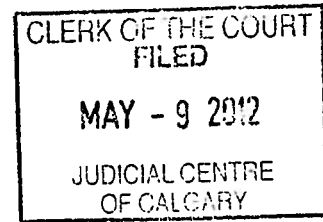


Clerk's stamp:



1201-05843

COURT FILE NUMBER

COURT OF QUEEN'S BENCH OF

ALBERTA

JUDICIAL CENTRE

CALGARY

**IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, RSC
1985, c C-36, AS AMENDED**

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

DOCUMENT

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF PARTY
FILING THIS DOCUMENT

AFFIDAVIT

FRASER MILNER CASGRAIN LLP

Bankers Court

15th Floor, 850 - 2nd Street S.W.

Calgary, Alberta T2P 0R8

Attention: David W. Mann / Derek M. Pontin

Ph. (403) 268-7097/6301 Fx. (403) 268-3100

File No.: 549362-1

AFFIDAVIT OF ROBERT FRIESEN

Sworn on May 8, 2012

I, Robert Friesen, of the City of Calgary, in the Province of Alberta, **MAKE OATH AND SAY THAT:**

1. I am the founder, owner and Chairman of the Board of the Petitioners and I am authorized by all of the Petitioners to depose this Affidavit and do so on their behalf. I am the controlling mind of all of the Petitioners and, as such, I have personal knowledge of the matters herein deposed to, except where stated to be based on information and belief, in which case I do verily believe the same to be true.

RELIEF REQUESTED

2. I make this Affidavit in support of an application by all of the Petitioners (collectively, the "**Applicants**", or "**UBG**") for an Order pursuant to the *Companies' Creditors Arrangement Act*, RSC 1985 c C-36, as amended, (the "**CCAA**") granting certain relief, including the following:
 - (a) a declaration that the Applicants and their related partnerships are entities to which the CCAA applies;
 - (b) a stay of all proceedings and remedies taken, or that might be taken, with respect to the Applicants, their respective property and undertaking, without leave of the Court or as otherwise permitted by law;
 - (c) authorizing the Applicants to carry on business in a manner consistent with the preservation of their property and maximization of value of their assets for stakeholders, including to make payments and enter into contracts as necessary to continue the normal course of operations (including the sale of inventory) and, where appropriate to do so, to complete construction of, and bring to market, the projects that are currently under development (as further described herein);
 - (d) appointing Ernst & Young Inc. as Monitor of the Applicants in these proceedings;
 - (e) permitting the Applicants to file with the Court a plan or plans of compromise or arrangement;
 - (f) certain other relief more specifically discussed below, including approving: (i) the creation of a charge for professional fees including the fees of UBG's counsel, Ernst & Young Inc. and its legal counsel, and (ii) the creation of a charge to secure indemnification obligations in favour of officers and directors of UBG; and
 - (g) such other relief as this Honourable court may grant.
3. Each of the Applicants is either a direct or indirect subsidiary of UBG Builders Inc., or is a partnership comprised of one or more partners that is a direct or indirect subsidiary of UBG Builders Inc. The Applicants operate through six business divisions, described below, but generally operate collectively under the Unity Builders Group name as an integrated corporate group. Virtually all of the Applicants, including each partnership, have a bank account, books

and records, and assets in Alberta. The head office of UBG is located at 808 – 55 Ave NE, Calgary, AB, T2E 6Y4.

4. In most circumstances related to the projects that are described in more detail below, aspects of UBG's business are conducted through limited partnerships. The partnerships of UBG that comprise the Applicants are set forth in the list that is attached hereto and marked as **Exhibit "A"**. Each limited partnership is sought to be included in this application and is hereinafter included in the term "**Applicants**" and "**UBG**". The corporate Applicants are variously incorporated federally in Canada, provincially in Alberta, and in certain of the United States including Colorado, Nevada and Texas.

OVERVIEW

Background

5. UBG is a real estate development group overseeing various homebuilder companies. UBG currently develops more than 500 homes (both single and multi-family) per year and for its latest fiscal year end had approximate aggregate gross annual revenue of more than \$233 million. Founded in 1998, UBG's original mandate was to build quality homes in Alberta, with the care and attention of a local builder.
6. Since its inception, UBG has expanded its business, seeing approximately 80 communities developed through more than 70 entities, utilizing a host of different brands (described below). 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 arm, Unity Investments (as defined below).
7. Currently, UBG consists of six business divisions: (i) a residential development enterprise building single and multi-family homes (referred to herein as "**Alberta Homebuilding**"); (ii) a residential luxury homes division, currently developing luxury homes in the Currie Barracks area of Calgary (referred to herein as "**Greenboro Luxury Homes**"); (iii) a U.S. residential home building enterprise (referred to herein as "**UBG U.S.A.**"); (iv) a commercial development enterprise (referred to herein as "**UBG Commercial**"); (v) a real estate development financing and investment division (referred to herein as "**Unity Investments**"), with active entities in both Canada and the United States; and (vi) a residential land holding division (referred to as "**UBG Land**"), which invests through joint ventures in land acquisitions. UBG Builders Inc. provides corporate and administrative support for all of these divisions.

UBG's Alberta Homebuilding Brands

8. UBG has built over 10,000 homes in Canada since 1998. In this period of time, UBG has developed several distinct brands, including Greenboro, Elite, Quintero, Alpine, Wilderness and Today's Homes.
9. Under the "Greenboro" brand, UBG is primarily involved in single family and multi-family residential developments through Greenboro Homes, Greenboro Estate Homes, Evolution by Greenboro, and Greenboro Communities. Its luxury home brand, Greenboro Luxury Homes, develops larger homes and is currently developing in Currie Barracks. Greenboro is the flagship product line for residential development by UBG. The Greenboro brand is currently being utilized in Calgary and Edmonton (and surrounding areas), and San Antonio.

10. Under the "Today's" brand, UBG 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 and Colorado Springs.
11. "Alpine" and "Wilderness" are the UBG brands used for developments in Canmore. These brands focus primarily on condominium communities for recreational ownership.
12. "Elite" and "Quintero" are both UBG brands that have been used and continue to be recognized in the community. They are not currently being used for any ongoing development projects.

UBG's Unity Investments

13. Unity Investments is a wholly-owned subsidiary of UBG, 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. Through this vehicle, UBG has been able to raise capital for real estate acquisitions that are, in turn, developed by the building divisions of UBG. Through Unity Investments, UBG is able to expand its capital reach, thereby financing a feedstock of real estate for development and investment opportunities.

Corporate Philosophy

14. UBG has long been involved in the community. In 2001, Robert Friesen founded Western Shelter and Charitable Foundation as a means to support the development of affordable housing. In December of 2011, Western Shelter and Charitable Foundation donated \$720,000 to Attainable Homes Calgary. UBG is also active with Calgary Homebuilders' Foundation, which provides specialized housing for charitable groups, and actively participates in fundraising for different charities.
15. In recent years, UBG has received a large number of awards, including a very recent SAM Award for best multi-family design. This is one among more than a dozen SAM Awards that UBG has collected in the past decade. UBG built the first Built Green Platinum house in Canada. UBG aims to be and is recognized as a leader in the community.

CORPORATE ORGANIZATION

Overview

16. 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 company wholly owned by Robert Friesen Investments Inc. ("RFI"), which is in turn wholly owned by me - UBG's founder and owner, Robert Friesen. A diagram depicting the general corporate organization of UBG Builders Inc., and its direct and indirect subsidiaries and interests is attached hereto and marked as **Exhibit "B"**.
17. UBG Builders Inc. owns and operates each of the six divisions discussed above. Each of these divisions are described in more detail below.

Unity Investments

Corporate Structure

18. Attached hereto, marked as **Exhibit "C"**, is a diagram of the corporate structure of the UBG entities comprising Unity Investments. The Unity Investments division of UBG is comprised primarily of its Canadian and U.S. lending companies, Alberta Builders Capital Inc. ("**ABC**") and its wholly owned subsidiary American Builders Capital (US) Inc. ("**ABC US**"). Unity Investments (2012) Inc. is also a part of the Unity Investments enterprise.
19. Unity Investments exists to allow qualified private investors to participate in land acquisitions by and for related UBG entities. ABC and ABC US manage funds capitalized by private contributions, some of which are made through RRSPs, financed through a series of debenture offerings. ABC effectively acts as a "land bank" for UBG by using the debenture proceeds to purchase land directly or to loan to related UBG entities for the purpose of land acquisition. With only one exception (Series C debentures, described below) these loans are always fully secured by a first mortgage.
20. ABC issued Series A debentures, which bear interest at rates varying between 7% to 11%, with interest only payments due on a quarterly basis. The Series A debentures are due to mature on July 15, 2017 with a two year extension at ABC's option. Series A debentures are redeemable by the holder after a 30-day notice period. ABC may limit the number of units redeemed in a quarter to 5% of the total outstanding, at its discretion.
21. ABC also issued Series C subordinated participatory debentures, which bear interest at the rate of 4% with interest only payments due on a quarterly basis. The Series C debentures are not redeemable at the holder's option and must be held until the date of maturity, 30 months from the date of issue. ABC may extend the maturity date for up to two consecutive 12 month periods upon giving 30 days notice. Each specific sub-series of Series C debentures may give to the holder a right of independent investment in LP units in a project for the purpose of profit sharing. As described below, Series C debentures with a right to purchase LP units were offered in connection with the Timberline Lodges project.
22. ABC US issued Series A2 debentures, which bear interest rates varying between 8.5% to 11%, with interest only payments due on a quarterly basis. These debentures are scheduled to mature on July 15, 2018, with a two year extension at ABC US's option. Series A2 debentures are redeemable by the holder after a 30-day notice period. ABC US may limit the number of units redeemed in a quarter to 5% of the total outstanding, at its discretion.
23. ABC issued Series A3 debentures, which bear interest at rates varying between 7% to 9%, with interest only payments due on a quarterly basis. The Series A3 debentures are due to mature in August, 2018 with a two year extension at ABC's option. Series A3 debentures are redeemable by the holder after a 30-day notice period. ABC may limit the number of units redeemed in a quarter to 5% of the total outstanding, at its discretion.
24. ABC will typically loan at up to 85% loan to value for the purpose of acquiring either single family or multi-family serviced lots. At the time development commences, construction financing will replace the ABC loan and the investors will be repaid. Depending on the series or class of debenture that an investor holds, the interest rate, rights of redemption, and other rights (such as options and rights to obtain partnership units) will vary. As at May 4, 2012, ABC has an aggregate of \$18,531,735 and ABC US an aggregate of \$1,966,316 in secured loans receivable from other UBG entities.
25. Currently, there are approximately 227 debenture holders holding an aggregate amount of debt equal to approximately \$20,350,000, comprised as follows:

Series A	\$10,665,000
Series A2	\$1,982,000
Series A3	\$1,964,000
Series C	\$5,739,000

