

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., 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 FOURTEENTH REPORT  
April 16, 2019

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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, 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 “**Reid Group**”).
- 1.2 Pursuant to the Receivership Order, the Receiver has sold various real property assets of the Reid Group. To date, the Receiver has completed 51 separate sales transactions involving various real property assets with gross cash consideration of \$103.8 million.
- 1.3 Certain transactions entered into by the Receiver have included certain lots for which land developers (“**Developers**”) held a fee simple title (the “**Developer Lots**”). Certain of the Developer Lots had builders’ liens (“**Liens**”) registered on title prior to or during the receivership proceedings pursuant to the Builders’ Lien Act, RSA 2000, c B-7 (the “**BLA**”). Further information on Liens registered on Developer Lots is detailed in the Receiver’s Tenth Report and not repeated herein.
- 1.4 On April 8, 2019, the Receiver filed a notice of application seeking this Honourable Court’s directions with respect to and confirmation of the terms of an order (the “**Ownership Order**”) arising from Justice Graesser’s Reasons for Decision dated February 27, 2019 in relation to the Liens registered against Developer Lots (the “**Ownership Order Application**”).
- 1.5 In addition to the Ownership Order Application and concurrent with this Receiver’s Fourteenth Report (the “**Fourteenth 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**”).
- 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 Fourteenth Report are as defined in the Receivership Order.
- 1.8 All references to dollars in this Fourteenth Report are in Canadian currency.

## 2.0 PURPOSE

- 2.1 This Fourteenth 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 Ownership Order and SAVOs.

## 3.0 OWNERSHIP ORDER APPLICATION

- 3.1 On October 3, 2018, this Honourable Court heard submissions from counsel to the Receiver, RBC, certain affected Developers and certain affected lien claimants (the "**October 3 Hearing**") regarding the definition of 'owner' under the BLA and the validity of the Liens registered against Developer Lots given that definition.
- 3.2 On February 27, 2019, Justice Graesser released his Reasons for Decision in respect of the October 3 Hearing which held that the Developers did not satisfy the definition of 'owner' as defined under the BLA and any Liens registered against fee simple title to the Developer Lots are invalid.
- 3.3 The Receiver's proposed form of Ownership Order was subsequently circulated to all parties who made submissions at the October 3 Hearing and certain lien claimants did not respond while others advised that they would not consent to the contents of the proposed order and requested an opportunity to make submissions to this Honourable Court at the next hearing, which is scheduled for April 24, 2019 (the "**April 24 Hearing**"). Lien claimants opposed to the proposed Ownership Order and any interested and affected parties allowed by this Honourable Court will have an opportunity to make submissions to this Honourable Court at the April 24 Hearing.

## 4.0 SAVOS

### Accepted Offers

- 4.1 A summary of the three offers for residential inventory submitted by prospective purchasers and accepted by the Receiver, subject to the approval of this Honourable Court (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
1 Homexx Corporation	Hawks Ridge	Walton	RBH	1	-	\$ 341	\$ (203)	\$ -
2 2048765 Alberta Ltd.	Hawks Ridge	Walton	RBH	-	4	480	(179)	-
3 Shepherd West Ltd.	Verte	N/A	RBH	6	-	1,684	-	(94)
				7	4	2,504	(382)	(94)

- 4.2 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:
- a) the purchaser offers to purchase all of the Receiver's interest in and to the purchased assets, free and clear of any encumbrances;
  - b) the execution of the subject offers by the Receiver converts the offers into binding agreements for the purchase and sale of the Receiver's interest in and to the purchased assets, subject to this Honourable Court granting a SAVO for each transaction;
  - 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.

**Homexx Corporation**

- 4.3 Homexx Corporation submitted an offer (the "**Homexx Offer**") to purchase one completed home in the Edmonton Hawks Ridge subdivision for a gross purchase price of \$340,500. Walton Big Lake Development Corporation ("**Walton**") is a land developer who holds a fee simple title on the property.
- 4.4 This transaction, along with the 204 Offer below, includes all the remaining properties in the Hawks Ridge subdivision.

