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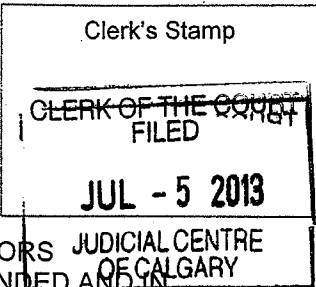
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COURT

COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE

CALGARY



IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, RSC 1985, c-36, AS AMENDED AND IN THE MATTER OF UBG BUILDERS INC., ALBERTA BUILDERS CAPITAL INC., ALPINE HOMES (2006) INC., AMERICAN BUILDERS CAPITAL (US) INC., EGewater AT GRIESBACH INC., ELITE HOMES (2006) LTD., EVOLUTION BY GREENBORO INC., GREENBORO COMMUNITIES (2006) INC., GREENBORO ESTATE HOMES (2006) LTD., GREENBORO HOMES (2006) LTD., GREENBORO LUXURY HOMES INC., HIGH POINTE INC., MOUNTAINEERS VILLAGE (2006) INC., MOUNTAINEERS VILLAGE II INC., ORIGINS AT CRANSTON INC., SOUTH TERWILLEGAR VILLAGE INC., THE BRIDGES MANAGEMENT INC., THE LEDGES INC., TIMBERLINE LODGES (2006) INC., TODAY'S COMMUNITIES (2006) INC., TODAY'S HOMES (2006) INC., TUSCANY DEVELOPMENTS (2006) INC., UBG ALBERTA BUILDERS (2006) INC., UBG ALPINE HOMES (2006) LTD., UBG BRIDGES INC., UBG BUILDERS (USA) INC., UBG COMMERCIAL INC., UBG LAND INC., UBG LOT DEPOSIT CORP., UBG 4500 CALGARY INC., UBG 75 CANMORE INC., UBG 808 CALGARY INC., UNITY INVESTMENTS (2012) INC., VALMONT AT ASPEN STONE INC., VALOUR PARK AT CURRIE INC., VILLAGE AT THE HAMPTONS INC., VILLAGE ON THE PARK INC., WILDERNESS HOMES BY RIVERDALE INC., WILDERNESS RIDGE AT STEWART CREEK INC. (COLLECTIVELY, THE "UBG GROUP OF COMPANIES")

DOCUMENT

ELEVENTH REPORT OF ERNST & YOUNG INC. AS CCAA MONITOR OF THE UBG GROUP OF COMPANIES

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT

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INTRODUCTION

1. On May 9, 2012, the Court of Queen's Bench of Alberta ("Court") issued an order ("Initial Order") granting the UBG Group of Companies ("UBG" or the "Company") protection pursuant to the *Companies' Creditors Arrangement Act* ("CCAA") (the "CCAA Proceedings"). Ernst & Young Inc. ("EY") was appointed monitor ("Monitor") under the Initial Order.
2. Since the date of the Initial Order the Monitor has filed ten reports plus three project-specific reports in these CCAA Proceedings in connection with various Court applications made by UBG including obtaining approval for various Protocols for interim financing with several of the Company's lenders.
3. Pursuant to a Court Order made on June 17, 2013, the stay of proceedings under the Initial Order was extended to September 20, 2013.
4. The primary purposes of the CCAA Proceedings are to protect UBG's business and operations, to allow UBG an opportunity to realize value from its construction and development projects and to facilitate a restructuring of its credit facilities, all under a court-supervised process.
5. Capitalized terms not defined in this eleventh report are as defined in all Reports and orders previously issued in respect of these CCAA Proceedings.

Purpose of this Report

6. The purpose of this eleventh report ("Report") is to:
 - a) Provide an update on the Company's restructuring efforts since the Initial Order;
 - b) Provide a status update on certain of the Company's development projects; and
 - c) Respectfully recommend that this Honourable Court make orders:
 - i. Approving the refinancing arrangements in respect of Greenboro Homes Limited Partnership ("GHL") and GHL's emergence from these CCAA Proceedings;
 - ii. Approving a "stalking horse" sales process in respect of the Valmont at Aspen Stone project ("Valmont");
 - iii. Approving the interim financing extension agreement in respect of Valmont;
 - iv. Approving the amended interim financing arrangements and priority charges and the amended development agreement in respect of the project known as South Terwillegar Village ("STV");
 - v. Approving the sale of the property owned by Village at the Hamptons Limited Partnership ("Hamptons") to Anderson Builders Group Inc. ("Anderson") and vesting in Anderson as of closing, title to Hamptons, free and clear of all liens,

charges, security interests and encumbrances other than those permitted in the asset purchase agreement, and directing Alberta Land Titles to register title to Hamptons in the name of Anderson or in that of its nominee; and