Alberta Homebuilding – Single Family

Corporate Structure

26. Attached hereto, marked as **Exhibit “D”**, is a diagram of the corporate structure of the Alberta Homebuilding entities involved in the construction and development of UBG’s single-family projects.
27. UBG conducts business in Alberta through a number of limited partnerships (generally referred to as “LPs”) that are both brand and project specific. Each partnership is either directly or indirectly owned by the UBG Alberta Builders Limited Partnership (“**Alberta Builders LP**”), a limited partnership comprised of UBG Alberta Builders (2006) Inc. as general partner (a wholly owned subsidiary of UBG Builders Inc.) and UBG Builders Inc. as limited partner. All of the general partners (each referred to generally as a “GP”) in the Alberta Homebuilding division of UBG are wholly owned subsidiaries of UBG Builders Inc.
28. Each of the UBG homebuilding brands is managed through a limited partnership, comprised of a GP and Alberta Builders LP as the limited partner. These partnerships can be referred to generally as the “**Brand Partnerships**”, as each generally represents a UBG brand. In the single family homebuilding division, the Brand Partnerships operate and develop various projects in locations across the Province. This differs from UBG’s multi-family projects, described below, where each Brand Partnership may have one or more limited partnerships operating under it, one being created for each multi-family project.
29. In the conduct of its single family homebuilding business, UBG acquires and owns lots and builds single family homes through the Brand Partnerships in communities across Alberta. UBG currently has ongoing single family developments under the Greenboro Homes, Greenboro Estate Homes and Today’s Homes brands, and has previously had single family operations under the Elite Homes, Alpine Homes and Wilderness Homes by Riverdale brands (collectively, the “**Single Family Brands**”). UBG currently has single family development projects ongoing in the following Alberta communities:
 - (a) through the Greenboro Homes LP (which is generally active in Edmonton):
 - (i) Emerald Hills;
 - (ii) Griesbach;
 - (iii) Laurel;
 - (iv) Maple Crest;
 - (v) Southfort and Southfort Village;

- (vi) Tribute;
 - (vii) Walker Lakes;
- (b) through the Greenboro Estate Homes LP (which is generally active in Calgary and surrounding area):
- (i) Castle Keep;
 - (ii) Currie Barracks;
 - (iii) Sage Meadows;
 - (iv) Westmere (in Chestermere);
 - (v) Montrose (in High River); and
- (c) through the Today's Homes LP (which is generally active in Calgary and surrounding area):
- (i) Cimarron (in Okotoks);
 - (ii) Lakes of Muirfield (in Lyalta);
 - (iii) Fish Creek;
 - (iv) Sage Hill; and
 - (v) Nolan Hill;

(collectively, the "**Single Family Developments**").

- 30. The Greenboro Luxury Homes division also builds single family homes, but only in a specific project in the Currie Barracks area of Calgary and is a distinct division from the Alberta Homebuilding division of UBG. This division is described in more detail below.
- 31. For each Single Family Development, the responsible Brand Partnership, by its GP, 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.
- 32. At present, the Single Family Developments are at varying stages of development, from bare lots to partially completed pre-sales to completed spec and model homes. A summary of the inventories and stage of construction of each Single Family Development is attached hereto and marked as **Exhibit "E"**.

Secured Debt

- 33. UBG currently finances its single family land acquisition, construction and operations through the following credit facilities:

- (a) Greenboro Homes LP finances most of its land acquisitions and all of its development and operations through a demand revolving credit line with Alberta Treasury Branches (the "ATB Line"). On one occasion, land acquisitions were financed through ABC;
 - (b) Today's Homes LP has financed certain spec and model homes through a conventional mortgage with Canada ICI Capital Corporation ("ICI"); and
 - (c) Greenboro Estate Homes LP finances its land acquisitions through ABC, who takes a first priority mortgage on lands acquired until construction commences and then the ABC position is paid out through a revolving credit line with TD Bank (the "TD Line").
34. The ATB Line is capped at \$18.5 million (plus \$350,000 by way of letter of credit) and secured by a floating charge on all real property of Greenboro Homes LP and its GP, and a collateral mortgage in the amount of \$3.5 million registered against the lands owned by the GP. There is currently approximately \$7.76 million outstanding on the ATB Line, and security in the manner of undeveloped lots and work in progress in Edmonton, which is estimated to have a value substantially in excess of what is currently owed to ATB.
35. The ICI facility is comprised of a loan from ICI to Today's Homes Limited Partnership by its general partner, Today's Homes (2006) Inc. in the amount of \$2,466,000, secured by way of a conventional first mortgage over eight existing inventory model and spec homes located in Calgary and the surrounding area, and a guarantee of Alberta Builders LP. The collateral is of an estimated value of approximately \$3.78 million.
36. The TD Line was, subject to recent amendment, capped at \$20 million, available to Greenboro Estate Homes LP by way of prime rate loans, letters of credit and letters of guarantee. Up to \$2.0 million was available for financing the acquisition of serviced lots and the remainder to be made available by drawdown, based on work in place and certain equity margins, as construction financing for the development of single family homes.
37. The TD Line is secured by a floating charge demand debenture in all real property and a general security agreement. Repayment of the TD Line is guaranteed by Alberta Builders LP for up to \$20 million (which is secured by a general security agreement in respect of all indebtedness of Alberta Builders LP to TD).
38. The common practice of Greenboro Estate Homes LP has always been to purchase lots through financing obtained from ABC. As lots were ready to be brought into production, the ABC financing was replaced by draws on the TD Line.
39. Reporting packages have historically been prepared, in accordance with the terms of the TD credit facility, since 2008 and submitted to TD bank for review on a monthly basis. As of January 2012, UBG realized it would be overdrawn on the TD Line and would be offside certain of its financial covenants at month end. UBG contacted TD upon discovery of this issue, and has been working with TD since January, 2012 to come to a mutually agreeable arrangement for repayment of the overdrawn amount or additional security. The TD Line has been capped at the amount outstanding, and further drawdowns are only being permitted on an approval basis.
40. TD is currently owed approximately \$17.8 million in respect of the TD Line. TD has registered caveats against all of the lots purchased by Greenboro Estate Homes LP through ABC financing. As ABC has a first priority mortgage, TD has second position to ABC in respect of those lots. ABC

is owed approximately \$6.3 million for the purchase of those lots and the lots are presently worth approximately \$7.68 million.

41. TD is also a secured lender to UBG in its Greenboro Luxury Homes division. Greenboro Estate Homes LP is a guarantor of the indebtedness of Greenboro Luxury Homes LP to TD, which indebtedness is secured by the Greenboro Estate Homes LP floating charge debenture.

Greenboro Luxury Homes

Corporate Structure

42. Attached hereto, marked as **Exhibit "F"**, is a diagram of the corporate structure of the entities involved in the Greenboro Luxury Homes division. In this division, the Greenboro Luxury Homes Currie Barracks 1A LP (the "**Greenboro Luxury LP**") was created to acquire and develop lands in the Currie Barracks area of Calgary. The project is limited to 16 high-value lots on which Greenboro Luxury Homes has built and is building luxury, semi-custom homes. 14 of the lots have been developed and sold. Two lots remain as bare land, for which pre-sales are in place and deposits have been received.

Secured Debt

43. The acquisition of the Currie Barracks lots was completed through an equity raise from qualified private investors (referred to as the "**Greenboro Luxury Investors**"). The initial equity raise was completed through an offering of partnership units (closed in three tranches), wherein the Greenboro Luxury Investors received a share in the LP, a rate of return on their investment (of 4% to 6%, depending on the timing of their investment) an option to purchase a home in the development, and, as owners of partnership units, a share of the net profits from the Greenboro Luxury Homes project. The Greenboro Luxury Homes division of UBG is unique in that it is the only single family venture in which a private equity raise was completed by UBG and where the investors received a profit share.
44. The original construction financing was provided by TD as a \$12 million facility, repayable on demand with 100% of net sale proceeds being applied to reduce the outstanding amount. As the Currie lots were built out and sold, the facility was reduced to \$4 million, and has a current outstanding balance of approximately \$259,654.
45. As security for the indebtedness of Greenboro Luxury Homes LP, TD has a collateral mortgage of up to \$12 million, a general security agreement, a guarantee of Greenboro Estate Homes LP up to \$12 million (secured, as described above, by a floating charge debenture and a general security agreement), and a guarantee of Alberta Builders LP of up to \$3 million.

Alberta Homebuilding – Multi-Family

Corporate Structure

46. Attached hereto, marked as **Exhibit "G"**, is a diagram of the corporate structure of the Alberta Homebuilding entities involved in the construction and development of UBG's multi-family projects.
47. As already stated, the single family operations differ from the multi-family operations in that the multi-family projects are not directly controlled by the Brand Partnerships, but are each

individually owned and managed by a single-purpose partnership created for that specific project (each a “**Project Partnership**”). Each Project Partnership is comprised of a GP, created to own and finance the particular project, and the Brand Partnership of the UGB brand under which the project is being built. The following are the Brand Partnerships that manage UBG’s multi-family operations, and the 16 projects that are ongoing underneath each of them:

- (a) Today’s Communities LP:
 - (i) Valmont at Aspen Stone;
- (b) Evolutions by Greenboro LP:
 - (i) The Murals at High Pointe
 - (ii) Origins at Cranston;
 - (iii) Valour Park at Currie;
 - (iv) The Bridges;
- (c) Alpine Homes LP:
 - (i) Mountaineers Village;
 - (ii) Mountaineers Village II;
 - (iii) Timberline Lodges;
 - (iv) The Ledges;
- (d) Wilderness Homes by Riverdale LP:
 - (i) Wilderness Ridge at Stewart Creek;
- (e) Greenboro Communities LP:
 - (i) South Terwillegar Village;
 - (ii) Village on the Park;
 - (iii) Village at the Hamptons;
 - (iv) Edgewater at Griesbach; and
 - (v) Village at Laurels; and
 - (vi) Tuscany Developments;

(each project is hereafter referred to as a “**Multi-Family Project**”).

48. 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 units as inventory remains to occur. A

general description of the phases, degree of completion and secured lending facilities associated with each project is attached hereto and marked as **Exhibit "H"**.

Secured Debt

49. UBG currently owes an aggregate of \$76,411,436 in respect of its Multi-Family Projects. This is more fully described below.

UBG Commercial

Overview

50. Attached hereto, marked as **Exhibit "I"**, is a diagram of the corporate structure of the UBG Commercial division.
51. UBG Commercial is structured in a similar manner to the Alberta Homebuilding division, with each of UBG's commercial projects being owned and operated by single purpose project level partnerships. These are:
- (a) UBG 75 Canmore LP;
 - (b) UBG 4500 Calgary LP; and
 - (c) UBG 808 Calgary LP;
- (collectively, the "**Commercial Partnerships**").
52. Each of the Commercial Partnerships is the owner and manager of a commercial property. These partnerships are not presently engaged in any construction or development.

UBG 75 Canmore

Structure and Background

53. UBG 75 Canmore LP, by its GP UBG 75 Canmore Inc., owns a commercial building in Canmore, municipally known as 101, 75 Drygras Gate, Canmore. The building was originally constructed by UBG to serve as office space for UBG's Canmore operations. UBG does not presently occupy the Canmore building, as operations have been downsized and are being more efficiently run out of a UBG show home.
54. The Canmore building is presently leased by UBG to several unrelated entities, including two medical clinics, a kitchen renovation company, a bistro and a wine shop, from which UBG receives monthly rental income of approximately \$24,000. The cost of maintaining the Canmore building, including servicing the mortgage to Bank of Montreal (further described below), property taxes and other costs is approximately \$25,000 per month.
55. The UBG 75 Lands were originally acquired by UBG 75 Canmore Inc. from Mountaineers Village Limited Partnership, a related UBG entity. A copy of the certificate of title for the UBG 75 Lands is attached hereto, marked as **Exhibit "J"**.

Secured Debt

56. UBG 75 Canmore Inc. financed the UBG 75 Lands through a loan facility with the Bank of Montreal. The loan is secured by a mortgage in the original principal amount of \$2,822,658. The Bank of Montreal has advised UBG that it does not intend to renew this credit facility with UBG.
57. Bank of Montreal has further security including a general and specific assignment of rents and leases and a security interest in all present and future real and personal property of UBG 75 Canmore LP. The loan facility is guaranteed by Alberta Builders LP up to the limited amount of \$1,500,000.

