

**IN THE MATTER OF THE RECEIVERSHIP OF
CENTRAL MANOR HOLDINGS LTD.**

INTERIM REPORT NUMBER TWO OF THE RECEIVER AND MANAGER

Under subsection 246(2) of the Bankruptcy and Insolvency Act

The Receiver and Manager of Central Manor Holdings Ltd. hereby delivers its interim report number two:

1. By Order of the Supreme Court of British Columbia (the “Court”) dated the 1st day of September, 2009, the undersigned, G. Powroznik Group Inc. of G-Force Group, became the Receiver and Manager (the “Receiver”) in respect of the property, assets, and undertakings of Central Manor Holdings Ltd. (the “Company”), including the Traveller’s Inn Central motel (the “Motel”) located in Victoria, B.C. On September 1, 2009 the Company was declared bankrupt as well, with Glover-Drennan Inc. of Victoria, British Columbia appointed as Trustee in Bankruptcy.
2. The Receiver took possession and control of the property on the 1st day of September, 2009.
3. The Receiver delivered its interim report number one to the Office of the Superintendent of Bankruptcy on March 1, 2010.
4. Since the date of the last interim report, the Receiver has:
 - a) Continued to implement several sales and marketing initiatives to increase Motel occupancy, revenues, and drive the overall value of the Motel through the summer tourist months;
 - b) Held additional meetings with the first mortgagee to develop a plan of action to offer the assets to interested parties and to maximize realization of the assets (the first mortgagee is expected to have a significant shortfall);
 - c) Advertised the assets for sale on a limited basis in April 2010 in an attempt to identify additional interested parties;
 - d) Commenced a sale process of the assets in August 2010 by offering the assets on a confidential basis to interested parties who have emerged over the past few months;
 - e) Obtained cost quotations for a Phase I environmental assessment report and for an appraisal of the Motel;
 - f) Commissioned an appraisal, commissioned a Phase I environmental assessment, and also engaged a contractor to remove the underground oil storage tank and replace it with an above-ground storage tank;
 - g) Received offers to purchase the Motel which were not considered acceptable after consultation with the first mortgagee;
 - h) Continued negotiations with one of the potential purchasers;

- i) Attempted to estimate the relative value between the Company's two individual land parcels at 653 Dunedin St. (Motel) and 645 Dunedin St. (back parking lot) for the purposes of a sale;
- j) Completed an internal financial review of the operating financial statements for the period September 1, 2009 to October 31, 2010 and posted correcting accounting entries where necessary; and
- k) Continued to pay expenses relating to the Receivership, including utilities, insurance, payroll, statutory remittances, and other Motel operating costs.

5. Assets not yet realized upon are as follows:

| | <u>Estimated Value (note 1)</u> |
|--|---------------------------------|
| Traveller's Inn - Central Motel including chattels (653 Dunedin St.) | \$2,556,100 |
| Rear parking lot (645 Dunedin St.) | \$358,000 |

Note 1 – At this time we are using the 2010 Property Assessment Values as indications of market value. However, the Receiver is still in the process of appealing the 2010 Property Assessment for 653 Dunedin St.

6. The actions still to be taken by the Receiver are as follows:

- a) Continue with the process of appealing the Motel's property assessment;
- b) Continue with the operation of the Motel including the payment of obligations in the normal course of business (see paragraph 5(k) above) unless an acceptable offer is obtained and can complete;
- c) Report to the OSB from time to time as required;
- d) Determine the support of the first mortgagee to fund the continuing operation of the Motel in view of the available offers to acquire the Motel;
- e) Subject to support from the first mortgagee, proceed with the sales process for the Motel;
- f) Make an application to Court to potentially:
 - obtain the Court's approval for an accepted offer to purchase some or all of the assets of Central Manor Holdings Ltd.; or
 - if no offer to purchase the assets is accepted, obtain an Order to increase the Receiver's borrowing power so that the Receiver can continue operating the Motel in a longer-term "hold" strategy (to be further discussed with the first mortgagee in the event no offer is accepted);
- g) If a sale proceeds:
 - distribute the proceeds of the realization of the assets; and
 - apply to the Court for our discharge.

7. We attach the Receiver's interim statement of receipts and disbursements to the most-recent closed month end for accounting purposes, October 31, 2010, as Appendix A.

DATED at Vancouver, British Columbia, this 7th day of December, 2010.

G. Powroznik Group Inc. of G-Force Group
solely in its capacity as Court-appointed **Receiver and Manager**
of **Central Manor Holdings Ltd.**
and not in its personal Capacity



Per: Gary D. Powroznik
Managing Director

APPENDIX A

In the matter of the Receivership of Central Manor Holdings Ltd. dba Travellers Inn
Interim Statement of Receiver's Receipts and Disbursements
As at October 31, 2010

| | \$ |
|---|----------------|
| Receipts | |
| Receiver's Borrowings - BanCorp | 50,000 |
| Total Revenues | 595,472 |
| Cash at Takeover | 1,926 |
| HST/HRT/PST Collected | 8,208 |
| Other - Payroll Liabilities | 2,961 |
| Total receipts | <u>658,566</u> |
| Disbursements | |
| Payroll | 306,076 |
| Insurance | 44,667 |
| Repairs and Maintenance | 40,436 |
| Operating Supplies | 68,391 |
| Office Supplies & General Expenses | 14,861 |
| Utilities | 62,612 |
| Environmental assessment and oil tank replacement | 20,048 |
| Appraisal | 4,228 |
| Other disbursements not directly relating to Motel operations | 2,766 |
| Interim advances to Receiver on account of fees and disbursements | 25,000 |
| Bank fees and credit card commissions | 10,571 |
| HST/HRT/PST Remitted | 9,619 |
| Total disbursements | <u>609,276</u> |
| Available Cash as at October 31, 2010 | <u>49,290</u> |