- vi. Approving the sale of the building owned by UBG 75 Canmore Limited Partnership ("UBG 75") to 1724504 Alberta Ltd. (the "Canmore Buyer") and vesting in the Canmore Buyer, as of closing, title to the UBG 75 Building, free and clear of all liens, charges, security interests and encumbrances other than those permitted in the purchase and sale agreement, and directing Alberta Land Titles to register title to the UBG 75 Building in the name of the Canmore Buyer or in that of its nominee, as described in this Report.

Terms of Reference

7. In developing this Report, the Monitor has relied upon unaudited financial information prepared by the Company's management, the Company's books and records and discussions with its management. The Monitor has not performed an audit or other verification of such information. An examination of the Company's financial forecasts as outlined in the *Canadian Institute of Chartered Accountants Handbook* has not been performed. Future-oriented financial information relied upon in this Report is based on management's assumptions regarding future events. Actual results achieved may vary from this information and these variations may be material, and as such the Monitor expresses no opinion or other form of assurance with respect to the accuracy of any financial information presented in this Report, or relied upon by the Monitor in preparing this Report.

Currency

8. All currency references in this Report are in Canadian dollars.

BACKGROUND

Overview

9. UBG is a real estate development group overseeing various homebuilder companies. UBG is involved in residential and commercial real estate development in Alberta and real estate investment through its investment arms, Unity Investments (2012) Inc. ("Unity Investments"), Alberta Builders Capital Inc. ("ABC Capital") and American Builders Capital (US) Inc. ("ABC US Capital"). UBG was previously involved in residential real estate in Colorado Springs, Colorado, and San Antonio, Texas; however, all operations in the United States have been discontinued.
10. The Company's corporate headquarters is located in Calgary, Alberta, as is the managerial and administrative staff. Additional employees are located in Edmonton and at various project sites.
11. Considerable background detail and materials were included in the Monitor's Second Report and in the May 8, 2012 affidavit of Robert Friesen (the "May 8th Friesen Affidavit") filed in these CCAA Proceedings which included, *inter alia*, details on:

- a) The Company's corporate organization and divisional structure;
- b) Background on single family and multi-family projects;
- c) Further information on operations in the US;
- d) Commercial land and building holdings; and
- e) Investors.

GREENBORO ESTATE HOMES AND GREENBORO LUXURY HOMES

- 12. All Greenboro Estates Projects in respect of single family homes in Calgary are financed by, and subject to security in favour of The Toronto-Dominion Bank ("TD"). Details of each of Greenboro Estates Projects are contained in the Second Report and the May 8th Friesen Affidavit. All Greenboro Luxury Homes Limited Partnership projects ("Greenboro Luxury Projects") are financed by and subject to security in favour of TD.
- 13. The future development lots on which the homes are to be built are either held by the developers and will have to be paid for, or have been purchased by UBG through financing obtained from ABC Capital.
- 14. Sale of 16 Greenboro Estates houses have closed and Dentons Canada LLP ("Dentons") holds the proceeds from those sales in trust until they are distributed. The Monitor's legal counsel reviewed TD's security and has, subject to customary and specific qualifications, opined that the security constitutes legal, valid, binding and enforceable security. Accordingly, Dentons, with the approval of the Monitor has made periodic distributions of the proceeds held to TD. Future distributions to TD from the funds held by Dentons are expected to be made as proceeds become available from closings.
- 15. Protocols were developed with TD to provide funding for ongoing operations, with the terms of such Protocols being approved by this Honourable Court on September 14, 2012. Pursuant to the TD Protocols between Greenboro Estates and TD, and between Greenboro Luxury and TD, the operations of Greenboro Estates and Greenboro Luxury continue. Houses are being sold, built and closed in the normal course for properties located at Castle Keep, Currie Barracks, Sage Meadows, and Westmere.
- 16. Trades continue to provide materials and services and are being paid for same. Each time a new house is sold and the sale is approved by TD, the Monitor advises the Trades that financing is in place in respect of such home so that Trades can be assured that they will be paid for materials and services provided.
- 17. There are a number of properties which closed prior to May 9, 2012 where certain "seasonal" work remains outstanding prior to the houses being complete. The Company estimates these costs to be approximately \$360,000. In respect of some of the "seasonal" work, funds were held in trust to address these "seasonal" costs and in that regard UBG is completing the "seasonal" work. A mechanism to address the "seasonal" work where funds were not held in trust has not yet been finalized.