UBG 4500 Calgary (Deer Bridge)

Structure and Background

58. UBG 4500 Calgary LP, by its GP UBG 4500 Calgary Inc., owns a commercial property in Calgary municipally known as Bays 1 & 2, 4500 - 112 Ave SE, Calgary. The building was originally purchased by UBG and continues to serve as office and operational space for Deer Bridge Plumbing & Heating Ltd. (a company in which RFI owns a majority of outstanding shares). The cost of maintaining the building, including servicing the mortgage to Business Development Bank of Canada (further described below), property taxes and other costs is approximately \$12,000 per month.
59. A copy of the certificate of title for the UBG 4500 Lands is attached hereto, marked as **Exhibit "K"**. UBG 4500 Calgary Inc. acquired the UBG 4500 Lands through mortgage financing with Business Development Bank of Canada on or about May 14, 2009. The principal aggregate loan amount of \$1,900,000 is secured by a first mortgage in the amount of \$2,000,000, which mortgage matures in November, 2036.

Secured Debt

60. The loan facility is further secured by a general assignment of rents, and is guaranteed by each of Greenboro Estate Homes Limited Partnership and Greenboro Estate Homes (2006) Ltd., up to an amount equal to of 50% of the outstanding loan balance. The loan is also guaranteed by Deer Bridge Plumbing & Heating Ltd., the current tenant of the building, up to an unlimited amount.

UBG 808 Calgary (Head Office)

Structure and Background

61. UBG 808 LP, by its GP UBG 808 Calgary Inc., owns a commercial property in Calgary municipally known as 808 – 55 Ave NE, which is presently used by UBG as its head office. UBG purchased the existing property in 2003, and built an addition of 41,395 square feet in 2003. UBG 808 LP now owns the entire building, at a total of 82,000 square feet, as well as the underground and surface parking. It is currently listed for sale for \$18.5 million.
62. UBG 808 LP leases the premises to UBG Builders Inc., which guarantees the rent payable to UBG 808 LP as required under its mortgage facility with Canada ICI, described below. UBG occupies roughly 35,000 square feet of the head office building, using the space primarily as a product showroom, office and warehouse space, and leases the remainder of the building to various parties, including the Northern Alberta Institute of Technology (which leases approximately

16,000 square feet), Junewarren Nickle Energy Corp. (which leases approximately 21,000 square feet) and Kenn Borek Air Ltd. (who has signed a lease for approximately 9,000 square feet). UBG's gross revenue from these leases (excluding the lease for Kenn Borek Air Ltd., which has yet to commence) is approximately \$91,000 per month.

63. The cost of maintaining the head office building, including servicing the mortgage to Canada ICI, the property taxes and all other costs is approximately \$156,000 per month. As the collective revenue from the leases is less than the rent received, UBG Builders Inc. has had to supplement any required amounts to meet the rent requirement for the Canada ICI financing.
64. A copy of the certificate of title for the UBG 808 Lands is attached hereto, marked as **Exhibit "L"**.

Secured Debt

65. The UBG 808 Lands are secured by mortgage financing with Canada ICI. The principal aggregate loan amount of \$15,875,000 is secured by a first mortgage registered against the UBG 808 Lands, which mortgage matures on June 1, 2013. The mortgage indebtedness is further secured by a general security agreement wherein UBG 808 Calgary Inc. granted a first charge over all its present and after-acquired property to Canada ICI. The mortgage indebtedness is guaranteed by Alberta Builders LP.

UBG Land

Corporate Structure

66. Attached hereto, marked as **Exhibit "M"**, is a diagram of the corporate structure of the land holding companies through which UBG participates in long term land investment and development joint ventures ("**JVs**").
67. The function of the UBG Land division is to enter into joint venture agreements ("**JVAs**") with select third parties, 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. These arrangements allow UBG to participate in a broader range of projects at a lesser up front capital cost, and presently represent significant value and long term potential for UBG.
68. Through the **JVAs**, lands are normally contributed by a JV party and held by a corporation (as nominee) or that JV party for and on behalf of the joint venture parties. Each joint venture party has a beneficial interest in the lands in proportion to the value it has contributed to the JV, either in land or in cash. Each JV party is required to make capital contributions for the duration of the JV, and in failing to do so may be covered by other JV parties in the form of a loan secured by a lien against the defaulting party's beneficial interest. In some cases, UBG's interest in a JV may be further contributed to a second JV with another group of participants, further sharing the cost and recovery.

JV Obligations

69. To date, UBG is current in all of its JV obligations, but with its current liquidity crisis UBG may not be able to meet upcoming commitments.
70. Most of the **JVAs** include default provisions regarding insolvency, entitling UBG's JV partners to purchase UBG's JV interest at fair market value or at a stated discount from fair market value

(e.g. 85%, as determined by a valuation mechanism specified in the JVA). If UBG were to default under its JVs, or if UBG's insolvency were to trigger a mass divestiture of its assets in the UBG land division, UBG would experience an immediate and very significant loss in value, and particularly in prospective, long-term value.

71. In addition, 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 U.S.A.

Corporate Structure

72. UBG currently has operations in the United States through its UBG U.S.A. division, limited primarily to landholdings, with some spec and model homes in the developments known as the Stratmoor and Dublin Terrace multi-family projects and Audubon, Countryside North and Banning Lewis single family developments in Colorado. UBG U.S.A. also owns 14 lots in San Antonio, of which 6 have been sold and are scheduled to close in June or August. The active UBG U.S.A. entities are as follows:
- (a) Heritage Homes, Inc. doing business as Today's Homes (Colorado);
 - (b) Today's at Stratmoor Valley, LLC (Colorado);
 - (c) Spring Creek Construction, LLC (Colorado);
 - (d) Greenboro Homes, Inc. (Texas); and
 - (e) UBG Builders (USA) Inc. (Nevada).
73. The UBG U.S.A. division currently has little work underway and has proven to be unprofitable. It is UBG's intention to wind up these operations as soon as possible, without pursuing any formal restructuring of this division.

Secured Debt

74. The primary loan facilities in the U.S. are with PNC Bank, as successor to RBC, ("**PNC**"). These facilities are summarized as follows.
75. Today's at Stratmoor Valley, LLC has an acquisition and development loan and construction financing loan from PNC originally from September 30, 2005 and most recently amended on September 28, 2011 (the "**Stratmoor Facility**"). The Stratmoor Facility is guaranteed by UBG Builders (USA) Inc. and others. There is currently approximately \$402,393 outstanding on the acquisition and development loan and \$216,884 outstanding for the construction loan.
76. Heritage Homes, Inc., and by amendment Spring Creek Construction, LLC and Today's at Stratmoor Valley, LLC (as co-borrowers), have a construction loan with PNC from July 13, 2007, most recently amended September 28, 2011, which may be guaranteed by UBG Builders Inc. and UBG Builders (USA) Inc. There is currently approximately \$3,105,970 outstanding for this construction loan.

UBG Builders Inc.

77. 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.
78. UBG Builders Inc. is generally not a party to any loan facilities, offerings or other contractual arrangements of UBG. There are few exceptions to this, summarized as follows:
- (a) as noted above, UBG Builders Inc. may have provided guarantees in respect of some of its U.S. facilities;
 - (b) as security for the indebtedness of UBG Builders Inc. to RFI, on September 30, 2008 UBG Builders Inc. granted RFI a security interest in all its present and after-acquired real and personal property;
 - (c) guarantees have been given by UBG Builders Inc. to Alberta New Home Warranty Program, as security for the insurance of purchasers' deposits; and
 - (d) as a part of the fund raising platform of UBG Lot Deposit Corp., UBG Builders Inc. provided guarantees direct to investors, dated February 29, 2012, which guarantees are unsecured.

LIABILITIES

Aggregate Secured Debt

79. UBG currently owes an aggregate of approximately \$179,421,984 through secured credit facilities in its Alberta Homebuilding, Greenboro Luxury Homes, UBG Commercial, UBG U.S.A. and UBG Land divisions. The secured debt of UBG is summarized as follows:

Secured Lender	Estimated Amount of Secured Debt	Estimated Amount of Letters of Credit	Development Project(s) Secured
Alberta Builders Capital (ABC)	\$253,000		Cimarron
	\$5,747,329		Greenboro Estate Homes
	\$448,000		Fish Creek
	\$616,000		Sage Meadows
	\$5,739,000		Timberline Lodges
	\$249,000		The Ridges of Cranston
	\$1,477,649		Walker Lakes

	\$136,000		Speargrass
	\$3,865,758		Lakes of Muirfield
TOTAL	\$18,531,736		
American Builders Capital (USA)	\$616,000		Banning Lewis Ranch
	\$1,351,160		Dublin Terrace
TOTAL	\$1,967,160		
American National Bank		\$96,082 (cash secured)	Heritage Homes Inc. (Colorado)
TOTAL		\$96,082	
Alberta Treasury Branches	\$7,760,000	\$220,000	Greenboro Homes
		\$75,000 (cash secured)	Elite Homes
TOTAL	\$7,760,000	\$295,000	
Bank of Montreal	\$8,385,109	\$243,500	Timberline Lodges
	\$7,677,294	\$735,000	Village at Hamptons
	\$2,581,825		UBG 75 Canmore
TOTAL	\$18,644,228	\$978,500	
Business Development Bank of Canada	\$1,868,825		UBG 4500 Calgary
TOTAL	\$1,868,825		
Canada ICI	\$4,658,111		Origins at Cranston

	\$1,496,000		Edgewater at Griesbach
	\$6,000,000		Timberline Lodges
	\$2,463,364		Today's Homes (Inventory)
	\$15,026,720		UBG 808 Calgary
TOTAL	\$29,644,195		
Canadian Western Bank	\$6,581,833	\$35,000	Valour Park at Currie
TOTAL	\$6,581,833	\$35,000	
Lehndorff Land General Partner Inc.	\$3,183,000		Laurel (through Greenboro Communities LP)
TOTAL	\$3,183,000		
Firm Capital	\$2,100,000		The Ledges
TOTAL	\$2,100,000		
PNC Bank	\$619,277		Today's at Stratmoor Valley
	\$1,829,477		Spring Creek Construction
	\$1,276,490		Heritage Homes, Inc.
TOTAL	\$3,725,244		
Robert Friesen	\$32,731,000		UBG Builders Inc.
TOTAL	\$32,731,000		
Royal Bank		\$65,000 (cash secured)	Today's Homes (Canada)

		\$100,000 (cash secured)	UBG Alpine Homes
		\$50,000 (cash secured)	UBG Alberta Builders
TOTAL		\$215,000	
Scotiabank	\$5,094,906	\$204,106	Village on the Park
	\$3,250,000	\$194,809	South Terwillegar
	\$4,054,605	\$525,000	Wilderness Ridge
	\$4,320,000	\$232,155	Valmont at Aspen Stone
TOTAL	\$16,719,511	\$1,156,070	
TD Bank	\$259,654		Greenboro Luxury Homes
	\$17,460,031	\$463,422	Greenboro Estate Homes
TOTAL	\$17,719,685	\$463,422	
Private Lenders	\$1,803,567		The Murals
	\$6,600,000		Origins at Cranston
	\$2,897,000		Mountaineers II
	\$1,955,000		South Terwillegar
	\$3,550,000		Village at Hamptons
	\$1,440,000		Wilderness Ridge
TOTAL	\$18,245,567		
GRAND TOTAL	\$179,421,984	\$3,239,074	

80. Generally speaking, the UBG's various credit facilities are not cross-collateralized.

81. The reference above to private lenders indicates those multi-family projects where UBG has financed acquisition or development through project-specific private offerings of subordinated debt. A description of these subordinated debt facilities is included in the summary chart already described, marked as Exhibit "H" and attached hereto.

