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

ADDRESS FOR SERVICE  
AND CONTACT  
INFORMATION OF PARTY  
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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. The stay of proceedings under the Initial Order was granted for a limited period of time, to June 8, 2012, in order to allow the Company and the Monitor an opportunity to review and report on prospects for restructuring the Company's business and assets.
3. On June 5, 2012, the Monitor filed its First Report to the Court (the "First Report") seeking a short extension of the initial stay from June 8, to June 15, 2012 to allow the judge hearing this matter pursuant to the May 9, 2012 Court Order Directing Case Management to be available for the benefit of the various stakeholders. The Court granted the order extending the stay to June 15, 2012 (the "Extension Order").
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.

### Purpose of this Report

5. The purpose of this report ("Report") is to:
  - a) Provide background information about the Company;
  - b) Provide an update on the Company's restructuring efforts since the Initial Order;
  - c) Provide a status update on certain of the Company's development projects;
  - d) Summarize the proposed terms of the memorandums of understanding ("Protocols") with the lenders of Greenboro Estate Homes Limited Partnership ("Greenboro Estates Projects") and Greenboro Homes Limited Partnership ("Greenboro Homes Projects") such that those projects are able to proceed;
  - e) Outline proposed closing mechanics in respect of completed single family and multi-family units ("Residential Units");
  - f) Comment on the Company's projected statement of cash flow for the period ending September 30, 2012;
  - g) Support the Company's request for an extension of the CCAA Proceedings to September 14, 2012; and

- h) Respectfully recommend that this Honourable Court make an order:
- Vesting in purchasers of Residential Units, as of closing, title to the respective Residential Units, free and clear of all liens, charges, security interests and other encumbrances (“Approval and Vesting Order”) and directing Alberta provincial land registration offices to register title to the Residential Units in the names of such purchasers in accordance with a Monitor’s certificate;
  - Approving the interim financing arrangements and priority charges in respect of the Greenboro Estates Projects and the Greenboro Homes Projects;
  - Approving a claims process based on the draft orders, as filed (the “Claims Procedure Order” and the “Reverse Claims Procedure Order”); and
  - Extending the stay of proceedings under the Initial Order to September 14, 2012.

### **Terms of Reference**

6. 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**

7. Unless otherwise noted, all currency references in this Report are in Canadian dollars.

## **BACKGROUND**

### **Overview**

8. UBG is a real estate development group overseeing various homebuilder companies. UBG is involved in residential and commercial real estate development in Alberta, Colorado Springs, Colorado, and San Antonio, Texas, 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”).
9. The Company operates under a number of different brands:

- a) The “Greenboro” brand is primarily involved in single family and multi-family residential developments through Greenboro Estate Homes, Greenboro Homes, Evolution by Greenboro, and Greenboro Communities. Its luxury home brand, Greenboro Luxury Homes, develops larger homes and is currently developing in Currie Barracks. The Greenboro brand is currently being utilized in Calgary and Edmonton (and surrounding areas). The Greenboro brand is no longer active in the United States;
  - b) Under the “Today’s” brand, the Company develops single family and multi-family residential developments through Today’s Homes and Today’s Communities. The Today’s brand also operates a renovation company, Today’s Homes Finishes, and is presently active in Calgary. The Today’s brand is no longer active in the United States;
  - c) “Alpine” and “Wilderness” are used for developments in Canmore. These brands focus primarily on condominium communities for recreational ownership; and
  - d) “Elite” and “Quintero” are not currently being used for any ongoing development projects.
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. At the date of the Initial Order, UBG had 123 employees. Since that date 50 employees have been laid off and there has been some natural attrition. The operations of UBG have not been negatively affected by the employee compliment reduction.

### **Corporate Structure**

12. UBG has a complex corporate organizational structure, with a large number of companies and limited partnerships directly and indirectly owned by UBG Builders Inc. A diagram depicting the general corporate organization of UBG Builders Inc., and its direct and indirect subsidiaries and interests was attached to the May 8, 2012 affidavit of Robert Friesen (the “May 8<sup>th</sup> Friesen Affidavit”) as Exhibit “B”.
13. UBG comprises six divisions:
- a) Residential development, building single and multi-family homes (“Alberta Homebuilding”);
  - b) Residential luxury homes, currently developing luxury homes in the Currie Barracks area of Calgary (“Greenboro Luxury Homes”);
  - c) U.S. residential home building (“UBG USA”). The operations of this division were discontinued on or about May 10, 2012;
  - d) Commercial development enterprise (“UBG Commercial”);
  - e) Real estate development financing and investment division (Unity Investments, ABC Capital and ABC US Capital); and

- f) Residential land holding (“UBG Land”), which invests through joint ventures in land acquisitions.
14. UBG Builders Inc. provides corporate and administrative support for all of these divisions.
15. The divisions are summarized below. A more fulsome description of each of the divisions is included in the May 8<sup>th</sup> Friesen Affidavit.

#### **Alberta Homebuilding – Single Family**

16. UBG currently has single family development projects ongoing in Edmonton, Calgary, Chestermere, High River, Lyalta and Okotoks (“Single Family Projects”).
17. For each single family development, a limited partnership, operated by its general partner, is the primary borrower in respect of the project financing, and the manager of the construction and development. This relationship is outlined in more detail in the May 8<sup>th</sup> Friesen Affidavit.
18. UBG finances its single family land acquisition, construction and operations through the following credit facilities:
- a) Alberta Treasury Branches (“ATB”) <sup>1</sup>. The ATB facility (the “ATB Line”) has approximately \$8.34 million outstanding and security in undeveloped lots and work in progress in Edmonton;
  - b) Canada ICI Capital Corporation (“ICI”) <sup>2</sup>. The ICI facility is a loan in the amount of \$2.466 million and is a conventional mortgage over eight existing inventory model and spec homes located in Calgary and the surrounding areas;
  - c) The Toronto-Dominion Bank (“TD”) <sup>3</sup>. The TD facility (the “TD Line”) has a current outstanding balance of \$17.8 million and security over work in progress in Calgary and caveats registered against all of the lots purchased by Greenboro Estate Homes LP; and
  - d) ABC Capital. ABC Capital is owed approximately \$12.5 million in respect of the purchase of numerous lots in Calgary and Edmonton. ABC Capital holds a first secured position on the lots.
19. UBG currently owes an aggregate of approximately \$41 million in respect of its Single Family Projects.

#### **Alberta Homebuilding – Multi-Family**

20. UBG currently has 16 multi-family projects in Edmonton, Calgary and Canmore (“Multi-Family Projects”).

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<sup>1</sup> The facility is with Greenboro Homes LP.

<sup>2</sup> The facility is with Today’s Homes LP.

<sup>3</sup> The facility is with Greenboro Estate Homes LP. TD is also a secured lender in the Greenboro Luxury Homes division.



21. For each multi-family development, a limited partnership, operated by its general partner, is the owner of the land and assets, the primary borrower in respect of the project financing, and the manager of the construction and development. This relationship is outlined in more detail in the May 8<sup>th</sup> Friesen Affidavit.
22. At present, the Multi-Family Projects are at varying stages of development, ranging from bare land for planned projects, to lands that have been partially developed with infrastructure, to completed projects where only the sale of finished Residential Units remains to occur. More detail on certain of these projects is discussed later in this Report.
23. UBG currently owes an aggregate of \$76,411,436 in respect of its Multi-Family Projects.

### **Greenboro Luxury Homes**

24. 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 (“Currie Barracks”). The project is limited to 16 high-value lots of which 14 have been developed and sold and two remain as bare land for which pre-sales are in place and deposits have been received.
25. The original construction financing was provided by TD which has a current outstanding balance of approximately \$250,000.

### **UBG USA**

26. Operations in this division are limited primarily to landholdings, with some spec and model homes in Colorado. UBG USA also owns 14 lots in San Antonio, of which 6 have been sold and are scheduled to close in June or August.
27. The loan facilities in the US are with PNC Bank (“PNC”) and total approximately \$3.7 million.
28. The UBG USA division had little work underway, was unprofitable and a drain on UBG’s cash resources. The operations have been discontinued. There will be no formal restructuring of this division.

