

COURT FILE NUMBER **1201-05843**

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., EDGEWATER 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 **TWENTY-THIRD 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 **BENNETT JONES LLP**

4500 Bankers Hall East
855 2nd Street SW
Calgary, AB T2P 4K7
Phone: 403-298-4485
Fax: 403-265-7219
Email: simardc@bennettjones.com
Attention: Chris Simard

TABLE OF CONTENTS

INTRODUCTION	1
Purpose of this Report	1
Terms of Reference	1
Currency	2
BACKGROUND.....	2
Overview.....	2
COMPANY'S ACTIVITIES	2
MULTI-FAMILY PROJECTS.....	4
Origins at Cranston	4
South Terwillegar	6
Village on the Park.....	7
Wilderness.....	8
Riverdale	8
UBG LP	9
Mountaineers II	9
Valmont	10
SINGLE FAMILY PROJECTS.....	11
Greenboro Estate Homes Limited Partnership.....	11
Mystic Ridge	11
Greenboro Luxury Homes	12
Greenboro Homes Limited Partnership.....	12
Today's Homes.....	12
UBG LAND LIMITED PARTNERSHIP	13
INVESTORS	13
TAX RETURNS.....	14
COMPANY'S REQUEST FOR AN EXTENSION OF THE CCAA PROCEEDINGS.....	14
CONCLUSION AND RECOMMENDATION	15

APPENDIX

Murals Second Purchase Amending Agreement 'A'

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 22 reports plus 14 project-specific reports in these CCAA Proceedings in connection with various Court applications made by UBG and other parties including obtaining approval for various Protocols for interim financing with several of the Company's lenders.
3. Pursuant to a Court Order made on September 29, 2015, the stay of proceedings under the Initial Order was extended to December 15, 2015.
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 twenty-third report (the "**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 Report is to:
 - a) Provide an update on certain of the Company's development projects; and
 - b) Respectfully recommend that this Honourable Court make orders:
 - i. Approving the release of funds held in trust by Burnet Duckworth & Palmer LLP ("**BD&P**") in respect of the Valmont project to complete the purchase of the Guest Suite (defined below);
 - ii. Approving the distribution of proceeds in respect of UBG Alberta Builders Limited Partnership ("**UBG LP**") to the Toronto-Dominion Bank ("**TD**") in respect of its valid secured claim; and
 - iii. Extending the stay of proceedings under the Initial Order to March 31, 2016.

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 audited, reviewed or otherwise attempted to verify the accuracy or completeness of the information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards pursuant to the *Chartered Professional Accountants Canada Handbook* and, accordingly, the Monitor expresses no opinion or other form of assurance in respect of the information. 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. 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.

COMPANY'S ACTIVITIES

11. UBG and its advisors continue to address various Projects. Since the commencement of the CCAA Proceedings, those efforts, among other things, include:
 - a) Continuing to close the sale of Residential Units;
 - b) Discussions and meetings with certain Company lenders;
 - c) Discussions and meetings with Alberta New Home Warranty Program ("**ANHWP**");
 - d) Quitclaiming UBG's head office property located in Calgary, Alberta owned by UBG 808 Calgary Limited Partnership to ICI Capital Corporation ("**ICI**");
 - e) Quitclaiming and or conveying 31 condominium units located in Canmore, Alberta owned by Timberline Lodges Limited Partnership to ICI and Bank of Montreal ("**BMO**");

- f) Closing the sale of the property located in Canmore owned by The Ledges Limited Partnership;
- g) Communicating with investors and Olympia Trust Company in respect of a solution to the Mountaineers Village II Project located in Canmore;
- h) Closing the sale of 19 condominium units located in Canmore owned by Wilderness Ridge at Stewart Creek Limited Partnership ("**Wilderness**") and making a distribution to the creditors of Wilderness;
- i) Closing the sale of the commercial property located in Canmore owned by UBG 75 Canmore Limited Partnership;
- j) Closing the sale of the property located in Edmonton, Alberta owned by Village at the Hamptons Limited Partnership;
- k) Closing the sale of the property located in Edmonton owned by Edgewater at Griesbach Limited Partnership;
- l) Closing the agreement for transfer of the property located in Calgary owned by UBG Bridges Limited Partnership ("**Bridges**");
- m) Concluding the Terwillegar Project and making an initial distribution to the Terwillegar investors;
- n) Vesting the lands located in Calgary owned by Valour Park at Currie Limited Partnership ("**Valour Park**") to Canadian Western Bank ("**CWB**");
- o) Closing the sale of the property located in Edmonton owned by Village at Laurels Limited Partnership;
- p) Closing the sale of the Project located in Calgary owned by Valmont at Aspen Stone Limited Partnership ("**Valmont**");
- q) Closing the sale of seven townhouse units owned by Origins at Cranston Limited Partnership ("**Origins**") to Attainable Homes Calgary Corporation ("**Attainable Homes**");
- r) Collecting an intercompany receivable Wilderness Homes by Riverdale Limited Partnership ("**Riverdale**") and making a distribution to the creditors of Riverdale;
- s) Negotiating the financing and completion of, and then the return of, 40 Calgary lots owned by Today's Homes to United Communities;
- t) Successfully emerging Greenboro Homes Limited Partnership ("**GHL**") from these CCAA Proceedings effective August 29, 2013;
- u) Obtaining Court approval of a stalking horse solicitation process and subsequently a sale vesting Order in respect of Phase 3 of the Origins Project;