Condominium Fees

82. At present, the 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 partially complete and have buildings that are completed and for which control has 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. The approximate aggregate amount outstanding and overdue for condominium fees is \$166,662. Condominium Corporation No. 0810854 has demanded payment for outstanding condominium fees in the Timberline Lodges Project.

Property Taxes

83. 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. Based on existing cash projections, UBG intends to pay property taxes on those projects where construction or sales are ongoing.

Trade Debt

84. For each of its Alberta Homebuilding projects, UBG contracts with suppliers of goods and services at the project level, resulting in most trade debt being incurred and paid directly at the Project Partnership level. UBG has an aggregate of trade debt of approximately \$12,687,000, plus approximately \$5 million for unbilled services, as of April 30, 2012. At present, UBG has insufficient cash flow to meet all of its trade payables as they are coming due.

UBG Lot Deposit Corp.

85. In February, 2012, UBG created the UBG Lot Deposit Corp. for the purpose of raising funds for distribution among UBG companies on a non project-specific basis. Funds were provided by qualified private investors in exchange for a promissory note and guarantee of UBG Builders Inc. on an unsecured basis. Funds were principally used to fund lot deposits throughout the UBG enterprise on an as needed basis. UBG Lot Deposit Corp. ceased raising funds shortly after its inception. At present, approximately \$1.06 million is outstanding to investors through UBG Lot Deposit Corp.

Canada Revenue Agency

86. In 2007, UBG had high revenues bolstered by a strong Calgary real estate market, and incurred a significant tax liability that, as a function of offsetting tax year ends of UBG's limited partnerships and UBG Builders Inc., was deferred until the end of 2008. With the significant decline in the Calgary real estate market in 2008, UBG experienced a short-term liquidity crisis and an immediate inability to address the significant tax liability resulting from the prior year's earnings.

- 87. UBG entered a tax repayment plan and has since benefitted (from a tax perspective) from losses incurred in the 2008, 2009 and 2010 tax years, reducing UBG's present tax liability to approximately \$5 million. This amount is comprised largely of penalty and interest, and UBG has applied to the Canada Revenue Agency for relief. UBG is also reviewing its 2010 tax return, and assessing the possibility that its 2010 financials may be restated (in light of additional losses that may not have been claimed), the result of which could eliminate the remaining tax liability.
- 88. UBG is otherwise current in respect of its tax liabilities, including all payroll and GST withholdings and remittances.

Worker's Compensation

- 89. UBG is current in respect of all worker's compensation dues.

Purchaser Deposits

- 90. For the majority of its Multi-Family Projects, UBG conducted pre-sales and has received an aggregate of \$13,424,522 in deposits for pre-sold units. To the extent required under the *Condominium Property Act (Alberta)* and other applicable legislation, the monies received have been invested into UBG projects or are being held in trust by UBG's solicitors.
- 91. UBG has insured purchasers' deposits with the Alberta New Home Warranty Program, which has taken security by way of general security and guarantees from various UBG entities, in the event of a loss. In the event UBG is not able to complete the Multi-Family Projects and the deposits have to be refunded to the purchasers, UBG will face a potential liability in the amount of \$12,125,717.

Land Purchase and Sale Agreements

- 92. The majority of UBG's land acquisitions are through purchase and sale agreements with various developers for which deposits have been paid and that involve a variety of i) delayed acquisition dates, ii) development requirements, iii) options to purchase and/or rights of first refusal, and iv) penalty buy-back clauses.

Profit Sharing Arrangements

- 93. In many of its Multi-Family Projects, UBG sold partnership units in its Project Partnerships, granting third party investors a right to participate in the partnership as a limited partner and realize a share of the net profits from the development. A similar arrangement was entered into in the Greenboro Luxury Homes division.
- 94. Each limited partner received partnership units in exchange for their equity contribution. The aggregate of equity contributions to UBG is in excess of \$23 million. The rights of the limited partners are described in each offering, and summarized in Exhibit "H". A summary of the profit sharing arrangements for each Multi-Family Project is as follows:

Project	UBG Profit Share	Third Party Profit Share

Valmont at Aspen Stone	50%	50%
Murals at High Pointe	50%	50%
Origins at Cranston	50%	50%
Valour Park at Currie	55%	45%
The Bridges	25%	75%
Timberline Lodges	50%	50%
Wilderness at Stewart Creek	50%	50%
South Terwillegar Village	50%	50%
Village on the Park	50%	50%
Village at the Hamptons	50%	50%
Edgewater at Griesbach	50%	50%

FINANCIAL POSITION OF THE APPLICANTS

95. Attached hereto and marked as **Exhibit "N"** is a copy of UBG's most recently completed audited combined financial statements as at December 31, 2010 and a copy of the draft consolidated financial statements of Alberta Builders LP and its direct and indirect subsidiaries as at December 31, 2011 (the "**Financial Statements**").
96. Attached hereto and marked as **Exhibit "O"** are UBG's consolidated cash flows for all the UBG entities for the 13 week period commencing May 7, 2012 and ending the week including July 30, 2012 (the "**Cash Flows**") and related notes and representations. The Cash Flows have been prepared by UBG with the assistance of the proposed monitor, Ernst & Young Inc., and may be amended from time to time.

CASH MANAGEMENT AND INTER-COMPANY LOANS

97. In the ordinary course of business, UBG is funded through the financings obtained on each development project. Each project pays its suppliers directly, and any surpluses remaining with UBG are applied against general administration and interest costs. When necessary, surplus funds are transferred through unsecured, non-interest bearing inter-company loans in amounts assessed on an as-needed basis to meet obligations. All inter-company transactions are completed by way of written cheques from each UBG entity (as each maintains a separate bank

account) and inter-company ledgers are normally kept and trued at the end of each month. All inter-company transactions are structured for tax and commercial efficiencies.

98. The lenders to each development project are repaid out of the proceeds generated from the sale of completed inventory arising out of the financed property, and net proceeds are dispersed at the project level to the project partners. Any net equity remaining at the project level is applied in the foregoing manner.
99. The present cash management system allows UBG to centrally manage all of its cash flow needs, and includes necessary accounting controls to ensure UBG, UBG's creditors and the monitor sought to be appointed in these proceedings are and will be able to accurately trace funds through the system and ensure that all transactions are documented and readily ascertainable. In the course of these proceedings, it is anticipated there will be limited inter-company transfers made, for the purpose of payroll and administrative costs.

OPERATIONS

100. UBG currently employs 123 people, including 97 in Canada, 6 in the U.S. and approximately 20 commission sales persons. Employees are generally organized by UBG's six divisions, or work directly for UBG under or as a part of the executive team. Employment arrangements are made directly with employees by various UBG entities. Payroll is managed by an external payroll service, paid semi-monthly, through the following UBG entities:

Payroll Company	UBG Division
Greenboro Estate Homes (2006) Ltd.	Alberta Homebuilding – Calgary Single Family
Greenboro Homes (2006) Ltd.	Alberta Homebuilding – Edmonton Single Family
UBG Alpine Homes (2006) Ltd.	Alberta Homebuilding – Multi-Family
Heritage Homes, Inc.	U.S. Operations
UBG Builders Inc.	Executive payroll and all others.

101. UBG pays approximately \$650,000 per month in gross salary and wages to employees. UBG makes tax remittances of approximately \$242,000 per month in respect of those wages. Of the gross salary amount, approximately \$250,000 per month is attributable to UBG's head office, including its executive management team.

EVENTS LEADING TO THE PRESENT APPLICATION

102. I started UBG as an Alberta homebuilding company with a focus on developing single family homes in Calgary and Edmonton. As multi-family density became a requirement in all new subdivision plans the multi-family housing market was entered. During a strong period in both Alberta and the U.S., UBG expanded into the U.S. market using Unity Investments to help raise

private equity and fund land acquisitions. The commercial market was entered through the acquisition of two operating companies at the peak of the Alberta market.

103. The strong economy in Alberta in the early to mid 2000's fuelled UBG's original business model and by 2007 UBG's asset value exceeded \$500 million, sales revenues exceeded \$490 million and net income was approximately \$45.5 million. By late 2008 I had cut back on my day-to-day involvement in UBG and allowed others to run the various operations of UBG. In the ensuing years a number of events occurred that had an adverse effect on the operations of UBG, including: (a) the U.S. housing meltdown, (b) the Alberta housing recession, which caused a drastic decline in volume, and the reduction of profitability and access to capital. The result was a drastic reduction in asset value, particularly in UBG's multi-family projects. This was exacerbated by the insolvency of our prime supplier and marketer of land in Canmore, Three Sisters Developments.
104. The events described above have combined to cause both a substantial reduction in UBG's asset value and an exhausting draw on its cash resources such that I do verily believe that, if all of UBG's assets were currently sold the proceeds would be insufficient to repay all of UBG's obligations and, moreover, UBG is unable to meet all of its obligations generally as they become due. As a result, UBG now faces a liquidity crisis, the immediate risk of acceleration on many of its credit facilities, and the potential loss of material value for UBG and its stakeholders if individual creditors or partners proceed with immediate steps of enforcement.

NOTICE AND URGENCY

105. As discussed above, UGB has no further availability on its credit facility with TD and is, in fact, overdrawn. UGB has been exploring other alternatives with TD, but has been unable to reach an accommodation acceptable to the parties.
106. On April 20, 2012, UBG received notice from ATB of default by UBG under certain of its covenants under its commitment with ATB. To date, ATB has agreed to forbear from enforcement, but UBG cannot expect to remedy such defaults without the assistance of the restructuring framework offered by the CCAA.
107. UBG was attempting to refinance its current BMO facility regarding Timberline Lodges, but is not prepared to do so without further consultation with an alternative lender regarding UBG's current financial state – a dialogue I intend to continue with the new lender and the Monitor if the relief currently sought is granted.
108. UBG has several projects where payments to trade suppliers are outstanding in excess of 90 days, in the approximate amount of \$3.3 million.
109. On April 10, 2012, Condominium Corporation No. 0810854 registered caveats on all of the units owned by UGB in the Timberline Lodges Project, for reason of UGB's failure to pay condominium fees. Presently, condominium fees on the Timberline Lodges property are not being paid and are falling into arrears. Peka Professional Property Management Ltd., on behalf of Condominium Corporation No. 0810854, has advised that foreclosure proceedings will be commenced if the condominium fees are brought current by the end of this month.
110. UBG is in default of several of its credit facilities. Many of its various credit facilities contain cross-default clauses, creating an immediate risk of UBG having a great number of its obligations called at once.

111. With respect to UBG's immediate cash requirements, UBG is unable to pay obligations fundamental to its operations (its next payroll, for example, which is due May 15, 2012) without suspending UBG's payments of general, current obligations for the short term.

BENEFITS OF THE PROPOSED RESTRUCTURING

112. UBG's core business is sound, and long-term potential is significant. It is a long standing industry leader in residential real estate construction and has received many awards and recognitions for its developments. UBG has forged strong relationships with customers, investors, lenders, trades and suppliers, all of which are central to success in the homebuilding industry.

