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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., REID CAPITAL CORP. and EMILIE REID

DOCUMENT **RECEIVER'S TWELFTH REPORT**  
**October 12, 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 (“**RWW**”), Builder’s Direct Supply Ltd., Reid Built Homes Calgary Ltd., Reid Investments Ltd. (“**RIL**”), and Reid Capital Corp. (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 RWW holds an 89% undivided ownership interest in a parcel of real property located on Pigeon Lake in Wetaskiwin, Alberta (the “**Pigeon Lake Property**”). Ms. Emilie Reid, who is the shareholder of RIL and a limited guarantor of various loans from RBC to the Reid Group, is the registered owner of the remaining 11% of the Pigeon Lake Property.
- 1.4 On July 27, 2018 this Honourable Court granted an order declaring that there is an emergency access easement on the Pigeon Lake Property in favour of the owner of the neighboring property, Lauder Industries Ltd. (the “**Emergency Access Easement**”).
- 1.5 On October 9, 2018, the Receiver accepted an offer submitted by Mr. Richard Abel to purchase the Pigeon Lake Property, subject to the approval of this Honourable Court (the “**Abel Offer**”).
- 1.6 On October 12, 2018, the Receiver filed an application for an order approving the sale contemplated by the Abel Offer (the “**Abel SAVO**”).
- 1.7 The Receivership Order and other motion materials are posted on the Receiver’s website at [www.alvarezandmarsal.com/reidbuilt](http://www.alvarezandmarsal.com/reidbuilt).
- 1.8 Capitalized terms not defined in this Receiver’s Twelfth Report (the “**Twelfth Report**”) are as defined in the Receivership Order.
- 1.9 All references to dollars in the Twelfth Report are in Canadian currency.

## 2.0 PURPOSE

- 2.1 This Twelfth 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 Abel SAVO.

### **3.0 ABEL SAVO**

#### **Pigeon Lake Property**

- 3.1 The Pigeon Lake Property is a 4,100 square foot residence built in 2005 situate on approximately 5.5 acres of land with 200 feet of waterfrontage on Pigeon Lake.
- 3.2 As described in section 1.3, RWW holds an 89% undivided ownership interest in the Pigeon Lake Property and Ms. Reid is the registered owner of the remaining 11%.
- 3.3 The Pigeon Lake Property is encumbered by, among other things, the following:
- a) the Receiver's Charge provided for in the Receivership Order;
  - b) accrued property taxes which are estimated to be approximately \$6,000;
  - c) the security interest of RBC in respect of its various loans to the Reid Group; and
  - d) the security interest of RBC in respect of limited guarantees provided by Ms. Reid in respect of RBC's various loans to the Reid Group.
- 3.4 The Receiver's legal counsel has advised that the registered security interests of RBC in respect of its various loans to the Reid Group are valid and enforceable, subject to standard qualifications.
- 3.5 Prior to the date of the Receivership Order, Ms. Reid and/or RWW had retained Re/Max Real Estate (Edmonton) Ltd. as real estate agent (the "**Agent**") in respect of the Pigeon Lake Property. Subsequent to the date of the Receivership, the Receiver retained the Agent to act as exclusive broker in respect of the Pigeon Lake Property.
- 3.6 Since originally obtaining the listing in June 2017, the Agent has conducted an extensive online marketing campaign, held property showings and negotiated with potential purchasers and has presented the Receiver has with three purchase offers for consideration.
- 3.7 On October 9, 2018, in consultation with Ms. Reid, the Receiver accepted the Abel Offer, subject to the approval of this Honourable Court.

#### **Abel Offer**

- 3.8 The key commercial terms of the Abel Offer are summarized as follows:
- a) Mr. Abel offers to purchase all of the Receiver's and Mrs. Reid's interest in the Pigeon Lake Property, free and clear of any non-permitted encumbrances for a purchase price of \$920,000;

- b) the execution of the Abel Offer by the Receiver converted it into a binding agreement for the purchase and sale of the Receivers' and Mrs. Reid's interest in and to the purchased assets, subject to this Honourable Court granting the Abel SAVO;
- c) the closing date for the subject transactions 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 purchasers and the Receiver; and
- d) the sales are "as is, where is" with no representations and warranties of the Receiver.

#### **Receiver's Review of the Accepted Offers**

3.9 The Receiver's review of the Abel Offer included consideration of the following:

- a) the results of the marketing efforts of the Agent and whether the Abel Offer represents the highest and best price for the Pigeon Lake Property;
- b) the potential for the Receiver to avoid additional holding costs in respect of the Pigeon Lake Property if the transaction is concluded in a timely manner including preservation costs and professional fees;
- c) the Agent's advice with respect to recent sales activity of similar properties in the Pigeon Lake area and other indications of value; and
- d) the economic interests of Ms. Reid, RBC and other stakeholders with interests in the Pigeon Lake Property.

3.10 The Receiver is of the view that the Pigeon Lake Property was marketed comprehensively and in a manner which was fair and reasonable, that the market has been adequately canvassed for potential purchasers and that the transaction contemplated by the Abel Offer is in the best interests of the creditors of the Reid Group.

3.11 The Receiver consulted with representatives of RBC and Ms. Reid prior to accepting the Abel Offer and has been advised by both parties that they are supportive of the Abel Offer and the Receiver's application for the Abel SAVO.

#### **ABEL SAVO**

3.12 The Abel SAVO provides for, among other things:

- a) approval of the Abel Offer 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 Abel Offer and for the conveyance of the Pigeon Lake Property to Mr. Abel;

- b) upon delivery of a Receiver's Certificate to the purchasers, the Receiver's interest in the purchased assets shall vest in Mr. Abel, 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 Abel 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 Mr. Abel, which Certificate of Title shall be subject only to those encumbrances listed on Schedule "B" to the Abel SAVO (the "**Permitted Encumbrances**"). The Permitted Encumbrances are limited to easements for utility rights of way, a deferred reserve caveat in favor of the County of Wetaskiwin and a caveat in respect of the Emergency Access Easement; and
- d) upon delivery of the Receiver's Certificate, the Receiver is authorized to distribute the net proceeds from the sale of the Pigeon Lake Property to RBC, less any allocation in respect of the Receiver's Charges as defined in the Receivership Order, and less any standard property adjustments, provided that such distribution shall only be made upon the Receiver's confirming the validity of the RBC's security and outstanding indebtedness; and
- e) with respect to that portion of the net sales proceeds representing Ms. Reid's 11% undivided ownership interest in the Pigeon Lake Property, and subject to the Receiver's confirming the validity of the security asserted by RBC as against Ms. Reid's interest in the Pigeon Lake Property, RBC is entitled to receive distribution of that portion of the sale proceeds, just as it is entitled to receive distribution of that portion of the sale proceeds representing Reid Worldwide Corporation's 89% undivided ownership interest in the Pigeon Lake Property.


#### **4.0 RECEIVER'S CONCLUSION AND RECOMMENDATION**


- 4.1 It is the view of the Receiver that the price and terms of the Abel Offer are commercially reasonable in the circumstances. The Pigeon Lake Property was marketed in a manner which was fair to all interested parties, has resulted in a transaction that provides for the highest overall recovery for the Pigeon Lake Property and has given consideration to the economic and commercial interests of the various financial stakeholders. The Receiver has been advised by representatives of Ms. Reid and RBC that they are supportive of the Abel Offer and the Receiver's application for the Abel SAVO.
- 4.2 Based on the forgoing, the Receiver respectfully recommends that this Honourable Court grant the Abel SAVO.

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All of which is respectfully submitted to this Honourable Court this 12<sup>th</sup> day of October, 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