### **UBG Commercial**

29. UBG’s commercial projects are owned and operated by single purpose entities as noted below:
  - a) UBG 75 Canmore LP owns, through its GP UBG 75 Canmore Inc., a commercial building in Canmore originally constructed by UBG to serve as office space for its Canmore operations. This building is presently leased to several unrelated entities and generates monthly rental income of approximately \$24,000. The cost of maintaining the building, including servicing the mortgage to Bank of Montreal (principal amount outstanding of approximately \$2.8 million)<sup>4</sup>, is approximately \$25,000 per month;

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<sup>4</sup> The Bank of Montreal (“BMO”) mortgage on this property expires in June 2012. BMO is unlikely to renew the mortgage.

- b) UBG 4500 Calgary LP, through its GP UBG 4500 Calgary Inc., owns a commercial property in Calgary which serves as office and operational space for Deer Bridge Plumbing & Heating Ltd<sup>5</sup>. The cost of maintaining the building, including servicing the mortgage to Business Development Bank of Canada (approximately \$1.9 million<sup>6</sup>), is approximately \$12,000 per month; and
- c) UBG 808 Calgary LP through its GP UBG 808 Calgary Inc. owns a commercial property in Calgary presently used as UBG's head office. UBG occupies approximately 35,000 square feet and the remainder is let out to three unrelated tenants<sup>7</sup>. Current monthly rent is approximately \$91,000. ICI holds the mortgage on the building and is owed approximately \$15 million. The cost of maintaining and keeping the building are a drain on UBG's cash flows. It was previously reported to the Court that the building was listed for sale at \$18.5 million. This was not the case. UBG with the Monitor's assistance and ICI's concurrence, requested three commercial real estate firms (CB Richard Ellis, Cushman Wakefield and Colliers International) submit proposals in respect of listing the property for sale. The listing proposals were received on June 8, 2012 and are being reviewed by UBG, ICI and the Monitor. The property will be listed for sale with one of the realtors.

#### **Unity Investments/ABC Capital**

- 30. Unity Investments, ABC Capital and ABC US Capital were created to allow private, qualified investors an opportunity to participate in real estate construction and development projects through an exclusive financing relationship with the builders comprising UBG. ABC Capital and ABC US Capital manage funds provided by private contributions financed through a series of debenture offerings. Through these vehicles, UBG has been able to raise capital for multi-family real estate acquisitions and single family lot purchases that are, in turn, developed by the building divisions of UBG.
- 31. A detailed description of the mechanics of the Unity Investments division is contained in the May 8<sup>th</sup> Friesen Affidavit.

#### **UBG Land**

- 32. UBG Land is the division through which the UBG Group participates in long term land investment and development joint ventures ("JVs"), with a view to acquiring and building land inventories and subdividing, servicing and selling those lands as single and multi-family development properties in the long term.
- 33. UBG Land is currently involved in 14 JVs in several areas in Alberta.
- 34. To date, UBG Land is current in all of its JV obligations.

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<sup>5</sup> Robert Friesen, through a holding company, owns a majority of outstanding shares.

<sup>6</sup> This mortgage matures in November 2036.

<sup>7</sup> Northern Alberta Institute of Technology (leases approximately 16,000 square feet), Junewarren Nickle Energy Corp. (21,000 square feet) and Kenn Borek Air Ltd. (9,000 square feet).

35. UBG's interests in the JVs are normally subject to transfer restrictions, including general prohibitions on sale, assignment or transfer without consent of the JV partners, and rights of first offer and first refusal.

#### **UBG Builders Inc.**

36. Generally speaking, UBG Builders Inc. acts as head office to UBG, but has no construction, development or financing operations. With only a few exceptions, UBG Builders Inc. directly or indirectly owns all of the UBG entities described herein.

#### **COMPANY'S ACTIVITIES**

37. The Company has been focused on stabilizing its operations since the date of the Initial Order as described in the First Report. Those efforts continue and include:
- a) Implementing controls, policies and procedures;
  - b) Reviewing each of the projects to assess viability, asset values, associated obligations, costs to complete (where applicable) and required resources;
  - c) Cost reduction, such as employee layoffs and reviewing all areas in respect of its administrative expenses;
  - d) Continuing to market all projects (excluding UBG USA). In that regard, UBG, has accepted 41 offers on existing or under-construction Residential Units since the date of the Initial Order;
  - e) Continuing to close Residential Units. UBG has closed 41 homes since the date of the Initial Order. A schedule identifying these home closings is provided as Appendix "A";
  - f) Meeting with certain Company lenders;
  - g) Meeting with representatives of Alberta New Home Warranty Program ("ANHWP");
  - h) Meeting with the suppliers of materials and services ("Trades");
  - i) Holding investor calls;
  - j) Developed memorandums of understanding in respect of Greenboro Estates Projects and Greenboro Homes Projects and provided same to both TD and ATB for their review and consideration;
  - k) Made arrangements with ICI to provide ongoing financing for the project known as Origins at Cranston;
  - l) Worked closely with the Monitor to develop financial analyses and cash flows in respect of each of its various projects;
  - m) Solicited listing proposals from three commercial real estate firms in respect of UBG's head office;

- n) Worked closely with the Monitor and its legal counsel to develop a claims process; and
- o) Advising stakeholders that the Company is continuing to operate on a business as usual basis in the context of these CCAA Proceedings.

## **CREDITORS**

- 38. The Company, with the assistance of the Monitor, has been compiling information with respect to its obligations. Further details are provided below.

### **Secured Lenders**

- 39. The Company has an interest in approximately 36 construction projects (the "Projects") in various stages of completion. These are subject to different types of credit facilities depending on, among other things, the status of a particular property. Based on the Company's records, the Projects are subject to facilities with 16 secured lenders with estimated obligations totalling approximately \$177 million as at May 9, 2012.
- 40. In accordance with the Initial Order, the Company is stayed from making interest or principal payments.
- 41. Since the date of the Initial Order, the Company and the Monitor have met or been in discussions with several lenders, including TD, ATB, BMO, ICI, Bank of Nova Scotia ("Scotiabank"), Canadian Western Bank ("CWB") and Firm Capital.
- 42. The Monitor's counsel, Bennett Jones LLP ("Bennett Jones"), has requested security document packages from certain of the Company's lenders. To date Bennett Jones has received the security documents from three lenders and is in the process of reviewing those security documents it has received. A security opinion on the lenders' security will be a necessary precondition to distribution of Residential Unit sales proceeds.

### **Property Taxes**

- 43. UBG is current in respect of property taxes, but will be required to pay approximately \$850,000 coming due at the end of June, 2012. UBG intends to pay property taxes on those Projects where lender financing is available.

### **Condominium Association Fees**

- 44. Timberline Lodges, Wilderness at Stewart Creek, South Terwillegar Village, Village on the Park, Valmont at Aspen Stone and The Murals are Projects that are either complete or are partially complete where buildings have been given over to the respective condominium corporations. In each of these Projects, UBG owns units for which condominium fees are due and accruing due. For some of these Projects, condominium fees are presently in arrears and caveats have been filed by the respective condominium corporations.

## **Liens**

45. The Company has received notices that construction liens have been registered against various Projects. The Company and the Monitor will be reviewing the validity and amount of each of the liens pursuant to the Claims Procedure Order. As discussed in the Closing Mechanics section of this Report, the Company is establishing a mechanism that will allow a transfer of clear title to purchasers at closing.

## **Unsecured Creditors**

46. The Company continues to prepare a comprehensive listing of its unsecured creditors. Based on the information compiled to date the preliminary list of unsecured creditors reflects over 570 creditors, with unsecured obligations totalling \$81.5 million. Many of the unsecured creditors may have lien rights available to them which will be addressed pursuant to the Claims Procedure Order.
47. UBG remains generally current in respect of its GST obligations.

## **Deposits**

48. UBG has received in excess of \$16 million in deposits from potential purchasers in respect of ongoing and/or future Projects. Of that amount, UBG advises that approximately \$1.3 million is held by various lawyers in several trust accounts. All deposits received by UBG for home purchases post May 9, 2012 are being held in trust by Fraser Milner Casgrain LLP ("FMC").
49. ANHWP, which insures customer deposits has requested that UBG provide it with a reconciliation of all deposits received for the single family and multi-family developments and a reconciliation of those Residential Units where registration with ANHWP is not complete. The Monitor is working closely with UBG to provide this information to ANHWP.