113. In the short term, I believe that the stability brought by obtaining the relief sought, and particularly a stay of proceedings and the appointment of a monitor, would provide the foundation for UBG to take the following initiatives:

- (a) preserve its existing cash reserves for essential operations only;
- (b) enter into protocols with UBG's existing lenders to continue funding viable projects in a transparent and controlled fashion to ensure that value of these projects is maximized for all stakeholders, suppliers continue to get paid, and purchasers are able to take possession of their homes;
- (c) develop protocols in the context of the proposed CCAA proceedings to ensure that the various lenders' claims are quickly and efficiently determined and the sales of units can continue, uninterrupted, to convey homes to customers and reduce UBG's existing secured debt levels (see below);
- (d) work with lenders to sell or otherwise liquidate projects that may not be viable to ensure the value of such projects are maximized and liquidated in a coordinated fashion for the benefit of all of UBG's stakeholders;
- (e) implement various cost reduction and control measures to return the core UBG business to profitability;
- (f) shut down unprofitable divisions of UBG, like its U.S. operations, in a transparent fashion;
- (g) work with its private investors and other strategic partners to ensure the value of investments and projects is preserved and continued for the emergence and long term success of a restructured UBG business.

114. UBG has several pending homes sales to third parties at arms' length ("**Upcoming Sales**") scheduled to close in the upcoming week, summarized as follows:

Project Description	Closing Date	Estimated Net Proceeds
Village on the Park	May 9, 2012	\$183,736
Village on the Park	May 9, 2012	\$213,804
Village on the Park	May 9, 2012	\$146,172

Village on the Park	May 9, 2012	\$187,386
Village on the Park	May 10, 2012	\$172,973
Village on the Park	May 10, 2012	\$144,027
Village on the Park	May 10, 2012	\$143,872
Village on the Park	May 10, 2012	\$176,281
Village on the Park	May 11, 2012	\$168,615
Village on the Park	May 11, 2012	\$204,342
Tribute (Duplex)	May 11, 2012	\$242,751
	TOTAL	\$1,983,958

115. To continue operations in a seamless manner, UBG proposes to complete these sales and distribute the proceeds to the appropriate stakeholders, with the agreement of those stakeholders and the Monitor (as defined below).

116. In addition, I do verily believe that if the relief sought is not granted a number of stakeholders will be prejudiced, including: (a) subordinate and unsecured creditors, as well as partners and equity holders, of projects that are sold in a piecemeal fashion through immediate liquidation processes; (b) over 100 home purchasers, whose homes will not be completed in accordance with existing budgets and schedules, (c) the core employee group of UBG, who have shown themselves to be a dedicated group of professionals committed to rebuilding UBG to its former success, and will be out of employment; (d) suppliers of goods and services, whose current payables may not be paid and who would potentially lose further work on these projects; and (e) all of those stakeholders, including existing equity investors, who enjoy the value of UBG as a going concern, including its good will (and brand value developed through Today's, Elite, Greenboro, Alpine and its other divisions), and relationships that it has developed over the past years.

117. I do verily believe that the relief sought in this application is necessary to protect UBG's business and operations, allow UBG to realize value from its assets and development projects and facilitate a restructuring of its credit facilities. I do not believe that any party will be materially prejudiced by the relief sought in this application.

MONITOR

118. Ernst & Young Inc. has consented to UBG's request that it act as monitor (the "Monitor") of UBG, if so appointed.

RELIEF SOUGHT

Stay of Proceedings

119. As discussed above, UBG is highly concerned that, in light of its present debt structure and financial covenants, the exercise by any of its secured lenders of their security will result in a significant erosion of the value of UBG and its development projects, and will cause serious detriment to UBG and all other stakeholders. Accordingly, a stay will afford UBG, in conjunction with the Monitor and affected secured lenders, an opportunity to continue its operations, review the viability of each development project and devise a strategy to maximize the value of each project.

Administrative Charge

120. In connection with its appointment, it is contemplated that the Monitor would be granted a Court-ordered charge over the assets, property and undertaking of UBG (the “**Administration Charge**”) in respect of security for the payment of its fees and disbursements, as well as those of UBG’s legal counsel, incurred at the standard rates and charges of such parties, which Administration Charge shall be in an aggregate amount of \$1 million, which charge would not be allocated to any particular project or entity in excess of \$100,000.
121. I am informed by my counsel, and do verily believe, that the cost of putting any particular project into receivership or some similar liquidation proceeding is likely to exceed the Administration Charge attached to any particular development project. As such, it is my belief that the lenders will not be materially prejudiced by the proposed Administration Charge.

Director and Officer Indemnity


122. UBG’s obligations to fund its payroll, remit the necessary statutory withholdings, remit GST remittances, and ensure that all taxes are paid amounts to approximately \$500,000 of exposure to directors per month.
123. UBG requests a Court-ordered charge in the amount of \$500,000 over the assets, property and undertaking of UBG (the “**D & O Charge**”) to secure an indemnity in favour of the directors and officers of UBG in respect of any liabilities they may incur in their capacity as directors and officers from and after the commencement of these proceedings. UBG has discussed the quantum of the proposed D & O Charge with the proposed Monitor, who has indicated that it has no objection to the quantum of the proposed D & O Charge. The allocation of the D & O Charge would be included in the cap described above in respect of the Administration Charge.

SUMMARY

124. I believe that the most feasible and viable option for UBG to restructure and best serve all of its stakeholders is through a CCAA proceeding. The protection afforded by the CCAA will allow UBG the opportunity it needs to assess its current difficulties, maximize the value of each development project and emerge from these proceedings as a stronger enterprise. It will grant UBG the otherwise unattainable opportunity to maximize value and develop a plan of reorganization for the benefit of all stakeholders. If the requested CCAA protection is not granted, UBG and its assets will be exposed to the possibility of immediate and piecemeal liquidation that will cause a material deterioration in value to the estate.
125. I make this Affidavit in support of an application by UBG under the provisions of the CCAA for an order substantially in the form of the draft Order which is submitted with this application, declaring UBG to be comprised of corporations and partnerships to which the CCAA applies, appointing Ernst & Young Inc. as monitor, granting a stay of proceedings on the terms set out in

the draft order, declaring service of this application to be good and sufficient, and granting such other relief as is set out in the draft form of order sought.

Sworn before me in the City of Calgary, in)
the Province of Alberta, the 8th day of May,)
2012.)



A Commissioner of Oaths in and for the)
Province of Alberta)

Derek Pontin
Barrister and Solicitor



ROBERT A. FRIESEN

EXHIBIT "A"

THIS IS EXHIBIT " A "
referred to in the Affidavit of
Robert Friesen

Sworn before me this 8
day of May, 20 12


A Commissioner for Oaths
in and for the Province of Alberta

Derek Pontin
Barrister and Solicitor

PARTNERSHIPS OF UBG THAT COMPRISE THE APPLICANTS

1. Alpine Homes Limited Partnership, by its General Partner, Alpine Homes (2006) Inc.
2. Edgewater at Griesbach Limited Partnership, by its General Partner, Edgewater at Griesbach Inc.
3. Elite Homes Limited Partnership, by its General Partner, Elite Homes (2006) Ltd.
4. Evolution by Greenboro Limited Partnership, by its General Partner, Evolution by Greenboro Inc.
5. Greenboro Communities Limited Partnership, by its General Partner, Greenboro Communities (2006) Inc.
6. Greenboro Estate Homes Limited Partnership, by its General Partner, Greenboro Estate Homes (2006) Ltd.
7. Greenboro Homes Limited Partnership, by its General Partner, Greenboro Homes (2006) Ltd.
8. Greenboro Luxury Homes (Currie Barracks 1A) Limited Partnership, by its General Partner, Greenboro Luxury Homes Inc.
9. High Pointe Limited Partnership, by its General Partner, High Pointe Inc.
10. Mountaineers Village Limited Partnership, by its General Partner, Mountaineers Village (2006) Inc.
11. Mountaineers Village II Limited Partnership, by its General Partner, Mountaineers Village II Inc.
12. Origins at Cranston Limited Partnership, by its General Partner, Origins at Cranston Inc.
13. South Terwillegar Village Limited Partnership, by its General Partner, South Terwillegar Village Inc.
14. The Bridges Limited Partnership, by its General Partner, The Bridges Management Inc.
15. The Ledges Limited Partnership, by its General Partner, The Ledges Inc.
16. Timberline Lodges Limited Partnership, by its General Partner, Timberline Lodges (2006) Inc.
17. Today's Communities Limited Partnership, by its General Partner, Today's Communities (2006) Inc.
18. Today's Homes Limited Partnership, by its General Partner, Today's Homes (2006) Inc.
19. Tuscany Developments Limited Partnership, by its General Partner, Tuscany Developments (2006) Inc.
20. UBG Alberta Builders Limited Partnership, by its General Partner, UBG Alberta Builders (2006) Inc.
21. UBG Alpine Homes Limited Partnership, by its General Partner, UBG Alpine Homes (2006) Ltd.

22. UBG Bridges Limited Partnership, by its General Partner, UBG Bridges Inc.
23. UBG Commercial Limited Partnership, by its General Partner, UBG Commercial Inc.
24. UBG Land Limited Partnership, by its General Partner, UBG Land Inc.
25. UBG 4500 Calgary Limited Partnership, by its General Partner, UBG 4500 Calgary Inc.
26. UBG 75 Canmore Limited Partnership, by its General Partner, UBG 75 Canmore Inc.
27. UBG 808 Calgary Limited Partnership, by its General Partner, UBG 808 Calgary Inc.
28. Valmont at Aspen Stone Limited Partnership, by its General Partner, Valmont at Aspen Stone Inc.
29. Valour Park at Currie Limited Partnership, by its General Partner, Valour Park at Currie Inc.
30. Village at the Hamptons Limited Partnership, by its General Partner, Village at the Hamptons Inc.
31. Village on the Park Limited Partnership, by its General Partner, Village on the Park Inc.
32. Wilderness Homes by Riverdale Limited Partnership, by its General Partner, Wilderness Homes by Riverdale Inc.
33. Wilderness Ridge at Stewart Creek Limited Partnership, by its General Partner, Wilderness Ridge at Stewart Creek Inc.

