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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 NINTH REPORT**
June 28, 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. (“**167**”), 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. (“**Capital**”) (collectively, “**Reid Group**” or the “**Companies**”).
- 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, this Honourable Court has granted orders that provide for, among other things, approval of 32 separate sales transactions involving various parcels of real property assets with an aggregate gross value of \$91.9 million.
- 1.5 Concurrent with this ninth report of the Receiver (the “**Ninth Report**”), the Receiver intends to file an application seeking orders approving three separate transactions involving the sale of various parcels of residential real property assets pursuant to offers submitted by prospective purchasers and accepted by the Receiver, subject to the approval of this Honourable Court (the “**SAVOs**”). The proposed SAVOs are in accordance with previous orders of this Court granted in these proceedings.
- 1.6 The Receivership Order and other motion materials are posted on the Receiver’s website at www.alvarezandmarsal.com/reidbuilt.
- 1.7 Capitalized terms not defined in this Ninth Report are as defined in the Receivership Order.
- 1.8 All references to dollars in the Ninth Report are in Canadian currency.

2.0 PURPOSE

- 2.1 This Ninth 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 SAVOs.

3.0 SAVOS

Accepted Offers

- 3.1 The Receiver has accepted two offers for residential inventory submitted by Armour Developments Ltd. (“**Armour**”) and Divine Luxury Homes Inc. (“**Divine**”), subject to the approval of this Honourable Court, and has agreed to the substantial terms of a third offer from Norstar Builders Ltd. (“**Norstar**”) (collectively, the “**Accepted Offers**”). A summary of the Accepted Offers is as follows:

Purchaser	Reid Subdivision	Developer	Reid Group Entity	No. of Homes & WIP	No. of Lots	Purchase Price (\$000s)	Developer Land Payables (\$000s)	Builders' Lien Claims (Note 1) (\$000s)
1 Norstar Builders Ltd.	Rosenthal, Newcastle, Palisades, Jensen Lakes, Jesperdale, Silverstone	Melcor	RBH	43	-	\$ 8,047	\$ (4,695)	\$ (1,344)
2 Armour Developments Ltd.	SkyPointe	N/A	167	7	-	1,850	-	(464)
3 Divine Luxury Homes Inc.	Westmere	Melcor	167	1	-	350	(176)	(116)
				51	-	\$ 10,247	\$ (4,870)	\$ (1,925)

Notes:

1 Total builders' lien claims of approximately \$1.9 million include \$688,000 of liens registered against Reid Group-owned lots and \$1.2 million of liens registered against developer-owned lots.

- 3.2 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:
- the purchaser offers to purchase all of the Receiver's interest in and to the purchased assets, free and clear of any encumbrances;
 - the execution of the subject offers by the Receiver converts the offers into binding agreements for the purchase and sale of the Receivers' interest in and to the purchased assets, subject to this Honourable Court granting a SAVO for each transaction;
 - the closing date for the subject transactions will be the date 30 days following the date on which all conditions are satisfied or waived with the exception of the sale to Armour (the “**Armour Offer**”) which specifies a closing date of July 20, 2018 or such earlier date as may be mutually agreed upon between the purchasers and the Receiver; and
 - the sales are “as is, where is” with no representations and warranties of the Receiver.

Norstar

- 3.3 Norstar submitted an offer (the “**Norstar Offer**”) to purchase one residential building lot and 43 completed and partially constructed homes for a gross purchase price of \$8.0 million. The purchased assets include inventory from multiple subdivisions in the Edmonton region and the completed and partially completed homes range from 45% to 100% complete.
- 3.4 This transaction, along with the prior SAVOs and other Accepted Offers, includes all of the remaining work-in-progress and completed inventory in the Edmonton region with the exception of seven substantially completed homes. Accordingly, should the Norstar Offer being approved and completed, the receivership estate will benefit from significantly reduced preservation and holding costs with respect to the Edmonton work-in-progress inventory.
- 3.5 Though certain parcels of the residential inventory is subject to higher competing offers, the Norstar Offer is an *en bloc* bid and will result in a higher overall recovery to the estate than accepting a series of smaller offers.

