Pepall of the Ontario Superior Court of Justice (Commercial List) (the "**Court**"), dated August 24, 2007 (the "**Receivership Order**"), Ira Smith Trustee & Receiver Inc. (the "**Receiver**") was appointed as 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**", and collectively with SHI, DCC and Suites, the "**Debtors**").
- B. Pursuant to an Order of the Court dated January 24, 2008, the Receiver has carried out a sales process (the "**Sales Process**") in respect of the property, undertaking and business of the Debtors, including the property and premises presently occupied by The Ontario Club (the "**Ontario Club**") at 1 King Street West.
- C. Toronto Standard Condominium Corporation #1703 ("**TSCC 1703**") participated in the Sales Process and has entered into an Agreement of Purchase and Sale dated August 29, 2008, with respect to the purchase of the Debtors' property, undertaking and business (the "**Purchase Agreement**").
- D. The Receiver intends to bring a motion on September 15, 2008, for an Order of the Court, *inter alia*, approving the Purchase Agreement and vesting all of the Receiver's and the Debtors' rights in and to the Purchased Assets (as defined in the Purchase Agreement) in TSCC 1703 (the "**Approval and Vesting Order**").
- E. TSCC 1703 has rights under the Purchase Agreement to require the Vendor to terminate any lease, license or occupancy arrangements that may exist with the Ontario Club pertaining to its occupancy of any part of the premises at 1 King Street West (the "**Premises**").

NOTICE:

The Receiver hereby notifies the Ontario Club that, pursuant to the rights of TSCC 1703 under the Purchase Agreement, the Receiver intends to seek a declaration of the Court in the Approval and Vesting Order that, from and after February 28, 2009, any rights the Ontario Club has to use or occupy the Premises shall be terminated and the Ontario Club shall have no right at law or in equity to use or occupy any space or assets on or within the Premises or to exercise any rights, entitlements or benefits with respect to the Premises or to impose any liability with respect thereto upon the Purchaser.

TAB C

EXHIBIT "C"
Excerpt from the Receiver's First Report

12.0 ONTARIO CLUB

DCC provides all of the F&B services to the Ontario Club pursuant to an agreement entered into between the Ontario Club and Mr. Stinson on behalf of DCC, as previously outlined in the Monitor's First Report. The Receiver understands that previous management was hopeful of spin-off benefits (increased F&B revenue and, additional banquet and meeting room revenue) from its association with the Ontario Club.

The CK Report indicates that the twelfth floor space presently occupied by the Ontario Club can deliver significant revenues if available for booking as a corporate meeting centre. The Chairman's Boardroom presently used as the Ontario Club dining room was the most popular room for group functions before it was turned over to the Ontario Club. The presence of the Ontario Club in its current location prevents optimal usage of the space. CK reports that the twelfth floor space is currently the most operationally effective space in the building and it is accessible from both elevator banks in the building. CK believes that with some additional capital investment it could become a self-contained conference centre with significant revenue and profit potential.

It is the Receiver's observation that the agreement with the Ontario Club has proven to be uneconomical and of no positive financial benefit to the Operations to date. On a direct cost basis, the Ontario Club is a cash drain on DCC to the extent of approximately \$4,000 per month, prior to considering indirect costs of administration and overheads.

The Receiver has met with representatives of the Ontario Club to discuss its concerns. Another meeting is scheduled for Tuesday October 2, 2007, to continue a dialogue regarding alternatives and solutions. The Receiver believes that the partnership with the Ontario Club may have some

value if modifications to the present arrangements can be made, and all reasonable alternatives will be explored and examined before a final decision is taken. The Receiver will report further on this matter in its next report.

13.0 FEES AND DISBURSEMENTS OF THE RECEIVER

Attached hereto as **Exhibit "O"** is the Affidavit of Mr. Ira Smith, President of ISI, attesting to the fees and disbursements of the Receiver for the period from August 16 to September 15, 2007.

14.0 FEES AND DISBURSEMENTS OF GOODMAN'S LLP

Attached hereto as **Exhibit "P"** is the Affidavit of Mr. L. Joseph Latham, Partner, Goodmans LLP, attesting to the fees and disbursements of Goodmans LLP for the period from August 20 to September 24, 2007.

15.0 OTHER MATTERS

Other matters of importance, not described otherwise in this First Report are:

1. The Monitor had previously reported to this Honourable Court on the potential security interest of Segura Investments Limited ("**Segura**") in the management fees earned by SHI. Upon its appointment, the Receiver requested Goodmans LLP to provide a legal opinion on the validity and enforceability of the Segura security. Goodmans LLP provided a preliminary oral opinion that, based on the documents located by the Receiver, the security of Segura may not be valid and enforceable. Goodmans LLP wrote to Segura's legal counsel, requesting additional information and expressing its concerns with respect to the Segura

TAB D

EXHIBIT "D"
Excerpt from the Receiver's Second Report

CK has provided its views on certain matters within the business of the Debtors that would need to be addressed in order to turn the Hotel Operations into a branded hotel, including the need to apply for the required municipal approvals, and the associated time line with attempting to obtain such approvals.