EXHIBIT "B"

THIS IS EXHIBIT " B "
 referred to in the Affidavit of
Robert Friesen
 Sworn before me this 8
 day of May 20 12
 A Commissioner for Oaths
 in and for the Province of Alberta

Derek Pontin
 Barrister and Solicitor

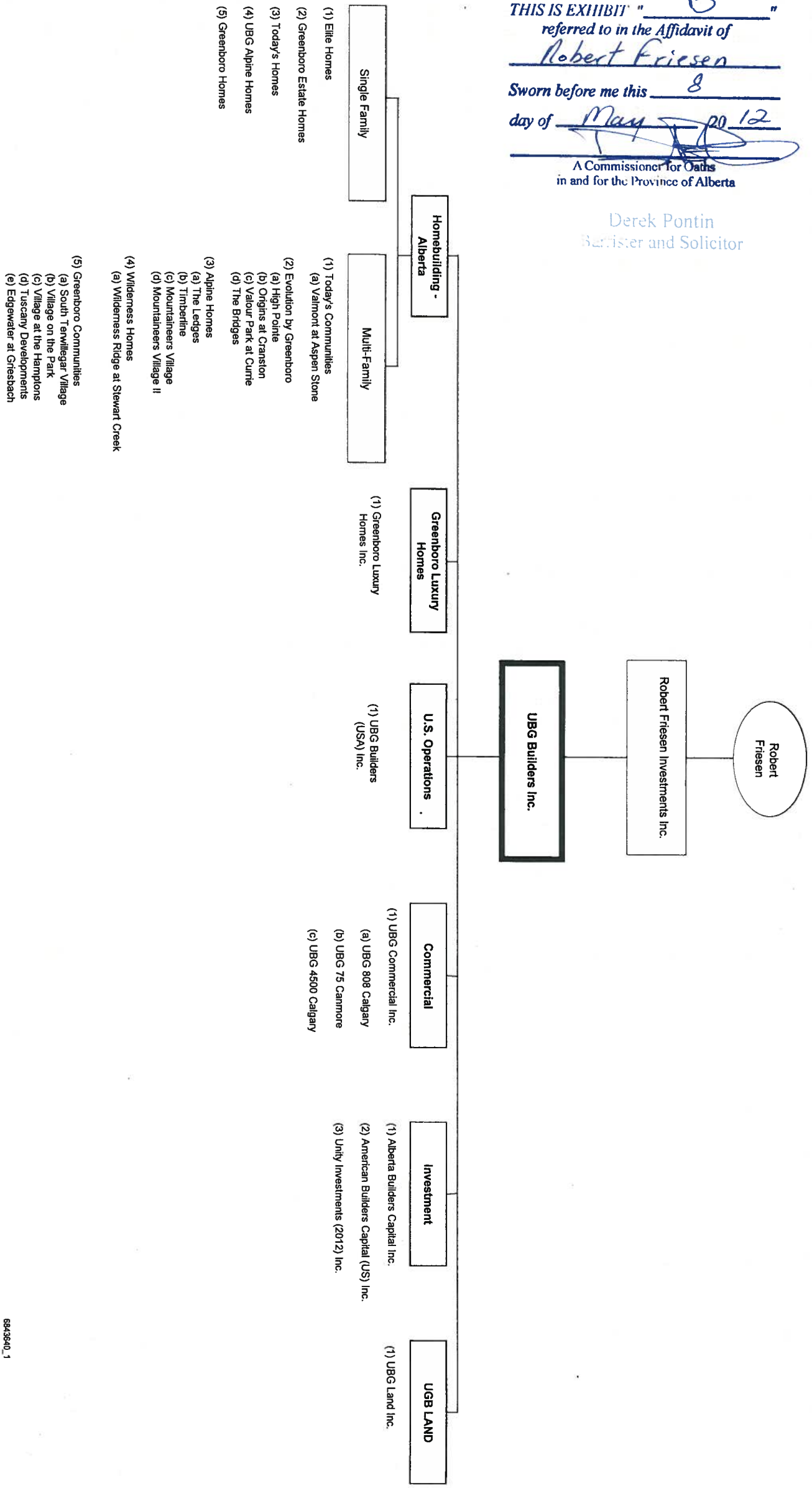
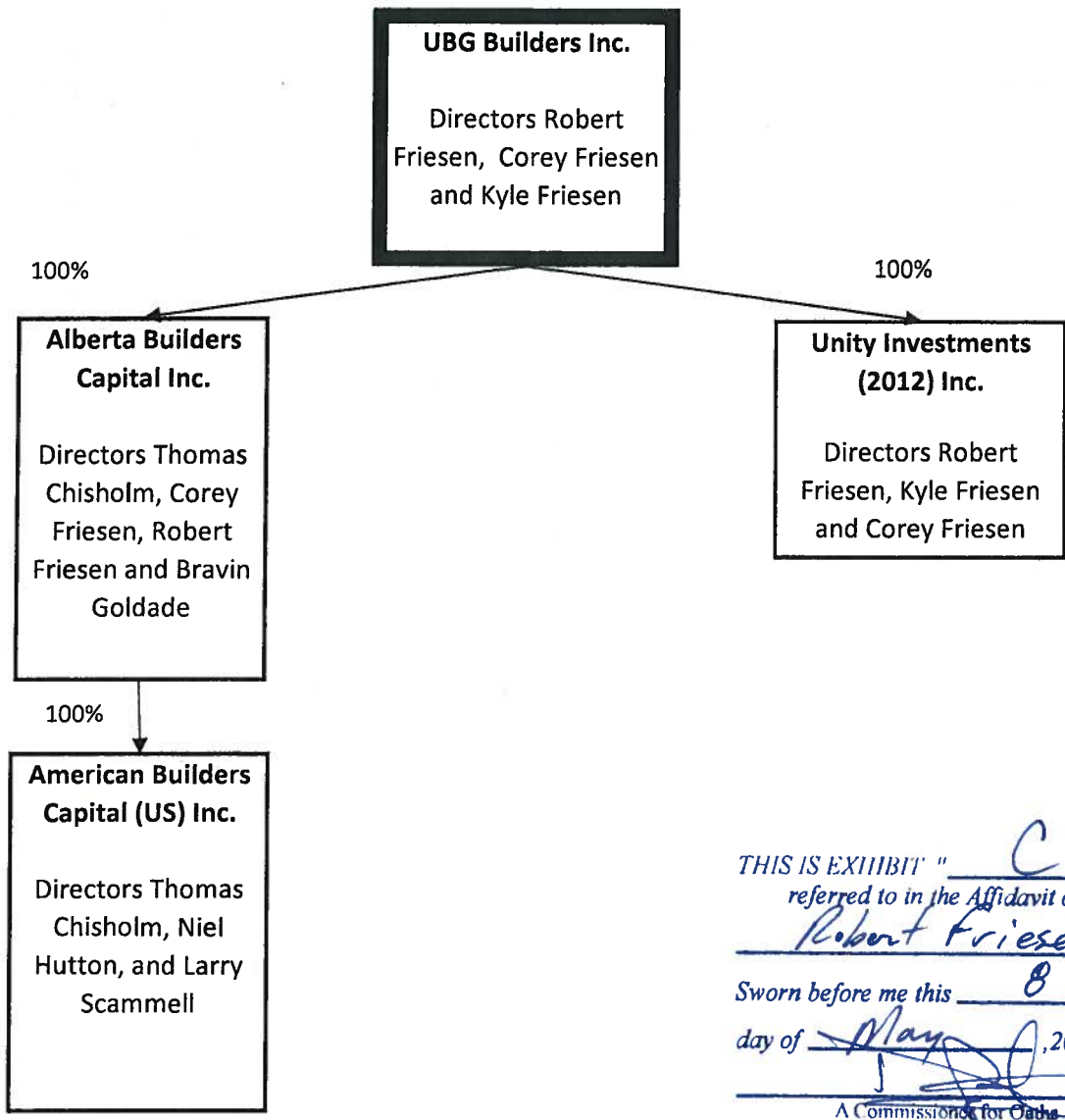


EXHIBIT "C"



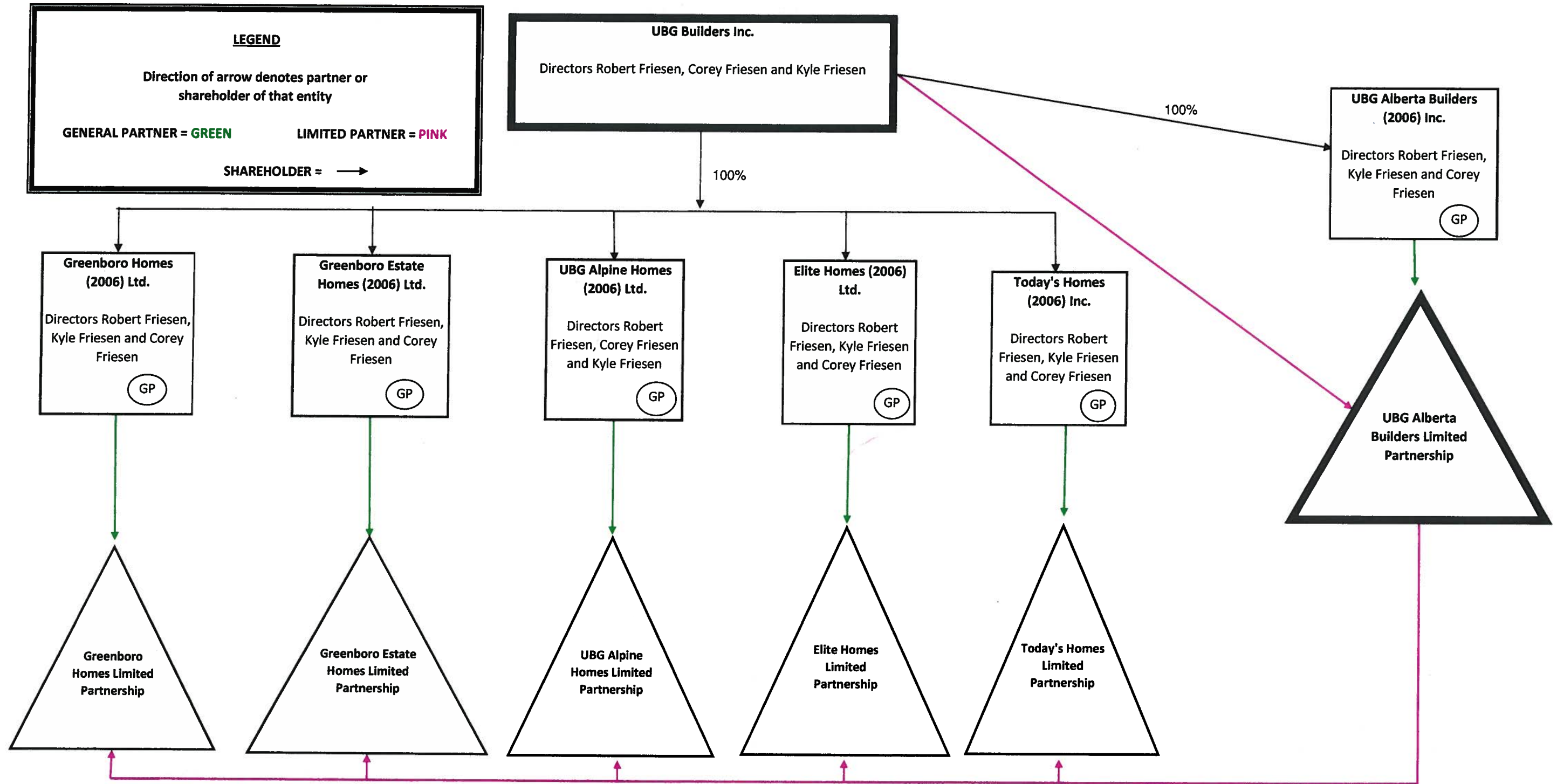
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THIS IS EXHIBIT " C "
 referred to in the Affidavit of
Robert Friesen
 Sworn before me this 8
 day of May, 2012

 A Commissioner for Oaths
 in and for the Province of Alberta

Derek Pontin
 Barrister and Solicitor

EXHIBIT "D"



6851465_1

THIS IS EXHIBIT " D "
 referred to in the Affidavit of
Robert Friesen
 Sworn before me this 8
 day of May, 2012
 A Commissioner for Oaths
 in and for the Province of Alberta
Greg Pontin
 Notary Public and Solicitor

EXHIBIT "E"