- v) Resolving disputes in respect of claims against the Origins net sales proceeds and distributing funds to creditors;
- w) Communicating and working with the investors in ABC US Capital and United States legal counsel in connection with the Court approved assignment of security to Valiant Trust Company ("**Valiant**");
- x) Communicating and working with the investors in the Murals at High Pointe Project, including the appointment of an investor steering committee, listing the Murals Project for sale and accepting the Fennell Offer (defined later in this Report);
- y) Obtaining Court approval of Greenboro Estate Homes Limited Partnership's ("**GEH**") Plan of Compromise and Arrangement ("**Plan**") and successfully closing the transactions contemplated by the Plan and implementing same;
- z) Working with Calbridge Homes in connection with developers, lenders, creditors and stakeholders;
- aa) Undertaking a detailed review of the banking information of the Village on the Park Project ("**VOP**"), negotiating a settlement with Lear Construction Management Ltd. and making a distribution to the VOP creditors and equity holders;
- bb) Working with the Monitor and its legal counsel to assess claims filed by creditors in these CCAA Proceedings including obtaining certain settlements;
- cc) Dealing with various lienholders in connection with the establishment, maintenance, verification and payment of various lien claims; and
- dd) Working with legal counsel and the Monitor in respect of certain UBG joint venture arrangements held by UBG Land Inc. ("**UBG Land**").

MULTI-FAMILY PROJECTS

Origins at Cranston

12. The Origins project is a three phase multi-family development located in south east Calgary. It comprises a total of 140 units (24 townhomes and 116 condominiums). Phase 1 is a 48 unit condominium building which is complete and all sales have closed. One unit has not been sold and is being retained as a show suite (the "**Show Suite**"). Construction on Phase 3 consisting of 68 units had not been started and the bare land was sold with the Court approving such sale on August 4, 2014. The sale subsequently closed in late September 2014.
13. Phase 2 comprises 24 townhomes. 17 were completed by UBG and these sales have closed. The remaining seven townhomes were sold to Attainable Homes and that sale closed in early November 2013.
14. Origins was financed by ICI. ICI's loans were paid out in full concurrent with the closing of the sale of the seven townhomes to Attainable Homes.

15. Origins was also financed by Unity Investments which holds a second secured charge on the property subordinate to ICI. In respect of Unity Investments loan, debenture holders represented by Valiant Trust, as trustee, are owed more than \$7.0 million. The Investors on this project have retained independent legal counsel.
16. There is a private investor that holds a 50% equity interest in Origins having made an initial contribution of approximately \$1.75 million. The private investor is currently owed approximately \$1.75 million.
17. Lear was building Origins; however, prior to completing construction on the 24 townhomes Lear stopped working and did not return to the Origins construction site. Lear is owed significant amounts for costs incurred pre-May 9, 2012 and also for amounts owed post-May 9, 2012.
18. Lear filed an application originally returnable November 26, 2013 seeking various relief including orders: i) determining the amount owing to Lear; ii) declaring that the amount is immediately due and payable and must be paid forthwith; and iii) requesting additional accounting information in connection with the ICI loan draws and the sales proceeds from the sale of Phases 1 and 2.
19. On July 17, 2015 the Monitor filed a report in respect of the Origins Project including addressing the claims of Lear and Unity Investments against the Origins Project. The Monitor, Lear, UBG and the Investors agreed to a Court hearing date of October 28, 2015 with respect to this matter.
20. The Lear application was ultimately heard on October 28, 2015. At the hearing date, the Court issued an order (the "Distribution Order") declaring that the sales proceeds of the Origins Project be distributed as follows:
 - a) The sale proceeds of Phase 1 and Phase 2 of the Origins Project shall:
 - i. Be distributed first to the Monitor, to pay all outstanding fees and disbursements of the Monitor incurred with respect to the Origins Project;
 - ii. Thereafter, all remaining sale proceeds shall be distributed to Lear; and
 - iii. Title to the remaining unsold Show Suite in Phase 1 of the Origins Project shall be transferred to Lear;
 - b) The sale proceeds of Phase 3 of the Origins Project shall be distributed as follows:
 - i. \$72,900 to Lear; and
 - ii. All remaining sale proceeds to Valiant for the debenture holders.
21. The Monitor anticipates that the cash disbursements in respect of the Distribution Order will be made by UBG in December 2015 and that the transfer of the Show Suite will be completed in January 2016.
22. The Monitor recently discovered an Origins bank account which held funds of approximately \$272,000. The Monitor obtained detailed information from the bank where the account was located to determine the source of funds deposited into the account. The Monitor and its legal counsel are currently assessing entitlement to those funds.
23. There remain some outstanding deficiency and warranty claims relating to the condominiums and townhomes, and certain common areas, which have yet to be quantified.

