

**IN THE MATTER OF THE RECEIVERSHIP OF
THE PROPERTY OF**

2098766 ONTARIO INC. and 2108228 ONTARIO INC.

Supplementary Report to First Report of SF Partners Inc.

2098766 Ontario Inc. and 2108228 Ontario Inc.
Supplementary Report to First Report of SF Partners Inc.

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Court File No. 07-CL-7084

ONTARIO
SUPERIOR COURT OF JUSTICE

COMMERCIAL LIST

IN THE MATTER OF SECTION 47(1) OF THE *BANKRUPTCY AND INSOLVENCY ACT*, R.S.C. 1985, C. B-3, AS AMENDED, AND SECTION 101 OF THE *COURTS OF JUSTICE ACT*, R.S.O 1990 C. C.43, AS AMENDED

BETWEEN:

DONNA WINICK AND EDMONDO PETRUZZIELLO

Applicants

-and-

**2098766 ONTARIO INC., 2117390 ONTARIO INC.
and 2108228 ONTARIO INC.**

Respondents

SUPPLEMENTARY REPORT TO FIRST REPORT OF SF PARTNERS INC.

October 9, 2007

Introduction

1. By Order of the Honourable Mr. Justice Cumming dated July 6, 2007 (the “Receivership Order”), SF Partners Inc. (“the Receiver”), was appointed as interim receiver and receiver manager of the assets, property and undertaking of the Respondents (collectively, the

“Properties”) pursuant Section 47(1) of the *Bankruptcy and Insolvency Act* (the “BIA”) and section 101 of the *Courts of Justice Act*. This report should be read in conjunction the Receiver’s Report dated September 17, 2007.

2. The purpose of this Report is to provide an update to this Honourable Court with respect to the sales process and specifically the listing prices of the Carriage House Property and the Happy Wanderer Property.

Sales Process

3. As described in its First Report, the Receiver listed the Carriage House Property and the Happy Wanderer Property with Coldwell Banker Case Realty (“Coldwell”) on August 22, 2007 for \$6.5 million each.
4. In determining the listing prices, the Receiver considered various factors including the appraisals obtained by the Receiver, previous appraisals obtained by Humberto Varela and the actual amount the Properties had been purchased for less than eighteen months ago. In addition, the Receiver considered the views and expectations of the mortgagees in respect to these Properties.
5. The Properties have been listed for approximately six weeks. At the present time, the Receiver has received one offer on the Happy Wanderer Property at an amount significantly lower than the listing price. This offer was received directly by the Receiver, not through Coldwell. The Receiver has received no offers in respect to the Carriage House Property.
6. On October 5, 2007, Coldwell provided the Receiver with a status report. Coldwell indicated in its report that the listing prices were unrealistic and were creating an

impediment to generating offers in respect of the Properties. Coldwell recommended that the listing prices be reduced to \$4.5 million each. Coldwell's report is attached as Exhibit "A" to this report.

7. The Receiver discussed the listing process with the agent of the first mortgagees, who strongly concurred with lowering the listing process to the level recommended by Coldwell.
8. Based on the recommendation of Coldwell and considering the current appraisals of the Properties obtained by the Receiver, the Receiver has authorized Coldwell to lower the listing prices to \$4.5 million each. The Agreement to amend the listing process is attached as Exhibit "B" to the report.

Recommendation

9. Based on the above, the Receiver respectfully requests that the Court issue an Order approving the Receiver's actions to date.

All of which is respectfully submitted.

Dated at Toronto, Ontario, this 9th day of October, 2007.

Per:

**SF PARTNERS INC., IN ITS CAPACITY AS
COURT-APPOINTED RECEIVER AND MANAGER OF
2098766 ONTARIO INC. and 2108228 ONTARIO INC.**

SF Partners Inc.

