

May 9, 2018



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Our reference
1001004429

Dear Lienholder:

In the Matter of the Receivership of Reid Built Homes Ltd. et. al., Court File No. 1703-21274

Assessment of Lien Claims in Light of Prior-Registered Security

Our offices are counsel to Alvarez & Marsal Canada Inc. in its capacity as receiver and manager of the Reid Built 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 Receivership Order and all related materials can be found online at the Receiver's website at: <https://www.alvarezandmarsal.com/reidbuilt>.

You are receiving this letter because you registered liens in respect of Reid Built properties sold pursuant to a series of sale approval and vesting orders granted on April 11, 2018 (as discussed below).

As stated in previous correspondence to you, the Receiver is appointed a Court Officer reporting to all stakeholders in this receivership.

The Receiver brought Court Applications which were heard on April 11, 2018, and April 20, 2018, at the Edmonton Law Courts. The purpose of those Court Applications was to seek the Court's approval of numerous sale transactions entered into between the Receiver and various third-party arm's length purchasers for good value. This letter updates you on the status of those Applications and the Receiver's determinations with respect to your lien claims.

April 11, 2018, Application and Vesting Orders

Regarding the April 11, 2018, Application, and the resulting Sale Approval and Vesting Orders granted by the Court, you will recall that the Receiver held-back 110% of lien amounts claimed as against both Reid

Built and non-Reid Built properties (such as those held by developers) sold to third-party purchasers.

With the benefit of further analysis the Receiver can confirm that given the overwhelming prior registered mortgage and other secured debt as against the Reid Built registered properties which were sold, there are insufficient funds from the sale proceeds to satisfy lien claims as against such properties.

There is unfortunately nothing that can be done about this state of affairs which arises from the priority scheme under the Alberta *Builders' Lien Act*. As a result, there will be no recovery for your lien as against the properties registered in the name of a Reid Built entity that has been sold pursuant to the Sale Approval and Vesting Orders granted on April 11, 2018.

Accordingly, **the Receiver anticipates bringing an Application to be heard in the Edmonton Law Courts on May 16, 2018 at 1:00 P.M., one objective of which will be to release the hold-back funds and authorize distribution of such funds by the Receiver to prior-registered security claimants (a copy of the proposed form of Order to this end is attached as Schedule "A" to this letter, and if you would like a copy of the filed application, please provide us with an e-mail address to contact you).** We note that in many instances even the prior-registered security claimants will not be paid in full and will suffer a shortfall.

We expect affidavits from the prior-registered security claimants evidencing their security and indebtedness in due course. As with the affidavits posted to the Receiver's website with respect to the April 20, 2018, Application, we expect these affidavits to indicate the significant mortgage debt registered ahead of your, or any, builders' liens.

The Receiver confirms that amounts held by the Receiver with respect to **non-Reid Built** properties remain held in accordance with the applicable Sale Approval and Vesting Orders granted by the Court and will be adjudicated or settled in due course.

April 20, 2018, Application and Vesting Orders

For your information, and to put into context what the Receiver is proposing to do with the hold-back funds from April 11, 2018, we take this opportunity to inform you about the April 20, 2018, Application. We can advise that affidavits were filed from the Royal Bank of Canada and KV Capital demonstrating the significant mortgage debt registered prior to the filing of your, or any, builders' liens. Also with respect to the April 20, 2018, Application the Court approved the determination that there would be no recovery for liens as against sold properties registered in the name of a Reid Built entity given the aforementioned prior-registered mortgage debt.

With respect to properties proposed to be sold by the Receiver and registered in the name of a non-Reid Built entity (i.e. a third-party developer), we confirm that the Court approved vesting the subject properties free and clear but ordered the Receiver to hold-back 110% of the value of the registered liens against such non-Reid Built entity pending further order of the court or agreement with those lien holders.

May 16, 2018, and Future Vesting Orders

We anticipate that future sale approval and vesting orders where any Reid-owned property values are not sufficient to satisfy mortgages registered prior to the filing of builders' liens will similarly not include any hold-back or provide for payment of any subsequent builders' liens claims.

