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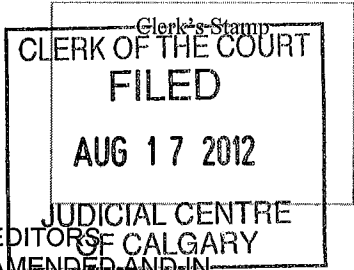
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COURT

COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE

CALGARY



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

DOCUMENT

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

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT

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INTRODUCTION

1. On May 9, 2012, the Court of Queen's Bench of Alberta ("Court") issued an order ("Initial Order") granting the UBG Group of Companies ("UBG" or the "Company") protection pursuant to the *Companies' Creditors Arrangement Act* ("CCAA") (the "CCAA Proceedings"). Ernst & Young Inc. ("EY") was appointed monitor ("Monitor") under the Initial Order.
2. Pursuant to a Court Order made on June 15, 2012 the stay of proceedings under the Initial Order was extended to September 14, 2012.
3. On July 10, 2012 the Court made an order approving the Protocol Agreements between the Company and Alberta Treasury Branches ("ATB"), and the Company and The Bank of Nova Scotia ("Scotiabank").
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 Fourth Report are as defined in all orders and/or Monitor's Reports previously issued in respect of these CCAA Proceedings.

Purpose of this Report

6. The purpose of this report (the "Fourth Report") is to:
 - a) Provide a status update on certain of the Company's development projects;
 - b) Summarize the proposed terms of the memorandum of understanding with Canada ICI Capital Corporation ("ICI") in respect of Origins at Cranston Limited Partnership (the "Origins Project") such that the Origins Project can proceed (the "ICI Protocol");
 - c) Summarize the offer from 1686395 Alberta Ltd. ("168") in respect of the Ledges Project;
 - d) Respectfully recommend that this Honourable Court make an order approving:
 - the interim financing arrangements in respect of the ICI Protocol; and
 - the sale of the Ledges Project to 168.

Terms of Reference

7. In developing this Report, the Monitor has relied upon unaudited financial information prepared by the Company's management, the Company's books and records and discussions with its management. The Monitor has not performed an audit or other verification of such information. An examination of the Company's financial forecasts as outlined in the *Canadian Institute of Chartered Accountants Handbook* has not been performed. Future-oriented financial information relied upon in this Report is based on management's assumptions regarding future events.

Actual results achieved may vary from this information and these variations may be material, and as such the Monitor expresses no opinion or other form of assurance with respect to the accuracy of any financial information presented in this Report, or relied upon by the Monitor in preparing this Report.

Currency

8. Unless otherwise noted, 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.
10. More detailed background information including a description of the corporate structure and an extensive summary of the divisions and projects within UBG can be found in the May 8, 2012 affidavit of Robert Friesen (the "Friesen Affidavit") and the Second Report.

COMPANY'S ACTIVITIES

11. The Company has been focused on stabilizing its operations since the date of the Initial Order as described in the First, Second and Third Reports. Those efforts continue and include:
 - a) 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;
 - b) Continuing to close sales of Residential Units;
 - c) Ongoing meetings with certain Company lenders;
 - d) Holding investor calls and meetings;
 - e) Working closely with the Monitor on numerous matters and to develop financial analyses and cash flows in respect of each of its various projects;
 - f) Implemented with the assistance of the Monitor funding arrangements ("Protocols") with ATB and Scotiabank (as detailed in the Third Report); and
 - g) Continuing to negotiate with TD to establish a funding Protocol in respect of the Greenboro Estate Projects and Greenboro Luxury Homes;

FUNDING PROTOCOL

Canada ICI Capital Corporation

12. ICI provides funding on the Origins Project. The Origins Project is a four phase multi-family project located in south east Calgary. It comprises a total of 140 units (24 town homes and 116 condominiums in two buildings¹). 72 units are pre-sold, the remaining 68 are not yet started.
13. Further details of each of these Projects are contained in the Friesen Affidavit and in the Second Report.
14. The Origins Project is financed as follows:
 - a) ICI made available a \$15.6 million conventional first mortgage (subsequently increased to \$16.1 million), two tranche construction financing loan for two 3-storey apartment buildings comprising 116 units. Approximately \$6,980,000 has been committed for one 48 unit apartment building. The mortgage financing did not include the 24 town homes; and
 - b) An advance from Unity Investments of \$6.6 million.
15. ICI is currently owed approximately \$6.0 million (ICI recently advanced approximately \$1.3 million to pay certain trades) and Unity Investments is owed \$6.6 million.
16. 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.
17. ICI has also provided the Company with an amended loan commitment letter which includes a construction loan facility in respect of the 24 town homes. It is anticipated that the availability of the construction loan facility totalling \$4,672,100 will be made shortly after the August 20, 2012 Court application.
18. UBG with the assistance of its legal counsel and the Monitor has negotiated the amended loan facility and developed the ICI Protocol which will provide for, among other things, funding from ICI to continue construction at the Origins Project. The Protocol is intended to achieve the following:
 - a) ICI 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) on the Origins Project for all future advances in respect of the 48 unit apartment building and the 24 town homes; and,
 - b) Establish a mechanism to i) distribute the sales proceeds from sales of homes once construction is completed and sales close; 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

¹ One building has 48 units and the other 68 units.

claimed subject to being proved in accordance with the Claims Procedure Order); and vi) repay the secured indebtedness to ICI on as timely a basis as possible.