TAB 1



CASE REALTY
BROKERAGE

October 5, 2007

PROGRESS REPORT AND RECOMMENDATIONS

SF Partners Inc.
4950 Yonge Street
Suite #400
Toronto, ONTARIO
M2N 6K1

ATTENTION: Mr. Brahm Rosen, Sr. Vice-President

Dear Brahm:

**RE: 6405 STANLEY AVENUE
8004 LUNDY'S LANE**

Enclosed please find a summary of the efforts taken in the marketing of the above-noted properties:

| | |
|--|--|
| Date Listed: | August 27, 2007 |
| Expiry Date: | October 27, 2007 |
| No. of Days on Market: | 28 Days |
| No. of Offers Received: | Submission - September 20, 2007 @ 4:00 pm – no Offers |
| No. of Information Packages Sent Out:: | 31 |
| List Price: | \$6,500,000.00 per property |
| No. of Showings: | 15 |
| No. of Web Hits: | Averaged at 438 per property |
| No. of Web Views: | Averaged at 34 per property |
| No. of E-Mail Packages: | 287 |
| Ad Runs: | Globe & Mail National Post |
| | September 4, September 6, 2007 September 13, 2007 |

RECOMMENDATIONS:

As you are aware, the submission deadline was September 20, 2007, and we did not receive offers or letters of intent. The general overall comments have been that the pricing (\$6,500,000.00) is unrealistic given the quality and quantity of the property. The "Happy Wanderer" Restaurant (6405 Stanley Avenue) is expected to generate \$3,000,000.00 of annual gross revenue. After deducting expenses we cannot substantiate a sale price in excess of \$3.7 Million (\$3,700,000.00). Even with potential expansion, the current pricing is unrealistic and unattainable.

The "Carriage House Motel" (8004 Lundy's Lane) has generated an enormous response from our marketing strategy. Once again, pricing is an issue. Based on 122 units, our asking price of \$6.5 Million (\$6,500,000.00) represents a cost of \$53,280.00 per unit door. Sales of similar properties in fiscal year 2007 are indicating a sales price closer to \$35,000.00-\$45,000.00 per unit door, or a sale price in the \$4.8 Million (\$4,800,000.00) range.

The strength of the Canadian dollar and the difficulty in border crossing has resulted in a substantial decrease in cross border tourism. Occupancy rates are approaching Forty-Five (45%) Percent in all area motels, and retailers are seeing a Twenty-Five (25%) to Thirty (30%) Percent decrease in sales. These difficulties have resulted in many new properties and listings coming into the market place.

Given these circumstances and the fact that no offers were received, an aggressive price reduction should now be considered. Our recommendation, based on current listings and recent sales, indicates a pricing as follows:

| | |
|---|----------------|
| 6405 Stanley Avenue ("Happy Wanderer" Restaurant) of: | \$4,500,000.00 |
| 8004 Lundy's Lane ("Carriage House Motel") of: | \$4,500,000.00 |

These new prices are realistic based on the market and our current list price is not, and was not, in line with the competition. Consideration should be given to a reduction to Five (5%) Percent certified funds with all offers.

If you require any additional information or clarification regarding the above, please contact the undersigned.

Yours truly,



**CHRIS KELOS and
ALEX KARAMITSOS**
Sales Representatives

TAB 2



Amendment to Listing Agreement



RE: LISTING AGREEMENT FOR

PROPERTY ADDRESS: 8004 Lundy's Lane

BETWEEN SELLER: Sf Partners Court Appointed Receiver

AND:


LISTING BROKERAGE: Coldwell Banker Case Realty

MLS® NUMBER(S): X1209818 **L/BR ID. #**

INTERBOARD MLS® NUMBER(S): **BOARD:** TREB

LISTING EXPIRY DATE: October 27, 2007

The Seller and the Listing Brokerage hereby agree that the above described Listing Agreement is amended as stated below:

| | | |
|--|--|---|
| 1. LISTING PRICE: | New Listing Price: 4,500,000.00 | Former Listing Price: 6,500,000.00 |
| 2. EXPIRY DATE: | New Expiry Date: | Former Expiry Date: October 27, 2007 |
| Seller acknowledges that the length of the Listing Period is negotiable between the Seller and the Listing Brokerage, however, in accordance with the Ontario Real Estate and Business Brokers Act, if the Listing Period exceeds six months from the date of this Amendment, the Listing Brokerage must obtain the Seller's Initials. | | |
|  (Seller's Initials) | | |
| OTHER AMENDMENTS: | | |
| | | |
| | | |

All other terms and provisions of the Listing Agreement remain in full force and effect.