In this regard, we can advise that on May 16, 2018, we will also be seeking sale approval and vesting

orders in respect of various properties, certain of which may be subject to your lien claims and will receive the treatment identified in the last paragraph.

Yours very truly,



Howard A. Gorman, Q.C.
Senior Partner

Copies to: Todd Martin / Tom Powell, Alvarez & Marsal Canada Inc.
 Aditya Badami, Norton Rose Fulbright Canada LLP
 Reid Built Service List

SCHEDULE "A"

COURT FILE NUMBER 1703-21274
COURT COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE EDMONTON
PLAINTIFF ROYAL BANK OF CANADA



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

IN THE MATTER OF THE RECEIVERSHIP
OF REID-BUILT HOMES LTD., 1679775
ALBERTA 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 of the
current and future assets, undertakings and
properties of REID-BUILT HOMES LTD.,
1679775 ALBERTA LTD., REID
WORLDWIDE CORPORATION, BUILDER'S
DIRECT SUPPLY LTD., REID BUILT HOMES
CALGARY LTD, REID INVESTMENTS LTD.,
and REID CAPITAL CORP.

DOCUMENT **ORDER**
(Release of Liens Holdback and
Distribution)

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTY FILING THIS
DOCUMENT Norton Rose Fulbright Canada LLP
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Attention: Howard A. Gorman, Q.C. / Aditya M. Badami
File No.: 1001004429

DATE ON WHICH ORDER WAS PRONOUNCED: May 16, 2018

LOCATION WHERE ORDER WAS PRONOUNCED: Edmonton, Alberta

NAME OF JUSTICE WHO MADE THIS ORDER: Honourable Mr. Justice Graesser

UPON THE APPLICATION of Alvarez & Marsal Canada Inc. in its capacity as Court-appointed receiver and manager (**Receiver**) of the current and future assets, undertakings and properties of REID-BUILT HOMES LTD., 1679775 ALBERTA LTD., REID WORLDWIDE CORPORATION, BUILDER'S DIRECT SUPPLY LTD., REID BUILT HOMES CALGARY LTD, REID INVESTMENTS LTD., 1852512 ALBERTA LTD., and REID CAPITAL CORP. (collectively, **Reid Built**); **AND UPON HAVING READ** the Consent Receivership Order dated November 2, 2017 (the **Receivership Order**) and the Sixth Report of the Receiver dated May 9, 2018, (**Sixth Report**); **AND UPON HEARING** counsel for the Receiver and any other interested parties that may be present; **AND UPON IT APPEARING** that all interested and affected parties have been served with notice of this Application; **AND UPON** having read the pleadings, proceedings, orders and other materials filed in this action;

IT IS HEREBY ORDERED AND DECLARED THAT:

SERVICE

1. Service of notice of this application and supporting materials is hereby declared to be good and sufficient, and no other person is required to have been served with notice of this application, and time for service of this application is abridged to that actually given.

APRIL 11, 2018, LIEN HOLDBACK RELEASE AND DISTRIBUTION AUTHORIZED

2. The Sale Approval and Vesting Orders related to Reid Built owned properties being titled, respectively, the "Prairie Pipe Sales Ltd. Transaction", "Homexx Transaction", "Grimsdale Transaction", "Adnan Hammoud Transaction", "Nevada Trucking Limited Transaction", "2014695 Alberta Ltd. o/a Streetview Homes Transaction", "2103908 Alberta Ltd. Transaction", "Pacesetter Homes Ltd. Transaction" (for clarity, only with respect to Reid Built properties), and "2072604 Alberta Ltd. Transaction" (for clarity, only with respect to Reid Built properties), are hereby amended so as to remove any obligation for the Receiver to hold-back from any sales proceeds any security for builders' liens claims registered against Reid Built properties which are subordinate to claims asserted by secured lenders or other secured creditors (the **Released Funds**).
3. The Receiver is hereby authorized to distribute the Released Funds to any valid prior registered secured creditors in accordance with the administration of the receivership estate.

J.C. C.Q.B.A