

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., REID CAPITAL CORP. and EMILIE REID.

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 NINETEENTH REPORT**  
**September 20, 2021**

ADDRESS FOR  
SERVICE AND  
CONTACT  
INFORMATION  
OF PARTY  
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Attention: Howard A. Gorman, Q.C. / Meghan L. Parker



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## 1.0 INTRODUCTION

- 1.1 On November 2, 2017, upon application of the Royal Bank of Canada, 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 (the “**Receivership Proceedings**”) 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. (“**RCC**”) and as subsequently amended to include 1852512 Alberta Ltd. and Anchorview Capital Corp. (“**Anchorview**” and 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 To date, the Receiver has completed 65 transactions involving accepted and approved offers for 506 residential completed and work-in-progress homes and lots, 33 commercial, development and other real properties, and sale and/or settlement of 5 other assets and interests of the Reid Group for total cash consideration of \$126.7 million which are detailed in previous reports of the Receiver.
- 1.5 Concurrent with this nineteenth report of the Receiver (the “**Nineteenth Report**”), the Receiver intends to file an application seeking an order (the “**Head Office SAVO**”) approving the sale of the former head office of the Reid Group located in Edmonton, Alberta (the “**Head Office**”) pursuant to an offer submitted by Serv-All Mechanical Services Ltd. (“**Serv-All**”), as assigned with the consent of the Receiver by Serv-All to its affiliate, 2320033 Alberta Ltd. (“**232**”), and accepted by the Receiver subject to the approval of this Honourable Court (the “**Head Office Offer**”).
- 1.6 The Receivership Order and other motion materials are posted on the Receiver’s website at [www.alvarezandmarsal.com/reidbuilt](http://www.alvarezandmarsal.com/reidbuilt).
- 1.7 Capitalized terms not defined in this Nineteenth Report are as defined in the Receivership Order.
- 1.8 All references to dollars in this Nineteenth Report are in Canadian currency.

## **2.0 PURPOSE**

- 2.1 This Nineteenth Report is intended to provide this Honourable Court with information with respect to the following:
- a) the Receiver's application for the Head Office SAVO;
  - b) an update of the Receiver's interim statement of cash receipts and disbursements for the period from November 2, 2017 to September 10, 2021;
  - c) the Receiver's activities since the sixteenth report of the Receiver dated June 21, 2019 (the "**Sixteenth Report**"); and
  - d) a summary of residual assets and interests.

## **3.0 HEAD OFFICE SAVO**

### **Head Office Property**

- 3.1 The Head Office property held by RWW is a 30,000 square foot two story mixed office and warehouse building on 1.19 acres of land located in northwest Edmonton, Alberta.
- 3.2 Canadian Western Bank (the "**CWB**") is the senior secured creditor holding a first ranking mortgage security of approximately \$4.1 million plus accrued interest against the Head Office.
- 3.3 In March 2018, the Receiver retained Colliers International ("**Colliers**") to act as the exclusive real estate broker with respect to the Head Office. Based on valuations prepared for the Head Office property and realtor guidance, the list price was set at \$3.5 million and subsequently reduced to \$2.95 million in or around March 2020.
- 3.4 Since March 2018, seven offers were submitted of which the Receiver accepted three offers excluding the Head Office Offer; however, the potential purchasers failed to obtain the requisite financing to effect a closing and/or did not waive conditions and the sale transaction(s) did not complete.
- 3.5 The Head Office was remarketed and an offer for \$2.3 million was submitted by Serv-All which was accepted by the Receiver on July 23, 2021, subject to a 30 day due diligence period and approval by this Honourable Court.

### **Head Office Offer**

- 3.6 The key commercial terms of the Head Office Offer are summarized as follows:
- a) the purchaser offers to purchase all of the Receiver's interest in and to the Head Office, free and clear of any encumbrances other than permitted encumbrances;

- b) the execution of the offer by the Receiver converts the offer into a binding agreement for the purchase and sale of the Receiver's interest in and to the purchased property, subject to this Honourable Court granting a sale approval and vesting order for the transaction;
- c) the purchaser is granted a 30 day period to complete its due diligence, which includes:
  - i. satisfactory financing obtained; and
  - ii. confirmation of the title to the lands and satisfaction of all environmental, legal, physical and economic aspects of the purchased property;
- d) the closing date for the subject transaction will be the date that is 15 business days following the date on which this Honourable Court approves the Head Office Offer, or such earlier date as may be mutually agreed upon between the purchaser and the Receiver;
- e) a deposit of \$200,000 (8.7% of the purchase price) to be remitted to the Receiver's legal counsel and is non-refundable if the purchaser does not close after satisfaction of due diligence conditions and Court approval; and
- f) the sale is "as is, where is" with no representations and warranties by the Receiver.

