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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., 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., and REID CAPITAL CORP.

DOCUMENT **RECEIVER'S FIFTH REPORT**
April 16, 2018

ADDRESS FOR
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CONTACT
INFORMATION
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Attention: Howard A. Gorman, Q.C. / Aditya M. Badami

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APPENDICES

Appendix A - Letter from Norton Rose Fulbright Canada LLP to the Service List dated April 13, 2018

1.0 INTRODUCTION

- 1.1 On November 2, 2017, 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. (“**167**”), Reid-Built Homes Ltd. (“**RBH**”), Reid Worldwide Corporation (“**RWW**”), Builder’s Direct Supply Ltd., Reid Built Homes Calgary Ltd., Reid Investments Ltd., and Reid Capital Corp. (“**Capital**”) (collectively, the “**Reid Group**”).
- 1.2 On March 21, 2018 this Honourable Court granted an order extending the Receivership Order to include the current and future assets, undertakings and properties of 1852512 Alberta Ltd. which is a wholly owned subsidiary of Capital.
- 1.3 The Receivership Order authorizes the Receiver to, amongst 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.
- 1.4 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.
- 1.5 On April 11, 2018 this Honourable Court granted orders that provide for, among other things, approval of the sale of twelve parcels of real property assets to prospective purchasers.
- 1.6 Concurrent with this fifth report of the Receiver (the “**Fifth Report**”), the Receiver intends to file a notice of application for the following orders:
 - a) an order (the “**Armour SAVO**”) approving the sale of 64 homes and lots owned by 167 in the Skypointe subdivision to Armour Developments Ltd. (“**Armour**”) and distributing a portion of the net proceeds to KV Capital Inc. (“**KV Capital**”) as the first ranking mortgagee;
 - b) two orders, one with respect to properties registered in the name of 167 (the “**Reid-Genesis SAVO**”) and one with respect to properties registered in the name of a third-party developer (the “**Genesis-Developer SAVO**”) approving the sale of 167’s interest in 54 homes and lots in the Bayside subdivision to Genesis Land Development Corp. (“**Genesis**”); and
 - c) an order (the “**Dolce Vita SAVO**”) approving the sale of RBH’s interest in 18 developer owned lots in the Rosenthal subdivision to Dolce Vita Homes LP (“**Dolce Vita**”).

- 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 Fifth Report are as defined in the Receivership Order.
- 1.9 All references to dollars in the Fifth Report are in Canadian currency.

2.0 PURPOSE

- 2.1 This Fifth 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 Armour, Genesis and Dolce Vita SAVOs.

3.0 ARMOUR SAVO

Armour Offer

- 3.1 The Receiver has accepted an offer to purchase from Armour (the "**Armour Offer**") that generally conforms to the standard form of offer requested by the Receiver during the Sales Process and includes the following key commercial terms:
- a) Armour offers to purchase 167's interest in 10 partially completed homes and 54 vacant lots in the Skypointe subdivision in Calgary, Alberta owned by 167 (the "**Armour Assets**"), free and clear of any encumbrances for a purchase price of \$5.7 million;
 - b) the acceptance of the Armour Offer by the Receiver converted the offer into a binding agreement for the purchase and sale of 167's interest in and to the Armour Assets, subject to the terms thereof, including this Honourable Court granting the Armour SAVO;
 - c) the closing date will be 30 business days following the date on which all conditions are satisfied or waived or such earlier date as may be mutually agreed upon between Armour and the Receiver; and
 - d) the sale is "as is, where is" with no representations and warranties of the Receiver.

Armour SAVO

- 3.2 The Armour SAVO provides for, among other things:
- a) approval of the Armour Offer and direction to the Receiver to take such steps and execute such additional documents as may be necessary or required to complete the transaction contemplated by the Armour Offer or for the conveyance of the Armour Assets to Armour;
 - b) upon delivery of a Receiver's certificate to Armour, 167's interest in the Armour Assets shall vest in Armour, free and clear from security interests, hypothecs, caveats, mortgages, trusts or deemed trusts, liens, executions, levies, charges or other financial or monetary claims;

- c) direction and authorization for the Receiver to repay KV Capital with respect to its first ranking mortgage (including all accrued interest and costs), subject to the Receiver's confirmation of the validity of the first registered mortgagee's security and outstanding indebtedness;
- d) directing that there is no holdback nor security in respect of registered builders' liens; and
- e) authorization for the Receiver to distribute any remaining proceeds from the sale of the Armour Assets in accordance with the administration of the receivership estate.