**2048765 Alberta Ltd.**

- 4.5 2048765 Alberta Ltd. submitted an offer (the "**204 Offer**") to purchase one Walton lot ("**Lot 29**") and three additional lots in the Hawks Ridge subdivision for \$120,000 each for a total of \$480,000.
- 4.6 Walton holds a fee simple title on Lot 29 and the net sale proceeds will result in a shortfall in respect of the developer land payable owing on Lot 29.
- 4.7 Walton has asserted that the net sale proceeds from the Homexx Offer should be applied against the shortfall from the sale of Lot 29 and intends to bring an application to this Honourable Court in the near term (the "**Walton Application**"). However, Walton has indicated that it will not oppose the Receiver's application of the sale of Lot 29 so long as sufficient proceeds from the sale are held in trust until such time as the entitlement to proceeds is determined.

**Shepherd West Ltd.**

- 4.8 The offer by Shepherd West Ltd. is for the purchase of all remaining homes in the Edmonton Verte subdivision for approximately \$1.7 million.
- 4.9 The Verte subdivision has been subject to an ongoing environmental assessment by the provincial government which began before the receivership proceedings. Though the government has since found no health concerns for the neighbourhood, remedial actions may be required in the future.

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

- 4.10 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 residential inventory in the Edmonton region;
  - e) the ongoing environment assessment for the Verte subdivision and its impact on the Sales Process;
  - f) 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
  - g) the economic interests of land developers, senior secured creditors and other stakeholders with interests in the purchased assets.
- 4.11 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.
- 4.12 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

- 4.13 The Receiver is seeking the SAVOs to approve each of the Accepted Offers and provide authorization and direction with respect to the distribution of the sales proceeds.
- 4.14 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 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 Lots, concurrent with delivery of the Receiver's Certificate, the Receiver is directed to pay the land payable amount owing to the land developer including accrued interest from the net sales proceeds;
  - e) from the net proceeds from Reid Group titled lots, no holdback or security in respect of registered builders' liens, given this Honourable Court's prior direction and determination regarding the priority of prior-registered mortgages as against such registered liens;
  - f) for the SAVO pertaining to the Homexx Offer, the Receiver is directed to hold sufficient proceeds in trust pending further order or direction of this Court regarding the Walton Application;
  - 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 4.14(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.

- 4.15 The estimated distributions of sales proceeds as contemplated by the SAVOs total approximately \$2.5 million, of which approximately \$400,000 will be paid to developers to pay out lot payables, and sufficient funds will be held by the Receiver pending determination of any valid liens and pending further order or direction of this Court regarding the Walton Application.

## **5.0 RESIDUAL RESIDENTIAL PROPERTIES**

- 5.1 Including the Accepted Offers referred above, the Receiver has executed transactions involving accepted or approved offers for 454 residential homes and lots as of the date of this Fourteenth Report. There is a remaining residential inventory of 9 completed homes in Calgary with gross book value of \$3.8 million and 25 undeveloped vacant lots in the Edmonton region with gross book value of \$2.5 million. The remaining properties continue to be marketed for sale by the Receiver. In addition, the Receiver continues to market certain development and commercial properties. In all such circumstances, the Receiver continues to update the affected mortgagees and secured creditors of the Receiver's marketing efforts.

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

- 6.1 It is the Receiver's respectful view that seeking this Honourable Court's direction with respect to the terms of the Ownership Order will provide the most clarity and efficiency in resolving the concerns of affected parties. Affected stakeholders will have an opportunity to make submissions before this Honourable Court for the April 24 Hearing.
- 6.2 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.
- 6.3 Based on the forgoing, the Receiver respectfully recommends that this Honourable Court grant the three SAVOs referenced herein.



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All of which is respectfully submitted to this Honourable Court this 16<sup>th</sup> day of April, 2019.  
**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