South Terwillegar

24. The project known as South Terwillegar is a two phase 112 unit townhome complex located in Edmonton, Alberta. All construction is complete.
25. On July 10, 2013 UBG entered into an Interim Financing Agreement with Scotiabank whereby Scotiabank agreed to finance the remaining construction costs on 22 unfinished units. Concurrently, UBG entered into an Amended Development Agreement with Footprint Developments Ltd. ("**Footprint**") to complete construction of Terwillegar. Scotiabank was paid its loans in full in December 2013.
26. Unity Investments also provided financing on the South Terwillegar project. Unity Investments holds a second secured position and is currently owed approximately \$1.95 million excluding interest.
27. On or about July 24, 2015, pursuant to an interim distribution Order dated June 30, 2015, the Monitor made a \$601,000 interim distribution to the South Terwillegar investors.
28. The Monitor and UBG's counsel hold approximately \$172,000 from unit sales in respect of the following:
 - a) \$10,000 holdback for deficiencies relating to the first phase of the project. The Monitor has agreed to allow the Condominium Corporation responsible for this phase a maximum of \$126,000 to address these deficiencies. To date, approximately \$116,000 has been paid;
 - b) Approximately \$85,000 in respect of GST potentially payable to the Canada Revenue Agency. To date, the Monitor has remitted to CRA approximately \$136,000 of the \$221,000 originally withheld in respect of potential GST liabilities. The Monitor is in the process of preparing the remaining outstanding GST returns for this project; and
 - c) A contingency of \$75,000 in respect of potential additional matters or costs that may be incurred to conclude administration on the South Terwillegar project.
29. There are two letters of credit, one in the amount of \$30,000 for the benefit of ANHWP and one in the amount of \$15,000 held by the City of Edmonton. ANHWP has advised the Monitor that all opened claims have now been resolved and that ANHWP is owed approximately \$6,100 in respect of warranty remediation costs. The Monitor is working with ANHWP to release the letter of credit and recover net proceeds of \$23,900 for South Terwillegar.
30. The Monitor understands that the City of Edmonton will retain the \$15,000 letter of credit for a period of two years from the final sign off on landscaping. Accordingly, these funds will likely not be releasable until mid-2016.
31. Should additional funds eventually be available from the holdbacks noted above, a second distribution will be made to the investors.

Village on the Park

32. The project known as Village on the Park is a three phase 243 unit condominium complex comprising three buildings located in Edmonton. Construction on all three buildings is complete and all units have sold and closed.
33. Scotiabank was providing the financing on this project. The Scotiabank loan was retired in full on July 24, 2012.
34. Pursuant to the terms of the consent order granted on September 26, 2015 the Monitor distributed approximately \$518,000 to unsecured creditors with accepted unsecured claims and a payment of \$3.0 million to Paycon Holdings Ltd. ("**Paycon**") in respect of its equity claim.
35. The Monitor is holding approximately \$135,000 (50% payable to Paycon and 50% payable to UBG) pending the resolution of some remaining minor administrative matters.

Murals

36. The project known as Murals is a three phase 59 townhome unit complex located in High River, Alberta. Phase 1 comprising 18 units and Phase 2 comprising 16 units are complete and the sales of all units in Phase 1 and 2 have closed. Phase 3 comprising 25 units has not yet started.
37. Unity Investments (the "**Investors**") is the only secured creditor and is owed approximately \$2.147 million (which includes interest of approximately \$313,945). There is no other financing on the project.
38. Phase 2 of the project was completed pursuant to a completion agreement entered into with Stahl General Contracting Inc. Net proceeds from the sale of the Phase 2 units was distributed to the Unit Holders pursuant to the Murals Distribution Court Order issued on March 27, 2015.
39. By Extraordinary Resolution, made pursuant to the Unit Holders' security, the Unit Holders appointed an investor Steering Committee to assist with the marketing and sale of Phase 3 of the Murals Project.
40. A marketing and sales process was undertaken by the Steering Committee and a conditional offer was received and recommended to UBG and the Monitor by the Steering Committee (the "**Fennell Offer**"). The conditions of the Fennell Offer were subsequently satisfied and on June 30, 2015 a sale approval and vesting order was granted by this Honourable Court.
41. Unfortunately, the purchaser failed to close the purchase by the specified closing date as the purchaser's financing did not materialize. The Steering Committee worked directly with the purchaser's legal counsel, UBG and the Monitor to negotiate an extension to the closing. This was a protracted process, resulting in a significant increase in costs.
42. On July 9, 2015 an amending agreement was executed in respect of the Fennell Offer (the "**First Purchase Amending Agreement**"). The First Purchase Amending Agreement resulted in the following changes to the terms of the Fennell Offer:

- a) The purchase price will be paid 50% in cash and 50% in the form of a vendor take back mortgage ("VTB"); and
 - b) Murals will assign the VTB post-closing to a company controlled by the investors.
43. Unfortunately, the purchaser failed to close the purchase by the specified closing date as again the purchaser's financing did not materialize. The Steering Committee worked directly with the purchaser's legal counsel, UBG and the Monitor to negotiate a further extension to the closing. This was a protracted process, again resulting in additional costs.
44. On October 14, 2015 an amending agreement was executed in respect of the Fennell Offer (the "**Second Purchase Amending Agreement**"). The Second Purchase Amending Agreement resulted in an increase in the amount of the VTB and an increase in the deposit.
45. The Steering Committee advised the Monitor that the Second Purchase Amending Agreement was the most favourable offer that will be received. A copy of the Second Purchase Amending Agreement is attached hereto as Appendix "A". All conditions in respect of the Second Purchase Amending Agreement have been satisfied.
46. The Borrower's Cost associated with addressing Phase 3 has been set at \$62,000. The amount was originally set at \$52,500 at the time the original offer was accepted and approval order granted. The increase in \$9,500 reflects the significant increase in costs as result of renegotiating two amendments, seeking additional Court approvals, and related additional work as a result of the purchaser failing to close. The amount will be paid to UBG's legal counsel in connection with the closing of the sale of Phase 3. The Monitor is of the view that this amount of Borrower's Cost is reasonable considering the time, effort and costs expended by UBG in connection with preservation, assessing various options and consultation undertaken for the general benefit of the stakeholders.

Wilderness

47. The sale of the Wilderness project to Highfield Stock Farm Inc. ("**Highfield**") closed on May 2, 2013. At the time of the sale, the Town of Canmore held a letter of guarantee in the amount of \$500,000 in respect of certain landscaping obligations. ANHWP held a letter of guarantee in the amount of \$25,000. The Town of Canmore previously released \$495,000 of the guarantee and the remaining amount of \$5,000 was released in November 2015.
48. The Monitor distributed approximately \$1,441,000 to creditors with accepted claims against Wilderness, including Riverdale's accepted claim of \$5,589,000.
49. The Monitor withheld \$40,000 to address outstanding professional fees and a contingency in respect of potential additional matters or costs that may be incurred to conclude administration of the Wilderness project.

