



NO. S-105562
VANCOUVER REGISTRY

BETWEEN:

SERVUS CREDIT UNION LTD. and CONCENTRA
FINANCIAL SERVICES ASSOCIATION ASSOCIATION DE
SERVICES FINANCIERS CONCENTRA

PLAINTIFFS

AND:

SQUAMISH JV LTD.

DEFENDANT

INTERIM RECEIVER'S SECOND REPORT TO THE COURT

Introduction and Background

Meyers Norris Penny Limited was appointed Interim Receiver ("IR") of the assets and undertakings of Squamish JV Ltd. ("Squamish JV") by the Supreme Court of British Columbia (the "Court"), effective August 31, 2010 (the "Order").

This constitutes the Interim Receiver's Second Report to the Court (the "Second Report") and should read in conjunction with the Interim Receiver's First Report to the Court dated September 15, 2010 (the "First Report").

Activities of the IR

Since the date of the First Report, the IR has undertaken the following activities:

- Continued the monitoring of receipts and disbursements;
- Met with, discussed and corresponded with affected Persons including the Investor's Group through its spokesperson, Mr. Dan Wong, Servus Credit Union Ltd., various legal counsel and others;
- Prepared revised cash flow projections;
- Responded to the enquiries of numerous creditors.

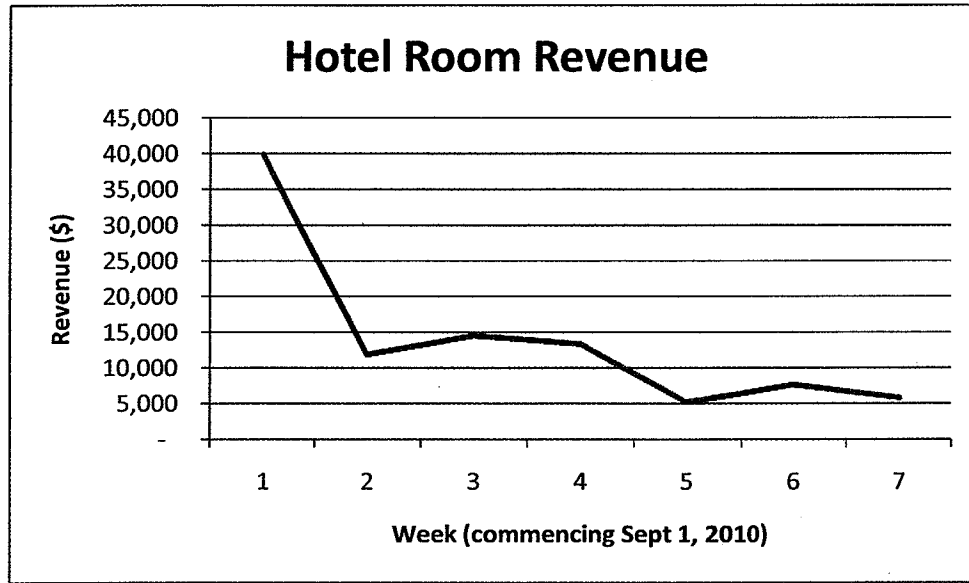
The majority of information obtained by the IR continues to be provided by Mr. Wong and Squamish JV's accountant.

Cash Position and Operations

From September 1, 2010 to October 20, 2010, the revenue generated by the hotel has been insufficient to cover the critical operating expenses.

As at October 20, 2010, Squamish JV has created negative working capital of \$4,707, represented by cash in the amount of \$10,405 less unpaid amounts totaling \$15,112 (including an overdue amount of \$9,180 to Holiday Hospitality Franchising Inc. ("IHG")).

Squamish JV's revenues have declined significantly from the commencement of the IR's appointment. The following graph shows the decline in weekly revenue since September 1, 2010.



To date, the hotel occupancy for October has been below 10% and is not forecast to improve in the foreseeable future.

