

COURT FILE
NUMBER

1703-21274

COURT

COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL
CENTRE

EDMONTON

PLAINTIFF

ROYAL BANK OF CANADA

DEFENDANTS

1679775 ALBERTA LTD., REID-BUILT HOMES LTD., REID
WORLDWIDE CORPORATION, BUILDER'S DIRECT SUPPLY
LTD., REID BUILT HOMES CALGARY LTD., REID
INVESTMENTS LTD., and REID CAPITAL CORP.

IN THE MATTER OF THE RECEIVERSHIP OF 1679775 ALBERTA
LTD., REID-BUILT HOMES LTD., REID WORLDWIDE
CORPORATION, BUILDER'S DIRECT SUPPLY LTD., REID
BUILT HOMES CALGARY LTD., REID INVESTMENTS LTD.,
1852512 ALBERTA LTD., ANCHORVIEW CAPITAL CORP., and
REID CAPITAL CORP.

APPLICANT

ALVAREZ & MARSAL CANADA INC. in its capacity as Court-
appointed Receiver and Manager of the current and future assets,
undertakings and properties of 1679775 ALBERTA LTD., REID-
BUILT HOMES LTD., REID WORLDWIDE CORPORATION,
BUILDER'S DIRECT SUPPLY LTD., REID BUILT HOMES
CALGARY LTD., REID INVESTMENTS LTD., 1852512 ALBERTA
LTD., ANCHORVIEW CAPITAL CORP., and REID CAPITAL
CORP.

DOCUMENT

RECEIVER'S FIFTEENTH REPORT
May 16, 2019

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SERVICE AND
CONTACT
INFORMATION
OF PARTY
FILING THIS
DOCUMENT

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ALVAREZ & MARSAL

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1.0 INTRODUCTION

- 1.1 On November 2, 2017 (the **"Receivership Date"**), upon application of the Royal Bank of Canada (**"RBC"**), Alvarez & Marsal Canada Inc. was appointed as Receiver and Manager (the **"Receiver"**) pursuant to a consent receivership order (**"Receivership Order"**) granted by the Honourable Justice Hillier in respect of the current and future assets, undertakings and properties of 1679775 Alberta Ltd., Reid-Built Homes Ltd., Reid Worldwide Corporation (**"RWW"**), Builder's Direct Supply Ltd., Reid Built Homes Calgary Ltd., Reid Investments Ltd., and Reid Capital Corp. and as subsequently amended to include 1852512 Alberta Ltd. and Anchorview Capital Corp. (collectively, the **"Reid Group"**).
- 1.2 The Receivership Order authorizes the Receiver to, among other things, solicit offers in respect of the Reid Group's property and sell any such property or parts thereof with the approval of this Honourable Court for any transactions for which the purchase price exceeds \$150,000.
- 1.3 On January 22, 2018, the Receiver commenced a sales process to solicit offers to purchase the Receiver's right, title and interest in certain of Reid Group's assets (the **"Sales Process"**). Certain details of the Sales Process are set out in the Second Report of the Receiver dated February 28, 2018 and Fourth Report of the Receiver dated April 5, 2018 and are not repeated herein.
- 1.4 RWW holds a 10% participating interest (the **"Participating Interest"**) in the Villeneuve Communities Joint Venture (the **"Villeneuve JV"**), a property development project located in the Jensen Lakes neighbourhood of St. Albert, along with ten Class A common shares (the **"Shares"**) of Villeneuve Communities Inc., the entity which holds legal title to the underlying real property. The Participating Interest and Shares are collectively referred to as the **"Villeneuve Property"**.
- 1.5 On May 16, 2019, the Receiver reached a sale agreement (the **"Villeneuve Sale Agreement"**) with the other joint venturers, subject to the approval of this Honourable Court.
- 1.6 Concurrent with this fifteenth report of the Receiver (the **"Fifteenth Report"**), the Receiver intends to file an application seeking an order approving the Villeneuve Sale Agreement (the **"Villeneuve Order"**).
- 1.7 The Receivership Order and other motion materials are posted on the Receiver's website at www.alvarezandmarsal.com/reidbuilt.
- 1.8 Capitalized terms not defined in this Fifteenth Report are as defined in the Receivership Order.
- 1.9 All references to dollars in this Fifteenth Report are in Canadian currency.

2.0 PURPOSE

- 2.1 This Fifteenth Report is a special purpose report that is intended to provide this Honourable Court with information with respect to the Receiver's application for the Villeneuve Order.