Riverdale

50. Riverdale is a holding company which has no operations. Based on information available to the Monitor, its only asset was a \$5,589,000 receivable from Wilderness.

51. Riverdale received a distribution of approximately \$1,114,000 from its unsecured claim against Wilderness. The Monitor distributed approximately \$1,064,000 to creditors with accepted claims against Riverdale, including UBG LP's accepted claim of \$17,284,000.
52. The Monitor withheld \$50,000 to address outstanding professional fees and a contingency in respect of potential additional matters or costs that may be incurred to conclude administration of the Riverdale project.

UBG LP

53. UBG LP is a holding company which was established to provide funding to various other UBG limited partnerships. At the first of each month GEH would issue cheques to UBG LP. UBG LP would then issue cheques to whichever UBG project required operating funds. At the end of each month, the various UBG projects would issue cheques back to UBG LP and UBG LP would then repay GEH for the advances made at the beginning of the month.
54. UBG LP's funds came from GEH and GEH had a loan facility with TD up to a maximum of \$18.5 million prior to the CCAA Proceedings.
55. As a result of the funds required to finance the operations of UBG's various projects flowing through UBG LP, as at the initiation of the CCAA Proceedings, UBG LP was owed in excess of \$179 million from several of UBG's projects. One of those amounts was a \$17,284,000 receivable from Riverdale.
56. UBG LP received a distribution of approximately \$1,049,000 from its unsecured claim against Riverdale.
57. The Monitor's legal counsel, Bennett Jones LLP ("Bennett Jones"), has opined on TD's security and, subject to customary assumptions and qualifications, TD's security:
 - a) constitutes legal, valid and binding obligations of UBG LP; and
 - b) TD's security was duly registered, filed or recorded in Alberta.
58. The Monitor supports UBG's application for an interim distribution of \$999,000 to TD.
59. The Monitor is withholding \$50,000 in respect of outstanding professional fees and a contingency in respect of potential additional matters or costs that may be incurred to conclude administration of UBG LP.

Mountaineers II

60. Mountaineers II comprises three acres of raw land located in the Three Sisters area in Canmore. Unity Investments holds security over this project and is owed approximately \$2.9 million. Based on information available to the Monitor, it appears that there is only one additional creditor on Mountaineers II which is the Town of Canmore in respect of outstanding property taxes.

61. This Honourable Court approved listing the property for sale in January 2013 at a listing price of \$1.6 million. There were no formal offers received for the property and the listing agreement was allowed to expire.
62. On June 30, 2015 UBG obtained an interim financing Order for the purpose of paying the property taxes accruing against the property.
63. The Investors have expressed a desire to have the property conveyed to them through the establishment of a holding company. The Monitor understands that the process of establishing the holding company and a mechanism to address outstanding property taxes is still underway. Recently, UBG was advised that the trustee for the trust indenture would be resigning and a plan is underway to replace the trustee and trust indenture with a new facility in the form of a syndicated mortgage. The Monitor understands that UBG is working with a mortgage administrator to finalize the documentation. It is anticipated that an emergence strategy will be finalized for this project before the next extension date and then an application will be made to this Honourable Court seeking approval for the property to be transferred to the holding company for the benefit of the Investors.

Valmont

64. The sale of the Valmont project was approved by this Honourable Court on August 30, 2013 and closed on September 6, 2013. Valmont is still in possession of a guest suite and an associated parking stall (collectively, the "**Guest Suite**") which are to be sold to the Valmont Condo Corporation for \$135,000 pursuant to the terms of the Condo Corporation's bylaws (the "**Bylaws**").
65. The Bylaws stipulate that the \$135,000 purchase price will be funded by way of a \$101,250 mortgage and a down payment of \$33,750. The down payment is to be funded from a onetime levy (the "**Levy**") of up to \$450 from the sale proceeds realized on the sales of condominiums in the project. The Levy was to be placed in trust with BD&P.
66. BD&P holds approximately \$33,000 in trust in respect of the Levies collected by UBG. The Monitor understands that additional Levies have been collected by the Purchaser of the Valmont Project to fund the remaining portion of the \$33,750 down payment.
67. The Monitor has been working with the Condo Corporation to complete the sale of the Guest Suite, however, the Condo Corporation's purchase of the Guest Suite has been delayed due to difficulties associated with financing the purchase. The Condo Corporation's counsel has advised that its financing for the purchase of the Guest Suite is now in place and that it is ready to close, subject to release of the funds held in trust with BD&P.
68. BD&P has requested that UBG obtain a Court Order in respect of the release of these trust funds for the purposes of the Condo Corporation's acquisition of the Guest Suite. The Monitor supports UBG's application for a Court Order to release the funds held in trust by BD&P in order to complete the purchase of the Guest Suite.
69. As detailed in the Monitor's earlier reports to Court in respect of the Valmont project (including the "**Second Valmont Report**" dated July 30, 2014), there are ongoing disputes with certain creditors. Square Foot Real Estate Corporation ("**Square Foot**") in respect of "back end"

commissions, West Gallant Developments Ltd. ("**West Gallant**") in respect of the subordination of its claim and the quantum of certain third party lien claims.