Mystic Ridge

18. Mystic Ridge is a single family project located in West Calgary comprising three phases. Phase 1, consisting of 38 homes, is essentially complete. Phases 2 and 3, comprising approximately 13.5 acres, are currently bare land with plans to construct 39 homes on the two phases. The Mystic Ridge Lands are held by a nominee company 1199032 Alberta Ltd. ("1199").
19. TD has agreed to finance the remaining development of Mystic Ridge. The Master Term Sheet was approved by this Honourable Court on April 25, 2013 which provides for, among other things, the financing to be provided by TD for: i) 1199 to develop the Mystic Lots; ii) GEH to purchase the Mystic Lots and iii) GEH to construct the Mystic Ridge housing development.
20. The development of Mystic Ridge is integral for the emergence of GEH from these CCAA Proceedings. 1199 expects to commence development of the Mystic Lots in the very near future.

Calbridge

21. GEH has been developing CCAA emergence strategies for its single family projects.
22. UBG determined that in order for GEH to develop a successful emergence strategy it would benefit from assistance from another house builder. UBG entered into negotiations with Calbridge resulting in the Interim Management Services Agreement (the "Calbridge Management Agreement"). The Calbridge Management Agreement provides for, among other things, Calbridge to:
 - a) Provide general administrative services including preparation of financial statements for GEH and regular reporting to the Monitor;
 - b) Construct houses under any current sales contract GEH has in place, identifying and assisting GEH to acquire new lands, designing and preparing plans for houses, entering into contracts with Trades and such other services reasonably related to the construction of houses; and
 - c) Perform all marketing and sales activities related to the sale of houses.
23. GEH expects to file a plan for emergence from their CCAA Proceedings by the end of July, 2013.

Greenboro Homes Limited

24. All of Greenboro Homes' Projects in respect of single family homes in Edmonton are financed by, and are subject to security in favour of ATB. Details of each of these Projects are contained in the Second Report and the May 8th Friesen Affidavit.
25. The future development lots on which the homes are to be built are either held by the developers and will have to be paid for, or have been purchased by UBG through financing obtained from ABC Capital.
26. The ATB Protocol was developed as detailed in the Second and Third Reports and was approved by this Honourable Court on July 10, 2012. Because the ATB financing expired on December 31,

2012 an Amended ATB Protocol was developed and approved by this Honourable Court on March 22, 2013. ATB's credit facility expired on June 30, 2013.

27. Sales of 77 Greenboro Homes' houses have closed since May 9, 2012. Dentons holds the proceeds from those sales in a trust account until they are distributed. The Monitor's legal counsel reviewed ATB's security and has, subject to customary and specific qualifications, opined that the security constitutes legal, valid, binding and enforceable security. Accordingly, Dentons, with the approval of the Monitor has made periodic distributions of the proceeds held to ATB. Future distributions to ATB from the funds held by Dentons are expected to be made as proceeds become available from closings. Currently approximately \$3.7 million is outstanding to ATB.
28. There are several properties which closed prior to May 9, 2012 where certain "seasonal" work remains outstanding prior to the houses being complete. The Company estimates the "seasonal" costs to be approximately \$940,000.

Sterling Bridge

29. GHL has been developing CCAA emergence strategies for its single family projects.
30. UBG entered into negotiations with Sterling Bridge to refinance GHL's ongoing operations and to provide a mechanism for GHL to emerge from CCAA resulting in the term sheet (the "Sterling Bridge Term Sheet"). A copy of the Sterling Bridge Term Sheet is attached to the affidavit of Robert Friesen dated July 4, 2013 (the "July 4th Friesen Affidavit"). Sterling Bridge, or its nominee, will acquire all of the shares, units and equity of GHL, free and clear of any and all claims whatsoever and advance total funding up to \$26,268,933 comprising an Emergence Facility of \$13,714,458 and an Operating Facility of up to \$12,554,475, the pertinent details of which are noted below:

Emergence Facility:

