

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.

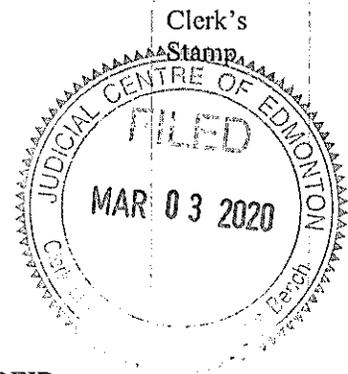
APPLICANT ALVAREZ & MARSAL CANADA INC. in its capacity as Court-appointed Receiver and Manager of the current and future assets, undertakings and properties of 1679775 ALBERTA LTD., REID-BUILT HOMES LTD., REID WORLDWIDE CORPORATION, BUILDER'S DIRECT SUPPLY LTD., REID BUILT HOMES CALGARY LTD., REID INVESTMENTS LTD., 1852512 ALBERTA LTD., ANCHORVIEW CAPITAL CORP. and REID CAPITAL CORP.

DOCUMENT RECEIVER'S EIGHTEENTH REPORT  
March 3, 2020

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ALVAREZ & MARSAL

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## 1.0 INTRODUCTION

- 1.1 On November 2, 2017 (the “**Receivership Date**”), 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., and Reid Capital Corp. and as subsequently amended to include 1852512 Alberta Ltd. and Anchorview Capital Corp. (collectively, the “**Company**” or “**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 62 transactions involving accepted and approved offers for 492 residential work-in-progress homes and lots, 33 commercial, development and other real properties, and settlement of 3 other assets and interests of the Reid Group for total cash consideration of \$120.0 million which are detailed in previous reports of the Receiver.
- 1.5 Concurrent with this Receiver’s Eighteenth Report (the “**Eighteenth Report**”), the Receiver intends to file an application seeking an order (the “**Fairways SAVO**”) approving the sale of the Fairways North development property located in Stony Plains, Alberta pursuant to an offer submitted by 2164685 Alberta Ltd. (“**216**”) and accepted by the Receiver, subject to the approval of this Honourable court (the “**216 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 Eighteenth Report are as defined in the Receivership Order.
- 1.8 All references to dollars in this Eighteenth Report are in Canadian currency.

## 2.0 PURPOSE

2.1 This Eighteenth 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 Fairways SAVO.

## 3.0 FAIRWAYS SAVO

### Fairways North Development

3.1 Fairways North are development lands in Stony Plain, Alberta held by RWW and comprised of approximately 44.1 acres of residential land next to the Stony Plain Golf Course (the “**Fairways Lands**”). The Fairways Lands includes 37 single-family lots ready for subdivision.

3.2 RBC holds first ranking mortgage security against the Fairways Lands for \$3.0 million, plus interest and costs, with the remaining RBC loans ranking subordinate to an undrawn letter of credit (the “**Letter of Credit**”) provided by The Toronto-Dominion Bank to the Town of Stony Plain (the “**Town**”) and two builders’ liens, which is summarized as follows:

Priority	Description	Amount
1	RBC mortgage <sup>1</sup>	\$ 3,000,000
2	TD letter of credit	850,000
3	Standard General Inc. lien <sup>1</sup>	890,000
4	Allstar Construction Ltd. lien <sup>1</sup>	285,000
5	RBC caveat	Balance of RBC loans
		\$ 5,025,000

<sup>1</sup> Does not include interest and costs

3.3 Notwithstanding the indicated priority of charges against the Fairways Lands, the Receiver and RBC have been put on notice that Standard General Inc. (“**Standard**”) may dispute the priority of RBC’s mortgage over its lien.

3.4 In August 2018, the Receiver retained Colliers International (“**Colliers**”) to act as the exclusive real estate broker with respect to the Fairways Lands. Colliers called for offers to be submitted by September 27, 2018 and two offers were submitted with the highest offer being \$2.5 million. The property was remarketed and 216 submitted an offer for \$3.3 million cash consideration and replacement of the Letter of Credit, resulting in total consideration of \$4.1 million.