70. The Monitor's attempts to settle the Square Foot dispute have been unsuccessful. Square Foot adjourned its Court application but has now scheduled the matter to be heard on December 16, 2015.
71. West Gallant submitted a claim against Valmont in the amount of \$4,940,000. The Monitor does not dispute the quantum of West Gallant's claim but rather its priority. West Gallant filed a Notice of Dispute with the Monitor and the claim has not been resolved. West Gallant has also raised questions in respect of certain valid lien claims filed by creditors. The Monitor does not agree with West Gallant's assessment of the lien claims and is attempting to resolve this issue with West Gallant and certain lienholders. West Gallant agreed to the payment of certain lien claims totalling approximately \$482,000. The Monitor issued payments to six lienholders.
72. West Gallant is challenging the lien claims of Burnco, United Rentals and Harris Steel and obtained an order from the Court to obtain copies of the proofs of claim filed by certain lien claimants along with supporting documents of the Company. The Monitor has provided West Gallant with the copies of the documents in its possession in respect of this Order. The parties continue to discuss the approach used by the Monitor to calculate the lien fund.
73. The resolution of the Square Foot claim and the West Gallant claim and lien issue is required prior to the Monitor making a distribution to the Valmont Project's creditors. The timing of the distribution is unknown at this time.

SINGLE FAMILY PROJECTS

Greenboro Estate Homes Limited Partnership

74. On October 10, 2013 the Court issued an order approving GEH's Plan and the Plan was implemented on December 31, 2013.
75. The Monitor has reviewed the claims against GEH and issued several NORs. There remain some unresolved claims that the Monitor is currently addressing.

Mystic Ridge

76. 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 and 39 homes are currently under construction. The Mystic Ridge Lands are held by a nominee company 1199032 Alberta Ltd. ("**1199**") which is not a party to these CCAA Proceedings.
77. TD 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.

78. The development of Mystic Ridge was integral to GEH's emergence from these CCAA Proceedings. The Monitor understands that all of the Phase 1 development requirements were not completed. It appears that the letter of credit established with the City of Calgary may be used by the City of Calgary to complete the development requirements. Also, a party has commenced an action against 1199 in connection with 1199's purchase of the Mystic Ridge lands. A hearing date for the action has not yet been scheduled.
79. The Monitor has been working with the various stakeholders in respect of Phase 1 to determine whether a mutually agreeable resolution is possible or whether certain matters will have to be placed before this Honourable Court for adjudication.

Greenboro Luxury Homes

80. Greenboro Luxury Homes (Currie Barracks 1A) Limited Partnership ("**Greenboro Luxury LP**") was created to acquire and develop lands in the Currie Barracks area of Calgary. The project is limited to 16 high-value lots. As of the date of the CCAA Proceedings 14 homes had been developed and sold. Construction on the two remaining homes commenced during the CCAA Proceedings.
81. Both properties have been completed and the sales have closed. The construction financing was provided by TD pursuant to a financing protocol approved by this Honourable Court. The Greenboro Luxury TD loan has been paid in full.
82. The Monitor understands that landscaping on the two houses is now complete and that deficiencies have been rectified. The Monitor is reviewing 22 claims filed against Greenboro Luxury LP totalling 309 million.

Greenboro Homes Limited Partnership

83. On August 29, 2013 the Monitor filed the required Monitor's Certificate and GHL has emerged from these CCAA Proceedings.
84. There are approximately 31 claims remaining mainly related to landscaping deposits that need to be resolved and the Monitor is working with GHL to address those claims.

Today's Homes

85. Certain of Today's Homes' single family homes are financed by Sterling Bridge Mortgage Corporation ("**Sterling Bridge**"). UBG entered into a lending agreement with Sterling Bridge to provide financing to Today's Homes of up to \$6.0 million to construct 17 homes. The Sterling Bridge Protocol which was approved by this Honourable Court on September 14, 2012 governs the financing relationship. Details of each of the Today's Homes projects are contained in the Second Report and the May 8th Friesen Affidavit.
86. A Second Sterling Bridge Protocol was approved by order of this Honourable Court on March 27, 2013 in respect of four pre-sold uneconomic homes.

87. Today's Homes was unable to complete construction on the homes being financed and a third party contractor was engaged to complete construction. Construction of the homes is complete and sales of all houses have closed.
88. There were several seasonal and other deficiencies that needed to be addressed before the final quantum of funds available for distribution was known. The Monitor has recently been advised that all but a few deficiencies have been addressed and that a distribution of funds to the ABC investors is expected to be made in the next few weeks.

UBG LAND LIMITED PARTNERSHIP

89. The purpose of UBG Land was to enter into joint venture agreements ("**JVAs**") with certain third parties to acquire and build land inventories, and subdivide, service and sell those lands as single and multi-family development properties. The JVAs allowed UBG to participate in a broader range of products with a lower up front capital cost.
90. The time horizon for development was long term as the majority of the land inventories remain bare land and are not yet under development.
91. UBG's legal counsel and the Monitor commenced a review of the JVAs to confirm UBG's ownership percentage, the status of each JV and whether the JVAs are in good standing. The JVAs contain numerous provisions in respect of default, prohibitions of sale, assignment or transfer which are complicated and will take time to assess. The review has revealed that there appears to be only one JVA that has any substantive value.
92. In addition to the foregoing, UBG Land owned 21 lots located near Strathmore, Alberta. Those lots are financed by ABC Capital. A realtor was retained and the lots were listed for sale. Timely offers were received and accepted on four of the lots at sales prices equal to or greater than the original listing prices.
93. As a result of the current Alberta economic downturn, no offers were received on the lots for several months. The realtor recommended that the pricing of the lots be reduced to attract additional offers. The Monitor discussed the suggested price reduction with representatives of the ABC Capital investors in UBG Land and they agreed that the lot prices should be reduced as recommended and were put in place the first week of June 2015. Two additional lots sold at prices close to the reduced listing prices.
94. The realtor recommended that the pricing of the lots be further reduced. The Monitor discussed the suggested price reduction with representatives of the ABC Capital investors in UBG Land and they agreed that the lot prices should be reduced as recommended. The revised lot prices were put in place in early October, 2015. As a result of the price reduction, all remaining lots have now sold. 14 of the lots were sold to one purchaser with an expected closing date of March 31, 2016.