## **SINGLE FAMILY PROJECTS**

### **The Toronto-Dominion Bank**

50. All Greenboro Estates Projects in respect of single family homes in Calgary are financed by, and are subject to security from TD. Details of each of these Projects are contained in the May 8<sup>th</sup> Friesen Affidavit.
51. 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.
52. A summary of the areas in which Greenboro Estates Projects are ongoing is provided below:
  - a) Castle Keep – There are twenty units in Castle Keep. All are pre-sold with the exception of one spec house. Closings of the pre-sold units are anticipated to occur between June 2012 and April 2013;

- b) Currie Barracks – This development comprises 25 homes. Nine units are pre-sold and are in various stages of construction. There is one spec property which is being completed as a show home which is required to generate additional sales in this area. There are 15 remaining lots which UBG is actively marketing;
  - c) Sage Meadows – There are 23 homes planned for this development. There are four pre-sold units in various stages of construction, one spec home under construction and 18 unsold lots. An initial review of this development suggests that it will likely not be profitable. Subject to further review it is likely that UBG will complete the pre-sold and spec homes and allow the developer to market the lots to another builder;
  - d) Westmere – This development comprises 20 planned homes. 15 units are pre-sold and are in various stages of construction, two spec homes are completed and there are 3 unsold lots; and
  - e) Montrose – This development comprises one home the sale of which closed on or about May 16, 2012.
53. The Monitor with input from the Company prepared a financial analysis of the Greenboro Estates Projects and provided the analysis to TD for its review and consideration. The purpose of the financial model was to supply TD with a detailed analysis of the Greenboro Estates Projects so that TD could assess the Greenboro Estates Projects financial position and ongoing funding requirements in respect of the build out of Projects noted in paragraph 52 above.
54. The Company estimates total revenue of approximately \$60 million (inclusive of deposits) upon completion and closing all homes in the five Greenboro Estates Projects. UBG estimates that it will require approximately \$45.5 million to complete construction on all of the homes.
55. On May 25, 2012, TD advised the Monitor that it would continue to fund Greenboro Estates Projects and pay post May 9, 2012 amounts owed to Trades in respect of the pre-sold homes so that construction on the homes could continue. The mechanism to provide the funding was subject to putting in place a protocol and obtaining Court approval of same. TD has not approved funding for the purchase of lots, completion of construction on spec homes or the construction of homes where sales have occurred post May 9, 2012. TD advised the Monitor that approval for those Residential Units would be subject to further review and establishing a written protocol with UBG.
56. The Monitor advised the Trades of TD's approval in respect of the pre-sold homes in writing on May 28, 2012. Trades continue to provide goods and services in connection with the Greenboro Estates Projects pre-sold homes.
57. UBG has developed a memorandum of understanding ("Protocol") between Greenboro Estate Homes and TD which will provide for, among other things, funding from TD to continue construction at the five Greenboro Estates Projects. The Protocol is intended to achieve the following:
- a) TD would be provided with a charge in its favour ranking in priority to the Administration Charge and the Directors' Charge (all defined in the Initial Order) for all future advances in respect of the Greenboro Estates Projects; and

- b) Establish a mechanism to i) distribute the sales proceeds from sales of homes that have closed; ii) fund and complete construction of homes under construction; iii) close the sales of homes that are under contract for sale; iv) market and sell, and to the extent required complete construction thereon, the remaining properties; v) pay Trades amounts owed to them for materials and services provided both prior to and subsequent to May 9, 2012 (with such prior to May 9, 2012 trade amounts claimed subject to being proved in accordance with the Claims Procedure Order); and vi) repay the secured indebtedness to TD on as timely a basis as possible.
58. TD is reviewing the Protocol and UBG expects an agreement substantially in the same form as the proposed Protocol will be agreed to prior to the June 15, 2012 hearing date.
59. The Monitor has participated in meetings and discussions with UBG, TD and the Trades in respect of the Greenboro Estates Projects and is in support of such a Protocol. The Monitor respectfully recommends that this Honourable Court approve the TD Protocol Order for the following reasons:
- a) Selling homes in the ordinary course will maximize recoveries in the Greenboro Estates Projects;
  - b) Trades will be confident that they will be paid for materials and services provided on an ongoing basis;
  - c) A mechanism has been established to pay amounts owed to Trades pre May 9, 2012 (subject to proven claims pursuant to the Claims Procedure Order); and
  - d) The terms of the TD Protocol are supported by the Greenboro Estates Projects key stakeholders.

### **Alberta Treasury Branches**

60. All of Greenboro Homes Projects in respect of single family homes in Edmonton are financed by, and are subject to security from ATB. Details of each of these Projects are contained in the May 8<sup>th</sup> Friesen Affidavit.
61. 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.
62. A summary of the areas in which Greenboro Homes Projects are ongoing is provided below:
- a) Emerald Hills - There are nine homes in this development comprising one pre-sale, seven spec homes and one remaining lot. One of the spec homes is completed and the remaining spec homes are in various stages of construction;
  - b) Laurel – This development comprises 27 homes. There are 18 pre-sales in various stages of construction and 9 spec homes. One of the spec homes is complete but very little construction has commenced on the additional spec homes;

- c) Southfort – There are 14 homes in this development comprising seven pre-sales and seven spec homes. Both the pre-sold and spec homes are in various stages of construction;
  - d) Tribute – In this development there are eight pre-sold homes and two spec homes. All homes are in various stages of construction;
  - e) Walker Lakes – This development comprises duplex and detached single family homes. With respect to the duplex development there are five pre-sold homes, nine spec homes and 14 remaining lots. One pre-sold home is completed and ready for occupancy. The remaining pre-sold and spec homes are in various stages of construction. With respect to the detached single family homes, there are 23 pre-sold homes, nine spec homes and 22 remaining lots. The pre-sold homes are in various stages of construction. One spec home is completed and the two others are close to completion;
  - f) Griesbach – There are 11 pre-sold homes, four spec homes and three remaining lots in this development. The pre-sold homes are in various stages of development. One spec home is complete with the remaining five in various stages of construction; and
  - g) Maple Crest – In this development there are six spec homes and 19 lots. Four of the spec homes are in various stages of construction with little or no construction on the other two spec homes.
63. The Monitor with input from the Company prepared a financial analysis of the Greenboro Homes Projects and provided the analysis to ATB for its review and consideration. The purpose of the financial model was to supply ATB with a detailed analysis of the Greenboro Homes Projects so that ATB could assess the Greenboro Homes Projects financial position and ongoing funding requirements in respect of the build out of projects noted in paragraph 62 above.
64. The Company estimates total revenue of approximately \$64.5 million (inclusive of deposits) upon completion and closing all Residential Units in the seven Greenboro Homes Projects. UBG estimates that it will require approximately \$47 million to complete all of the homes.
65. On May 28, 2012, ATB advised the Monitor that it would continue to fund Greenboro Homes Projects and pay post May 9, 2012 amounts owed to Trades in respect of the pre-sold homes so that construction on the homes could continue, subject to obtaining a budget and margining considerations in respect of pre-sold homes and a business plan in respect of unsold product. UBG and the Monitor are working to provide information to ATB as requested. The mechanism to provide the funding was also subject to putting in place a protocol and obtaining Court approval of same.
66. The Monitor advised the Trades of ATB's approval in respect of the pre-sold homes in writing on May 28, 2012. Many Trades are not continuing to provide goods and services in connection with the Greenboro Homes Projects until such time as the ATB funding is confirmed.
67. With respect to closings for the month of May 2012, ATB agreed to provide limited funding of approximately \$60,000 so that closings could occur. Sales that have closed are noted in Appendix "B".



68. UBG has developed a Protocol between Greenboro Homes and ATB which will provide for, among other things, funding from ATB to continue construction at the seven Greenboro Homes Projects. The Protocol is intended to achieve the following:
- a) ATB would be provided with a charge in its favour ranking in priority to the Administration Charge and the Directors' Charge (all defined in the Initial Order) for all future advances in respect of the Greenboro Homes Projects; and
  - b) Establish a mechanism to i) distribute the sales proceeds from sales of homes that have closed; ii) fund and complete construction of homes under construction; iii) close the sales of homes that are under contract for sale; iv) market and sell, and to the extent required complete construction thereon, the remaining properties; v) pay Trades amounts owed to them for materials and services provided both prior to and subsequent to May 9, 2012 (with such prior to May 9, 2012 trade amounts claimed subject to being proved in accordance with the Claims Procedure Order); and vi) repay the secured indebtedness to ATB on as timely a basis as possible.
69. ATB is reviewing the Protocol and UBG expects an agreement substantially in the same form as the proposed Protocol will be agreed to prior to the June 15, 2012 hearing date.
70. The Monitor has participated in meetings and discussions with UBG, ATB and the Trades in respect of the Greenboro Homes Projects and is in support of the Protocol. The Monitor respectfully recommends that this Honourable Court approve the ATB Protocol Order for the following reasons:
- a) Selling homes in the ordinary course will maximize recoveries in the Greenboro Homes Projects;
  - b) Trades will be confident that they will be paid for materials and services provided on an ongoing basis;
  - c) A mechanism has been established to pay amounts owed to Trades pre May 9, 2012 (subject to proven claims pursuant to the Claims Procedure Order); and
  - d) The terms of the ATB Protocol are supported by the Greenboro Homes Projects key stakeholders.

