

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., 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.

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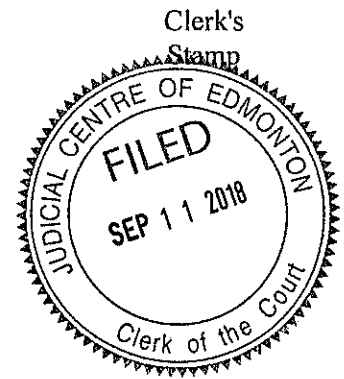
RECEIVER'S ELEVENTH REPORT
September 11, 2018

ADDRESS FOR
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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 35 separate sales transactions involving various parcels of real property assets with an aggregate gross value of \$102.1 million.
- 1.5 On August 14, 2018, the Receiver accepted an offer submitted by 1831575 Alberta Ltd. (“**183**”), the first mortgagee in respect of 60 homes and lots in the Reid Group’s Spruce Ridge subdivision, to purchase its collateral, subject to the approval of this Honourable Court (the “**183 Offer**”).
- 1.6 On September 7, 2018, 183 filed an application for an order approving the sale contemplated by the 183 Offer (the “**183 SAVO**”).
- 1.7 The Receivership Order and other motion materials are posted on the Receiver’s website at www.alvarezandmarsal.com/reidbuilt.
- 1.8 Capitalized terms not defined in this Receiver’s Eleventh Report (the “**Eleventh Report**”) are as defined in the Receivership Order.
- 1.9 All references to dollars in the Eleventh Report are in Canadian currency.

2.0 PURPOSE

- 2.1 This Eleventh Report is a special purpose report that is intended to provide this Honourable Court with information with respect to 183’s application for the 183 SAVO.

3.0 183 SAVO

Purchased Assets

- 3.1 The 183 Offer includes 60 homes and lots in the Reid Group's Spruce Ridge subdivision, including 26 work-in-progress homes with an average of 63% completion and 34 vacant lots (the "**Purchased Assets**").
- 3.2 The Purchased Assets are 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 \$116,000;
 - c) a "vendor take-back" mortgage owed to 183 for approximately \$5.4 million (the "**183 Mortgage**");
 - d) the security interest of RBC in respect of its various loans to the Reid Group; and
 - e) builders' lien claims totaling approximately \$500,000 (excluding apparent duplicate and expired liens).
- 3.3 The Receiver's legal counsel has advised that the registered security interests of 183 and RBC are valid and enforceable, subject to standard qualifications.

183 Offer

- 3.4 The key commercial terms of the 183 Offer are summarized as follows:
- a) 183 offers to purchase all of the Receiver's interest in the Purchased Assets, free and clear of any encumbrances;
 - b) the gross purchase price of approximately \$5.7 million includes:
 - i. a cash payment to the Receiver of \$200,000 upon closing (the "**Cash Consideration**");
 - ii. assumption by 183 or its nominee of all accrued property taxes owing in respect of the purchased assets which are estimated to be approximately \$116,000 (the "**Assumed Liabilities**"); and
 - iii. deemed repayment of the 183 Mortgage of approximately \$5.4 million;
 - c) the execution of the 183 Offer by the Receiver converted it into a binding agreement for the purchase and sale of the Receivers' interest in and to the purchased assets, subject to this Honourable Court granting the 183 SAVO;
 - d) 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

- e) the sales are “as is, where is” with no representations and warranties of the Receiver.

Receiver’s Review of the Accepted Offers

3.5 The Receiver’s review of the 183 Offer included consideration of the following:

- a) the results of the Sales Process and whether the 183 Offer represents the highest and best price for the subject assets;
- b) the amount and respective priorities of the 183 Mortgage and the Assumed Liabilities and the net cash proceeds available to the Receiver;
- 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) a confidential third party appraisal and other indications of value;
- e) the potential for the Receiver to avoid additional holding costs in respect of the Purchased Assets if the transaction is concluded in a timely manner including preservation costs, professional fees and interest accruing in respect of the 183 Mortgage; and
- f) the economic interests of 183, RBC and other stakeholders with interests in the Purchased Assets.

3.6 For clarity, no third party offer in excess of the 183 Mortgage amount was received and, as such, there was no alternative offer that would provide a recovery to RBC or any lienholders.

3.7 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 transaction contemplated by the 183 Offer is in the best interests of the creditors of the Reid Group.

3.8 The Receiver is reviewing and considering additional offers resulting from the Sales Process with respect to other residential inventory and may bring additional accepted offers to purchase real property assets of the Reid Group before this Honourable Court in the future.

183 SAVO

3.9 The 183 SAVO provides for, among other things:

- a) approval of the 183 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 183 Offer and for the conveyance of the Purchased Assets to 183 or its nominee;

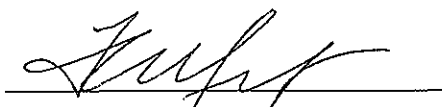
- b) upon delivery of a Receiver's Certificate to the purchasers, the Reid Group's interest in the purchased assets shall vest in 183 or its nominee, free and clear from security interests, hypothecs, caveats, mortgages, trusts or deemed trusts, liens, executions, levies, charges or other financial or monetary claims with the exception of the Assumed Liabilities;
- c) upon delivery of a Receiver's Certificate, and upon filing of a copy of the 183 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 183 or its nominee; and
- d) 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.


4.0 RECEIVER'S CONCLUSION AND RECOMMENDATION

- 4.1 It is the view of the Receiver that the terms of the 183 Offer including the Cash Consideration, deemed repayment of mortgage obligations and assumption of the Assumed Liabilities are commercially reasonable in the circumstances. The Sales Process was conducted in a manner which was fair to all interested parties, has resulted in a transaction that provides for the highest overall recovery 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 183 SAVO.

All of which is respectfully submitted to this Honourable Court this 11th day of September, 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