

**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

**RECEIVER'S SECOND REPORT TO THE COURT**

Introduction and background

Meyers Norris Penny Limited:

- (a) 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 "Interim Receiver Order");
- (b) was appointed Receiver and Manager ("Receiver") of the assets and undertakings of Squamish JV by the Supreme Court of British Columbia effective November 24, 2010 (the "Receivership Order").

The IR previously filed three reports to the Court, and the Receiver previously filed one report. This report should be read in conjunction with the previously filed IR reports and the Receiver report.

Financial information with respect to the hotel.

1. The property that is the subject of this proceeding is a hotel in Squamish, and the Receiver's first report deals with a proposed sale of that hotel.
2. Subsequent to the filing of the notice of application to approve a sale of the hotel, the Receiver has received enquiries which indicate a perception that the hotel is operating profitably and should not be sold.
3. The purpose of this report is to summarize the current financial position of the hotel and the expected financial circumstances if the sale of the hotel is not approved.

4. Attached as appendix A to this report is a statement of actual and projected cash flows with respect to the hotel, and the reader is also directed to the notes attached to that statement.
5. The months of March and April have been unusually busy because there were substantial bookings for film productions. Those productions will conclude shortly and there are no bookings in the foreseeable future to replace that business.
6. The hotel is losing money operationally. The operations have in substance been subsidized by the Receiver's borrowings. There is no more room within the existing borrowing limit.
7. To continue with operations even for a short time frame will, in addition to funding the operational shortfall, require substantial expenditures (which are reflected in the attached cash flow statement under "deficiencies") in order to:
  - (a) bring the hotel building up to the building code and to satisfy the terms of the development permit that had previously been issued to build the hotel; and
  - (b) satisfy the terms of the IHG ("Holiday Inn") related agreements. Those agreements have certain requirements which the hotel is not in compliance with. Holiday Inn has agreed to give until April 20, 2011 to cure the non compliant items and has advised that it will terminate its license effective April 25, 2011, subject to Court approval.

Respectively submitted this 11<sup>th</sup> day of April, 2011.

MEYERS NORRIS PENNY LIMITED  
in its capacity as Receiver and Manager of Squamish JV Ltd.  
(and not in our personal or corporate capacity)



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

**Squamish JV Ltd.**  
**Statement of Actual and Projected Cash Flows**  
**For the Period November 24, 2010 to July 31, 2011**

	Actual		-----Projected (Note 2)-----			
	November 24 to March 31	April	May	June	July	
Average rate	\$ 94	\$ 104	\$ 119	\$ 118	\$ 117	
Occupancy rate	17%	42%	19%	20%	18%	
Revenue	Note 3	\$ 196,094	\$ 122,517	\$ 67,603	\$ 68,170	\$ 61,961
Expenses						
Wages, benefits and contract labour		157,871	44,000	38,000	38,000	38,000
WCB		1,317	-	-	1,600	-
Supplies		8,603	1,000	1,000	1,000	1,000
Breakfast bar		7,839	2,000	1,000	1,000	1,000
Franchise fees		12,296	7,805	13,477	7,436	7,499
Cable, telephone and internet		8,028	1,400	1,400	1,400	1,400
Bank charges and CC commissions		2,178	700	700	700	700
Office at the hotel		3,053	500	500	500	500
Repairs and maintenance		5,133	3,200	1,000	1,000	1,000
Deficiencies - critical	Note 4	35,351	45,000	-	-	-
Memberships and dues		873	-	-	-	-
Advertising and promotion		2,163	500	500	500	500
Waste removal		1,288	322	322	322	322
Electricity		8,225	2,500	2,500	2,500	2,500
Natural gas		5,676	1,800	1,800	1,800	1,800
Leases for equipment		26,414	6,577	6,577	6,577	6,577
Insurance and licences		33,298	-	-	-	-
Property taxes (2011)		-	-	-	-	114,000
Revenue consultant		6,000	-	-	-	-
Appraisal		13,222	-	-	-	-
Legal fees		16,486	15,000	-	-	-
Interest on receiver's borrowings		-	8,200	2,300	2,300	2,300
Receiver's fees - operational		-	120,000	36,000	36,000	36,000
Receiver's fees - non-operational	Note 5	-	75,000	-	-	-
HST, net		18,415	(18,415)	-	-	-
		373,729	317,089	107,076	102,635	215,098
Cash flow used in operations		(177,635)	(194,572)	(39,473)	(34,465)	(153,137)
Pre-receivership costs						
Leases and miscellaneous		36,041	-	-	-	-
Interim receivership fees		119,401	-	-	-	-
Disbursements		2,833	-	-	-	-
Pre-receivership costs		158,275	-	-	-	-
Net cash flow deficiency		(335,910)	(194,572)	(39,473)	(34,465)	(153,137)
Receiver's borrowings		450,000	50,000	-	-	-
Deficiencies - required	Note 6	-	-	(334,000)	(334,000)	-
Cash (deficiency), beginning		8,954	123,044	(21,528)	(395,001)	(763,466)
<b>Cash (deficiency), ending</b>		<b>\$ 123,044</b>	<b>\$ (21,528)</b>	<b>\$ (395,001)</b>	<b>\$ (763,466)</b>	<b>\$ (916,603)</b>

The accompanying notes are an integral part of this statement

**Squamish JV Ltd.**  
**Notes to Statement of Actual and Projected Cash Flows**  
**For the Period November 24, 2010 to July 31, 2011**

**Notes:**

- 1 The projection of cash flows assumes that the hotel is not sold prior to July 31, 2011, the receiver will continue to operate the hotel and the IHG (Holiday Inn) licencing arrangements remain in place.
- 2 April includes 5 days of actual operations.
- 3 Revenue assumptions:

Projected revenue is based on 2010 actual results plus 2011 reservations currently in the system

	April	May	June	July
2010 actual *	\$ 15,755	\$ 41,289	\$ 38,705	\$ 51,439
2011 reservations	106,762	26,314	29,465	10,522
	<b>\$ 122,517</b>	<b>\$ 67,603</b>	<b>\$ 68,170</b>	<b>\$ 61,961</b>
2011 Occupancy rate - projected	42%	19%	20%	18%
2010 Occupancy rate - actual	15%	12%	13%	16%

\* April 2010 actual is based on 2010 non-group occupancy in excess of 2011 non-group reservations in 2011

- 4 Critical deficiencies include remedying safety code and building structure integrity matters.
- 5 Non-operational receiver's fees include overseeing marketing and sale of hotel, appraisal, deficiency work and dealing with lien holders and other interested parties.
- 6 Deficiencies are based on detailed estimates by the general contractor and building architect required in order to meet BC Building Code requirements, the terms of the District of Squamish development permit and IHG (Holiday Inn) brand standard requirements. Includes pool area completion and landscaping.

**The above cash flow does not reflect unpaid 2010 property tax and utilities arrears of \$114,000, the payment of which will require additional cash resources.**