3.7 On September 13, 2021, Serv-All sought the Receiver's permission to assign the Head Office Offer to a nominee company, 232, which is an affiliate of Serv-All. The Receiver agreed to the assignment subject to the parties coming to a mutually agreeable form of assignment agreement. The parties have since finalized and executed a consent and assignment agreement dated September 16, 2021, which remains subject to the Head Office Offer terms, including the requirement for Court approval of the Head Office SAVO. As such, the terms proposed in the Head Office SAVO contemplate the Receiver completing the transaction with 232.

#### **Receiver's Review of the Head Office Offer**

3.8 In summary, the Receiver's review of the Head Office Offer included consideration of the following:

- a) the results of the marketing efforts undertaken by Colliers, an established and market leading real estate listing broker, and whether the Head Office Offer represents the best offer for the applicable purchased assets;
- b) the reputation and wherewithal of the prospective purchaser and its nominee and the likelihood of such parties being able to conclude a successful transaction;
- c) the length of the due diligence and closing periods and the substantial deposit (\$200,000) provided by the prospective purchaser;

- d) the potential for the Receiver to avoid additional holding costs in respect of the purchased asset if the transaction is concluded in a timely manner including preservation costs, professional fees, and interest accruing in respect of the first ranking mortgage;
- e) confidential third party appraisals and other indications of value;
- f) the current market conditions in the Alberta commercial real estate market; and
- g) the economic interests of the senior secured creditor and other stakeholders with interests in the purchased asset. In that regard, the Receiver has consulted with the primary secured creditor, CWB and has confirmed that CWB is satisfied with the terms of the Head Office Offer.

3.9 The Receiver is of the view that the Head Office was marketed comprehensively and in a manner that was fair and reasonable, that the market has been adequately canvassed for potential purchasers for an extended period of time and that the transaction contemplated by the Head Office Offer is in the best interests of the secured creditor and other stakeholders of the Reid Group. There is no residual equity in the Head Office property for the benefit of the receivership estate as the market value and sales price are for less than the indebtedness of CWB on its first mortgage.

#### **Head Office SAVO**

3.10 The Head Office SAVO provides for, among other things:

- a) approval of the Head Office 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 or for the conveyance of the purchased assets to 232;
- b) upon delivery of a Receiver's Certificate to 232, the Reid Group's right, title and interest in the purchased assets shall vest in 232, free and clear from security interests, hypothecs, caveats, mortgages, trusts or deemed trusts, liens, executions, levies, charges or other financial or monetary claims;
- c) the net proceeds for the purchased assets payable on the closing date shall be held by the Receiver's legal counsel in trust pending resolution, in due course, between CWB and the Receiver as to the final allocation and agreement of certain charges including the Receiver's Charge, property taxes and other holding costs; and
- d) upon delivery of the 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 INTERIM STATEMENT OF CASH RECEIPTS & DISBURSEMENTS

- 4.1 The Receiver has prepared a summary of the Receiver's interim statement of cash receipts and disbursements from November 2, 2017 to September 10, 2021 to provide this Honourable Court and the Reid Group's stakeholders a financial update on the status of the Receivership Proceedings.

<b>Reid Group in Receivership</b> <b>Receiver's Combined Interim Statement of Cash Receipts and Disbursements</b> <b>For the period November 2, 2017 to September 10, 2021</b> <b>(\$000s)</b>			
<b>Receipts</b>			
Cash on hand	\$	70	
Receiver's borrowings		1,000	
Sale of equipment		181	
Sale of homes and lots		63,490	
Sale of development property		16,532	
Sale of commercial property and other interests		46,648	
Rent receipts		1,561	
Other receipts		1,661	
GST collected on sales		742	
<b>Total Receipts</b>			<b>131,885</b>
<b>Disbursements</b>			
Wages and contractor payments		1,159	
Property tax		3,001	
Commissions		961	
Insurance		637	
Utilities and services		820	
Rent		22	
Security		30	
Home completion and winterization costs		79	
Other disbursements		354	
GST paid on disbursements		463	
GST remitted		344	
Receiver fees and expenses		3,286	
Legal fees and expenses		3,316	
Receiver's borrowings repayment		1,000	
Receiver's borrowings interest and fees		51	
Developer lot payouts	11,014		
Distribution to Jovica	1,109		
Distribution to Cobra	1,698		
Distribution to Laurentian	6,045		
Distribution to KV Capital	6,971		
Distribution to Canada ICI	28,350		
Distributions to Canadian Western Bank	3,438		
Distribution to RBC	56,892	115,517	
<b>Total Disbursements</b>			<b>131,041</b>
<b>Closing Cash Balance</b>	<b>\$</b>	<b>843</b>	