- a) Facility A - not to exceed \$2.0 million to pay ATB's indebtedness in full (the amount owed to ATB as at July 31, 2013 (the anticipated closing date) is estimated to be less than \$2.0 million);
- b) Facility B - totalling \$2,337,887 to pay pre-CCAA Trade lien claims subject to those amounts being proved in accordance with the Claims Procedure Order;
- c) Facility C - totalling \$2,400,000 to pay pre- CCAA unsecured Trade claims subject to those amounts being proved in accordance with the Claims Procedure Order;
- d) Facility D - in the amount of \$750,000 to pay the administration costs incurred in restructuring GHL;
- e) Facility E – up to \$4,376,571 to payout amounts owed to developers on 35 pre-sold and 3 showhome residential lots;

This facility also provides for an interest reserve and associated fees of \$1,850,000.

Operating Facility:

- f) Facility F - not to exceed \$6,621,319 to close on GHL's purchase of residential lots owned by the developers;
 - g) Facility G - not to exceed \$940,960 to pay for pre-CCAA "seasonal" work on those properties where "seasonal" work remains outstanding; and
 - h) Facility H – up to \$4,992,196 to provide for ongoing construction for the remaining pre-sold houses.
31. Over the course of the CCAA proceedings GHL encountered both construction and operational challenges which caused GHL to experience several construction delays, construction cost increases, increased overhead expenses and the departure (or pending departure) of several key employees. ATB agreed to continue to finance GHL, but advised that the financing was time limited and it was not prepared to finance GHL beyond June 30, 2013 or finance GHL's emergence from CCAA.
32. UBG subsequently sought out alternative lenders to preserve its business and finance its emergence from CCAA. Several parties were approached by UBG but it became clear that conventional financing was not available to GHL. Moreover, several employees indicated they would be leaving and GHL was unable to fill those vacant positions given its financial circumstances. Consequently, few parties expressed any interest whatsoever to provide GHL with financing for ongoing operations and to fund an emergence from CCAA.
33. Sterling Bridge and UBG entered into negotiations several months ago. Given the challenges faced by GHL including the departure of some of its employees, in order for GHL to emerge from CCAA, management expertise was also required in addition to financing. After much due diligence by Sterling Bridge, Sterling Bridge presented GHL with an opportunity to purchase GHL's business, provide ongoing management expertise, and provide sufficient financing to emerge from CCAA, pay Trades for amounts owed pre-May 9, 2012 and fund pre-May 9, 2012 "seasonal" and warranty deficiencies.
34. Non-conventional financing is more expensive than conventional financing mainly as a result of the increased investment risk. GHL has experienced several challenges as noted previously and because of the assessed investment risk Sterling Bridge requires a loan commitment fee in the amount of 3% of the maximum principal amount to be made available to Sterling Bridge and an interest rate on the loan of 14% per annum. There will be no equity remaining for GHL's current shareholders.
35. The acquisition of GHL shares by Sterling Bridge represents an ownership change of control. Some of GHL's agreements with the various developers indicate that the developer can rescind such agreement as a result of a change in control. If the developer lots are no longer available to GHL concurrent with a change in control, there will be no financing by Sterling Bridge, no emergence from CCAA and GHL's business will fail. It is likely a receiver would be appointed over all of GHL's property to liquidate the remaining assets. Should such a scenario materialize, it is the Monitor's view that many of GHL's stakeholders will suffer significant shortfalls on amounts owed to them including many house purchasers losing their deposits. It is necessary that the developer lots remain available for purchase by GHL.

36. There were approximately \$319.9 million in claims filed against GHL excluding ATB. The Monitor is of the view that approximately \$315.2 million of the claims filed against GHL are not valid claims as the claims should have been filed against a different UBG entity or, as a result of the Sterling Bridge Term Sheet, the claims will be satisfied. Consequently, it is the Receiver's view that valid claims against GHL (subject to determining the validity thereof pursuant to the Claims Procedure Order) total approximately \$4.73 million. No interest will be paid to any claimant.
37. The Monitor is in support of UBG entering into the Sterling Bridge Term Sheet and respectfully recommends that this Honourable Court make an order approving the Sterling Bridge Term Sheet as the Sterling Bridge Term Sheet provides for:
- a) Replacement of the ATB financing which expired on June 30, 2013;
 - b) All GHL Trade creditors with proven claims (both lien and unsecured claims) to be paid in full;
 - c) Payment of the various GHL administration costs which have been incurred over the course of these CCAA Proceedings;
 - d) A mechanism to complete the "seasonal" work on numerous homes where previously there was no mechanism or funding available for the benefit of those home purchasers, thereby relieving the Alberta New Home Warranty Program of its obligations to complete such "seasonal" work;
 - e) Amounts owed to developers on residential lots to be brought current;
 - f) Financing to construct remaining sold units and to build houses on GHL's remaining lots;
 - g) GHL's business to continue for the benefit of its employees; and
 - h) GHL to emerge from these CCAA Proceedings.

