

COURT FILE NUMBER

**1201-05843**

COURT

COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE

CALGARY

APPLICANT(S)

IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, RSC 1985, c 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")

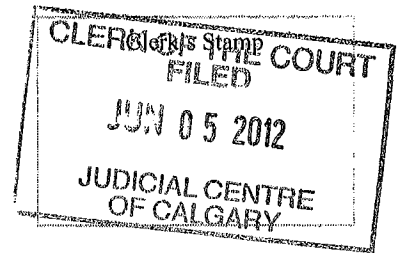
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FIRST REPORT OF ERNST & YOUNG INC. AS CCAA MONITOR OF THE UBG GROUP OF COMPANIES

ADDRESS FOR SERVICE  
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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 the prospects for restructuring the Company's business and assets.
3. 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

4. The purpose of this report ("Report") is to:
  - a) Provide an update on the Company's restructuring efforts;
  - b) Provide an update on the Monitor's actions since the Initial Order; and
  - c) Respectfully recommend that this Honourable Court make an order:
    - i. Extending the stay of proceedings under the Initial Order for an interim period to June 15, 2012.

### Terms of Reference

5. 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

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

## **COMPANY'S ACTIVITIES**

7. The Company has been focused on several matters since the date of the Initial Order including:
  - a) Addressing the quantum of its administration costs and taking steps to reduce such costs which included certain employee layoffs;
  - b) Reviewing several of the Projects with the Monitor to assess each Project's status, viability, costs to complete (where applicable) and necessary financing to complete or continue with various projects;
  - c) Providing to several secured lenders detailed financial analyses compiled by the Monitor of certain Projects setting out, among other things, financing requirements to continue construction on both single family and multi-family Projects and to obtain cooperation for continued support of the Projects;
  - d) Meeting with and communicating with material and service suppliers for the ongoing supply of such materials and services;
  - e) Corresponding with and meeting with certain of the Company's lenders;
  - f) Holding investor conference calls to inform them of the CCAA Proceedings; and
  - g) Advising various stakeholders of UBG of UBG's intent to continue to operate with the support of its lenders in the context of these CCAA Proceedings.

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

8. The Monitor supports the Company's request for an interim extension of the stay of proceedings from June 8 to June 15, 2012 for the following reasons:
  - a) The Company is acting in good faith and with due diligence in its restructuring efforts; and
  - b) The short extension will 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.
9. The Monitor believes that a such short extension of the stay of proceedings will not prejudice any creditor as:
  - a) The requested time extension period is just seven days;
  - b) UBG and the Monitor are liaising with all stakeholders and will continue to do so during this brief extension; and
  - c) The Monitor will provide a more fullsome report on UBG, its operations and its restructuring efforts in connection with the subsequent Court application for an extension that is tentatively scheduled for Friday June 15, 2012.

**MONITOR'S ACTIVITIES**

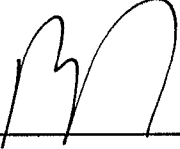
10. The Monitor's activities have been numerous and varied and a more fullsome summary of those activities will be provided in the Monitor's Second Report to the Court.

**CONCLUSION AND RECOMMENDATION**

11. Based on the foregoing, the Monitor respectfully recommends that this Honourable Court make an order granting the relief requested in Paragraph 4 c) of this Report.

All of which is respectfully submitted this 5th 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