#### **Canada ICI Capital Corporation**

71. Today's Homes LP single family homes ("Today's Projects") are financed by ICI pursuant to conventional mortgage financing. Details of each of the Today's Projects are contained in the May 8<sup>th</sup> Friesen Affidavit.
72. The future development lots on which the homes are to be built are held by the developers and will have to be paid for, or have been purchased by UBG with financing from ABC Capital.
73. A summary of the areas in which Today's Projects are ongoing is provided below:

- a) Cimmaron – This development comprises four pre-sold homes and three completed spec homes. The pre-sold homes are in various stages of construction;
- b) Fishcreek – There is one remaining pre-sold unit in this development;
- c) Lakes of Muirfield – There are six pre-sold homes and one completed spec home;
- d) Sage Hill – In this development there are three pre-sold homes, two completed spec homes, three spec homes under various stages of construction and 20 remaining lots; and
- e) Nolan Hill – This development comprises 25 homes consisting of four pre-sold homes, two completed spec homes and 19 remaining lots.

74. The Monitor with input from the Company is preparing a financial analysis of the Today's Projects. It is anticipated that the financial model will be completed in the next few days and then provided to ICI. As ICI's financing has been by way of conventional mortgage, each prospective home would have to qualify for a mortgage in order to be built. Once the financial model is provided to ICI, UBG plans to meet with ICI to discuss financing in respect of the Today's Projects.

## **MULTI-FAMILY PROJECTS**

### **Projects not under construction**

75. Five of the Multi-Family Projects are either bare land or are in the planning stage. Mountaineers II and Ledges are being developed under the Alpine Homes brand, are bare land and are located in the Three Sisters development in Canmore, Alberta. The Bridges, located in Calgary and being developed under the Evolution by Greenboro brand, and Edgewater at Griesbach and Village at Laurels, being developed under the Greenboro Communities brand are in the planning stage. A brief summary of each of these Projects is as follow:

- a) Mountaineers II comprises three acres of raw land. The project is to comprise 80 units. Unity Investments holds security over this project and is owed approximately \$2.9 million. UBG is unable to service interest on the debt. Due to the depressed real estate market in Canmore, the Company is of the view that there is no merit in developing this project. UBG estimates the value of the land is substantially less than the amount owed to Unity Investments. UBG and the Monitor plan to correspond with the investors in this project with a view to develop a timely and appropriate course of action. It is likely the property will be listed for sale;
- b) The Ledges Project comprises 2.1 acres of raw land. The project is to comprise 31 units. Firm Capital Mortgage Investment Corporation ("Firm") is the only secured creditor and is owed approximately \$2.14 million. UBG is unable to service interest on the debt. As with the Mountaineers II project, the depressed real estate market in Canmore has made this future project uneconomical. The property has been listed for sale since January 2012 with CB Richard Ellis for \$2.5 million. The Monitor is advised that there have been no offers for the land. UBG is of the view that the value of the land is approximately equal to

the amount owed to Firm. It is likely the land will be turned over to Firm subject to Court approval once an independent valuation has been obtained;

- c) The Bridges is a .75 acre site. The project is to comprise 122 units. UBG owns 25% of the project and two other parties own 75%. UBG estimates the loan required to build out the project is approximately \$40 million and will require substantial equity in order to obtain such a loan. UBG and the Monitor plan to meet with the partners to develop a course of action with respect to this project;
- d) The Edgewater at Griesbach is a 6.5 acre site. The project is to comprise 210 units. It consists of two parcels. UBG has purchased one half of the site and retains an option to purchase the other half. The payment on the other half is due in March 2013; however the required 15% deposit to retain this option has not been paid. ICI financed the purchase of the first half of the site and is owed approximately \$1.45 million. There is also a partner on this project. UBG plans to meet with the partner as soon as possible to determine a go forward plan for this project; and
- e) The Village at Laurels is a 5 acre site comprising two parcels of land. The project is to comprise 247 units. The Company has paid total deposits of \$795,752 to date. The balance of the purchase price is \$3,180,998 million with \$1.63 million due in December 2012 and \$1,550,998 due in Jun 2013. The Company has long term plans to build on this site and the plans thereon are currently being developed.

## **Projects under Construction**

### ***Valmont***

- 76. 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. It is being built under the Today's Communities brand. Buildings "A" and "B" are complete, Building "C" is currently under construction. Construction on Building "D" has not yet commenced. Costs to complete Building "C" are estimated at \$4.9 million.
- 77. Building "C" contains 50 units. There are 32 pre-sold units. UBG is actively marketing the remaining units. Construction on Building "C" is expected to be completed by December 31, 2012. Closings are expected to commence in November 2012. UBG is actively seeking pre-sales on proposed units in building "D". There are 39 pre-sales in Building "D".
- 78. Scotiabank is providing the financing on this project. Scotiabank has made available to UBG a construction loan up to \$9.8 million in respect of Building "C". Scotiabank is currently owed approximately \$4.3 million.
- 79. 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 \$5.122 million.
- 80. The Monitor with input from the Company prepared a financial analysis of the Valmont project and provided same to Scotiabank for its review and consideration. The purpose of the financial model was to supply Scotiabank with a detailed analysis of the Valmont project so that Scotiabank could

assess the project's financial position and determine ongoing funding requirements. The financial model provided to Scotiabank indicates that Valmont is profitable and that Scotiabank is well secured on its loans. If the project is completed UBG is expected to realize profits exceeding \$3.0 million after payout of the amount owed to the private investor.

81. UBG and the Monitor are working with Scotiabank with the view to establishing a protocol similar to the ones provided to TD and ATB. A draft of the protocol will be provided to Scotiabank in the next few days. Upon concluding a protocol with Scotiabank, UBG will seek Court approval thereof.

### ***Murals***

82. The project known as Murals is a three phase 59 town home unit complex located in High River, Alberta. Phase one is complete and all 27 units have closed. It is being built under the Evolution by Greenboro brand.
83. Currently, 6 units are presold and under construction in phase 2. 26 units have not yet been started.
84. Unity Investments is the only secured creditor and is owed approximately \$1.8 million. There is no other financing on the project.
85. The project is being built by the private investor who holds a 50% interest in the project and who is owed approximately \$248,000.
86. UBG advises that the project is profitable and construction is continuing under the supervision of UBG and the private investor.

### ***Origins at Cranston***

87. The project known as Origins at Cranston ("Origins") is a four phase multi-family development located in south east Calgary. It comprises a total of 140 units (24 town homes and 116 condominiums). 72 units are pre-sold, the remaining 68 are not yet started.
88. Origins was financed as follows:
  - a) ICI made available a \$15.6 million conventional first mortgage, two tranche construction financing loan for phases 3 and 4; and
  - b) An advance from Unity Investments of \$6.6 million.
89. ICI is currently owed approximately \$4.7 million and Unity Investments is owed \$6.6 million.
90. There is a private investor that holds a 50% interest in the Origins project having made an initial contribution of approximately \$1.75 million. The private investor is currently owed approximately \$1.75 million.

91. The Monitor and the Company met with ICI on May 22, 2012. ICI has agreed to continue funding this project. The Trades were advised of ICI's funding and the Company is continuing construction.
92. The Monitor with input from the Company is preparing a financial analysis of the Origins project. It is anticipated that the financial model will be completed in the next few days upon which it will be provided to ICI.
93. UBG and the Monitor are working with ICI with the view to establishing a protocol for ongoing financing to build out the Origins project. Upon concluding a protocol with ICI, UBG will seek Court approval thereof.