INVESTORS

95. The Company attracted investment through its Unity Investments division as described in the Second Report and more fully in the May 8th Friesen Affidavit.

96. There are approximately 227 individual investors invested through Unity Investments, ABC Capital and ABC US Capital.
97. Certain amounts have been distributed to the investors in ABC Capital in connection with the Sterling Bridge financing of Today's Homes and proceeds realized upon closing single family house sales where the lot purchase was financed by ABC Capital.
98. The Monitor issued distributions of approximately \$449,000 and \$779,000 to the Series A and Series A3 investors of ABC Capital, respectively, in May 2015. Further distributions were made by the Monitor to the Series A3 investors in September 2015 of approximately \$392,000 and to the Series A investors of approximately \$743,000 in November of 2015. Since the commencement of the CCAA proceedings, distributions totaling approximately \$7.9 million and \$1.5 million have been made to the Series A and Series A3 investors, respectively.
99. The Monitor will continue to make distributions when sufficient funds are available and releasable.
100. In respect of the multi-family projects, amounts to be recovered by the Unity Investments investors will depend on the quantum of proceeds realized from the sale of condominium units or from the property on those projects where the entire project has been sold, quit claimed or conveyed to the secured lender. Investors in the multi-family projects Murals, Origins, Mountaineers II, South Terwillegar and VOP as noted above will realize some recovery on their investments.

TAX RETURNS

101. Pursuant to an order granting the Monitor certain enhanced powers issued on December 2, 2013 (the "**Enhanced Powers Order**"), the Monitor has been working to assist UBG to complete tax returns and GST returns for the various UBG entities.
102. The Monitor has completed certain tax returns and associated filings which were required to be filed. Additional tax information may be filed by the Monitor if and when required.
103. The Monitor continues to work on filing GST returns for the various UBG entities.

COMPANY'S REQUEST FOR AN EXTENSION OF THE CCAA PROCEEDINGS

104. The Monitor supports the Company's request for an extension of the stay of proceedings from December 15, 2015, to March 31, 2016 for the following reasons:

- a) The Company is acting in good faith and with due diligence in its restructuring efforts;
- b) The Company has made significant progress in respect of its restructuring. It is implementing exit strategies in respect of the Canmore marketplace, selling projects and assets that are uneconomic, completing construction on both single family and multi-family projects and emerging GHL and GEH from these CCAA Proceedings;
- c) The Company requires additional time to assist the Monitor in resolving various claims, completing tax filings and to address certain construction deficiencies; and
- d) An extension will provide the Company with an opportunity to continue to monetize certain of its assets, under the supervision of this Court, which is expected to maximize recoveries for all stakeholders.

CONCLUSION AND RECOMMENDATION

105. Based on the foregoing, the Monitor respectfully recommends that this Honourable Court make orders granting the relief detailed in Paragraph 6 b) of this Report.

* * *

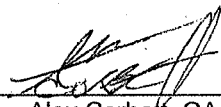
All of which is respectfully submitted this 9th day of December 2015.

**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

Per: _____


Alex Corbett, CA, CIRP

PURCHASE AMENDING AGREEMENT

THIS AMENDING AGREEMENT dated effective the 14th day of October, 2015 (the "Agreement").

BETWEEN:

THE VILLAS ON MONTEITH INC. (the "Buyer")

- and -

HIGH POINTE INC. (the "Seller");

WHEREAS:

- A. Pursuant to a purchase agreement dated January 9, 2015, made between Fennell Consulting Ltd. ("Fennell"), and the Seller, as acknowledged and approved by Ernst & Young Inc., in its capacity as Monitor of High Pointe Inc. and High Pointe Limited Partnership, and the Investor Committee, for and on behalf of all of the holders of units in the debenture mortgage (the "Purchase Agreement"), the Seller agreed to sell and transfer to the Buyer all its legal and beneficial interest in the Assets, all as provided in the Purchase Agreement;
- B. On or about April 28, 2015, Fennell waived all conditions of the Buyer under the Purchase Agreement, including without limitation those conditions set forth in Section 3.5 of the Purchase Agreement (the "Waiver");
- C. Pursuant to a letter dated June 15, 2015, from the Seller's Solicitors to the Buyer's Solicitors, Fennell assigned to the Buyer all of Fennell's right, title and interest in and to the Purchase Agreement;
- D. On or about June 30, 2015, the Seller obtained from the Court the Approval and Vesting Order approving, among other things, the sale and conveyance of the Property to the Buyer for the Purchase Price;
- E. As a result of the Waiver and the obtainment by the Buyer of the Approval and Vesting Order, all conditions to closing as set forth in the Purchase Agreement, including those set forth in Article 3 of the Purchase Agreement, were satisfied or waived;
- F. Initially by agreement between the Buyer and Seller, or as directed by each of their solicitors, the parties hereto agreed to a closing date of July 9, 2015 (the "Initial Closing Date"), for the purchase and sale of the Assets;
- G. On July 6, 2015, the Seller's Solicitors, on behalf of the Seller, delivered to the Buyer's Solicitors all documents required under the Purchase Agreement to be delivered for the conveyance of the Assets to the Buyer;
- H. On July 8, 2015, the Buyer's Solicitors, on behalf of the Buyer, confirmed that the Buyer had lost its financing and requested an extension to the Initial Closing Date of two months;
- I. On the Initial Closing Date, the Seller was ready, willing and able to close, however the Buyer failed to deliver to the Seller the Purchase Price and the other deliveries required under the Purchase Agreement; and