Armour

- 3.6 The Armour Offer includes six completed and one partially constructed home in the SkyPointe subdivision in Calgary for \$1.85 million. This offer relates to Reid Group-owned lots and as such is not subject to builders lien holdbacks.
- 3.7 The properties are encumbered by first ranking mortgage security held by KV Capital and will be subject to a holdback for the potential allocation of costs secured by the Receiver’s Charge provided for in the Receivership Order to be negotiated between the Receiver and KV Capital or set by this Court.

Divine

- 3.8 The offer by Divine is for the purchase of one partially constructed home, which is approximately 77% complete, for \$350,000.

Receiver’s Review of the Accepted Offers

- 3.9 In summary, 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 Accepted Offers, should they be approved and closed, to provide for the disposition of all of the remaining work-in-progress and completed inventory in the Edmonton region with the exception of seven substantially completed homes;
 - e) the potential for the Receiver to avoid additional holding costs in respect of the purchased assets if transactions are concluded in a timely manner including preservation costs, professional fees and interest accruing in respect of the developer land payables and first ranking mortgages; and
 - f) the economic interests of land developers, lien holders, senior secured creditors and other stakeholders with interests in the purchased assets.
- 3.10 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 in the best interests of the creditors of Reid Group.
- 3.11 The Receiver is reviewing and considering additional offers resulting from the Sales Process and may bring additional accepted offers to purchase real property assets of the Reid Group before this Honourable Court in the future.

SAVOs

- 3.12 The Receiver is seeking the SAVOs to approve each of Accepted Offers and provide authorization and direction with respect to the distribution of the sales proceeds.
- 3.13 The SAVOs 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 Accepted Offers 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. The SAVOs that include developer titled lots among the purchased assets also provide for vesting of the applicable developer's interest in the purchased asset 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 SAVO, 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 the SAVOs which include developer titled lots, 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) direction to the Receiver to hold back from the net proceeds from developer titled lots, in the place of the lands with the same rights and priority, the total amount of registered lien claims (noting duplicate registrations where applicable) 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, the Receiver and any affected stakeholders;
- f) from the net proceeds from Reid Group titled lots, no holdback or security in respect of registered builders' liens;
- g) for SAVOs which include lots encumbered by prior ranking mortgages among the purchased assets, direction and authorization for the Receiver to repay the priority ranking mortgagee subject to the Receiver's confirmation of the validity of the priority registered mortgagee's security and outstanding indebtedness, subject to holdbacks for the potential allocation of costs secured by the Receiver's Charge provide for in the Receivership Order; and
- h) following the payments referenced in paragraphs 3.13(d-g) 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.

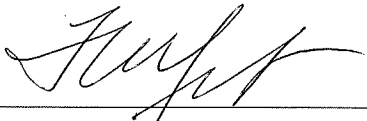
3.14 The estimated distributions of sales proceeds as contemplated by the SAVOs total approximately \$10.2 million, of which approximately \$4.9 million will be paid to developers to pay out lot payables, \$1.3 million will be held in place of the lands as security for builders' lien claims against developer titled lots (including 10% for costs) and \$2.1 million will be available to third party mortgagees pending confirmation of the priority of their mortgage and amount of indebtedness. The remaining approximately \$1.9 million will be made available to RBC and/or the receivership estate.

4.0 RECEIVER'S CONCLUSION AND RECOMMENDATION

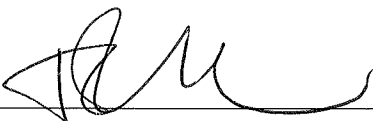
- 4.1 It is the view of the Receiver that the purchase prices and other terms of the Accepted Offers are commercially reasonable in the circumstances. The sales process undertaken by the Receiver was conducted in a manner which was fair to all interested parties, has resulted in transactions that provide for the highest overall sales proceeds for the purchased assets and has given consideration to the economic and commercial interests of the various competing financial stakeholders.
- 4.2 Based on the forgoing, the Receiver respectfully recommends that this Honourable Court grant the three SAVOs referenced herein.

All of which is respectfully submitted to this Honourable Court this 28th day of June, 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