### ***Valour Park at Currie Barracks***

94. The project known as Valour Park is a two phase 24 town home development located in the Currie Barracks area of Calgary. Phase 1 comprises 9 units of which 7 have been pre-sold. All 9 units are under construction and are expected to be completed by November, 2012. It is being developed under the Evolution by Greenboro brand. Costs to complete phase 1 are estimated to be \$2.3 million.
95. Phase 2 comprises 15 town homes. UBG has pre-sold 8 of the 15 units in phase 2. Construction on this phase has not commenced.
96. CWB is providing the financing on this project. The first tranche totals approximately \$8.9 million. The second tranche is to be up to a maximum of approximately \$10.6 million. Currently CWB is owed approximately \$6.6 million.
97. Unity Investments is a partner in this project having contributed \$4.5 million. Unity Investments is currently owed \$4.5 million.
98. The Monitor with input from the Company prepared a financial analysis of phase 1 of the Valour Park project and provided same to CWB for its review and consideration. The purpose of the financial model was to supply CWB with a detailed analysis of the Valour Park project so that CWB could assess the project's financial position and determine ongoing funding requirements.
99. There was some misunderstanding in respect of the CWB loan and the financial analysis has gone through several iterations. An updated financial analysis was provided to CWB earlier today. The financial model provided to CWB indicates that phase 1 of the Valour Park project is not profitable. The Monitor understands that there could be cost overruns on phase 1 of up to \$500,000.
100. However, CWB holds security over the phase 2 lands which the Monitor understands has a value of approximately \$2.7 million. Therefore, it appears CWB is fully secured on its loans on the Valour Park project. Moreover, phase 2 of the Valour Park project is projected to be very profitable once the 15 units are completed and sales are closed. The Monitor is reviewing the profitability of phase 2. It appears based on the Monitor's preliminary review that if the Valour Park project is completed UBG is expected to realize profits of approximately \$1.4 million after payout of the \$4.5 million owed to Unity Investments.

101. UBG and the Monitor are preparing a protocol in respect of the ongoing financing to build out phase 1 of the Valour Park project. CWB has indicated to the Monitor that it would prefer to see the Valour project “removed” from these proceedings. The Monitor is of the view that such a step is premature at this time and such removal will likely increase costs to complete the Valour project and will negatively impact profits, Unity Investments and UBG.
102. A draft protocol will be provided to CWB in the next few days. UBG is hopeful that it can conclude a protocol with CWB and if that occurs, UBG will seek Court approval thereof.

### ***South Terwillegar***

103. The project known as South Terwillegar is a two phase 112 unit town home complex located in Edmonton, Alberta. Phase 1 which comprised 70 units is complete and sales of all 70 units have closed. The South Terwilliger project is being built under the Greenboro Communities brand.
104. Phase 2 is under construction and comprises 42 units of which 25 units are pre-sold. Costs to complete are estimated to be \$5.8 million.
105. Scotiabank is providing the financing on this project. Scotiabank has made available to UBG a construction loan up to \$7.7 million in respect of phase 2. Scotiabank is currently owed approximately \$3.25 million.
106. Unity Investments also provided financing on the South Terwillegar project. Unity Investments holds a second secured position and is currently owed approximately \$1.9 million.
107. There is a private investor that holds a 50% interest in the South Terwillegar project having made an initial contribution of approximately \$516,000. The private investor is currently owed approximately \$516,000.
108. The Monitor with input from the Company prepared a financial analysis of the South Terwillegar project and provided same to Scotiabank for its review and consideration. The purpose of the financial model was to supply Scotiabank with a detailed analysis of the South Terwillegar project so that Scotiabank could assess the project’s financial position and determine ongoing funding requirements. The financial model provided to Scotiabank indicates that the South Terwillegar project is profitable and that Scotiabank is well secured on its loans. If the project is completed UBG is expected to realize profits of approximately \$1.4 million after payout of the amount owed to the private investor.
109. UBG and the Monitor are working with Scotiabank with the view to establishing a protocol for Scotiabank to provide financing to build out the South Terwillegar project. A draft of the protocol will be provided to Scotiabank in the next few days. Upon concluding a protocol with Scotiabank, UBG will seek Court approval thereof.

### ***Village on the Park***

110. The project known as Village on the Park (“VOP”) is a 3 phase 243 unit condominium complex comprising 3 buildings located in Edmonton, Alberta. Building “A” is complete and all units have been sold and closed. Building “B” is also completed. 69 of the 82 units have been sold and closed. The VOP project is being developed under the Greenboro Communities brand.

111. Building "C" is currently under construction and will be completed by June 30, 2012. It comprises 79 units. 50 units have been sold and closings are ongoing. 29 units remain available for sale. The Company is actively marketing for sale the unsold units.
112. Scotiabank is providing the financing on this project. Scotiabank has made available to UBG on the VOP project a construction loan up to \$9.5 million in respect of Building "C". Scotiabank is currently owed approximately \$3.1 million.
113. There is a private investor that holds a 50% interest in the VOP project having made an initial contribution of approximately \$3.0 million. The private investor is currently owed approximately \$3.0 million.
114. The Monitor with input from the Company prepared a financial analysis of the VOP project and provided same to Scotiabank for its review and consideration. The purpose of the financial model was to supply Scotiabank with a detailed analysis of the VOP project so that Scotiabank could assess the project's financial position and determine ongoing funding requirements. The financial model provided to Scotiabank indicates that VOP is profitable and that Scotiabank is well secured on its loans. If the project is completed UBG is expected to realize profits exceeding \$5.0 million after payout of the amount owed to the private investor.
115. UBG and the Monitor were working with Scotiabank with the view to establishing a protocol for Scotiabank to provide financing to build out the project. However due to the quantum of ongoing closings, it appears that Scotiabank will be paid out in full shortly and will not need to advance additional funds in respect of the VOP project.
116. Proceeds from future sales of Residential Units will be available to pay the Trades. Based on UBG's projected Residential Unit sale figures, it appears that the Trades could be paid in full prior to the end of August 2012.

### ***Village at the Hamptons***

117. The project known as Village at the Hamptons ("Hamptons") is a 7 phase, 458 unit complex located in northwest Edmonton, Alberta comprising 86 town homes and 372 condominiums. The Hamptons project is being developed under the Greenboro Communities brand.
118. Construction had just commenced prior to May 9, 2012. Approximately \$1.7 million has been spent by the Company on construction to date. The project has not yet been approved by ANHWP.
119. The Monitor is advised that the Company has pre-sold 65 condominiums and 5 townhouses. The Company's plan is to firstly construct phase 1 (consisting of two apartment buildings of 91 and 99 units respectively) and phase 5 (26 town homes). Completion of phases 2, 3 and 4 will be completed in the future.
120. BMO is providing the financing on the Hamptons project. BMO has made available to UBG on this project land financing up to approximately \$9.0 million, and two construction facilities of up to approximately \$12.1 million and \$4.7 million respectively. BMO is currently owed approximately \$6.8 million on the land facility and \$1.5 million on the construction facilities.

121. Unity Investments also provided financing on the Hamptons project. Unity Investments is in a second secured position and is owed approximately \$3.55 million.
122. There is a private investor that holds a 50% interest in the Hamptons project having made an initial contribution of approximately \$3.5 million. The private investor is currently owed approximately \$3.5 million.
123. The Monitor with input from the Company prepared a financial analysis of the Hamptons project and provided same to BMO for its review and consideration. The purpose of the financial model was to supply BMO with a detailed analysis of phase 1 and phase 5 of the project so that BMO could assess the project's financial position and determine ongoing funding requirements. If all 7 phases of the project are completed UBG is expected to realize profits exceeding \$7.0 million after payout of the amount owed to the private investor
124. UBG and the Monitor have not yet had an opportunity to meet with BMO to discuss establishing a protocol for the Hamptons project. The Monitor and UBG plan to meet with BMO next week subject to establishing a mutually convenient time.

#### **Completed Projects**

125. Two of the Multi-Family Projects, Timberline and Wilderness are substantially complete. Both these Projects are located in Canmore, Alberta.

