

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE)
JUSTICE LEDERMAN) TUESDAY, THE 19TH DAY
OF DECEMBER, 2006

B E T W E E N :

I. F. PROPCO HOLDINGS (ONTARIO) 23 LTD.

Plaintiff

- and -

AFM HOSPITALITY CORPORATION

Defendant



ORDER

THIS MOTION, made by I.F. Propco Holdings (Ontario) 23 Ltd. (“Propco”) was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Notice of Motion, the affidavit of Douglas H. Harley sworn on the 15th day of December, 2006 (“**Harley Affidavit**”), the Order of The Honourable Madame Justice Mesbur dated March 10, 2006

and the Fourth Report of Mintz & Partners Limited (the “Receiver”), in its capacity as Interim Receiver and Receiver and Manager of AFM Hospitality Corporation (“AFM”) and on hearing the submissions of counsel for the Plaintiff and the Receiver and on being advised that the Motion Record was served upon those persons set out in the Service List attached to the Notice of Motion.

1. **THIS COURT ORDERS** that the time for service of the Notice of Motion and the Motion Record be and the same is hereby approved such that the motion is properly returnable today and service upon persons other than those disclosed in the Service List attached to the Notice of Motion is hereby dispensed with.

2. **THIS COURT ORDERS** that in furtherance of paragraph 3 (s) of the Order made herein on April 29, 2005 (“**Appointment Order**”), the Receiver be and is hereby authorized and directed in the name of and on behalf of AFM as the sole shareholder of each of Howard Johnson Franchise Canada Inc. (“HJFCI”) and Knights Inn Franchise Canada Inc. (“KIFCI”) to pass a Special Resolution authorizing:

- (i) the winding-up and dissolution of each of HJFCI and KIFCI; and

(ii) Stephen Phillips to execute and deliver in the name of each of HJFCI and KIFCI such documents and to do and perform such things and to give such assurances as may be required in order to wind-up and dissolve the said corporations, including execution of assumption of liability agreements.

3. **THIS COURT ORDERS** that in furtherance of paragraphs 3 (l) and (m) of the Appointment Order the Receiver be and is hereby authorized and directed in the name of and on behalf of Aston Hotels Franchise Canada Inc. to surrender and cancel the Master License Agreement entered into by that company with Aston Hotels & Resorts International, Inc.

4. **THIS COURT ORDERS** that in furtherance of paragraphs 3 (l) and 3 (m) of the Appointment Order, subsequent to the passing of the Special Resolution referred to in paragraph 2 (i) above, the Receiver is hereby authorized in the name of, and on behalf of HJFCI and KIFCI on the winding up and dissolution of HJFCI and KIFCI to distribute and transfer to AFM all of the assets of HJFCI and KIFCI, including the Master/Franchise License Agreements entered into by each of them with Howard Johnson

International, Inc. and Knights Franchise Systems, Inc. respectively. The provisions of the *Ontario Bulk Sales Act* in each case shall not apply.

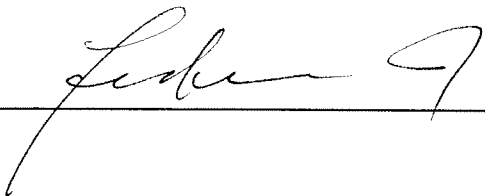
5. **THIS COURT ORDERS** that the assets of HJFCI and KIFCI transferred to AFM pursuant to paragraph 4 above shall be subject to and be secured by the Propco Security Interest (as defined in the Order of Justice Mesbur dated March 10, 2006), the Receiver's Borrowing Charge referred to in the Appointment Order, and a charge in favour of Propco (collectively, "Charges"), which Charges shall attach to all of the property of AFM, including the property so transferred pursuant to paragraph 4 above. Propco shall not be required to file, register or perfect these Charges which Charges shall be valid and enforceable for all purposes.

6. **THIS COURT ORDERS AND DECLARES** that, notwithstanding:

(a) the pendency of any application for a bankruptcy order herein issued pursuant to the *Bankruptcy and Insolvency Act* ("BIA") in respect of the Defendant and any bankruptcy order issued pursuant to such applications; and,

(b) the provisions of any Federal or Provincial statutes;

the transactions contemplated by this Order will not be void or voidable and do not constitute nor shall they be deemed to be settlements, fraudulent preferences, assignments, fraudulent conveyances or other reviewable transactions under the BIA or any other applicable, Federal or Provincial statutes, and they do not constitute conduct meriting an oppression remedy and shall be binding on any Trustee in Bankruptcy, Receiver, Receiver Manager, Interim Receiver or Liquidator of AFM, HJFCI, KIFCI, and Aston Hotels Franchise Canada Inc.



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ON / BOOK NO:
LE / DANS LE REGISTRE NO.:

DEC 20 2006

PER/PAR:



BETWEEN:

I.F. PROPCO HOLDINGS (ONTARIO) 23 LTD.
PLAINTIFF

AFM HOSPITALITY CORPORATION
DEFENDANT

- and -

Court File No. 05-CL-5878

**ONTARIO
SUPERIOR COURT OF JUSTICE
Commercial List**

Proceeding commenced at Toronto

ORDER

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