- J. Notwithstanding the failure of the Buyer to close on the Initial Closing Date as required under the Purchase Agreement, the Buyer and the Seller agreed to amend the Purchase Agreement by, among other matters, extending the Closing Date to October 14, 2015 all as more particularly set out in a Purchase Amending Agreement made with effect as of July 9th, 2015 (the 1st Amendment") all as set out in that Agreement;
- K. On the Closing Date as revised, the Buyer was unable to close the transaction, notwithstanding that the Seller was ready willing and able to close the transaction in accordance with its terms;
- L. As a consequence, and in order to permit the transaction to close, some further changes to the Agreement have been agreed upon as set out in this Agreement;

NOW THEREFORE THIS AGREEMENT WITNESSES for good and valuable consideration paid by each of the parties hereto to the other (the receipt and sufficiency of which is hereby expressly acknowledged), the parties hereto agree as follows:

- 1. Words capitalized in this Agreement (including the recitals hereof) and not otherwise defined herein shall have the meanings ascribed to such words in the Purchase Agreement.
- 2. The recitals set out above form an integral part of this Agreement and shall for all purposes form part of this Agreement and shall be used in the interpretation of this Agreement.
- 3. The 1st Amendment is ratified and confirmed, and the Buyer and the Seller hereby covenant and agree that the Agreement as modified by the 1st Agreement is in full force and effect and each of the parties hereto continue to be bound by the terms and conditions set forth in the Purchase Agreement, as amended by this Agreement, and the Buyer is and remains unconditionally obligated to purchase the Assets;

This Agreement is subject to approval by the Monitor and the Investor Committee.

- 4. The Buyer and Seller agree the Purchase Agreement is amended as follows:
 - (a) The definition of "Closing Date" set forth in Section 1.1 of the Purchase Agreement be deleted in its entirety and replaced with the following:

"Closing Date" means November 20, 2015, or such other extended date as the parties hereto may agree upon in writing."
 - (b) Section 2.2 of the Purchase Agreement be deleted in its entirety and replaced with the following:

"2.2 Payment

The Purchase Price, subject to adjustment as set forth herein, shall be paid and satisfied by the Buyer as follows:

Initial Deposit	\$ 25,000.00
Second Deposit	\$ 75,000.00
Third Deposit	\$ 25,000.00
VTB Mortgage	\$550,000.00
<u>Balance on Closing</u>	<u>\$225,000.00</u>
Total	\$900,000.00

The Third Deposit shall be paid to the Seller on or before November 18, 2015 and shall be immediately releasable to the Seller. Other than the amount to be paid pursuant to the VTB Mortgage, all amounts payable in respect of the Purchase Price shall be paid to the Seller's solicitors by solicitor's trust cheque, certified cheque or wire transfer, in immediately releasable funds on or before the Closing Date."

- (c) Section 2.3 of the Purchase Agreement be deleted in its entirety and replaced with the following:

"2.3 Adjustments

The adjustments to the Purchase Price, if any, shall be made between the parties as of July 9, 2015 (the "Adjustment Date"), in accordance with the usual practice for prepayments of expenses and revenues by the appropriate cash payments or allowances. The Seller shall be responsible for all expenses accrued from the Assets for the period up to and including the day before the Adjustment Date. From and including the Adjustment Date, the Buyer shall be responsible for all expenses accruing from the Assets."

- (d) Article 2.8 of the Purchase Agreement be deleted in its entirety and replaced by the following:

2.8 VTB Mortgage

The Buyer shall grant mortgage security as a first mortgage to secure the following debts and interest:

The term of the VTB Mortgage shall be as set out below. The full principal amount under the VTB Mortgage, together with accrued interest thereon and any other charges payable thereunder, may be paid in full by the Buyer at any time during the term of the VTB Mortgage without bonus or penalty;

- (a) the VTB Mortgage shall be assignable by the Seller;
- (b) the VTB Mortgage shall secure the following debts and interest:
- a. The sum of \$100,000 which shall be payable on or before February 16, 2016 and shall bear interest from July 9, 2015 until paid at the rate of 20% per annum;
 - b. The principal amount of \$225,000.00 shall be payable on or before March 9, 2016, and shall bear interest from July 9, 2015 until paid at the rate of 8% per annum; and
 - c. The then outstanding principal shall be payable on or before September 9, 2016, and shall bear interest from July 9, 2015 until paid at the rate of 8% per annum together with all other accrued interest thereon and any other amounts which may be payable under the VTB Mortgage; and
- (c) the Seller shall provide a partial discharge, or partial discharges, of the Security from the applicable Encumbered Unit(s) within a reasonable time following the sale of each of the Encumbered Units and the payment of \$40,000.00 to the Seller, plus accrued interest thereon (or the remaining principal and interest if applicable on the last Encumbered Unit), for each Encumbered Unit sold, or the VTB Mortgage is fully paid out inclusive of both interest and principal.

(d) At the Closing Date, the Buyer shall deliver a signed transfer, in fully registrable form, other than the land description which transfer shall be held until such time as there is a default under the VTB. In the event of a default under the VTB, the mortgagee shall be entitled [but is not obliged to do so] to complete the transfer by inserting into what the legal descriptions of the unit(s) then secured by the VTB and registering the same in order to convey title to the affected units to the mortgagee.