- 4.2 The closing cash balance in the Receiver's trust accounts as at September 10, 2021 was approximately \$843,000.
- 4.3 Net cash proceeds recovered by the Receiver total approximately \$131.9 million and primarily consist of the following receipts:
- a) receiver borrowings of \$1.0 million which have been repaid in full plus accrued interest and fees;
  - b) sale of 247 completed and work-in-progress homes and 259 residential lots totaling approximately \$63.5 million;
  - c) sale of 29 development properties totaling approximately \$16.5 million;
  - d) sale of 9 commercial properties and Reid Group's interests in other assets totaling approximately \$46.6 million;
  - e) rent receipts of \$1.6 million collected from the tenants of two commercial shopping centers, which have since been sold, as well as one tenant currently occupying an office space located at the Head Office; and
  - f) other receipts of \$1.7 million mainly from the release of builders' liens and seasonal holdbacks.
- 4.4 Cash disbursements total approximately \$131.0 million and are largely comprised of the following:
- a) wages and contractor payments of \$1.2 million which were necessarily incurred to supervise and secure the hundreds of properties prior to sale and ensure compliance with various insurance policies, among other things. One contractor continues to be retained by the Receiver to attend to matters related to the Head Office;
  - b) property taxes of approximately \$3.0 million paid out upon the sale of certain homes and lots and commercial and development properties;
  - c) commissions of \$961,000 incurred from the sale of certain commercial and development properties;
  - d) insurance, utilities and services, rent, security, winterization costs and other disbursements of approximately \$1.9 million;
  - e) fees and expenses of the Receiver and its legal counsel fees and expenses totaling approximately \$6.6 million; and
  - f) distributions of approximately \$115.5 million paid out and/or distributed to secured creditors and developers.



## 5.0 RECEIVER'S ACTIVITIES

5.1 Since the Sixteenth Report, the Receiver's activities have included the following:

- a) executing a sale and transfer of the Receiver's interest in and to 14 residential properties owned by RBH and 167 (the "**BTHO Homes**") and 40 Class A Units in Bridge to Ownership Alberta Limited Partnership owned by Anchorview, which is detailed in the Receiver's Supplement to Sixteenth Report dated June 25, 2019 (the "**Supplemental Sixteenth Report**"), and subsequently attending to the closing of 10 BTHO Homes sale transactions;
- b) reviewing and applying to Court to discharge an invalid lien held by a third party relating to one home sale completed on September 27, 2017 and directing the release of such lien funds, which is detailed in the Receiver's Seventeenth Report dated October 2, 2019;
- c) negotiating and settling of a mortgage due to be repaid in July 2018 held by RCC over a 2.1 acre property in Morinville, Alberta, which was settled on November 28, 2019;
- d) executing a sale transaction for a 44.1 acre development property located in Stony Plain, Alberta, which is detailed in the Receiver's Eighteenth Report dated March 3, 2020;
- e) attending meetings and discussions with interested parties of Reid Group's properties including providing information for due diligence requests;
- f) maintaining appropriate insurance coverage of the Reid Group's assets and continued communication with insurance brokers;
- g) communicating with the Head Office tenant regarding various matters regarding their lease and issuing a notice to terminate lease on August 31, 2021;
- h) continued security of vacant residential, industrial, commercial and development properties, arranging regular site visits in compliance with insurance policies, and performing maintenance work in compliance with municipal codes;
- i) continuing communication and consultation with various stakeholders, customers, lienholders and other creditors;
- j) meetings and ongoing discussions with the Receiver's legal counsel to assist with various matters including review of offers to purchase, disputed lien claim holdbacks, review of letters of credit, and preparation for court hearings;
- k) communicating with the Canada Revenue Agency regarding GST-related matters;
- l) communicating with various municipalities regarding property taxes, letters of credit, and coordinating the release of land deposits;
- m) collecting accounts receivable and other amounts owed to the Reid Group;

- n) preparing for and attending court hearings including reviewing court materials and preparing accompanying Receiver's reports;
- o) coordinating the repair of a water leak discovered at the Head Office and attending to numerous conversations with the secured creditor, restoration companies, utility company and insurance provider to resolve the matter in an expeditious manner;
- p) attending to accounting and administrative matters including maintaining accounting of all receipts and disbursements incurred by the Receiver for each entity in the Reid Group, cost allocation of certain charges, payment of contractors and suppliers, and managing ongoing service providers; and
- q) addressing all other matters pertaining to the Receivership Proceedings.