MULTI-FAMILY PROJECTS

Valmont

38. The project known as Valmont is a four phase condominium project located in south west Calgary comprising a total of 247 units in four buildings. Building "B" is complete; Building "C" and "D" are currently under construction. Construction on Building "A" has not commenced. Construction on the parking garage in Building "D" has commenced as the parking garage must be completed in order to obtain an occupancy permit for Building "C".
39. There is a private investor that holds a 50% interest in the Valmont project having made an initial contribution of approximately \$6.76 million. The private investor is currently owed approximately \$5 million.
40. UBG and Scotiabank entered into an Amended Scotiabank Protocol which was approved by this Honourable Court on December 14, 2012. Construction on Valmont recommenced in January 2013. Unfortunately, certain Trades refused to return to the site and UBG was forced to retender

certain aspects of Valmont resulting in significant increased costs to complete Building "C" and the Building "D" parking garage. As a result of the increased costs UBG is in breach of the Amended Scotiabank Protocol.

41. Scotiabank continues to provide financing so that construction may continue. Scotiabank has; however, advised the Monitor that it wants to exit the Valmont project on a timely basis. If there is no timely exit for Scotiabank they may consider taking steps to take control of the project.
42. The Monitor has been contacted by several parties expressing an interest in the Valmont project. The Monitor has received an unsolicited offer from an unrelated party for Valmont and is advised by UBG that several other parties have expressed interest in the project.
43. In addition, the private investor has indicated to the Monitor that it is interested in taking over the project; however, a time line for that exercise is unknown at this time.
44. The unsolicited offer would, based on current information available to the Monitor, result in a payout of Scotiabank's loan and provide for a significant recovery to Trades (estimated to be approximately 75%) for amounts owed pre May 9, 2012. Given the nature of the unsolicited offer, interest expressed in the project by other parties, the interest of the private investor and Scotiabank's position to urgently exit the project, UBG, with the Monitor's concurrence proposes to engage in a "Stalking Horse" sales process, whereby the unsolicited offer referred to above will act as the stalking horse (the "Stalking Horse Offer").
45. The Stalking Horse Offer will remain subject to Court approval.
46. The use of a "Stalking Horse" process is commonly used in insolvency proceedings and the Monitor supports this process for the following reasons:
 - a) A defined sales process will allow the project to be marketed and sold in a short time frame and in a transparent manner;
 - b) The involvement of a stalking horse guarantees that a sale will close and provides an opportunity to garner a higher bid; and
 - c) There is some difficulty assessing market value of this asset and the proposed stalking horse process will provide evidence of market value.
47. The sales process is as detailed below:
 - a) The Monitor on behalf of UBG shall solicit potential purchasers by:

- I. sending out an introduction letter to potential purchasers as identified by UBG, its counsel and the Monitor, as soon as reasonably practical;
 - II. placing an advertisement in local, national or international publications as appropriate; and
 - III. providing to any potential purchasers who execute an acceptable confidentiality agreement: (i) a confidential information memorandum relating to the Company; (ii) access to the Company's premises and available management team; and (iii) access to an electronic data room to be maintained by the Monitor.
- b) Any interested purchaser is to submit a formal offer to purchase the business and assets of the Company no later than 5:00 pm (Calgary Time) on August 9, 2013 (the "Bid Deadline");
 - c) The purchase price of any offer is to be at least equal to the Stalking Horse Offer plus a Break Fee of \$200,000 as described in paragraph 48 below and the additional sum of at least \$25,000 (the "Overbid Amount");
 - d) UBG, its counsel and the Monitor shall review the bids forthwith after the Bid Deadline and if there are no bids superior to the Stalking Horse Offer, shall apply for a Court Order approving the Stalking Horse Offer and seeking an order vesting the project in the Purchaser;
 - e) If there are bids received superior to the Stalking Horse Offer (including the Break Fee and the Overbid Amount), UBG, its counsel and the Monitor shall determine the Successful Bidder and shall apply for a Court Order approving the Successful Bidder and seeking an order vesting the project in the Purchaser;
 - f) Any Competing Bids must be accompanied by an executed agreement of purchase and sale (which must be irrevocable and remain open for acceptance and completion until the completion of the sales process), and a deposit of not less than \$200,000;
 - g) UBG and the Monitor shall have the right to amend or extend any deadline in the Sales Process; and
 - h) UBG and the Monitor shall have the right to reject any and all offers. UBG and the Monitor shall also have the discretion to determine what constitutes the best bid, having regard to all relevant factors, including price and conditionality.
-
48. In the event that a materially higher amount than the Stalking Horse Offer is obtained and UBG sells to a purchaser other than the Stalking Horse Offer, the Stalking Horse Offer requires it to be entitled to a break fee of \$200,000 (the "Break Fee") if it is not the eventual purchaser of the project. The Break Fee is to be paid forthwith after closing the sale with the Successful Bidder.
49. The use of a "Stalking Horse" offer together with a Break Fee is commonly used in insolvency proceedings. The Break Fee is related to the incremental costs incurred by the Purchaser and in the Monitor's opinion, is fair and reasonable, and appropriate to maximize offers on the project while stabilizing the current state of Valmont. The Break Fee does not appear to be excessive in the circumstances as it is equal to approximately 1.3% of the purchase price and it is consistent

with Break Fees in other insolvency proceedings (which commonly are in the range of 1.5% to 3% of the purchase price).

South Terwillegar

50. The project known as South Terwillegar is a two phase 112 unit town home complex located in Edmonton, Alberta. Phase 1 is complete; all units are sold and closed. Phase 2 is under construction and comprises 42 units of which all are pre-sold.
51. Scotiabank agreed to continue funding Phase 2 under the Scotiabank Protocols detailed in the Second and Third Reports and approved by this Honourable Court on July 10, 2012. Construction has progressed to a stage where approximately 20 of the 42 units are complete. To date, 19 units have closed.
52. As a result of the cost overruns detailed in the Monitor's Ninth Report, construction on the remaining 22 units was suspended pending a review of such overruns by the Monitor and an analysis of the profitability of the project.
53. As a result of the Monitor's review of South Terwillegar, Scotiabank has agreed to finance the remaining construction costs (the "Interim Financing Agreement") and Footprint Developments Inc. ("Footprint") has agreed to amend the development agreement (the "Amended Development Agreement") so that South Terwillegar can be completed. Copies of the Interim Financing Agreement and the Amended Development Agreement are attached to the July 4th Friesen Affidavit.
54. The Monitor supports UBG entering into the Interim Financing Agreement and the Amended Development Agreement and respectfully requests the Court make an order approving the two agreements for the following reasons:
 - a) The project will be completed and all units will be finished and sales closed;
 - b) The remaining construction will be concluded on a fixed price basis and a variety of issues existing between UBG and Footprint will be resolved;
 - c) Proceeds will be controlled and distributed with the Monitor's oversight;
 - d) Post-May 9, 2012 amounts currently owed to Footprint will be paid;
 - e) Scotiabank will recover its entire indebtedness and supports the Amended Development Agreement;
 - f) Other lenders and stakeholders that have no interest in South Terwillegar will not be prejudiced; and
 - g) Unity Investments, which holds a second charge on the project subordinate to Scotiabank will experience a partial return on its security which otherwise will not be the case if construction does not re-commence in a timely fashion.