5. This Agreement shall survive the delivery and registration, where necessary, of the closing documents contemplated to be executed and delivered by the Buyer and Seller under the Purchase Agreement and this Agreement on the Closing Date and shall remain in full force and effect thereafter in accordance with its terms.
6. Except as amended by this Agreement and the 1st Amendment, the Purchase Agreement shall continue in full force and effect, the intention being that this Agreement shall be read in conjunction with and as an amendment to the Purchase Agreement.
7. If any provision of this Agreement is determined to be invalid or unenforceable, it shall be severable from the remainder of this Agreement and the remainder of this Agreement shall continue to remain in full force and effect.
8. The parties agree to execute and deliver all such further documents, deeds and other items as may be required to give full effect to the provisions of this Agreement.
9. This Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective successors, assigns and permitted assigns, as the case may be.
10. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which, taken together, shall be deemed to constitute one and the same instrument. The parties agree that this Agreement may be executed and delivered by facsimile copy or by electronic means (including by PDF format), provided that any party executing this Agreement by facsimile copy or electronic means shall deliver an originally executed copy of this Agreement forthwith thereafter to the other party.

IN WITNESS WHEREOF the parties hereto have executed this Agreement attested to by the signatures of their duly authorized officers in that behalf as of the day and year set out above.

The Villas on Montleith Inc.

Per: _____

c/s

High Pointe Inc. _____

THIS AGREEMENT is acknowledged and approved by:


ERNST & YOUNG INC., in its capacity as Monitor of High Pointe Inc. and High Pointe Limited Partnership

The Steering Committee of the Investors

- (d) At the Closing Date, the Buyer shall deliver a signed transfer, in fully registrable form, other than the land description which transfer shall be held until such time as there is a default under the VTB. In the event of a default under the VTB, the mortgagee shall be entitled [but is not obliged to do so] to complete the transfer by inserting into what the legal descriptions of the unit(s) then secured by the VTB and registering the same in order to convey title to the affected units to the mortgagee.
5. This Agreement shall survive the delivery and registration, where necessary, of the closing documents contemplated to be executed and delivered by the Buyer and Seller under the Purchase Agreement and this Agreement on the Closing Date and shall remain in full force and effect thereafter in accordance with its terms.
 6. Except as amended by this Agreement and the 1st Amendment, the Purchase Agreement shall continue in full force and effect, the intention being that this Agreement shall be read in conjunction with and as an amendment to the Purchase Agreement.
 7. If any provision of this Agreement is determined to be invalid or unenforceable, it shall be severable from the remainder of this Agreement and the remainder of this Agreement shall continue to remain in full force and effect.
 8. The parties agree to execute and deliver all such further documents, deeds and other items as may be required to give full effect to the provisions of this Agreement.
 9. This Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective successors, assigns and permitted assigns, as the case may be.
 10. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which, taken together, shall be deemed to constitute one and the same instrument. The parties agree that this Agreement may be executed and delivered by facsimile copy or by electronic means (including by PDF format), provided that any party executing this Agreement by facsimile copy or electronic means shall deliver an originally executed copy of this Agreement forthwith thereafter to the other party.

IN WITNESS WHEREOF the parties hereto have executed this Agreement attested to by the signatures of their duly authorized officers in that behalf as of the day and year set out above.

The Villas on Montfeth Inc.

Per:  c/s

High Pointe Inc.

THIS AGREEMENT is acknowledged and approved by:

ERNST & YOUNG INC., in its capacity as Monitor of High Pointe Inc. and High Pointe Limited Partnership


The Steering Committee of the Investors

- (d) At the Closing Date, the Buyer shall deliver a signed transfer, in fully registrable form, other than the land description which transfer shall be held until such time as there is a default under the VTB. In the event of a default under the VTB, the mortgagee shall be entitled [but is not obliged to do so] to complete the transfer by inserting into what the legal descriptions of the unit(s) then secured by the VTB and registering the same in order to convey title to the affected units to the mortgagee.
5. This Agreement shall survive the delivery and registration, where necessary, of the closing documents contemplated to be executed and delivered by the Buyer and Seller under the Purchase Agreement and this Agreement on the Closing Date and shall remain in full force and effect thereafter in accordance with its terms.
 6. Except as amended by this Agreement and the 1st Amendment, the Purchase Agreement shall continue in full force and effect, the intention being that this Agreement shall be read in conjunction with and as an amendment to the Purchase Agreement.
 7. If any provision of this Agreement is determined to be invalid or unenforceable, it shall be severable from the remainder of this Agreement and the remainder of this Agreement shall continue to remain in full force and effect.
 8. The parties agree to execute and deliver all such further documents, deeds and other items as may be required to give full effect to the provisions of this Agreement.
 9. This Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective successors, assigns and permitted assigns, as the case may be.
 10. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which, taken together, shall be deemed to constitute one and the same instrument. The parties agree that this Agreement may be executed and delivered by facsimile copy or by electronic means (including by PDF format), provided that any party executing this Agreement by facsimile copy or electronic means shall deliver an originally executed copy of this Agreement forthwith thereafter to the other party.

IN WITNESS WHEREOF the parties hereto have executed this Agreement attested to by the signatures of their duly authorized officers in that behalf as of the day and year set out above.

The Villas on Monticelli Inc.

Per: _____

c/s

High Pointe Inc.

THIS AGREEMENT is acknowledged and approved by:

ERNST & YOUNG INC., in its capacity as Monitor of High Pointe Inc. and High Pointe Limited Partnership

A. Corbett, Vice President
The Steering Committee of the Investors
