

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

FEBRUARY 8, 2010

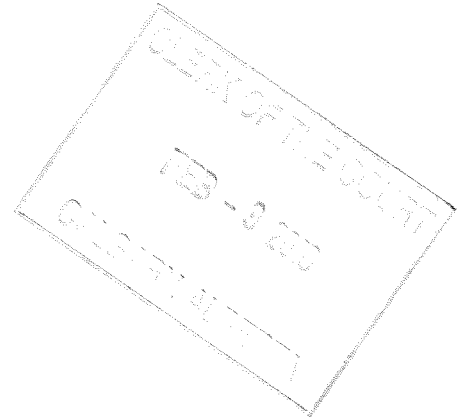


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Assured Developments (Paintbrush) Ltd.
Second Report of the Interim Receiver
Alger & Associates Inc.
February 8, 2010

EXHIBITS

- 1. Statement of Receipts and Disbursements for the Period November 13, 2009 to February 5, 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 (“Receiver”) for specific properties held by Assured Developments (Paintbrush) Ltd. (“Paintbrush”).
2. On December 9, 2009, the Interim Receiver filed its First Report with this Honourable Court.
3. On December 14, 2009, the Court granted an extension of the Interim Receivership Order to February 15, 2010, which Order expanded the powers of the Receiver and increased the Interim Receiver’s borrowing powers from \$100,000 to \$400,000.
4. The purpose of the Interim Receiver’s Second Report is intended to provide this Honourable Court with:
 - a. Actions taken by the Interim Receiver since the First Report;
 - b. The Interim Receiver’s Statement of the Receipts and Disbursements;
 - c. Support for an application for a Receivership Order; and
 - d. The Receiver’s intended course of action
5. Capitalized terms not defined in this Report are defined in the Interim Receiver’s First Report.

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 INTERIM RECEIVER

8. Since the Interim Receiver's First report dated December 9, 2009, the following actions have been undertaken as discussed below.

Operations

9. Subsequent to a Request for Proposal ("RFP") process coordinated by the Receiver's industry consultant, the partially completed Phase 1 units were winterized in accordance with the structural engineer's report.
10. Downspouts were installed on the eight completed units in Phase 1 in order to comply with Town of Canmore requirements.
11. An RFP process was commenced, coordinated by the Receiver's industry consultant, to obtain quotations for the completion of the 16 partially constructed Phase 1 townhouse condominium units.
12. The results of the RFP process were reviewed with the Receiver's industry consultant and MCAP. It was determined that additional information was required for proper decision-making. The additional information-gathering efforts are ongoing.
13. Outdated consigned appliances in the Phase 1 show-home were picked up by the supplier and arrangements made for replacement with more modern appliances.

14. Security was maintained over the property during the period and no breaches were noted.
15. Portable heaters used in the partially completed Phase 1 units were changed to a more suitable industrial model.
16. Quotations were obtained for the builder risk insurance required to complete construction of the Phase 1 units.

Administration

17. Legal counsel commenced the process to refund purchaser deposits on three of the Phase 2 to 4 units, since completion of those units was unlikely in the near future. The purchase agreements could also become an impediment to a prospective purchaser of the residual lands. Deposit refund cheques are to be processed by Paintbrush counsel, who hold the funds in trust, and will issued by the Receiver's counsel thereafter.
18. A claim made by one of the Paintbrush creditors under Section 81.1 of the Bankruptcy and Insolvency Act was disallowed by the Interim Receiver. The disallowance has been objected to and the Court hearing date is being discussed.
19. Ongoing suppliers of goods and services to the Paintbrush project were paid in accordance to the terms of their invoices.
20. The Receiver continued investigations of Alberta New Home Warranty issues.
21. Various creditors of Paintbrush, including MCAP, were provided with information as requested.
22. Relevant documents were posted on www.alger.ca website for viewing by interested parties.

Market Research

23. A quotation for updating of 2009 market research report prepared for developer was obtained but not acted upon until alternatives were further considered.
24. The current market situation was discussed with Canmore realtors and developers.
25. MLS selling price information was obtained for townhouse condominium and half duplex sales in Canmore during last half of 2009.
26. The possible sale of units by auction was discussed with a supplier of this service.
27. The www.paintbrushridge.com web-site was restored since it had been inactivated due to non-payment of associated fees. The web-site was updated with the current situation, including removal of developer information, new contact information and redirection of e-mail traffic to the site.

STATEMENT OF RECEIPTS AND DISBURSEMENTS

28. A Statement of Receipts and Disbursements for the period November 13, 2009, to February 5, 2010 is attached as Exhibit 1 to this report.
29. All cash receipts relate to Receiver Certificates totaling \$250,000.
30. All disbursements relate to costs incurred in the Receiver's activities summarized above and in the Receiver's First Report dated December 9, 2009.

RECEIVERSHIP ORDER

31. The Interim Receivership Order expires on February 15, 2010. A Receivership Order is now considered appropriate as the Paintbrush property requires either a longer term approach to the completion of Phase 1 and marketing or development of the balance of the property, or an immediate process to sell the property "as-is" to a third party.


32. Both of these alternatives are more appropriately accomplished under a Receivership Order as opposed to an Interim Receivership Order. A final decision on the alternatives requires receipt and analysis of additional information, which will extend beyond the expiry of the Interim Receivership Order.
33. The development and marketing of the property will require a substantial increase in the borrowing powers of the Receiver. Commencing a "as is" sale process would still require the increased involvement by the Receiver. Since no final decision has been made, the Receiver is not requesting an increase in its borrowing power at this time.
34. MCAP supports the application for a Receivership Order.

INTENDED COURSE OF ACTION

35. The Receiver's future course of action will include the following activities:
- a. Evaluate the results of the RFP process for the build-out of the Phase 1 units and obtain additional information from the various RFP respondents.
 - b. Liaise with the Receiver's industry consultant, MCAP and other relevant parties with in order to make an informed decision as to whether and when to proceed with the build-out of the Phase 1 units or sell the property "as-is".
 - c. Evaluate marketing options for the property, either fully or partially completed.
 - d. 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 8th day of February, 2010.

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



Per: Guy W. L. Odhams
Senior Vice President

Assured Developments (Paintbrush) Ltd.
Statement of Receipts and Disbursements
For the period November 13, 2009 to February 5, 2010

Receipts

Receiver Certificates	\$ 250,000
Total Receipts	\$ 250,000

Disbursements

Receiver Fees	\$ 67,679
Security	52,680
Consultant Costs	19,420
Legal Counsel Fees	15,639
Clean-up Costs	9,644
Insurance	9,204
GST paid on disbursements	8,098
Utilities	3,818
Equipment Rentals	2,510
Computer Services	1,250
Office & General	1,219
Fees paid to registrar	100
Total Disbursements	\$ 191,259

Receipts less Disbursements	\$ 58,741
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