THIS IS EXHIBIT " E "
 referred to in the Affidavit of
Robert Priesen

Sworn before me this 8
 day of May, 2012

UBG Single Family Project Status

Derek Pontin
 Barrister and Solicitor

A Commissioner for Oaths
 in and for the Province of Alberta

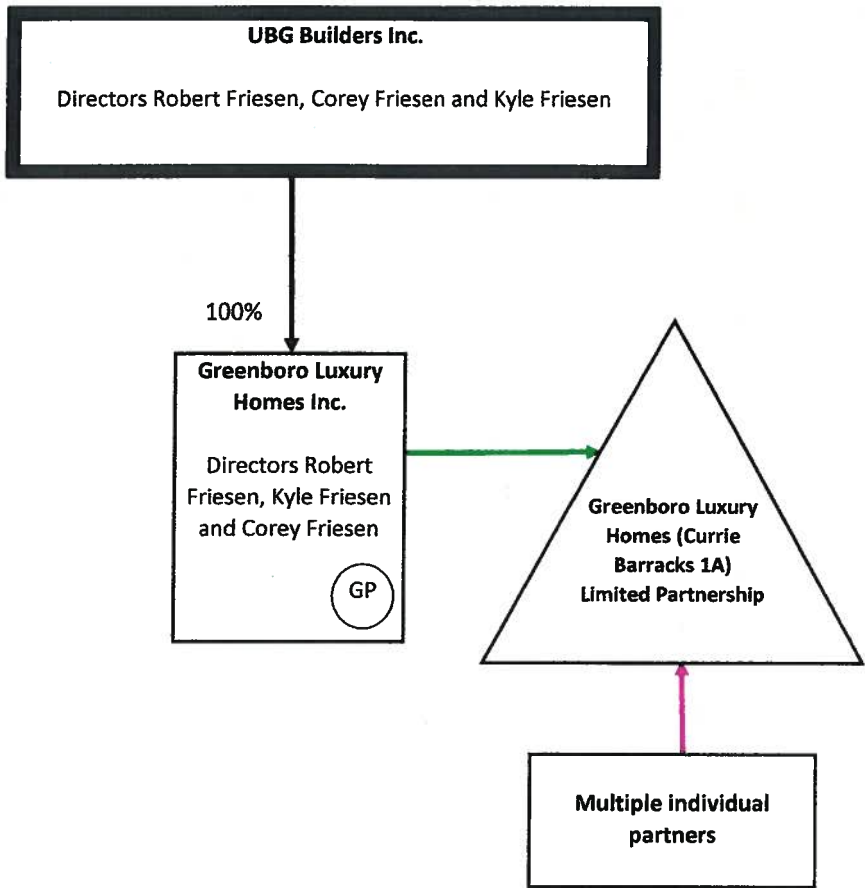
	Project	Totals	Units Pre Sold	Completed Spec	Spec Units Under Construction	Lots
Greenboro Estate Homes	Castle Keep	20	19	0	1	0
	Currie Barracks	25	8	1	0	16
	Sage Meadows	23	4	1	0	18
	Westmere	20	14	2	0	4
	Montrose	1	0	1	0	0
Today's Homes	Cimarron	5	2	3	0	0
	Fishcreek	1	0	0	0	1
	Lakes of Muirfield	8	7	1	0	0
	Sage Hill	28	1	2	3	22

	Nolan Hill	25	1	2	0	22
Elite Homes	Speargrass	2	0	0	0	2
	Lakes of Muirfield	1	0	0	0	1
**Greenboro Luxury	Currie Barracks	2	2	0	0	0
**UBG Land	Lakes of Muirfield	20	0	0	0	20
Greenboro Homes	Emerald Hills	9	0	1	6	2
	Laurel	24	14	1	3	6
	Southfort	14	3	1	10	0

	Tribute	10	5	0	5	0
	Walker Lakes Duplex	28	2	1	11	14
	Walker Lakes Regular	54	17	1	5	31
	Griesbach	18	8	1	6	3
	Maple Crest	25	0	0	6	19
TOTAL		363	107	19	56	181

** The Greenboro Luxury Homes and UBG Land divisions do not comprise a part of the Alberta Homebuilding (Single Family) division, but have been included for the sake of completeness.

EXHIBIT "F"



THIS IS EXHIBIT " F "
 referred to in the Affidavit of
Robert Friesen
 Sworn before me this 8
 day of May, 2012

 A Commissioner for Oaths
 in and for the Province of Alberta

Derek Pontin
 Barrister and Solicitor

LEGEND

Direction of arrow denotes partner or shareholder of that entity

GENERAL PARTNER = GREEN

LIMITED PARTNER = PINK

SHAREHOLDER = →

EXHIBIT "G"

THIS IS EXHIBIT " G "
 referred to in the Affidavit of
Robert Friesen

Sworn before me this 8
 day of May, 2012

A Commissioner for Oaths
 in and for the Province of Alberta

Derek Pontin
 Barrister and Solicitor

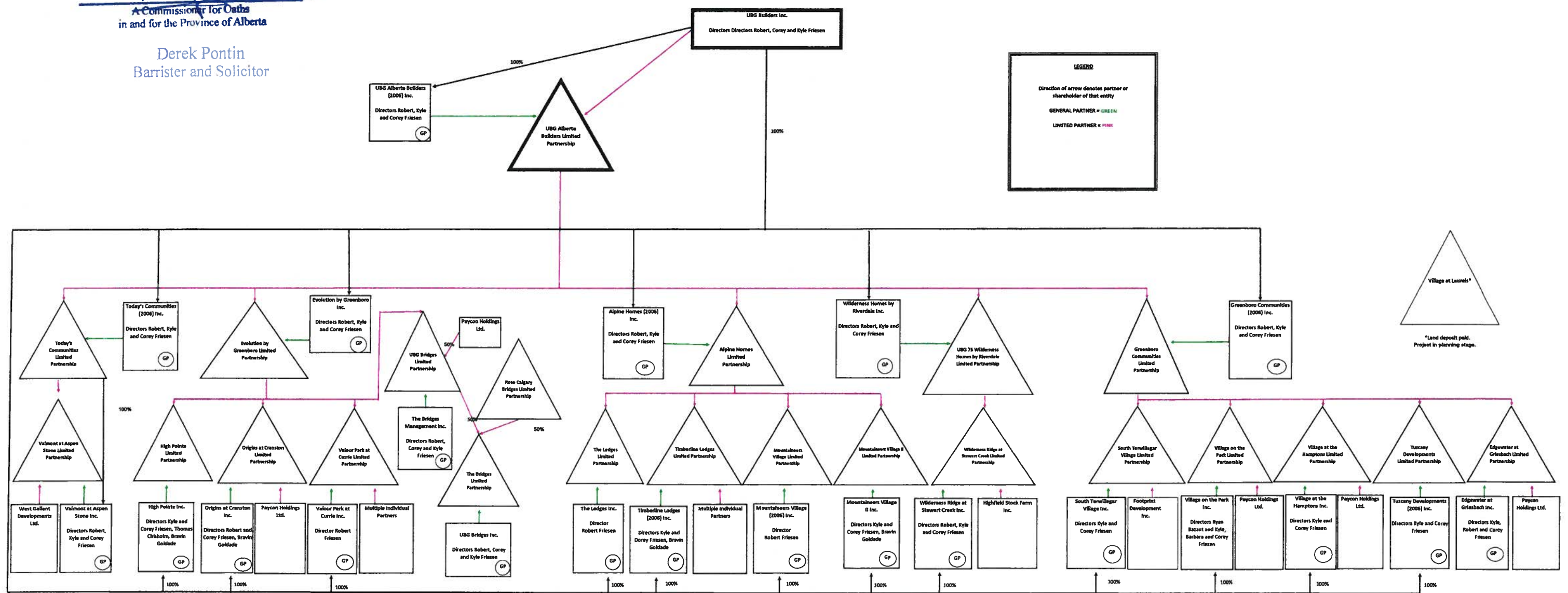


EXHIBIT "H"

THIS IS EXHIBIT " H "
referred to in the Affidavit of
Robert Friesen
Sworn before me this 8
day of May, 2012
[Signature]
A Commissioner for Oaths
in and for the Province of Alberta

Exhibit "H" to the Affidavit of Robert Friesen
Alberta Homebuilding - Multi-Family Credit Facilities Summary

TODAY'S COMMUNITIES IN CALGARY

1. Today's Communities LP is a Project Partnership having multi-family development projects in Calgary, and includes the Valmont Project (defined below).

VALMONT AT ASPEN STONE

Project Summary

2. Valmont at Aspen Stone is a condominium project located in southwest Calgary, Alberta (the "Valmont Project"). The developer of the Valmont Project is Valmont at Aspen Stone Inc., which is the general partner of Valmont at Aspen Stone LP.
3. The Valmont Project is a 4-phase, 257 apartment unit complex. As at April 30, 2012, 70 units were closed, 69 units were pre-sold, 51 units were under construction and not yet sold, and 67 were not yet started.
4. The Valmont Project has been financed by way of secured lending facilities and limited partnership contributions to Valmont at Aspen Stone LP, described further below.

Secured Debt

Lender - Scotiabank

5. By way of a commitment letter dated April 1, 2011, Scotiabank made available to Valmont at Aspen Stone Inc. the following construction financing facilities (the "Valmont Facilities"):
 - (a) a non-revolving loan up to an amount of \$9,800,000, due on demand or by December 31, 2012; and
 - (b) a letter of guarantee up to an amount of \$1,250,000, payable on demand.
6. The Valmont Facilities are secured by:
 - (a) a first fixed charge demand debenture for \$40,000,000 over the lands described as Plan 0513219, Block 5, Lot 3, granted by Valmont at Aspen Stone Inc.;
 - (b) a general security agreement over all present and future real and personal property, granted by Valmont at Aspen Stone Inc.; and
 - (c) other security.
7. The Valmont Facilities are guaranteed as follows:
 - (a) Valmont at Aspen Stone LP up to an unlimited amount;
 - (b) Today's Communities LP up to an unlimited amount; and

Derek Pontin
Barrister and Solicitor

(c) UBG Alberta Builders LP up to an unlimited amount.

8. As at April 30, 2012, the approximate amount owing under the Valmont Facilities is \$4,552,155.

Partnership Interests

9. The limited partners of Valmont at Aspen LP are Today's Communities LP, holding 50% interest, and a private investor, holding 50% interest and having made an initial contribution in the approximate amount of \$6,760,000.

EVOLUTION BY GREENBORO IN CALGARY

10. Evolution by Greenboro LP is a Project Partnership having multi-family development projects in Calgary, and includes the Murals Project, Origins Project, Valour Project, and Bridges Project (each defined below).

MURALS AT HIGH POINTE

Project Summary

11. Murals at High Pointe is a condominium project located in High River, Alberta (the "Murals Project"). The developer of the Murals Project is High Pointe Inc., which is the general partner of High Pointe LP.
12. The Murals Project is a 3-phase, 59 townhome unit complex. As at April 30, 2012, 27 units were closed, 4 units were pre-sold, 1 unit was being built on speculation, 2 units were under construction but not sold, and 25 units were not yet started.
13. The Murals Project has been financed by way of debenture mortgage units and limited partnership contributions to High Pointe LP, described further below.

Secured Debt

Debenture Units

14. By way of a debenture mortgage agreement between High Pointe LP, High Pointe Inc., and Certain Debentureholders of the Partnership, dated March 31, 2011, an offer was made for mortgage debenture units in High Pointe Inc. as general partner and nominee for and on behalf of High Pointe LP (the "Murals Debentures"), and registered against the following lands:
- (a) Condominium Plan 1111258 Unit 23;
 - (b) Condominium Plan 1111258 Units 24-29;
 - (c) Condominium Plan 1111258 Units 34, 39-40;
 - (d) Condominium Plan 1111258 Units 25, 28, 41, 44-50, 53-55, 58-60, 63-64; and
 - (e) Condominium Plan 1111258 Units 36-37, 42-43, 51-52, 56-57, 61-62.