As a result of the October 10 meeting, the Mirvish Group has agreed that discussions with the Brand should be advanced by the Receiver on an exclusive basis, but only for an initial period of 30 days. Mr. Brian Smith also advised the Receiver that he believed it appropriate that the Receiver deal with the Brand on the same initial 30 day exclusivity period. TSCC 1703 has neither consented to nor opposed this effort.

An Exclusivity and Confidentiality agreement has been prepared by Goodmans LLP and was provided to representatives of the Brand for their comments. The Brand has concurred with the concept of entering into such an agreement substantially in the form attached as **Exhibit "C"**. As noted in the First Report, the Receiver recommends that this opportunity be explored on a short-term basis.

10.0 ONTARIO CLUB

The Receiver again met with representatives of the Ontario Club on Tuesday October 2, 2007, to continue a dialogue regarding alternatives and solutions.

The Receiver has advised the Ontario Club that it will be required to fund any losses incurred by DCC in providing ongoing F&B services to the Ontario Club effective November 1, 2007.

TAB E

EXHIBIT "E"
Excerpt from the Receiver's Third Report

Receiver's mandate and policy to keep all stakeholders informed and to the appropriate extent, involved in the receivership process, with the Union's view that the Receiver had somehow adopted the Neutrality Agreement, notwithstanding there was no written undertaking confirming same. The Receiver further advised that, as a Court Officer, it felt it appropriate to ensure that all stakeholders had the necessary information regarding the receivership. The meeting was cordial and both the Union and the Receiver's representatives shared their respective views on how matters should proceed with respect to the unionization of the employees.

By letter dated November 23, 2007, Mr. Clifford confirmed his understanding of what transpired at the November 14, 2007 meeting. In the second paragraph of the letter Mr. Clifford acknowledged that the Receiver was not honouring the Neutrality Agreement, for the reasons stated in the Receiver's November 12, 2007 letter. By letter dated December 17, 2007, the Receiver replied to confirm the Receiver's view that it had repudiated the Neutrality Agreement, and responded to certain other inaccuracies and issues contained in Mr. Clifford's letter. Attached as **Exhibit "P"** is a copy of Mr. Clifford's November 23 letter and the Receiver's reply of December 17. On December 17, 2007, the Receiver was contacted by Mr. C. Sinclair of the legal firm Goldblatt, Sack, Mitchell LLP who advised that the Union has retained his firm in this matter. The Receiver referred Mr. Sinclair to Mr. L.J. Latham of Goodmans, but understands that there has been no further contact as of the date hereof.

12.0 ONTARIO CLUB

The Receiver met with representatives of the Ontario Club on Tuesday October 2, 2007, to continue a dialogue regarding alternatives and solutions.

As detailed in the Second Report, the Receiver advised the Ontario Club that it will be required to fund any losses incurred by DCC in providing ongoing F&B services to the Ontario Club. The Ontario Club agreed to this arrangement effective for the month of September, 2007, so that DCC and Housekeeping will no longer incur any losses for services provided to the Ontario Club.

The Ontario Club does not produce any benefit for the Hotel Operations. The Receiver intends to discuss with one or more representatives of the Board their position on the Ontario Club's tenancy. Once the Receiver has the Board's views, it will then determine what additional discussions, if any, the Receiver should have with representatives of the Ontario Club.

13.0 OTHER MATTERS

13.1 Appeal of the Order dated September 24, 2007 annulling the bankruptcies

As described in the Second Report, Mr. Stinson's legal counsel served Notices of Appeal to the Ontario Court of Appeal in respect of the Appointment Order and of the Endorsement of Madam Justice Pepall annulling the assignments in bankruptcy filed by Mr. Stinson on behalf of each of the Debtors on September 18, 2007. The appeal of the Appointment Order was abandoned. The appeal of the decision of the Honourable Madam Justice Pepall released on September 24, 2007, annulling the assignments in bankruptcy filed by Mr. Stinson in his capacity as the sole Director of each of SHI, Suites, DCC and Housekeeping, was heard by the Ontario Court of Appeal on December 4, 2007.

On December 7, 2007, the Court of Appeal for Ontario released its reasons dismissing the Appeal. The reasons stated, inter alia, that:

ED MIRVISH ENTERPRISES LIMITED
AND 1 KING WEST INC.

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

Applicants

Respondents

Court File No: 07-CL-6913

**ONTARIO
SUPERIOR COURT OF JUSTICE**

Proceeding commenced at Toronto

**SEVENTH SUPPLEMENTARY REPORT OF THE
RECEIVER**

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.