Village at the Hamptons

55. The project known as Village at the Hamptons is a seven phase, 458 unit complex located in northwest Edmonton, Alberta comprising 86 town homes and 372 condominiums.
56. Construction had just commenced prior to May 9, 2012. Approximately \$1.7 million has been spent by the Company on construction. The project was not approved or enrolled with ANHWP.
57. Prior to May 9, 2012 the Company had pre-sold 65 condominiums and five town homes. The Company's plan was to first construct Phase 1 (consisting of two apartment buildings of 91 and 99 units) and Phase 5 (26 town homes). The remaining phases would be completed in the future.
58. BMO is providing the financing on the Hamptons project and is currently owed approximately \$8.1 million (excluding a \$750,000 letter of credit). BMO was not prepared to provide further financing on the Hamptons project.
59. Unity Investments also provided financing, has a second charge on the lands and is owed approximately \$3.55 million.
60. There is a private investor that holds a 50% interest who is currently owed approximately \$3.5 million.
61. UBG and BMO consented to the Monitor arranging for Cushman Wakefield ("CW"), a large experienced and reputable real estate firm with local, national and international experience, to list the property for sale. The listing agreement with CW excluded one party (Anderson) as Anderson was identified as a potential purchaser.
62. While negotiations with Anderson and UBG continued, CW pursued prospective purchasers. CW presented two offers to the Monitor, both of which contained numerous conditions, would not see a sale close for more than six months and were for amounts less than that being offered by Anderson.
63. Negotiations with Anderson continued and UBG accepted an offer from Anderson to purchase the Hampton's project. A copy of the Asset Purchase Agreement ("APA") is attached to the July 4th Friesen Affidavit.
64. The relevant terms of the APA are as follows:
 - a) The purchase price is \$11,787,000;
 - b) Amounts owed to BMO will be paid in full;
 - c) Anderson will arrange for a replacement letter of credit with the City of Edmonton in the amount of \$750,000;
 - d) Anderson will assume a second mortgage in favour of Unity Investments, the amount which will be determined upon closing of the sale, but which is expected to be approximately 85% of the principal amount owed to Unity Investments; and

- e) The second mortgage will be restated by the investor under that mortgage by Extraordinary Resolution under the Trust Indenture.
65. The Monitor supports the sale of Hamptons to Anderson and respectfully recommends this Honourable Court approve the sale for the following reasons:
- a) UBG is unable to advance development of this project;
 - b) The purchase price being paid by Anderson is the highest offer received and is consistent with Hampton's appraised value;
 - c) A majority of the investors in Unity Investments are in favour of the sale to Anderson; and
 - d) BMO supports the sale of Hampton's to Anderson.
66. The funds to be realized from the sale to Anderson will be insufficient to pay any Trades or to refund deposits received on house pre-sales. The Monitor will communicate with the purchasers, advise them there will be no recovery and provide them with a proof of claim form if they have not previously submitted a claim with the Monitor.
67. The Borrower's Cost associated with the sale of Hamptons total \$410,000. This amount will be paid to UBG's legal counsel. The Monitor is of the view that the Borrower's Cost of approximately 3% of the value of the Hamptons is reasonable.
68. The transaction remains subject to certain conditions precedent including the finalization of the Unity Investments amended and restated second charge.

COMMERCIAL PROPERTIES

UBG 75 Canmore LP

69. The Monitor outlined the pending sale of the commercial building owned by UBG 75 in the Seventh Report;
70. The Monitor understands that final agreement between the purchasers and the lender has now been reached. A copy of the purchase and sale agreement is attached to the July 4th Friesen Affidavit.

71. The Monitor respectfully recommends that this Honourable Court approve the sale of the UBG 75 Building to the Canmore Buyer for the following reasons:
- a) The sale price is consistent with the appraised value and appears to be fair market value in the circumstances;
 - b) UBG is unable to service the BMO mortgage interest and other expenses associated with operating the UBG 75 Building;
 - c) The outstanding property taxes will be paid concurrently with closing the sale; and
 - d) BMO supports the sale.
72. There are two "tenants" in the UBG 75 Building whose occupancy will be terminated concurrently with the sale. One tenant's lease is being terminated for substantial breach of the terms of its lease. The other tenant occupies the building under a tenancy-at-will agreement and that arrangement is being terminated. Moreover, the interests of both tenants are subordinate to the only two charges on the property that will realize any proceeds from this sale (being those in favour of BMO and the CCAA Charges) and will therefore be foreclosed off title if the lands vest with the purchaser as contemplated under this point of relief.
73. BMO has agreed to the Borrower's Cost associated with the UBG 75 Building in the amount of \$75,000 which will be paid to UBG's legal counsel. The Monitor is of the view that the Borrower's Cost of approximately 3% of the value of the UBG 75 Building is reasonable.

CONCLUSION AND RECOMMENDATION

74. Based on the foregoing, the Monitor respectfully recommends that this Honourable Court make an order granting the relief detailed in Paragraph 6 c) of this Report.

* * *

All of which is respectfully submitted this 4th day of July 2013.

**ERNST & YOUNG INC.
IN ITS CAPACITY AS CCAA MONITOR OF
THE UBG GROUP OF COMPANIES
AND NOT IN ITS PERSONAL CAPACITY**

Per: _____

Robert J. Taylor, FCA, CIRP