

IN THE MATTER OF THE RECEIVERSHIP OF
ASSURED DEVELOPMENTS (PAINTBRUSH) LTD.
FIRST REPORT OF THE COURT-APPOINTED RECEIVER
ALGER & ASSOCIATES INC.

APRIL 12, 2010

Assured Developments (Paintbrush) Ltd.
First Report of the Receiver
Alger & Associates Inc.
April 12, 2010

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Assured Developments (Paintbrush) Ltd.
First Report of the Receiver
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April 12, 2010

EXHIBITS

- 1. Statement of Receipts and Disbursements for the Period November 13, 2009 to April 2, 2010.**
- 2. Projected Budget for the period ending October 31, 2010**

INTRODUCTION

1. On November 13, 2009, MCAP Financial Corporation (“MCAP”) successfully made an application to the Court of Queen’s Bench of Alberta (the “Court”) for the appointment of Alger & Associates Inc. (“Alger” or “Interim Receiver”) as Interim Receiver for specific properties (“Properties”) held by Assured Developments (Paintbrush) Ltd. (“Paintbrush” or the “Company”).
2. On December 9, 2009 and February 8, 2010, the Interim Receiver filed its First and Second Reports, respectively, with this Honourable Court.
3. On February 12, 2010, MCAP successfully made an application to the Court for the appointment of Alger as Receiver of Paintbrush.
4. The purpose of the Receiver’s First Report is intended to provide this Honourable Court with:
 - a. Actions taken by the Receiver since the Interim Receiver’s Second Report;
 - b. The Receiver’s Statement of the Receipts and Disbursements;
 - c. Support for an increase in the Receiver’s borrowing power; and
 - d. The Receiver’s intended course of action.
5. Capitalized terms not defined in this Report are defined in the Interim Receiver’s previous reports.

LIMITATIONS OF REPORT

6. The information contained in this report has been obtained from the records of Paintbrush and is based upon discussions with, and representations made by management, other employees, and consultants. The information has not been audited nor otherwise verified by the Receiver as to its accuracy or completeness, nor has it necessarily been prepared in accordance with generally accepted accounting principles. The reader is cautioned that this report may not disclose all significant matters about Paintbrush. Accordingly, we do not express an opinion or any other form of assurance on the information presented herein. The Receiver may refine or alter its observations as further information is obtained or is brought to its attention after the date of this report.
7. The Receiver assumes no responsibility or liability for any loss or damage occasioned by any party because of the circulation, publication, reproduction, or use of this report. Any use, which any party makes of this report, or any reliance on or decisions to be made based on it, is the responsibility of such party.

ACTIONS TAKEN BY THE RECEIVER

8. Since the Interim Receiver's Second report dated February 8, 2010, the following actions have been undertaken as discussed below.

Operations

9. Security was maintained over the property during the period and no breaches were noted.
10. The Request for Proposal ("RFP") process for the completion of the 16 partially constructed Phase 1 townhouse condominium units was completed. MCAP, the first secured creditor, ultimately decided that it could not support the cost of the completion of the Phase 1 units at this time. MCAP does support a sales process to obtain offers for the Properties in their current state. This sales process is discussed below.

11. The Receiver's industry consultant conducted a site visit to determine the additional measures required to preserve and protect the Properties during the sales process. These additional measures are outlined in the Sales Process section following.

12. The Receiver liaised with Assured Developments Ltd. personnel performing rectification work on the previously sold Phase 1 units in order to comply with Alberta New Home Warranty provisions.

Administration

13. Prior to the Receivership, the Company had taken three deposits from prospective purchasers for Phase 1 units. At the request of one of the purchasers, the Receiver's legal counsel reviewed the associated documents and commenced the process to refund the purchaser's deposit. The deposits are currently held in trust by Paintbrush counsel, who will issue a cheque to the Receiver's counsel. There is a \$30,000 shortfall between the current amount in trust and the initial deposit. Funds were taken by the Company, in accordance with allowable Alberta New Home Warranty provisions. The purchaser has been directed to Alberta New Home Warranty for recovery of this shortfall.

14. The 2010 property tax assessments on the Properties from the Town of Canmore, which total \$20.7 million, were received. In addition, notices from the Town of Canmore were also received regarding mill rate classification changes on the undeveloped lots in 2010 that will almost triple the property taxes payable on these lots. The Receiver intends to appeal these property tax assessments and mill rate classification changes.

15. The Court application to hear a creditor's objection to the Receiver's disallowance of their claim filed under Section 81.1 of the Bankruptcy and Insolvency Act, as disclosed in the Interim Receiver's Second Report dated February 8, 2010, was adjourned *sine die*.

16. Ongoing suppliers of goods and services to the Paintbrush project were paid in accordance to the terms of their invoices.

17. The Receiver continued investigations into Alberta New Home Warranty issues.

18. Various creditors of Paintbrush, including MCAP and additional creditors that have filed liens against the Properties, were provided with information as requested.
19. Relevant documents were posted on www.alger.ca website for viewing by interested parties.