19. The ICI Protocol, which remains subject to Court approval, was executed on August 1, 2012.
20. The Monitor supports the ICI Protocol and respectfully recommends that this Honourable Court make an order approving the ICI Protocol for the following reasons:
 - a) Selling homes in the ordinary course will maximize recoveries for the Company;
 - 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);
 - d) Other lenders and stakeholders who have no involvement with the Origins Project will not be prejudiced; and
 - e) The terms of the ICI Protocol are supported by the Origins Project's key stakeholders.

LEDGES

21. The Ledges Project comprises 2.1 acres of raw land. The project is to comprise 31 units. Firm is the only secured creditor and is owed approximately \$2.2 million². UBG is unable to service interest on the debt or pay property taxes on the property. The depressed real estate market in Canmore has made this future project questionable and UBG has no plans to develop the Ledges Project.
22. The property has been listed for sale since January 2012 with a reputable real estate firm for \$2.5 million. The Monitor is advised that there have been no offers for the land as at the time of the Second Report.
23. The Monitor has been provided with a real estate appraisal prepared by Linnell Taylor Lipman & Associates Ltd. on May 18, 2012 (the "Appraisal")³. The Appraisal indicates a market value for the Ledges Project of \$2.4 million. The forced sale value is substantially lower than \$2.4 million.
24. The Monitor was advised by Firm that they knew of a third party who expressed interest in purchasing the Ledges Project. On July 12, 2012, the Monitor and UBG were provided with an offer to purchase the Ledges Project (the "Initial Offer") from 168, a party that the Monitor understands is at arm's length from UBG. The Initial Offer was for \$2.4 million and was subject to a due diligence period to August 10, 2012. UBG accepted the offer.
25. On August 8, 2012, prior to the expiration of the due diligence period, the Monitor and UBG were provided with an amended offer from 168 to purchase the Ledges Project which reduced the purchase price from \$2.4 million to \$2.32 million (the "Amended Offer"). There were no other

² Pursuant to a Mortgage Discharge Statement provided by Firm and dated as of September 17, 2012 (anticipated closing date of the Ledges sale), Firm is owed \$2,221,713.34.

³ The Appraisal was prepared for Firm.

conditions and the Amended Offer waives all of the conditions precedent included in the Initial Offer, and accordingly UBG accepted the offer.

26. The Monitor supports UBG's acceptance of the Amended Offer from 168 for the following reasons:
- a) The Amended Offer is consistent with the appraised value and appears to be fair market value in the circumstances;
 - b) UBG has no plans to develop the Ledges Project;
 - c) A sale will allow amounts owing to Firm to be paid in full and arrest accruing interest on the Firm loan;
 - d) No other stakeholders in the Ledges Project will be prejudiced; and
 - e) The Amended Offer is acceptable to UBG.
27. Proceeds of the sale of the Ledges Project would be applied to closing costs (approximately \$26,000⁴), borrower's costs (3% of the purchase price or approximately \$69,600), and to repay Firm's outstanding amount of approximately \$2.2 million. Any surplus would be available to UBG for general corporate purposes. The Monitor is of the view that the 3% borrower's costs are reasonable.

MONITOR'S ACTIVITIES

28. In addition to the activities referenced in this Report, the Monitor's activities since the Second Report include:
- a) Continuing its review of the Company's financial information;
 - b) Preparing detailed financial analyses of the Company's Projects;
 - c) Meeting with and corresponding with the Company's lenders;
 - d) Reviewing the Company's cash flow;
 - e) Regular communications with creditors and stakeholders;
 - f) Participating in twice weekly conference calls with investors;
 - g) Posting documents filed in these proceedings on its website;
 - h) Corresponding with FMC and Bennett Jones; and
 - i) Preparing this Report.

CONCLUSION AND RECOMMENDATION

29. The Monitor supports the Company's request for the relief detailed in Paragraph 6 d) of this Report for the following reasons:

⁴ Principally property taxes.


- a) The Company is acting in good faith and with due diligence in its restructuring efforts;
 - b) The ICI Protocol will enable construction to continue on the Origins Project; and
 - c) The Amended Offer for the Ledges Project is fair market value.
30. Based on the foregoing, the Monitor respectfully recommends that this Honourable Court make an order granting the relief set out in Paragraph 6 d) of this Report.

* * *

All of which is respectfully submitted this 17th day of August 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