

**IN THE MATTER OF THE RECEIVERSHIP OF
T.S. KWON 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 T.S. Kwon Holdings Ltd. hereby delivers its Interim Report Number Two:

1. By Order of the Supreme Court of British Columbia (the "Court") dated the 9th day of June, 2010, 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 T.S. Kwon Holdings Ltd. (the "Company"), including the Traveller's Inn Downtown hotel (the "Hotel") located in Victoria, B.C. Concurrently, the Company was adjudged bankrupt, with G. Powroznik Group Inc. of Vancouver, British Columbia appointed as Trustee in Bankruptcy.
2. The Receiver delivered its first interim report on December 9, 2010 to the Office of the Superintendent of Bankruptcy.
3. Since the date of the last interim report, the Receiver has:
 - a) Completed minor repairs and maintenance and finalized clean-up work on various Hotel rooms;
 - b) Engaged a third party environmental consulting firm and oil tank removal company to identify and remove two underground storage tanks from the underground parkade and provide a report on the surrounding soil;
 - c) Completed its sales and marketing process which resulted in the receipt of several offers to purchase the Hotel and other assets;
 - d) Held regular conference call meetings with the first mortgagee to develop a plan of action to deal with a variety of issues referred to in this report including the progress of the sales process and analysis of offers received;
 - e) Reported to the second mortgagee periodically;
 - f) Accepted an offer from Island Travel Inn Inc. (the "Purchaser") to purchase the Hotel and related chattels and personal property and received Court approval for the sale on May 10, 2011. Additional offers were received at the date set for Court approval and the Court finally approved the sale for \$4,400,000;
 - g) Contacted all suppliers, vendors and other service providers to close our accounts and ensure a smooth transition of operations to the Purchaser on the sale closing date of June 6, 2011 (the "Sale Closing Date");
 - h) Transitioned Hotel parking operations to the Purchaser and closed the sale on June 6, 2011;
 - i) Continued to maintain parking operations of the Hotel until the Sale Closing Date;
 - j) Continued to monitor the Hotel daily through a local security patrol company in Victoria;

- k) Continued to pay expenses relating to the Receivership, including utilities, insurance, security, and other ongoing costs up to the Sale Closing Date;
 - l) Received \$385,000 from the first mortgagee in Receiver borrowings to date to finance the Receivership costs in accordance with the Appointment Order dated June 9, 2010 and the Court order for increased borrowing power dated August 24, 2010; and
 - m) Filed a protective appeal for the Hotel's 2011 property assessment and continued to negotiate a settlement of the 2011 property assessment.
4. As at the date of this report, the Receiver has sold the known assets of the Company to the Purchaser.
5. The actions still to be taken by the Receiver are as follows:
- a) Obtain a conclusion for appealing the Hotel's property assessments for 2011;
 - b) Receive final statements of account from suppliers/vendors and settle accounts payable and parking accounts receivable for its time operating the Hotel parking program;
 - c) Finalize estate accounting and tax returns, as applicable;
 - d) Finalize all administrative matters and distribute the net proceeds from the sale of the assets to the First Mortgagee as directed by the Court;
 - e) Apply to Court to have its accounts taxed and receive its discharge; and
 - f) Make its final report pursuant to BIA s. 246(3).
6. We attach the Receiver's interim statement of receipts and disbursements to the most-recently closed month-end for accounting purposes, April 30, 2011 as Appendix A.

DATED at Vancouver, British Columbia, this 9th day of June, 2011.

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

Per: Gary D. Powroznik
Managing Director

APPENDIX A

**In the matter of the Receivership of T.S. Kwon Holdings Ltd.
Interim Statement of Receiver's Receipts and Disbursements (Note 1)
As at April 30, 2011**

	<u>Interim Receiver</u>	<u>Receiver</u>	<u>Consolidated</u>
	\$	\$	\$
Receipts			
Receiver's borrowings	-	385,000	385,000
Insurance proceeds	-	51,887	51,887
Parking revenues collected	5,047	18,553	23,600
Transfer of Interim Receiver's net receipts to the Receiver (note 1)	-	3,615	3,615
GST/HST on parking revenues collected	252	1,880	2,132
Advance on account of professional fees and costs - Bancorp	17,230	-	17,230
Advance on account of professional fees - CRA	2,931	-	2,931
Total receipts	<u>25,460</u>	<u>460,936</u>	<u>486,395</u>
Disbursements			
Receiver's fees and disbursements	-	119,976	119,976
Roof project costs	-	53,168	53,168
Building consulting costs	-	6,472	6,472
Utilities and operating supplies	155	19,514	19,669
Insurance	-	32,030	32,030
Building management costs	-	17,168	17,168
Oil tank removal and building reports	-	21,823	21,823
Appraisal fees	-	5,558	5,558
Building repairs and maintenance costs	-	45,576	45,576
Security services	-	2,875	2,875
Costs to administer parking program at 1850 Douglas	1,794	-	1,794
Sales & marketing costs	661	2,488	3,149
Legal, statutory, and filing fees	2,510	10,722	13,232
City of Victoria fees	-	225	225
Bank fees and interest charges	27	217	244
Payments to Interim Receiver on account of fees & disbursements	12,174	-	12,174
Parking funds distributed to CRA	3,749	-	3,749
GST paid on disbursements	775	36,398	37,173
Transfer of Interim Receiver's net receipts to the Receiver (note 1)	3,615	-	-
Total disbursements	<u>25,460</u>	<u>374,208</u>	<u>399,668</u>
Closing cash position April 30, 2011	<u>-</u>	<u>86,727</u>	<u>86,727</u>

Note 1 - The interim receivership engagement does not have a separate OSB estate number and the OSB suggested it should be combined with the receivership engagement for reporting purposes. As such, we report the receipts and disbursements incurred during both the interim receivership period (commenced on April 22, 2010) and the receivership period (commenced on June 9, 2010). We report that the bank account used for the interim receivership was closed on February 25, 2011 after the Interim Receiver's net receipts were transferred to the Receiver's separate trust bank account.