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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., 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., REID CAPITAL
CORP., and EMILIE REID

DOCUMENT **RECEIVER'S FOURTH REPORT**
April 5, 2018

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ALVAREZ & MARSAL

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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., Reid-Built Homes Ltd., Reid Worldwide Corporation, 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 March 27, 2018 this Honourable Court granted an order that provides for approval of the sale of Receiver’s interest in certain assets (the “**Blackmun Bay Assets**”) including 50 shares in 1087032 B.C. Ltd. and 475,940 Class B units in the Blackmun Bay Development Limited Partnership to Landstar Holdings Inc., Aegean Real Estate Corporation and Class Act Investments Inc. and declaring that the net proceeds from the sale of the Blackmun Bay Assets shall stand in the place of the Blackmun Bay Assets for the purpose of determining the nature and priority of claims against Reid Group.
- 1.5 Concurrent with this fourth report of the Receiver (the “**Fourth Report**”), the Receiver intends to file a notice of application for orders (the “**Sale Approval and Vesting Orders**”) that provide for, among other things, approval of the sale of 13 parcels of real property assets (“**Purchased Assets**”) pursuant to offers submitted by prospective purchasers (the “**Purchasers**”) and accepted by the Receiver, subject to approval of this Honourable Court (the “**Accepted Offers**”).
- 1.6 The Receivership Order and other motion materials are posted on the Receiver’s website at www.alvarezandmarsal.com/reidbuilt (the “**Receiver’s Website**”).
- 1.7 Capitalized terms not defined in this Fourth Report are as defined in the Receivership Order.
- 1.8 All references to dollars in the Fourth Report are in Canadian currency.

2.0 PURPOSE

2.1 This Fourth Report is a special purpose report that is intended to provide this Honourable Court with information with respect to the following:

- a) the process undertaken by the Receiver to solicit offers to purchase its interest in the Purchased Assets;
- b) details of the Accepted Offers; and
- c) the Receiver's application for the Sale Approval and Vesting Orders.

3.0 SALES PROCESS AND THE ACCEPTED OFFERS

Sales Process

3.1 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 are not repeated herein.

3.2 As at April 5, 2018, the Receiver has undertaken the following activities with respect to the Sales Process:

- a) distributed an Invitation for Offers to Purchase to approximately 391 potential purchasers;
- b) posted copies of the Invitation for Offers to Purchase and Confidentiality and Non-Disclosure Agreement ("**NDA**") on the Receiver's Website;
- c) provided a standard form of offer template to potential purchasers;
- d) obtained executed NDAs from 169 potential purchasers;
- e) granted qualified potential purchasers that have executed an NDA with access to an electronic data room including a Confidential Information Memorandum, due diligence materials and the Receiver's prescribed form of offer;
- f) responded to due diligence inquiries from potential purchasers;
- g) conducted management meetings with potential purchasers upon request;
- h) arranged for site visits and building inspections upon request; and
- i) accepted offers from 13 potential purchasers of the Reid Group's home and lot inventory, which are subject to the approval of this Honourable Court and are the subject of this Fourth Report.

Accepted Offers

3.3 Copies of the Accepted Offers are not attached as they contain confidential information that may be commercially sensitive in the event the Accepted Offers do not close and the subject lands are required to be re-marketed, may contain confidential information related to negotiated developer lot prices and Reid Group, in most instances, retains additional similar home and lot inventory available for sale.

3.4 A summary of the Accepted Offers is as follows:

Purchaser	Reid Subdivision(s)	Reid Group Entity	No. of Homes & WIP	No. of Lots	Builders' Lien Claims	First Ranking Mortgage Excl. RBC
1 Pacesetter Homes Ltd.	Rosenthal, Hawksridge, Newcastle, Jensen Lakes	RBH	2	21	\$ (2)	\$ -
2 2014695 Alberta Ltd.	Rosenthal	RBH	3	-	(287)	(245)
3 2072604 Alberta Ltd.	Newcastle, Palisades	RBH	4	-	(321)	-
4 First Avenue Properties Ltd.	Webber	RBH	6	-	(292)	-
5 Landrex Inc.	Jensen Lakes	RBH	1	-	(85)	-
6 Homexx Corporation	Riverside	RBH	11	5	(724)	(2,661)
7 Stepanov-Vandenberg and Stepanov	Jesperdale	RBH	1	-	(86)	-
8 Madsen	Georgetown	167	1	-	-	-
9 2103908 Alberta Ltd.	Kinniburgh	167	17	-	(769)	-
10 Hammoud	Kinniburgh	167	1	-	(193)	-
11 Nevada Trucking Limited	Kinniburgh	167	1	-	-	-
12 Prairie Pipe Sales Ltd.	Westmere	167	2	-	-	-
13 Grimsdale	Edgefield	167	1	-	-	(295)
			51	26	\$ (2,759)	\$ (3,201)

3.5 In aggregate, the Accepted Offers are estimated to result in total gross proceeds of approximately \$16.8 million and represent a recovery of approximately 80% of the recorded book value of the Purchased Assets.

3.6 The Purchased Assets are subject to priority claims including:

- a) builders' lien claims by contractors and suppliers totaling approximately \$2.8 million; and
- b) registered secured claims of approximately \$3.2 million by creditors holding first ranking mortgage security in priority to RBC (the Receiver has not been able to confirm the amount outstanding and priority of all third party mortgages at this time).