## **6.0 RESIDUAL ASSETS & INTERESTS**

- 6.1 As at the date of this Report, there remains certain residual assets and interests not yet realized by the Receiver which are described below.

### **Bridge to Homeownership Partnership-**

- 6.2 The Bridge to Homeownership Partnership ("BTHO") was launched in 2016 as a venture between the Reid Group and Prospect Financial Inc. The BTHO arrangement is detailed and defined in the Receiver's Second Report dated February 28, 2018, with an update included in the Supplemental Sixteenth Report, and is not repeated herein.
- 6.3 Four BTHO Homes currently remain held in the name of the Reid Group. The Receiver continues to pursue the potential sale and/or settlement of the Reid Group's interest in the four remaining homes as well as recovery of amounts due to the Reid Group. It is the Receiver's expectation that monetization of the remaining assets and interests in the BTHO will be concluded in the near term.

### **Highland Ridge Joint Venture**

- 6.4 Highland Ridge is a development property with 76.6 acres located in Sturgeon County, Alberta (the "**Highland Ridge JV**"). RWW holds a 25% interest in a joint venture with Carton Land Inc. ("**Carton**") which holds a 25% interest, and the previous landowners, who hold the remaining 50% interest. The book value of RWW's interest is approximately \$750,000 and loan receivable due from the joint venture is \$110,000. Highland Ridge JV was included in the Sales Process and discussions have been held with Carton with the intention to reach a settlement to transfer and/or settle RWW's interest in and loan receivable due from the joint venture.

## **Life Insurance Policies**

- 6.5 In July 2018, certain Reid Group life insurance policies were collapsed for which the cash surrender values and accumulated fund values had been assigned as collateral for third party loans to certain former executives of the Reid Group (the “**Insurance Defendants**”). In August 2018, the Receiver commenced litigation proceedings against the Insurance Defendants and filed statements of claim totaling \$25.3 million. The Receiver received statements of defense in January 2019 and has since held discussions with the Receiver’s legal counsel to determine the likelihood for potential recoveries and best path forward.

## **Sym1 Systems Inc. Loan**

- 6.6 RCC provided a loan to Sym1 Systems Inc. (“**Sym1**”) of \$1.5 million which was due to be repaid on December 31, 2018. On September 14, 2018, the Receiver, by and through the Receiver’s legal counsel, commenced enforcement proceedings against Sym1 and on July 18, 2019, the Court of Queen’s Bench of Alberta granted an order (“**Bankruptcy Order**”) adjudging Sym1 bankrupt and awarding costs to the applicant of the Bankruptcy Order, the Receiver, to be paid out of the bankrupt Sym1 estate upon taxation of the estate.
- 6.7 On July 5, 2021, the bankruptcy Trustee notified the Receiver that they intend to proceed closing out the estate and applying for discharge as there being no assets to be realized or further steps to be taken in the bankruptcy proceedings.

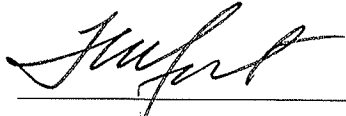
## **7.0 RECEIVER’S CONCLUSION AND RECOMMENDATION**

- 7.1 It is the Receiver’s respectful view that the purchase price and other terms of the Head Office Offer are commercially reasonable in the circumstances. The Sales Process and marketing efforts undertaken by the Receiver was conducted in a manner which was fair to all interested parties, has resulted in a transaction that provides for the highest overall sales proceeds for the purchased assets with the best prospects of closing and has given consideration to the economic and commercial interests of the senior secured creditor and other stakeholders.
- 7.2 Based on the forgoing, the Receiver respectfully recommends that this Honourable Court grant the Head Office SAVO referenced herein.

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All of which is respectfully submitted to this Honourable Court this 20<sup>th</sup> day of September, 2021.

**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