Receiver's Comments on the Armour Offer

3.3 The Receiver's comments with respect to the Armour Offer are as follows:

- a) the Armour Offer of \$5.7 million represents the highest and best offer for the Armour Assets that was generated from the Sales Process;
- b) the Armour Assets have a reported book value of \$7.4 million including land costs of \$6.4 million and construction costs of \$1.0 million. Accordingly, the Armour Offer represents a recovery of approximately 77% of recorded book value;
- c) the Receiver has considered the results of the Sales Process and other indications of value including a confidential third-party appraisal when assessing the Armour Offer;
- d) the transaction will provide for repayment of KV Capital's first ranking mortgage against the Armour Assets of approximately \$4.1 million and the remaining proceeds will stand in the place of the Armour Assets for determining the nature and priority of claims which may include a collateral mortgage security registered by KV Capital against the Deerfoot Professional Building property which is owned by RWW;
- e) the transaction contemplated by the Armour Offer will allow the Receiver to avoid incurring additional holding costs in respect of the Armour Assets including preservation costs, professional fees and interest accruing in respect of the first ranking mortgage due to KV Capital;
- f) the Armour Assets are subject to registered builders' lien claims by contractors and suppliers totaling approximately \$763,000 (discounting apparent multiple registrations of the same lien claims). The Receiver understands that KV Capital and RBC in its capacity as the second ranking mortgagee against the Armour Assets had advanced funds to the Reid Group and registered security greatly in excess of the net sales proceeds prior to the registration of the builders' liens; and
- g) the Receiver is advised by its legal counsel that the mortgage security interests of KV Capital and RBC are valid and enforceable and rank in priority to the builder's lien claimants.

4.0 GENESIS SAVOS

Genesis Offer

4.1 The Receiver has accepted an offer to purchase from Genesis (the “**Genesis Offer**”) that generally conforms to the standard form of offer requested by the Receiver during the Sales Process and includes the following key commercial terms:

- a) Genesis offered to purchase 167’s interest in 20 partially completed homes and 34 vacant lots in the Bayside subdivision in Calgary, Alberta (the “**Genesis Assets**”), free and clear of any encumbrances. The Genesis Assets include 11 partially completed homes and 12 vacant lots for which Genesis holds title and for which 167 has entered into developer lot purchase agreements. 167 holds title to the remaining 9 partially completed homes and 22 vacant lots included in the Genesis Assets;
- b) Genesis is to make a cash payment to the Receiver of \$5.2 million and agree to forgive amounts owing to Genesis under developer lot purchase agreements totaling approximately \$3.7 million, including interest;
- c) acceptance of the Genesis Offer by the Receiver converted the offer into a binding agreement for the purchase and sale of 167’s interest in the Genesis Assets, subject the terms thereof, including to this Honourable Court granting the Genesis SAVO and Genesis obtaining approval from its transaction approval committee within two business days of acceptance by the Receiver;
- d) the closing date will be 30 business days following the date on which all conditions are satisfied or waived or such earlier date as may be mutually agreed upon between Genesis and the Receiver; and
- e) the sale is “as is, where is” with no representations and warranties of the Receiver.

Reid-Genesis SAVO and Genesis-Developer SAVO (collectively, the “Genesis SAVOs”)

4.2 The Receiver is seeking two SAVOs in respect of the Genesis Offer on account of there being both 167-owned lots and Genesis-owned lots.

4.3 The Genesis SAVOs each provide for, among other things:

- a) approval of the Genesis Offer and direction to the Receiver to take such steps and execute such additional documents as may be necessary or required to complete the transaction contemplated by the Genesis Offer or for the conveyance of Genesis Assets to Genesis;
- b) upon delivery of a Receiver’s certificate to the Genesis, 167’s interest in the Genesis Assets vesting in Genesis, free and clear from security interests, hypothecs, caveats, mortgages,

- trusts or deemed trusts, liens, executions, levies, charges or other financial or monetary claims;
- c) with respect to the Reid-Genesis SAVO, direction and authorization for the Receiver to repay Jovica Property Management Ltd. and/or its nominees (collectively, “**Jovica**”) approximately \$1.0 million with respect to its first ranking mortgages against 24 of the subject homes and lots, subject to the Receiver’s confirmation of the validity of Jovica’s security and outstanding indebtedness with the balance being payable to RBC with respect to its registered mortgage;
 - d) with respect to the Reid-Genesis SAVO, directing that there is no holdback nor security in respect of registered builders’ liens;
 - e) with respect to the Genesis Developer SAVO, directing a hold-back of 110% (the total value of the liens plus security for costs) of all liens registered against title pending agreement or further Order of this Court; and
 - f) authorization for the Receiver to distribute any remaining proceeds from the sale of the Genesis Assets in accordance with the administration of the receivership estate.