#### ***Timberline***

126. The Timberline project is a 4 phase 87 unit development comprising 17 town homes and 70 condominiums. 57 units are sold and 56 of the sold units have closed. It was developed under the Alpine Homes brand.
127. Of the remaining 30 units, 26 units are complete and 4 units require completion. The estimated costs to complete the 4 units are \$350,000. The Company estimates the current value of the 30 unsold units is approximately \$22 million.
128. BMO and ICI provided financing on the units. BMO holds a first secured position on 21 units. BMO's outstanding secured debt is approximately \$8.8 million. The units subject to BMO's security have an estimated value substantially greater than amounts owed to BMO.
129. ICI holds a first secured position on 9 units. ICI's outstanding debt is \$6 million. The units subject to ICI's security have an estimated value of substantially greater than amounts owed to ICI.
130. Unity Investments holds a second secured charge over all of the 30 remaining units. Unity Investments is owed approximately \$5.75 million.
131. In addition to the costs to complete the 4 units, there is approximately \$250,000 owed in respect of condominium fees and taxes and approximately \$200,000 owed to Trades.
132. The Company has experienced difficulty selling the units due to the depressed real estate market in Canmore. UBG and the Monitor plan to meet with BMO and ICI to discuss a strategy to sell the



remaining units and maximize recoveries on this project. UBG and the Monitor will also communicate with Unity Investments to discuss a course of action on this project.

### **Wilderness**

133. The Wilderness project is a 6 phase 45 unit condominium and town home development. 24 units have sold. 21 units have not sold. The Wilderness project was developed under the Alpine Homes brand.
134. Scotiabank provided financing on the Wilderness project and is owed approximately \$4.6 million.
135. There is a private investor that holds a 50% interest in the Wilderness project having made an initial contribution of approximately \$5.2 million. The private investor is currently owed approximately \$3.9 million.
136. UBG and the Monitor have communicated with Scotiabank and the private investor in respect of this project. On Friday June 8, 2012 UBG and the Monitor met with the private investor. The private investor has advanced a preliminary offer to purchase both the general partner and the limited partnership entities in respect of this project. Scotiabank supports the sale of the project to the private investor.
137. The Monitor and its legal counsel will be reviewing documents in connection with the Wilderness project and will also assess whether the preliminary offer represents fair market value in the circumstances.
138. If an agreement with the private investor can be concluded in a satisfactory fashion, the Company will seek Court approval thereof.

### **CLOSING MECHANICS**

139. The Company is subject to numerous purchase and sale agreements in respect of completed and ready-to-occupy Residential Units and will continue to sell homes in the ordinary course of business. As a result of, among other things, the Initial Order, the Administration Charge, and the Directors' Charge (all as defined in the Initial Order), registrations in favour of individual lenders and liens registered by certain parties, the Company may not be able to deliver clear title to a purchaser.
140. The Company is seeking an Approval and Vesting Order, vesting title in purchasers of Residential Units, free and clear of all claims, encumbrances, liens and the like. It is proposed that these sales would be completed with the Monitor's approval and following issuance of a Monitor's Certificate in respect of such sale to alert the relevant land titles office of the details of that particular sale. It is also proposed that the Net Proceeds as defined in the Approval and Vesting Order:
  - a) Would be held in trust with FMC and such Net Proceeds will stand in place of the sold property and any and all Claims as defined in the Approval and Vesting Order will attach to such proceeds; and

- b) May be distributed to those with valid and enforceable claims to the Net Proceeds, provided the Monitor approves such a disbursement.
141. The proposed form of Approval and Vesting Order also provides that with respect to unsold units a sale of a Residential Unit (as defined therein) will not be approved by the Monitor unless (i) the price for that Residential Unit is not less than 90% of the lowest list price permitted by agreements related to that Residential Unit; or (ii) UBG, the Monitor, and all parties with a mortgage interest in that Residential Unit (collectively, the "Interested Parties") agree to a lower price; or (iii) an Order is obtained from this Honourable Court, on notice to the Interested Parties, approving a lower price. UBG will provide a listing price for Residential Units to the Interested Parties.
142. The Approval and Vesting Order directs land title registration offices in Alberta to register title to purchasers in accordance with a Monitor's certificate, which is intended to accompany individual unit closing documents. The form of Monitor's certificate is attached as a schedule to the form of Approval and Vesting Order. In the Monitor's view, this is the most practical, cost efficient and timely method to effect unit sales. A copy of the proposed Approval and Vesting Order and the Monitor's certificate are attached to UBG's application documents in respect of the June 15, 2012 hearing.

### **Recommendation**

143. The Monitor respectfully recommends that this Honourable Court grant the draft Approval and Vesting Order, as filed with the application materials for the June 15, 2012 hearing, for the following reasons:
- a) It allows the Company to monetize certain assets and maximize recoveries;
  - b) Parties are not prejudiced by the proposed distribution of Net Proceeds; and
  - c) It is in the best interest of Residential Unit purchasers as it will allow them to close on their Units and get the benefit of their deposits.

### **INVESTORS**

144. The Company attracted investment through its Unity Investments division as described earlier in this Report and more fully in the May 8<sup>th</sup> Friesen Affidavit.
145. There are approximately 200 individual investors invested through Unity Investments, ABC Capital and ABC US Capital.
146. The Company has initiated weekly conference calls for investors to provide regular information to the investors. The Monitor has been attending a majority of these calls.

## **CASH FLOW**

147. UBG filed a 13-week cash flow projection for the period commencing May 7, 2012 with its CCAA application materials. A comparison of the budget to actual results for the four week period ending June 3, 2012 is provided as Appendix "B".
148. An updated projected statement of cash flow to the period ending September 30, 2012 ("Projection") is provided as Appendix "C". The notes to the Projection should be read in conjunction with the Projection. The Monitor assisted UBG with the preparation of the projected cash flow. The cash flow is predicated on UBG continuing to operate in the normal course in the context of the CCAA Proceedings and entering into Protocols with the various lenders for continued financing. The Monitor has reviewed the Projection and its underlying assumptions. The Projection is based on UBG's management's assumptions regarding future events; actual results will vary from the information presented even if the forecast assumptions occur, and the variations may be material. Accordingly, the Monitor expresses no assurance as to whether the projection will be achieved.
149. The Projection reflects that UBG requires approximately a 12% holdback on Net Proceeds in order to meet ongoing operational expenses. To date, all payroll has been funded from limited funds on hand as at May 9, 2012. If the 12% holdback is not made available in the next couple of weeks, UBG will likely be unable to meet its payroll obligations.
150. Appendix "D" reflects the quantum of funds held in trust in respect of Residential Unit closings since May 9, 2012. There are sufficient funds held from Residential Unit Closings to meet UBG's upcoming payroll and certain ongoing operating expenses

## **CLAIMS PROCESS**

151. The Company is seeking Court approval to commence a claims process so it can assess claims against the Company and the Projects and their relative priority. Among other reasons, a claims process may be required to assist the Company and its stakeholders to quantify the equity available in each Project.
152. Additionally, given the compartmentalization of the Projects and the need to quantify both secured and unsecured debt in each Project to allow the Company and the Monitor to assess ongoing operations on a Project by Project basis, a more formal process needs to be undertaken to ensure fairness to all parties.
153. With respect to Unity Investments, ABC Capital and ABC US Capital, UBG has maintained a registry of all of the investors in respect of each issued debenture and the amount of principle invested, interest earned and distributions made, and similar information in respect of amounts invested in the respective UBG Projects. It is UBG's and the Monitor's view, that the investor registry is accurate and accordingly, the claims notices, in addition to the proof of claim, to be sent to the investors will indicate the amount of the investor's claim against each respective Project. The Investors will not be required to submit a proof of claim provided they agree with the quantum of the claim set out in the claims notice. This is expected to make the claims process for the investors much more efficient.

154. The Claims Procedure Order and the Reverse Claims Procedure Order, and the process contemplated by the orders are similar to those approved by this Honourable Court in other CCAA proceedings, save and except that this process provides that the review of secured claims against Projects can be accelerated to allow a prompt resolution of claims.
155. The Monitor supports commencement of a claims process and respectfully recommends that this Honourable Court make an order in accordance with the draft Claims Procedure Order and the Reverse Claims Procedure Order.