3.7 The Accepted Offers generally conform to the standard form of offer requested by the Receiver during the Sales Process. Each Accepted Offer includes a purchase price and legal description of the Purchased Assets as well as, among other things, the following key commercial terms:

- a) the Purchaser offers to purchase all of the Receiver's interest in and to the Purchased Assets, free and clear of any encumbrances;

- b) the execution of the offer by the Receiver converts the offer into a binding agreement for the purchase and sale of the Receivers' interest in and to the Purchase Assets subject to this Honourable Court granting a Sale Approval and Vesting Order;
- c) the closing date will be the date 30 days following the date on which all conditions are satisfied or waived or such earlier date as may be mutually agreed upon between the Purchaser and the Receiver; and
- d) the sale is "as is, where is" with no representations and warranties of the Receiver.

Receiver's Review and Consideration

3.8 The Receiver's review of the Accepted Offers included consideration of the following:

- a) the results of the Sales Process and whether the Accepted Offers represent the highest and best price for the applicable Purchased Assets;
- b) the net proceeds available to the Receiver after payment of developer land payables and interest;
- c) the nature and stage of construction of work-in-progress inventory and the risks, costs and time associated with completing construction and listing completed inventory for sale;
- d) the potential for the Receiver to incur additional holding costs in respect of the Purchased Assets if transactions are not concluded in a timely manner including preservation costs, professional fees and interest accruing in respect of the developer land payables and first ranking mortgages;
- e) where available, confidential third party appraisals and other indications of value; and
- f) the economic interests of land developers, lien holders, senior secured creditors and other stakeholders with interests in the Purchased Assets.

3.9 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 transactions contemplated by the Accepted Offers are the best interests of the creditors of Reid Group.

3.10 The Receiver is reviewing and considering additional offers resulting from the Sales Process and expects to bring a number of additional accepted offers to purchase real property assets of the Reid Group before this Honourable Court in the future.

4.0 SALE APPROVAL AND VESTING ORDERS

4.1 The Receiver is seeking Sale Approval and Vesting Orders to approve each of Accepted Offers and provide authorization and direction with respect to the distribution of the sales proceeds.

4.2 The Sale Approval and Vesting Orders provide for, among other things:

- a) approval of the Accepted Offers and direction to the Receiver to take such steps and execute such additional documents as may be necessary or required to complete the transactions contemplated by the Sales Agreements or for the conveyance of the Purchased Assets to the Purchasers;
- b) upon delivery of a Receiver's certificate to the Purchasers, the Reid Group's interest in the Purchased Assets shall vest in the applicable Purchaser, free and clear from security interests, hypothecs, caveats, mortgages, trusts or deemed trusts, liens, executions, levies, charges or other financial or monetary claims. For Sale Approval and Vesting Orders which include developer titled lots among the Purchased Assets, the Sale Approval and Vesting Orders also provide for vesting of the applicable developer's interest in the Purchased Assets in the Purchaser free and clear from security interests, hypothecs, caveats, mortgages, trusts or deemed trusts, liens, executions, levies, charges or other financial or monetary claims;
- c) upon delivery of a Receiver's certificate, and upon filing of a copy of the applicable Sale Approval and Vesting Order, together with applicable registration fees, the Registrar of Land Titles of Alberta is authorized and directed to cancel the Certificate(s) of Title for the applicable Purchased Assets and to issue new Certificate(s) of Title in the name of the Purchaser;
- d) for Sale Approval and Vesting Orders which include developer titled lots among the Purchased Assets, concurrent with delivery of the Receiver's Certificate, the Receiver is directed to pay the land payable owing to the land developer including accrued interest from the net sales proceeds;
- e) from the net proceeds, the Receiver is directed to hold back in the place of the lands with the same rights and priority the total amount of registered lien claims against the Purchased Assets, plus 10% as security for costs, with such hold back being held by the Receiver's counsel pending further order or direction from this Honourable Court or agreement among the lien claimants and the Receiver;
- f) for Sale Approval and Vesting Orders which include lots encumbered by first ranking mortgages among the Purchased Assets, direction and authorization for the Receiver to repay from any remaining proceeds, the first ranking mortgagee subject to the Receiver's confirmation of the validity of the first registered mortgagee's security and outstanding indebtedness; and

g) following the payments referenced in paragraphs 4.2(d-f) above, authorization for the Receiver to distribute any remaining proceeds from the sale of the Purchased Assets in accordance with the administration of the receivership estate.

4.3 The estimated distributions of sales proceeds as contemplated by the Sale Approval and Vesting Orders total \$16.8 million of which approximately \$3.7 million will be paid to developers to acquire lots, \$3.0 million will be held in place of the lands as security for builders' lien claims (including 10% for costs) and \$3.1 million will be available to third party mortgagees other than RBC pending confirmation of the priority of their mortgages and amount of indebtedness. The remaining approximately \$7.0 million will be made available to RBC and/or the receivership estate.

5.0 RECEIVER'S CONCLUSION AND RECOMMENDATION

5.1 It is the view of the Receiver that the purchase price and other terms of the Accepted Offers are fair and commercially reasonable in the circumstances. The Receiver is satisfied with the results of the Sales Process to date and is of the view that the integrity of the Sales Process has not been compromised and that the Receiver has considered the economic interests of the various competing financial stakeholders.

5.2 The Sale Approval and Vesting Orders provide for timely distribution of the sales proceeds to land developers, lien holders and senior secured creditors in respect of the Purchased Assets while preserving the position of builders' lien claimants until such time as the matters can be judicially determined.

5.3 Based on the forgoing, the Receiver respectfully recommends that this Honourable Court grant the Sale Approval and Vesting Orders.

All of which is respectfully submitted to this Honourable Court this 5th 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