Receiver’s Comments on the Genesis Offer

4.4 The Receiver’s comments with respect to the Genesis Offer are as follows:

- a) the Genesis Offer of a cash purchase price of \$5.2 million plus forgiveness of developer land payables totaling approximately \$3.7 million, which represents a gross transaction value of \$8.9 million, was the highest and best offer for the Genesis Assets that was generated from the Sales Process;
- b) the Genesis Assets have a reported book value of \$12.3 million including land costs of \$9.7 million and construction costs of \$2.6 million. Accordingly, the Genesis Offer represents a recovery of approximately 72% of book value;
- c) Genesis holds title to 23 of the 54 lots and homes that are the subject of the Genesis Offer as opposed to prospective third-party purchaser;
- d) of the 20 partially completed homes, 11 are built on lots owned by Genesis and 9 are built on lots owned by 167;
- e) the Reid-Genesis SAVO transaction may provide for payment or partial payment of the Jovica and RBC prior-ranking mortgage debt against the Genesis Assets of approximately \$1.0 million and \$35 million or \$50 million, respectively with no funds being available for subsequent registered builders’ lien holders;

- f) the Receiver will hold-back 110% of the builders' liens registered as against the Genesis-held lands subject to the Genesis Developer SAVO pending agreement or further order of this Court;
- g) the transaction will allow the Receiver to avoid incurring additional holding costs in respect of the Genesis Assets including preservation costs, professional fees and interest accruing in respect of the first ranking mortgage and amounts due to Genesis under developer lot purchase agreements; and
- h) discounting apparent duplication of filed lien claims, the Reid-Genesis SAVO lands have approximately \$476,000 in registered liens that will be vested off title while the Genesis-Developer SAVO lands have approximately \$680,000 in registered builders' liens where the Receiver will withhold 110% of such amount pending settlement or further court order.

5.0 DOLCE VITA SAVO

Dolce Vita Offer

5.1 The Receiver has accepted an offer to purchase from Dolce Vita (the "**Dolce Vita Offer**") that generally conforms to the standard form of offer requested by the Receiver during the Sales Process and includes the following key commercial terms:

- a) Dolce Vita offered to purchase all of RBH's economic interest (lot deposits) in 18 vacant lots owned by Winterburn Developments Inc. ("**Winterburn**") which are located in the Rosenthal subdivision in Edmonton, Alberta and for which RBH entered into developer lot purchase agreements (the "**Dolce Vita Assets**"), free and clear of any encumbrances;
- b) Dolce Vita is to pay a cash purchase price of \$406,000;
- c) acceptance of the Dolce Vita Offer by the Receiver converted the offer into a binding agreement for the assignment of RBH's interest in and to the Dolce Vita Assets, subject to the consent of Winterburn, amendment of certain contractual milestones in the subject developer lot purchase agreements and granting of the Dolce Vita SAVO by this Honourable Court;
- d) the closing date will be 30 business days following the date on which all conditions are satisfied or waived or such earlier date as may be mutually agreed upon between Dolce Vita and the Receiver; and
- e) the sale is "as is, where is" with no representations and warranties of the Receiver.

Dolce Vita SAVO

5.2 The Dolce Vita SAVO provides for, among other things:

- a) approval of the Dolce Vita Offer and direction to the Receiver to take such steps and execute such additional documents as may be necessary or required to complete the transaction contemplated by the Dolce Vita Offer or for the conveyance of the Dolce Vita Assets to Dolce Vita;
- b) upon delivery of a Receiver's certificate to the Dolce Vita, RBH's interest in the Dolce Vita Assets shall vest in Dolce Vita, 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) authorization for the Receiver to distribute any proceeds from the sale of the Dolce Vita Assets in accordance with the administration of the receivership estate.

