

IN THE SUPREME COURT OF BRITISH COLUMBIA

BETWEEN:

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

PLAINTIFFS

AND:

SQUAMISH JV LTD.

DEFENDANT

INTERIM RECEIVER'S THIRD 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 Third Report to the Court (the "Third Report") and should read in conjunction with the Interim Receiver's First Report to the Court dated September 15, 2010 (the "First Report") and its Second Report to the Court dated October 25, 2010 (the "Second Report").

Activities of the IR

Since the date of the Second 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 of Squamish JV 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;
- Discussed with Mr. Wong the contents of his Affidavit dated October 26, 2010; and
- Clarified with Mr. Wong that the IR's travel time and costs from Red Deer to Vancouver are not billable and therefore do not add to the costs of a receivership.

Transfer of Funds to Other Parties

In our First Report to the Court we noted that \$3,684,833 appears to be owed to Squamish JV by affiliates (the "Affiliates A/R") and that a forensic investigation, arranged for by a group of investors, was underway to confirm the amounts.

We understand that the forensic investigation is having difficulty due to the state of the accounting records, access to information and the number of related entities. However, to date, the forensic investigation supports that funds are indeed owed to Squamish JV.

The Affiliates A/R appears to be a material asset of Squamish JV and collection efforts should be pursued as soon as possible. It is our understanding that no proceedings have been undertaken by Squamish JV to collect these funds. Squamish JV's collection efforts may be hampered by the inherent conflicts of interest within the Investor Groups as we understand there are different ownership interests in each of the affiliates.

Cash Position and Operations

At October 31, 2010 Squamish JV has approximately \$65,200 in unpaid liabilities incurred since the appointment of the IR. Cash in the bank amounts to \$19,100 resulting in a negative working capital of \$46,100.

This is a deterioration of approximately \$41,400 since our last report.

We note that non-operational payments (for legal fees) totaling \$22,500 have been made from the accounts since the IR's appointment.

We understand that the Squamish JV investors have recently placed \$25,000 in trust with its legal counsel pursuant to the terms of the court application heard on October 26, 2010.

We have updated our estimated cash flows (Exhibit "A") based on further discussions with Mr. Wong and additional information supplied by the accounting staff. Explanatory notes to the estimated cash flows have also been added.


Summary

There is a high level of urgency in pursuing collection of the Affiliates A/R. The IR recommends to the Court that the IR's powers be expanded to pursue formal collection of the Affiliates A/R.

The IR has not received any proposals from the investors to fund the operation's cash shortfall. Accordingly, the IR recommends to the Court that the IR's powers be expanded to allow it to borrow funds (pursuant to Receiver's Certificates) and conduct day to day operations. All of which is respectfully submitted on November 8, 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 November 1, 2010 to January 31, 2011

Exhibit "A"

	Note	Nov	Dec	Jan
Average rate		\$ 100	\$ 104	\$ 100
Occupancy rate		7%	12%	7%
Rooms revenue	1	<u>\$ 20,000</u>	<u>\$ 37,600</u>	<u>\$ 20,000</u>
Wages	2	27,000	27,000	27,000
WCB		400	400	400
Benefits		1,800	1,800	1,800
Supplies		1,200	1,700	1,200
Breakfast bar		1,600	1,900	1,600
Cable		1,300	1,300	1,300
Franchise fees		2,000	3,900	2,000
Telephone and internet		300	300	300
Accounting		3,600	3,600	3,600
Bank charges and CC commissions		700	1,400	700
Office		400	400	400
Commissions		400	600	400
Advertising		400	400	400
Promotions		300	500	300
Waste removal		400	400	400
Electrical		3,000	4,000	3,000
Natural gas		400	400	400
Leases		7,500	7,500	7,500
Insurance	3	-	30,000	-
Management	4	6,000	6,000	6,000
Pool completion	5	-	150,000	150,000
Appraisal	6	12,500	-	-
Expenses	7	<u>71,200</u>	<u>243,500</u>	<u>208,700</u>
Net cash flow deficiency		<u>(51,200)</u>	<u>(205,900)</u>	<u>(188,700)</u>
Payment of unpaid amounts	8	(65,200)	-	-
Cash posted in trust by investors	9	25,000	-	-
Cash (deficiency), beginning		19,100	(72,300)	(278,200)
Cash deficiency, ending		<u>\$ (72,300)</u>	<u>\$ (278,200)</u>	<u>\$ (466,900)</u>

See attached notes

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.

SQUAMISH JV LTD.
Notes to Estimated Cash Flows
For the Period November 1, 2010 to January 31, 2011

- 1 Rooms revenue is based on actual average daily revenue for the period October 15 - 31, 2010 except for December 2010 which is based on current reservations and expected increased occupancy for the month.
- 2 Wages, employee benefits and WCB are based on staffing levels at October 31, 2010.
- 3 Insurance is the annualized rate based on the actual premium paid for the period January 29, 2010 to December 1, 2010.
- 4 Management expense is based on the expected cost to retain a hotel management consultant.
- 5 Pool completion cost is based on estimates from management and others.
- 6 Appraisal expense is based on a October 5, 2010 fee proposal from a hotel appraiser.
- 7 Expenses, other than noted above, are based on actual expenses from September 1, 2010 to October 31, 2010 adjusted for expected increased occupancy in December.
- 8 Unpaid amounts at October 31, 2010:

Apyrl Porter	\$ 1,600.00
AT&T Global Services Canada Co.	149.33
BC Hydro - September	5,047.52
BC Hydro - October (estimate)	5,100.00
Black Tusk Fire & Security Inc.	448.00
Custom Air Conditioning	1,950.56
Ecolab	130.66
IHG Conference Office	1,950.00
Intercontinental Hotels Group - September	9,179.61
Intercontinental Hotels Group - October (estimate)	4,000.00
Ministry of Finance	1,400.00
Playnetwork Inc	403.20
Phil Krahn	250.00
Receiver General - HST - September	8,815.40
Receiver General - HST - October (estimate)	1,779.00
Receiver General - payroll deductions - October (estimate)	6,438.28
Shaw Cable	1,490.04
Squamish Chamber of Commerce	405.44
TD Canada Trust - credit card commissions	477.35
Terasen Gas -September	360.59
Terasen Gas - October (estimate)	439.45
The Globe and Mail	31.92
World Choice Travel	60.22
Wokers Compensation Board - September and October	1,000.00
Neon Sales & Service - September and October	3,528.00
Bodkin Capital - October	1,248.64
NS Leasing Ltd - October	1,425.11
Roynat - September and October	6,091.68

\$ 65,200.00

- 9 The investors have placed \$25,000 in trust with their lawyers pursuant to the October 26, 2010 Court order.

NO. S-105562
VANCOUVER REGISTRY

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INTERIM RECEIVER'S THIRD REPORT
TO THE COURT

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