Market Research

20. The current market situation continued to be discussed with Canmore realtors and developers and others knowledgeable of the Canmore real estate market.

STATEMENT OF RECEIPTS AND DISBURSEMENTS

21. A Statement of Receipts and Disbursements for the period from November 13, 2009, to April 2, 2010 is attached as Exhibit 1 to this report.
22. All cash receipts relate to Receiver Certificates totaling \$400,000 issued to MCAP.
23. All disbursements relate to costs incurred in the Receiver's activities summarized above and in the Interim Receiver's previous reports.

SALES PROCESS

24. Based on discussions with MCAP, the Receiver will be proceeding with a process to offer the Properties for sale in their current condition.
25. The sales process will involve the following major steps:
 - a. Preparation of Teaser letter, Sales package and Data room
 - b. Mail out to identified parties of interest
 - c. Advertising in newspapers, industry publications, and web-sites.
 - d. Due diligence period for potential purchasers.
 - e. Completion of Letter of Intent and/or Purchase and Sale Agreement.

- f. Court Approval of successful offer.
26. Since there will be no imminent build-out of the Phase 1 condominium townhouse units, additional measures will be required to properly preserve and protect the Properties during the sales process. These measures include:
- a. Installation of garage doors and roofing paper on affected units;
 - b. Preparation of earthwork on lands surrounding incomplete Phase 1 units; and
 - c. Other measures to be determined.
27. A preliminary budget has been prepared for this work and is included within the Projected Budget discussed below.

BUDGET FOR THE PERIOD ENDING OCTOBER 31, 2010

28. The existing borrowing powers of the Receiver are limited to \$400,000. As detailed in Exhibit 1, attached to this report, only \$58,651 remains to pay for current expenses. The Receiver is applying for an increase of \$600,000 in its borrowing capacity to fund the next six months of operations.
29. A budget for the next six months has been prepared and is attached as Exhibit 2 to this report. The funds will be used for property taxes, stabilization costs, operating expenses, marketing costs and professional fees as detailed in Exhibit 2.
30. MCAP supports the application for an increase in the borrowing power outlined herein.

Assured Developments (Paintbrush) Ltd.
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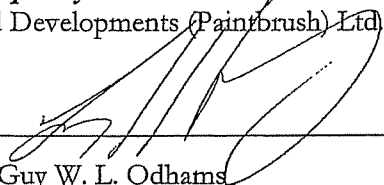
INTENDED COURSE OF ACTION

31. The Receiver's future course of action will include the following activities:

- a. Liaise with the Receiver's industry consultant, MCAP and other relevant parties in the conduct of the sales process outlined herein;
- b. Appeal the Town of Canmore property tax assessments and mill rate classification change on the undeveloped properties; and
- c. If required, attend the Court application on the Notice of Appeal by a Paintbrush creditor of the Receiver's disallowance of the creditor's Section 81.1 proof of claim.

DATED at Calgary, Alberta this 12th day of April, 2010.

In its capacity as Receiver of
Assured Developments (Paintbrush) Ltd) and not in its personal capacity



Per: Guy W. L. Odhams
Senior Vice President

EXHIBIT 1

**Assured Developments (Paintbrush) Ltd.
Statement of Receipts and Disbursements
For the period November 13, 2009 to April 2, 2010**

Receipts

Receiver Certificates	\$ 400,000
Total Receipts	\$ 400,000

Disbursements

Receiver Fees	\$ 108,166
Security	87,988
Legal Counsel Fees	31,665
Consultant Costs	28,083
Preservation and Clean-up Costs	25,784
Insurance	17,172
Utilities	15,245
Equipment Rentals	6,889
Office & General	3,580
Computer Services	2,520
GST paid on disbursements	14,256
Total Disbursements	\$ 341,349
Receipts less Disbursements	\$ 58,651

**Assured Developments (Paintbrush) Ltd.
Budget for period ended October 31, 2010**

EXHIBIT 2

	Area	Total
1	Receiver and counsel	210,000
2	Security, utilities and related	150,000
3	Property taxes and appeal fees	128,000
4	Stabilization/Preservation	89,000
5	Insurance (Impairment and Liability)	27,000
6	Advertising	12,000
7	Appraisal update	9,000
8	Miscellaneous (web-site/general)	3,000
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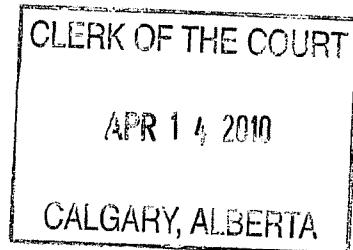
Action No. 0901-17015

IN THE COURT OF QUEEN'S BENCH
OF ALBERTA
JUDICIAL DISTRICT OF CALGARY

IN THE MATTER OF THE
RECEIVERSHIP OF

ASSURED DEVELOPMENTS
(PAINTBRUSH) LTD.

FIRST REPORT OF THE RECEIVER
ALGER & ASSOCIATES INC.
APRIL 12, 2010



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