An extension of the expiry date must be signed and dated prior to expiration of the listing, and, if an MLS® Listing, notification of the extension must be delivered to the Real Estate Board(s) (or Brokerloaded, if applicable) within 48 hours of receipt of the extension and prior to the expiry date of the listing.

The Listing Brokerage agrees to immediately notify the Real Estate Board(s) of the amendment(s) in accordance with the MLS® Rules and Regulations, provided that this is an MLS® listing.

This Amendment to Listing Agreement shall not take effect unless signed by all parties set out below.

For the purposes of this Amendment to Listing Agreement, "Seller" includes vendor, landlord and lessor and Real Estate Board(s) includes Real Estate Association(s).

SIGNED, SEALED AND DELIVERED have hereunto set my hand and seal:



(Seller) *Sf Partners Inc*

(Seller) *in its capacity as Receiver of Assets of Sf Partners Inc*

2098766

DATE *Oct 5/07*

DATE

SPOUSAL CONSENT: The undersigned spouse of the Seller hereby consents to the listing of the Property herein pursuant to the provisions of the Family Law Act, R.S.O. 1990 and hereby agrees that he/she will execute all necessary or incidental documents to further any transaction provided for herein.

DATE

Coldwell Banker Case Realty
(Name of Listing Brokerage)

DATE (Print Name of Person Signing)





Amendment to Listing Agreement



RE: LISTING AGREEMENT FOR

PROPERTY ADDRESS: 6405 Stanley Ave

BETWEEN SELLER: Sf Partners Court Appointed Receiver

AND: LISTING BROKERAGE: Coldwell Banker Case Realty

MLS® NUMBER(S): X1209809

L/BR ID. #

INTERBOARD MLS® NUMBER(S): BOARD: TREB

LISTING EXPIRY DATE: October 27, 2007

The Seller and the Listing Brokerage hereby agree that the above described Listing Agreement is amended as stated below:

| | |
|--|-------------------------------------|
| 1. LISTING PRICE: New Listing Price 4,500,000.00 | Former Listing Price 6,500,000.00 |
| 2. EXPIRY DATE: New Expiry Date | Former Expiry Date October 27, 2007 |
| Seller acknowledges that the length of the Listing Period is negotiable between the Seller and the Listing Brokerage, however, in accordance with the Ontario Real Estate and Business Brokers Act, if the Listing Period exceeds six months from the date of this Amendment, the Listing Brokerage must obtain the Seller's initials. | |
| OTHER AMENDMENTS: | |

(Handwritten initials)
(Seller's Initials)

All other terms and provisions of the Listing Agreement remain in full force and effect.

An extension of the expiry date must be signed and dated prior to expiration of the listing, and, if an MLS® Listing, notification of the extension must be delivered to the Real Estate Board(s) (or Brokerloaded, if applicable) within 48 hours of receipt of the extension and prior to the expiry date of the listing.

The Listing Brokerage agrees to immediately notify the Real Estate Board(s) of the amendment(s) in accordance with the MLS® Rules and Regulations, provided that this is an MLS® listing.

This Amendment to Listing Agreement shall not take effect unless signed by all parties set out below.

For the purposes of this Amendment to Listing Agreement, "Seller" includes vendor, landlord and lessor and Real Estate Board(s) includes Real Estate Association(s).

SIGNED, SEALED AND DELIVERED I have hereunto set my hand and seal:

(Handwritten signature)
PARTNER AS SF

(Seller)



DATE Oct 5/07



DATE

(Handwritten signature)
Manager of the Board Ontario

(Seller)

SPOUSAL CONSENT: The undersigned spouse of the Seller hereby consents to the listing of the Property herein pursuant to the provisions of the Family Law Act, R.S.O. 1990 and hereby agrees that he/she will execute all necessary or incidental documents to further any transaction provided for herein.



DATE

(Spouse)

Coldwell Banker Case Realty

(Name of Listing Brokerage)

(Authorized to bind the Listing Brokerage)

DATE

(Print Name of Person Signing)