3.5 On October 22, 2019, the Receiver accepted the 216 Offer subject to a 60 day due diligence period and approval of this Honourable Court.

3.6 On February 26, 2020, the Receiver and 216 agreed to amend the 216 Offer to provide for additional time to obtain Court approval of the transaction contemplated therein and to obtain

from 216 additional documentation of certain arrangements to assign the development agreement and replace the Letter of Credit, as described below. The “216 Offer” shall hereinafter refer to the 216 Offer as amended on February 26, 2020.

### **216 Offer**

3.7 The key commercial terms of the 216 Offer are summarized as follows:

- a) the purchaser offers to purchase all of the Receiver’s interest in and to the Fairways Lands, free and clear of any encumbrances;
- b) the purchaser assumes all of the rights and obligations of RWW pursuant to a development agreement dated August 25, 2015 between RWW and the Town and will make arrangements to replace the Letter of Credit with security in a form and amount as may be acceptable to the Town;
- c) the execution of the subject 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 Fairways Land, subject to this Honourable Court granting a sale and approval vesting order for the transaction;
- d) the purchaser is granted a 60 day period to complete its due diligence, which includes:
  - i. confirmation that the subdivision of 37 lots is prepared for the Alberta Land Titles Office for registration; and
  - ii. satisfactory financing is obtained.
- e) the closing date for the subject transaction will be the date 45 days following the date on which all conditions are satisfied or waived and approved by this Honourable Court or such earlier date as may be mutually agreed upon between the purchasers and the Receiver;
- f) a deposit of \$328,000 (10% of the purchase price) has been remitted to the Receiver’s legal counsel and is non-refundable if the Purchaser does not close after Court approval and satisfaction of due diligence conditions; and
- g) the sales are “as is, where is” with no representations and warranties of the Receiver.

### **Receiver’s Review of the 216 Offer**

3.8 The Receiver’s review of the 216 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 216 Offer represents the best offer for the property;
- b) the reputation and wherewithal of the prospective purchaser and the likelihood of the offeror being able to conclude a successful transaction;

- c) the length of the due diligence and closing periods and the substantial amount of a deposit provided by the prospective purchaser;
- d) the potential for the Receiver to incur additional holding costs in respect of the property if the transaction was not concluded in a timely manner including preservation costs, professional fees and interest accruing in respect of first ranking mortgage;
- e) confidential third party valuations and other indications of value;
- f) the weak current market conditions in the Alberta commercial real estate market, particularly in secondary markets such as Stony Plain; and
- g) the economic interests of the senior secured creditor, priority claimants, and other stakeholders with interests in the purchased assets.

3.9 The Receiver is of the view that the Fairways Lands were 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 216 Offer is in the best interest of the creditors of the Reid Group.

#### **Fairways SAVO**

3.10 The Fairways SAVO provides for, among other things:

- a) approval of the 216 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 the purchasers;
- b) upon delivery of a Receiver's Certificate to the purchasers, the Reid Group's right, title and interest in the purchased assets shall vest in the purchasers, 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 in the total amount of the registered lien of Standard plus 20% as security for costs, asserted against the purchased assets, pending further order or direction from this Honourable Court or agreement among the claimants and the Receiver; and
- d) following the holdback as set out in section 3.10 c), the remaining net proceeds from the sale of the purchased assets may be distributed by the Receiver in accordance with the same priority as they had with respect to the purchased assets immediately prior to the sale.

**4.0 RECEIVER'S CONCLUSION AND RECOMMENDATION**

- 4.1 It is the Receiver's respectful view that the purchase price and other terms of the 216 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 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 Fairways SAVO referenced herein.

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All of which is respectfully submitted to this Honourable Court this 3<sup>rd</sup> day of March, 2020.

**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