Observations

The Investor's Group are attempting to keep the hotel operating; however there is no experienced senior management in place dedicated to overseeing the details of the day-to-day operations. A few of the IR's observations are summarized as follows:

- Through discussions with the Canada Revenue Agency ("CRA"), the IR determined that Squamish JV never activated a payroll account nor has it made any remittances to CRA. Squamish JV has subsequently now opened an appropriate account and the remittance for the month of September 2010 was made.
- The IR was advised that Terasen Gas Company served a Notice advising that gas services would be cut off on October 4, 2010. This situation came to the attention of the IR within days of the cut-off date. It is the IR's understanding that the staff were not opening mail on a timely basis. It is our understanding Squamish JV paid a pre-receivership invoice in order to continue the gas services. The IR has requested full particulars but has yet to receive any information.
- On October 11, 2010, the hotel failed a site inspection performed by IHG. While the hotel's cleanliness and conditions received a passing grade, the life safety and brand integrity standards failed.
- The Investor's Group, who appear to have other employment not related to hotel operations, are attempting to manage the day-to-day operations of the hotel through a series of evening meetings and decisions by consensus in lieu of the senior management component referred to above.

- The IR has requested details from Mr. Wong relating to work the Investor's Group is performing on the pool area as well as prepared cash flows they claim to be preparing. These requests remain unanswered.

Cash Flows

We attach as Exhibit "A" the revised Estimated Cash Flows prepared by the IR based on information provided to us by Mr. Wong and Squamish JV's accountant (the "Cash Flows"). In the IR's First Report, we reported that verbal estimates were provided to the IR by Mr. Wong indicating that, at a minimum, \$200,000 - \$250,000 would be required to complete the deficiencies including the pool. However, recent discussions with Colliers International (Squamish JV's former realtor), would indicate that the cost to complete the deficiencies would be more in the range of \$250,000 - \$300,000.

The IR's Cash Flows include a provision in the amount of \$300,000 to complete the deficiencies resulting in an operational shortfall of approximately \$527,000 to January 31, 2011 before considering professional fees and disbursements. In the event that the deficiency work is not undertaken, we estimate that there will be an operational shortfall of approximately \$227,000.

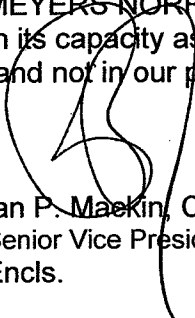
Summary

The IR has had several discussions with Mr. Wong regarding the need to address the issue of funding the operation's cash shortfall. Without an immediate commitment from the Investor's Group to inject cash to fund the estimated operational shortfall and professional fees, the only other option would be to expand the IR's powers to allow it to borrow funds (pursuant to Receiver's Certificates).

All of which is respectfully submitted on October 25, 2010.

MEYERS NORRIS PENNY LIMITED

In its capacity as Interim Receiver of Squamish JV Ltd.
(and not in our personal or corporate capacity)


Ian P. Mackin, CA, CIRP, Trustee
Senior Vice President
Encls.

Squamish JV Ltd.
Estimated Cash Flows
For the Period October 18, 2010 to January 31, 2011

Exhibit "A"

	Oct	Nov	Dec	Jan
Days	14	30	31	31
Average rate	\$ 100	\$ 100	\$ 100	\$ 100
Occupancy rate	8%	7%	7%	7%
Rooms revenue	\$ 10,500	\$ 20,000	\$ 20,000	\$ 20,000
Wages	16,294	39,256	39,256	39,256
WCB	212	510	510	510
Benefits	2,209	4,734	4,891	4,891
Supplies	615	1,200	1,200	1,200
Breakfast bar	815	1,600	1,600	1,600
Cable	410	878	907	907
Franchise fees	1,133	1,988	1,988	1,988
Telephone and internet	264	565	584	584
Accounting	1,700	3,300	3,300	3,300
Bank charges and CC commissio	360	697	700	700
Office	200	400	400	400
Commissions	210	400	400	400
Advertising	700	1,400	1,400	1,400
Promotions	150	300	300	300
Waste removal	300	600	600	600
Electrical	1,008	2,160	2,232	2,232
Natural gas	560	1,200	1,240	1,240
Leases	10,981	6,608	6,608	6,608
Insurance	-	-	30,000	-
Management	-	10,000	10,000	10,000
Pool completion	-	-	150,000	150,000
Appraisal	-	12,500	-	-
Expenses	38,120	77,796	258,117	228,117
Net cash flow	(27,620)	(57,796)	(238,117)	(208,117)
Cash, beginning	5,212	(22,408)	(80,204)	(318,321)
Cash, ending	\$ (22,408)	\$ (80,204)	\$ (318,321)	\$ (526,438)

This information has been compiled from information obtained from the books and records of Squamish JV Ltd. and/or from information provided by the company's management. It has not been audited, reviewed or otherwise verified by Meyers Norris Penny Limited.

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