3.0 VILLENEUVE ORDER APPLICATION

Villeneuve Property

- 3.1 The Villeneuve JV is a special purpose arrangement formed by four parties to acquire, develop and sell certain real estate located in the Jensen Lakes neighbourhood in St. Albert. As at the date of this report, the joint venture holds approximately 399.36 acres of land under development and 61 residential lots in various stages of development.
- 3.2 As described in section 1.4, RWW holds a 10% participating interest in the Villeneuve JV along with ten Class A common shares of Villeneuve Communities Inc. As at December 31, 2018, the unaudited book value of RWW's equity in the Villeneuve JV was \$4.2 million.
- 3.3 The Villeneuve JV is governed by a joint venture agreement dated January 31, 2012, as amended or otherwise varied (the "JV Agreement"). The JV Agreement includes, among other things, the following provisions:
- a) in the event of insolvency, the joint venturers have the right to acquire the interest of the insolvent joint venturer at an appraised value with proceeds paid over a four year period;
 - b) if any joint venturer wishes to transfer or assign its interest to a third party, the other joint venturers have the right of first refusal; and
 - c) if any joint venturer wishes to transfer or assign its interest to a third party and the other joint venturers do not exercise their right of first refusal, the third party purchaser must comply with certain closing date restrictions, provide a minimum cash payment payable on the closing date of at least 50% of the portion of the purchase price in excess of any existing mortgage or other charges on the underlying real property in the Villeneuve JV, and be financially capable to perform its financial obligations under the JV Agreement.
- 3.4 The Villeneuve Property was marketed in the Sales Process and information relating to the assets included in the Receiver's Sales Process data site was accessed and/or viewed by 76 different parties. To date, no alternative offers have been received for the Villeneuve Property.
- 3.5 On May 16, 2019, the Receiver reached a sale agreement with the other three joint venturers, who collectively hold the remaining 90% interest in the Villeneuve JV, subject to the approval of this Honourable Court.

Villeneuve Sale Agreement

- 3.6 The key commercial terms of the Villeneuve Sale Agreement are summarized as follows:
- a) the Villeneuve Property will be purchased by the other three joint venturers, free and clear of any liens, charges, encumbrances or claims, for a purchase price of \$3.3 million;
 - b) the Villeneuve Sale Agreement constitutes a unanimous shareholder's agreement of all shareholders of Villeneuve Communities Inc. and an amendment to the JV Agreement, which authorizes the transaction;
 - c) the closing date for the subject transaction will be the date 14 days following the date on which the Villeneuve Order is granted; and
 - d) the sale is "as is, where is" and without recourse, with no representations and warranties of the Receiver.

Receiver's Review of Villeneuve Sale Agreement

- 3.7 The Receiver's review of the Villeneuve Sale Agreement included consideration of the following:
- a) the results of the Sales Process and whether the Villeneuve Sale Agreement represents the highest and best price for the Villeneuve Property;
 - b) the nature of the Villeneuve Property and the difficulty to realize a minority share in a joint venture along with the restrictive terms in the JV Agreement regarding the sale of RWW's Participating Interest and Shares;
 - c) the purchase price and proceeds available to the Receiver which represents the book value of RWW's equity in the Villeneuve JV with a discount to account for a minority holding, the illiquid nature of the asset and the potential for a protracted process and possible dispute amongst the joint venturers in respect of appraised values of the underlying real estate held by the Villeneuve JV and/or the valuation of RWW's minority interest in the Villeneuve JV;
 - d) the fact that all four joint venturers (including RWW) have agreed to the terms of the Villeneuve Sale Agreement;
 - e) the long-term nature of the underlying real property and weak current market conditions in the Alberta residential home market; and
 - f) the economic interests of the senior secured creditors and other stakeholders with interests in the Villeneuve Property. In that regard, the Receiver has consulted with the primary secured creditor, RBC, and has confirmed that RBC is satisfied with the terms of the Villeneuve Sale Agreement.

- 3.8 The Receiver is of the view that the Sales Process was comprehensive and conducted in a manner which was fair and reasonable, that the market has been adequately canvassed for potential purchasers and that the transaction contemplated by the Villeneuve Sale Agreement is in the best interest of the creditors of the Reid Group.

Villeneuve Order

- 3.9 The Villeneuve Order provides for, among other things:
- a) approval of the Villeneuve Sale Agreement and direction to the Receiver to take such steps and execute such additional documents as may be necessary or required to complete the transaction or for the conveyance of the purchased assets to the purchasers;
 - b) upon delivery of a Receiver's Certificate to the purchasers, RWW's right, title and interest in the purchased assets shall vest in the purchasers, free and clear from security interests, hypothecs, caveats, mortgages, trusts or deemed trusts, liens, executions, levies, charges or other financial or monetary claims; and
 - c) upon delivery of a Receiver's Certificate, all claims shall attach to the net proceeds from the sale of the purchased assets with the same priority as they had with respect to the purchased assets immediately prior to the sale and the Receiver may then distribute such net proceeds in accordance with the administration of the receivership estate.

4.0 RECEIVER'S CONCLUSION AND RECOMMENDATION

- 4.1 It is the view of the Receiver that the price and other terms of the Villeneuve Sale Agreement are commercially reasonable in the circumstances. The Villeneuve Property was marketed in a manner which was fair to all interested parties, has resulted in a transaction that provides for the highest overall recovery for the Villeneuve Property and has given consideration to the economic and commercial interests of the relevant financial stakeholders.
- 4.2 Based on the forgoing, the Receiver respectfully recommends that this Honourable Court grant the Villeneuve Order.

All of which is respectfully submitted to this Honourable Court this 16th day of May, 2019.

**Alvarez & Marsal Canada Inc., in its capacity as
Receiver and Manager of the assets, undertakings and
properties of the Reid Group and not in its personal capacity**



Per: Todd M. Martin
Senior Vice President



Per: Vicki Chan
Vice President