#### **COMPANY'S REQUEST FOR AN EXTENSION OF THE CCAA PROCEEDINGS**

156. The Monitor supports the Company's request for an extension of the stay of proceedings from June 15, 2012 to September 14, 2012 for the following reasons:
- a) The Company is acting in good faith and with due diligence in its restructuring efforts;
  - b) Summer is approaching and the Company is entering its most robust time of the year. UBG will need to focus its resources on sales and closings which will assist it with its finances as the Residential Units are sold and closed; and
  - c) An extension will provide:
    - i) the Company's management team, with the assistance of the Monitor, an opportunity to continue to review the Projects, make arrangements with lenders for continued support of the Projects and develop go forward strategies on a project specific basis; and
    - ii) the Company with an opportunity to monetize certain of its assets, under the supervision of this Court, which is expected to maximize recoveries for all stakeholders.
157. The Monitor anticipates that as it, the Company and key stakeholders further assess each of the Projects, the Company and the Monitor will be reporting to the Court before expiration of the proposed stay extension with respect to project-specific relief.

#### **MONITOR'S ACTIVITIES**

158. In addition to the activities referenced in this Report, the Monitor's activities since the First Report include:
- Continuing its review of the Company's financial information;
  - Preparing detailed financial analyses of the Company's Projects;
  - Meeting with and corresponding with the Company's lenders;
  - Reviewing the Company's cash flow;
  - Regular communications with creditors and stakeholders;
  - Meeting with Trades in Edmonton and Calgary;

- Participating in twice weekly conference calls with investors;
- Posting documents filed in these proceedings on its website;
- Corresponding with FMC and Bennett Jones; and
- Drafting this Report.

## **CONCLUSION AND RECOMMENDATION**

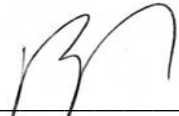
159. Based on the foregoing, the Monitor respectfully recommends that this Honourable Court make an order granting the relief detailed in Paragraph 5 h) of this Report.

\* \* \*

All of which is respectfully submitted this 12<sup>th</sup> day of June 2012.

**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, CA, CIRP

UBG Group of Companies  
 Closed Residential Unit Sales Summary  
 As at June 12, 2012

Project Code	Job #	Project Description	Address
<b>Greenboro Estate Homes LP</b>			
112013	01-08059	GEH - Montrose	1405 Montrose Terrace SE
112022	01-12006	GEH - Castle Keep	5 Ascot Park SW
112022	01-11017	GEH - Castle Keep	9336 - 14th Avenue SW
112018	16-33029	GEH - Westmere Estates	176 Stonemere Close
112023	01-09009	GEH - Currie Barracks	3816 Sarcee Road SW
<b>Today's Homes LP</b>			
113009	08-08060	THI - The Lakes of Muirfield	185 Muirfield Blvd
<b>High Pointe LP</b>			
122102	04-00027	HPI2 - The Murals at High River	351 Monteith Drive SE
<b>Village on the Park LP</b>			
321402	03-00105	VPI2 - Village on the Park	105, 400 Silver Berry Road NW
321402	03-00114	VPI2 - Village on the Park	114, 400 Silver Berry Road NW
321402	03-00115	VPI2 - Village on the Park	115, 400 Silver Berry Road NW
321402	03-00201	VPI2 - Village on the Park	201, 400 Silver Berry Road NW
321402	03-00205	VPI2 - Village on the Park	205, 400 Silver Berry Road NW
321402	03-00207	VPI2 - Village on the Park	207, 400 Silver Berry Road NW
321402	03-00209	VPI2 - Village on the Park	209, 400 Silver Berry Road NW
321402	03-00210	VPI2 - Village on the Park	210, 400 Silver Berry Road NW
321402	03-00211	VPI2 - Village on the Park	211, 400 Silver Berry Road NW
321402	03-00214	VPI2 - Village on the Park	214, 400 Silver Berry Road NW
321402	03-00215	VPI2 - Village on the Park	215, 400 Silver Berry Road NW
321402	03-00217	VPI2 - Village on the Park	217, 400 Silver Berry Road NW
321402	03-00302	VPI2 - Village on the Park	302, 400 Silver Berry Road NW
321402	03-00303	VPI2 - Village on the Park	303, 400 Silver Berry Road NW
321402	03-00307	VPI2 - Village on the Park	307, 400 Silver Berry Road NW
321402	03-00311	VPI2 - Village on the Park	311, 400 Silver Berry Road NW
321402	03-00314	VPI2 - Village on the Park	314, 400 Silver Berry Road NW
321402	03-00315	VPI2 - Village on the Park	315, 400 Silver Berry Road NW
321402	03-00316	VPI2 - Village on the Park	316, 400 Silver Berry Road NW
321402	03-00317	VPI2 - Village on the Park	317, 400 Silver Berry Road NW
321402	03-00318	VPI2 - Village on the Park	318, 400 Silver Berry Road NW
321402	03-00320	VPI2 - Village on the Park	320, 400 Silver Berry Road NW
321402	03-00321	VPI2 - Village on the Park	321, 400 Silver Berry Road NW
321402	03-00406	VPI2 - Village on the Park	406, 400 Silver Berry Road NW
321402	03-00407	VPI2 - Village on the Park	407, 400 Silver Berry Road NW
<b>Greenboro Homes LP</b>			
311020	10-03096	GHL - Tribute	50 Dunlop Wynd
311022	04-11093	GHL - Walker Lakes Regular	6103 18 Avenue SW
311020	10-03098	GHL - Tribute	54 Dunlop Wynd
311014	02-18111	GHL - Southfort	80 Radcliffe Wynd

Project Code	Job #	Project Description	Address
311019	10-03119	GHL - Tribute	97 Dunlop Wynd
311025	10-25006	GHL - Griesbach	5047 Dewolf Road
311014	02-18112	GHL - Southfort	82 Radcliffe Wynd
311022	04-11088	GHL - Walker Lakes Regular	6123 18 Avenue SW
311019	10-07017	GHL - Tribute	74 Dunlop Wynd
Total	<u>41</u>		

UBG Builders Group  
Cash Flow Variance Analysis  
For the four week period - May 7 to June 3, 2012  
(\$Cdn, Unaudited)

	Notes	Projected	Actual	Variance
<b>Cash inflows</b>				
Mortgage advances	1	3,114,626	59,263	3,055,363
Advances				
ATB	1	1,869,445	898,025	971,420
TD Bank	1	1,609,128	1,000	1,608,128
Closings				
Firm	2	7,279,170	9,112,112	(1,832,942)
Pending	2	1,437,761	-	1,437,761
A/R collection	3	600,000	22,357	577,643
GST	4	40,000	169,288	(129,288)
Other	5	60,000	219,289	(159,289)
Subtotal - inflows		16,010,130	10,481,334	5,528,796
<b>Cash outflows</b>				
Mortgage payment	2	8,222,250	885,609	7,336,641
Wages and salary	6	517,265	753,918	(236,653)
Rent	7	92,000	4,000	88,000
GST	7	207,000	793	206,207
Insurance		15,557	29,036	(13,479)
Payables				
Overheads		-	9,532	(9,532)
Legal/Accounting		-	2,532	(2,532)
Trades	1	6,324,343	133,467	6,190,876
Restructuring costs	2	307,692	-	307,692
Lot purchases				
Lot deposits	8	-	81,940	(81,940)
Developer		-	-	-
ABC	7	3,114,626	-	3,114,626
Interest	9			
Construction mortgage		31,000	140,092	(109,092)
Other mortgage		-	38,992	(38,992)
Bank fees		6,400	13,058	(6,658)
Investor financing		-	-	-
Other		2,713	75,678	(72,965)
Contingency		30,769	-	30,769
Subtotal outflows		15,756,989	2,168,646	13,588,343
<b>Net cash flow</b>				
Period only		253,141	8,312,688	(8,059,547)
Opening available cash		740,000	740,000	-
Closing cash balance		993,141	9,052,688	(8,059,547)

This schedule should be read in conjunction with the accompanying notes.



**UBG Builders Group**  
**Notes to Cash Flow Variance Analysis**  
**For the four week period - May 7 to June 3, 2012**

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1. Pursuant to the cash flow accompanying UBG's CCAA application, it was assumed that certain lenders would continue to provide the necessary advances, pursuant to the credit facilities in place for each respective project, to complete construction including the ongoing payment to trades for materials and services. Actual advances and payments to trades are less than projected as mortgage funds have not been advanced pending agreements ("protocols") being put in place with the lenders. The amounts advanced by ATB were prior to UBG's CCAA filing.
2. Approximately \$8.5 million is currently held in trust with various lawyers in respect of closings. Approximately \$575,000 was distributed during the week of UBG's CCAA filing. Once the Protocols are established with the various lenders, funds can be distributed accordingly.
3. Projected accounts receivable were overstated as the settlement of approximately \$600,000 was collected prior to May 7, 2012.
4. Actual GST refunds were greater than projected.
5. Comprises rental income and other miscellaneous refunds. The amounts were understated.
6. UBG is reducing its employee compliment. The reductions have been phased in over a longer period than expected so as not to jeopardize closings.
7. Timing difference.
8. Three lots were purchased in respect of the Laurel project in Edmonton using funds on hand. It is expected that ATB will finance the purchase of these lots.
9. Interest payments automatically taken by various lenders.