Receiver's Comments on the Dolce Vita Offer

5.3 The Receiver's comments with respect to the Dolce Vita Offer are as follows:

- a) the Dolce Vita Offer of \$406,000 represents the highest and best price for the Dolce Vita Assets generated from the Sales Process;
- b) the Dolce Vita Assets have a reported book value of \$406,000 representing an estimated recovery of 100% of book value;
- c) the Receiver has been advised by legal counsel for Winterburn that it is supportive of the transaction;
- d) the transaction will allow the Receiver to avoid incurring additional holding costs in respect of the Dolce Vita Assets including preservation costs, professional fees and interest accruing in respect of amounts due under developer lot purchase agreements; and
- e) there are no builders' liens registered against the Dolce Vita Assets.

6.0 TREATMENT OF LIENS

6.1 On April 13, 2018, the Receiver wrote to all lien claimants indicating that it was seeking the SAVOs described herein and that given the nature of the prior-registered mortgages and the anticipated net proceeds of sale, the vast majority of registered liens as against properties registered in the name of a member of the Reid Group would not be payable or otherwise entitled to secured recovery in accordance with the priority provisions of the *Builders' Lien Act* (Alberta).

6.2 A copy of that correspondence is attached hereto at Appendix "A".

7.0 RECEIVER'S CONCLUSION AND RECOMMENDATION


7.1 It is the view of the Receiver that the purchase price and other terms of the Armour Offer, Genesis Offers and Dolce Vita Offer are commercially reasonable in the circumstances and have high prospects of concluding in successful transactions. The process undertaken by the Receiver to select the preferred offers was conducted in a manner which was fair and reasonable and took the economic interests of the various competing financial stakeholders into consideration.

7.2 Based on the forgoing, the Receiver respectfully recommends that this Honourable Court grant the following orders:

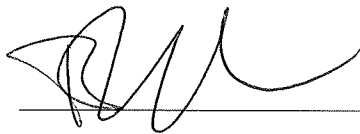
- a) the Armour SAVO;
- b) the Reid-Genesis SAVO;
- c) the Genesis Developer SAVO; and
- d) the Dolce Vita SAVO.

All of which is respectfully submitted to this Honourable Court this 16th day of April, 2018.

**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: Tom Powell
Vice President

APPENDIX A

April 13, 2018

Sent By E-mail

REID-BUILT HOMES LTD. et al - SERVICE LIST

Dear Sir/Madam:

Reid-Built Homes Ltd. et al, in Receivership (“Reid Group”) - Court File Number 1703-21274

Intended Application scheduled for April 20, 2018, at 1:00 p.m. at the Edmonton Court House

As you are aware, our offices are counsel to Alvarez & Marsal Canada Inc. in its capacity as Receiver and Manager of the Reid Group of companies (the “Receiver”) appointed pursuant to a Consent Receivership Order of the Court of Queen’s Bench of Alberta dated November 2, 2017. A copy of the Consent Receivership Order and all related materials can be found online at the Receiver’s website at www.alvarezandmarsal.com/reidbuilt.

A series of 12 Sale and Vesting Orders were obtained by an Application of the Receiver held on April 11, 2018. At that Application, the Court and all counsel present were advised that a further series of Applications relating to further sales were anticipated to be ready to be heard in the near future. In that regard, Justice Graesser has graciously set aside time for these further Sale and Vesting Applications at **1:00 p.m. on Friday, April 20, 2018** to be held at the Edmonton Law Courts.

We anticipate being in a position to file the Application materials, draft forms of Orders and Receiver’s Report on Monday, April 16, 2018.

With respect to lots or properties registered in the names of developers, it is anticipated that the forms of Orders will closely follow the Orders granted April 11th.

With respect to lots or properties registered in the name of a Reid Group entity, the Orders will be significantly different as it relates to lien holders. Where Builder’s Liens are registered subsequent to registered mortgages or lending encumbrances and those mortgages had advances made prior to the registration of any Builder’s Lien in excess of the sale value of the properties, those liens will be discharged at the April 20th Application without any holdback, security or any secured recovery being available for lien holders in accordance with the priority provisions in the *Builder’s Lien Act*.

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April 13, 2018

Matters are still being negotiated but it is anticipated that the April 20th Sale and Vesting Orders will include the sale of in excess of 140 properties or lots from various projects throughout Alberta.

As noted above, further details including identity of the specific lots and any affected mortgages, encumbrances and Builder's Liens will be set out in the materials to be distributed early next week.

Yours very truly,

Norton Rose Fulbright Canada LLP

Per:



Howard A. Gorman, Q.C.
Senior Partner