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**These notes should be read in conjunction with Appendix "B".**

UBG Builders Group  
 Projected Statement of Cash Flow to September 30, 2012  
 As at June 12, 2012  
 (\$Cdn, Unaudited)

	Notes	Cumulative	Week ending				Month ending			Total
		May 7 - June 3	June 4 - 10	June 11 - 17	June 18 - 24	June 25 - July 1	July	August	September	
<b>Inflows</b>										
Mortgage advances	1	59,263	-	6,365	20,017	4,644,749	3,273,448	3,806,098	3,694,382	15,504,322
Operating line advances										
ATB	2	898,025	190,237	312,768	1,222,081	1,725,428	4,959,685	3,698,009	3,455,328	16,461,560
TD Bank	2	1,000	7,311	146,663	-	1,748,606	1,664,344	42,225	33,956	3,644,105
Closings	3									
Firm		9,112,112	-	1,325,685	-	5,189,818	954,987	-	-	16,582,601
Pending			-	-	-	1,529,235	10,393,466	11,371,691	10,832,298	34,126,689
A/R Collection		22,357	-	-	-	-	-	-	-	22,357
GST		169,288	42,266	-	-	-	-	-	-	211,554
Other	4	219,289	159,721	65,560	35,000	-	35,000	35,000	35,000	584,570
<b>Subtotal - inflows</b>		<b>10,481,335</b>	<b>399,535</b>	<b>1,857,040</b>	<b>1,277,098</b>	<b>14,837,836</b>	<b>21,280,929</b>	<b>18,953,022</b>	<b>18,050,963</b>	<b>87,137,758</b>
<b>Outflows</b>										
Mortgage payment	5	885,609	-	1,166,602	7,513,074	5,512,903	9,569,977	10,007,088	10,182,360	44,837,614
Wages and salary		753,917	7,459	216,689	-	313,489	526,979	212,492	214,992	2,246,016
Rent		4,000	-	-	88,000	92,000	92,000	14,000	88,000	378,000
GST		793	93,637	128,412	75,649	37,823	5,000	-	-	341,314
Insurance		29,036	28,189	40,808	-	5,175	67,158	47,128	22,732	240,225
Property Tax		-	-	-	-	887,384	-	-	-	887,384
Payables										
Overheads	7	9,532	-	217,237	-	-	218,417	139,399	139,399	723,984
Legal/Accounting		2,532	-	39,892	-	-	39,892	17,535	17,535	117,385
Trades	8	133,467	-	200,000	-	6,997,980	8,062,020	6,250,000	6,150,000	27,793,467
Restructuring costs		-	365,385	76,923	76,923	76,923	384,615	307,692	307,692	1,596,154
Lot purchases										
Lot deposits	9	81,940	-	-	28,180	185,550	150,000	-	-	445,670
Developer	9	-	-	-	1,106,940	-	1,333,360	718,281	473,100	3,631,681
Interest	10									
Construction mortgage		140,092	-	-	20,017	18,000	38,017	38,017	38,017	292,160
Other mortgage		38,992	-	-	-	82,800	82,800	82,800	-	287,392
Bank fees		13,058	878	4,601	1,092	5,298	15,005	13,334	9,345	62,610
Investor financing		-	-	-	-	-	-	-	-	-
Other		75,678	-	7,722	-	2,713	10,435	-	2,713	99,262
Contingency		-	7,692	7,692	7,692	7,692	38,462	30,769	30,769	130,769
<b>Subtotal outflows</b>		<b>2,168,645</b>	<b>503,239</b>	<b>2,106,578</b>	<b>8,917,568</b>	<b>14,225,731</b>	<b>20,634,138</b>	<b>17,878,534</b>	<b>17,676,654</b>	<b>84,111,087</b>
<b>Net cash flow</b>										
Period only		8,312,689	(103,704)	(249,539)	(7,640,470)	612,105	646,792	1,074,488	374,310	3,026,671
Opening available cash		740,000	9,052,689	8,948,985	8,699,446	1,058,977	1,671,082	2,317,874	3,392,362	740,000
<b>Closing cash balance</b>		<b>9,052,689</b>	<b>8,948,985</b>	<b>8,699,446</b>	<b>1,058,977</b>	<b>1,671,082</b>	<b>2,317,874</b>	<b>3,392,362</b>	<b>3,766,671</b>	<b>3,766,671</b>

This appendix should be read in conjunction with the accompanying notes.

**UBG Builders Group**  
**Notes to Projected Statement of Cash Flow to September 30, 2012**  
**As at June 12, 2012**

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1. In order that construction at the various multi-family developments can continue and value therein can be maximized, it is assumed that lenders will continue to provide the necessary advances, pursuant to the credit facilities in place for each respective project, once "protocols" with the lenders is established, to complete construction including the ongoing payment of trades retained to build the projects.
2. Construction of the various single family developments are financed by Alberta Treasury Branches ("ATB") in respect of the Greenboro Homes in Edmonton and by The Toronto-Dominion Bank ("TD Bank") in respect of Greenboro Estates in Calgary. ATB and TD Bank have agreed to fund the construction of the pre-sold homes subject to establishing the necessary "protocols".
3. During the period of the Cash Flow, UBG expects to close sales on 139 units totalling approximately \$42 million in the following developments:

	<b># of Units</b>	<b>Amount (\$)</b>
Greenboro Homes	65	20,156,604
Greenboro Estate Homes	11	6,546,073
Today's Homes LP	6	1,745,482
Village on the Park	32	6,605,159
High Point LP	6	1,328,961
South Terwillegar Village LP	19	5,214,898
	<b>139</b>	<b>41,597,177</b>

4. Comprises rental income from various tenants occupying UBG commercial buildings.
5. Represents payments on various mortgages in connection with closing sales as reflected in note 3 above. The amount reflected as mortgage payments is net of a 12% holdback which is required to finance UBG's ongoing administrative requirements including wages and salaries, overhead expenses, rent, legal fees, accounting fees and restructuring costs to August 31, 2012. It is anticipated the holdback will be reduced to 6% commencing September 1, 2012.
6. 50 employees have been terminated or have resigned since the CCAA proceedings commenced. This has reduced payroll costs by approximately \$220,000 per month. The Cash Flow reflects a substantial reduction in wages and salaries.
7. Overheads comprise general expenses including utilities, licenses, office supplies, advertising, and telephones.
8. Estimated restructuring costs to be incurred over the cash flow period.
9. The Cash Flow assumes that lot deposits and payments to developers for lot purchases in respect of the single family developments will be financed by the construction lender.

However, UBG with the Monitor's assistance plans to discuss ongoing lot purchases with the respective lenders on these projects as soon as possible to determine an approach to future lot purchases.

10. The Cash Flow provides for interest payments on multi-family development credit facilities where continued advances are provided by the lenders to complete construction. The Cash Flows do not support interest payments to any other parties.

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**These notes should be read in conjunction with the Appendix "C".**

United Builder's Group  
Residential Unit Sales Funds Held in Trust  
As at June 12, 2012  
(\$Cdn, Unaudited)

Company Name	Location	Funds held in trust	Estimated closing costs including GST	Estimated net proceeds	Overhead contribution (12%)
Greenboro Estate Homes LP	Fraser Milner Casgrain LLP	3,011,439	55,884	2,955,555	354,667
Today's Homes LP	Fraser Milner Casgrain LLP	337,039	15,032	322,007	38,641
High Pointe	Fraser Milner Casgrain LLP	273,420	5,348	268,072	32,169
Village on the Park	Anderson Haak & Engels	2,677,404	149,397	2,528,007	303,361
Greenboro Homes Ltd.	Anderson Haak & Engels	2,570,581	106,637	2,463,943	295,673
		8,869,882	332,298	8,537,584	1,024,510