15. The Murals Debentures were offered for \$1,000 per Unit, with an interest rate of 9.75% per annum, payable quarterly, and have a maturity date of March 31, 2014.
16. As at April 30, 2012, the approximate amount owing under the Murals Debentures is \$1,803,567.

Partnership Interests

17. The limited partner of High Pointe LP is Evolution by Greenboro LP, holding 100% interest.

ORIGINS AT CRANSTON

Project Summary

18. Origins at Cranston is a condominium project located in southeast Calgary, Alberta (the "**Origins Project**"). The developer of the Origins Project is Origins at Cranston Inc., which is the general partner of Origins at Cranston LP.
19. The Origins Project is a 4-phase, 140 townhome and apartment unit complex. As at April 30, 2012, 72 units were pre-sold, and 68 units were not yet started.
20. The Origins Project has been financed by way of secured lending facilities, subordinated debenture mortgage units, and limited partnership contributions to Origins at Cranston LP, described further below.

Secured Debt

Lender - ICI

21. By way of a commitment letter dated December 9, 2010, ICI made available to Origins at Cranston LP a \$15,600,000 conventional first mortgage, two-tranche construction financing loan for phases 3 and 4 of the Origins Project (the "**Origins Facilities**").
22. The Origins Facilities are secured by:
 - (a) a first fixed charge mortgage for \$15,600,000 granted by Origins at Cranston Inc. over the lands described as Plan 0713899, Lot 3, Block 49, and due August 1, 2012;
 - (b) a security agreement over property located on the mortgaged lands granted by Origins at Cranston Inc.;
 - (c) a postponement and priority agreement whereby Valiant Trust Company grants priority to ICI; and
 - (d) other security.
23. The Origins Facilities are guaranteed by UBG Alberta Limited Partnership in an amount limited to the repayment of the loan.
24. As at April 30, 2012, the approximate amount owing under the Origins Facilities is \$4,658,111.

Subordinated Debenture Units

25. By way of a debenture mortgage agreement dated April 1, 2012, an offer was made for Class A and Class B subordinated mortgage debenture units in Origins at Cranston Inc. as general partner and nominee for and on behalf of Origins at Cranston LP (the "**Origins Debentures**"), registered against the lands described as Plan 0713899, Lot 3, Block 49.
26. The Origins Debentures were offered for \$1,000 per Unit, with an interest rate of 11% per annum, payable quarterly, and have a maturity date of twelve months from the first day of the month following the initial advance date.
27. As at April 30, 2012, the approximate amount owing under the Origins Debentures is \$6,600,000.

Partnership Interests

28. The limited partners of Origins at Cranston LP are Evolution by Greenboro LP, holding 50% interest, and a private investor, holding 50% interest and having made an initial contribution in the approximate amount of \$1,750,000.

VALOUR PARK AT CURRIE

Project Summary

29. Valour Park at Currie is a condominium project located in the Currie Barracks community of Calgary, Alberta (the "**Valour Project**"). The developer of the Valour Project is Valour Park at Currie Inc., which is the general partner of Valour Park at Currie LP.
30. The Valour Project is a 2-phase, 24 townhome unit complex. As at April 30, 2012, 19 units were pre-sold and 5 units were under construction but not yet sold.
31. The Valour Project has been financed by way of secured lending facilities and limited partnership contributions to Valour Park at Currie LP, described further below.

Secured Debt

Lender – CWB

32. By way of a commitment letter dated September 16, 2011, Canadian Western Bank made available to Valour Park at Currie LP the following construction financing facilities (the "**Valour Facilities**"):
 - (a) an interim construction demand loan advanced in three segments, as follows:
 - (i) the first segment to a maximum amount of \$8,924,890, and for the lands described as Plan 1010457, Block 7, Lot 1 (the "**Segment 1 Lands**");
 - (ii) the second segment to a maximum amount of \$10,581,848, and for the lands described as Plan 1010457, Block 1, Lot 1 (the "**Segment 2 Lands**"); and

- (iii) the third segment to a maximum amount of \$500,000, being a letter of credit to the City of Calgary.

33. The Valour Facilities are secured by:

- (a) a demand collateral first charge mortgage in the amount of \$10,000,000 against the Segment 1 Lands, granted by Valour Park at Currie Inc.;
- (b) a demand collateral first charge mortgage in the amount of \$18,000,000 against the Segment 2 Lands, granted by Valour Park at Currie Inc.;
- (c) a general security agreement against the real and personal present and after acquired property of Valour Park at Currie LP and Valour Park at Currie Inc.;
- (d) a subordination agreement whereby The Alberta Home Warranty Program subordinates to CWB;
- (e) a Lender's Acknowledgement Agreement; and
- (f) other security.

34. The Valour Facilities are guaranteed as follows:

- (a) UBG Alberta Builders LP up to a limited amount of \$20,006,738; and
- (b) Valour Park at Currie LP up to an unlimited amount and secured by a general security agreement against the real and personal present and after acquired property of Valour Park at Currie LP.

35. As at April 30, 2012, the approximate amount owing under the Valour Facilities is \$6,581,833.

Partnership Interests

36. The limited partners of Valour at Currie LP are Evolution by Greenboro LP, holding 55% interest, and forty-four private investors holding 45% interest and having made an initial collective contribution in the amount of \$4,500,000.

THE BRIDGES

Project Summary

- 37. The Bridges is a condominium project located in the Bridgeland community of Calgary, Alberta (the "**Bridges Project**"). The developer of the Bridges Project is The Bridges Management Inc., which is the general partner of The Bridges LP.
- 38. The Bridges Project is a 1-phase, 122 apartment unit complex. As at April 30, 2012, no units have been started.

39. The Bridges Project has been financed by way of limited partnership contributions to The Bridges LP, described further below. There are no secured lending facilities in connection with the Bridges Project.

Partnership Interests

40. The limited partners of The Bridges LP are:
- (a) UBG Bridges LP, holding 50% interest; and
 - (b) A private investor, holding 50% interest and having made an initial capital contribution of \$3,300,000.
41. The limited partners of UBG Bridges LP (the 50% limited partner of The Bridges LP, above) are:
- (a) Evolution by Greenboro LP, holding 50% interest; and
 - (b) A private investor, holding 50% interest.

ALPINE HOMES AND WILDERNESS HOMES BY RIVERDALE IN CANMORE

42. Alpine Homes LP is a Project Partnership having multi-family development projects in Canmore, and includes the Mountaineers I Project, the Mountaineers II Concept, Timberline Lodges and The Ledges Project (each defined below). Wilderness Homes by Riverdale LP is a Project Partnership also having multi-family development projects in Canmore, and includes Wilderness Project (defined below).

MOUNTAINEERS VILLAGE I

Project Description

43. Mountaineers Village I is a completed residential development in Canmore, Alberta (the "**Mountaineers I Project**"). The developer of the Mountaineers I Project was Mountaineers Village (2006) Inc., which is the general partner of Mountaineers Village LP.
44. The Mountaineers I Project has no outstanding secured lending facilities.

Partnership Interests

45. The limited partner of Mountaineers Village LP is Alpine Homes Limited, holding 100% interest.

MOUNTAINEERS VILLAGE II

Project Description

46. Mountaineers Village II is a conceptual condominium project planned to be located in Canmore, Alberta (the "**Mountaineers II Concept**"). The anticipated developer of the Mountaineers II Concept is Mountaineers Village II Inc., which is the general partner of Mountaineers Village II LP.

47. The Mountaineers II Concept is a 1-phase, 80 apartment unit complex. As at April 30, 2012, no units were started.
48. The Mountaineers II Concept has been financed by way of subordinated debenture mortgage units and limited partnership contributions to Mountaineers Village II LP, described further below.

Secured Debt

Subordinated Debenture Units

49. By way of an offering memorandum dated December 14, 2007, an offer was made for subordinated mortgage debenture units in Mountaineers Village II Inc. as general partner and nominee for and on behalf of Mountaineers Village II LP (the "**Mountaineers II Debentures**"), registered against lands described as Plan 0613172, Block 4, Lot 42 (the "**Mountaineers II Lands**").
50. The Mountaineers II Debentures were offered for \$1,000 per Unit, with an interest rate of 12% per annum, payable quarterly, and having a maturity date of June 5, 2012.
51. The proceeds from Mountaineers II Debentures have been applied to fully repay unsecured interim financing provided by Alpine Homes Inc. for the benefit of Mountaineers Village II Inc. to acquire the Mountaineers II Lands.
52. As at April 30, 2012, the approximate amount owing under the Mountaineers II Debentures is \$2,897,000.

Partnership Interests

53. The limited partner of Mountaineers Village II LP is Alpine Homes Limited, holding 100% interest.

TIMBERLINE

Project Description

54. Timberline is a condominium project located in Canmore, Alberta (the "**Timberline Project**"). The developer of the Timberline Project is Timberline Lodges (2006) Inc., which is the general partner of Timberline Lodges LP.
55. The Timberline Project is a 4-phase, 87 townhome and apartment unit complex. As at April 30, 2012, 56 units were sold, 2 units were pre-sold, 25 units were being built on speculation, and 4 units were under construction but not yet sold.
56. The Timberline Project has been financed by way of secured lending facilities and limited partnership contributions to Timberline Lodges LP, described further below.

Secured Debt

Lender - BMO

57. By way of a commitment letter dated May 7, 2007, as amended from time to time, BMO made available to Timberline Lodges LP the following construction financing facilities (the "**Timberline BMO Facilities**"):
- (a) a non-revolving construction loan regarding phases I and II, up to an amount of \$36,690,440, due on demand or by June 30, 2012;
 - (b) a non-revolving construction loan regarding phases III and IV, up to an amount of \$15,922,413, due on demand or by June 30, 2012; and
 - (c) a demand revolving loan up to an amount of \$900,000, due on demand or by June 30, 2012.
58. The Timberline BMO Facilities are secured by:
- (a) a first charge mortgages in the amount of \$36,690,440 and \$15,922,413 granted by Timberline Lodges (2006) Inc., as beneficial owner for Timberline Lodges LP, to and over the lands described as Plan 0610834, Block 15, Lot 8;
 - (b) a beneficial ownership acknowledgement agreement;
 - (c) a general security agreement from Timberline Lodges (2006) Inc. over all present and future real and personal property; and
 - (d) other security.
59. The Timberline BMO Facilities are guaranteed by UBG Alberta Builders LP, up to an amount of \$14,700,000, provided with an undertaking to maintain a minimum of \$19,600,000 in limited aggregate limited partner loans and to not grant any security on same.
60. As at April 30, 2012, the approximate amount owing under the Timberline BMO Facilities is \$8,628,609.

Lender - ICI

61. By way of a commitment letter dated June 23, 2011, as amended from time to time, ICI made available to Timberline Lodges LP a conventional inventory loan in the amount of \$6,000,000, due twelve months from the first day of the month following the initial advance date (the "**Timberline ICI Facilities**"). The Timberline ICI Facilities was made for the purpose of repayment of the Timberline BMO Facilities.
62. The Timberline ICI Facilities are secured by:
- (a) a conventional first mortgage charge granted by Timberline Lodges (2006) Inc. in the amount of \$6,000,000 over the lands described as Condominium Plan 0810854, Units 50, 81, 82, 83, 85, 86, and 87 (the "**Timberline ICI Mortgage Lands**");

- (b) a general security agreement from Timberline Lodges (2006) Inc. and Timberline Lodges LP in all property in or upon the Timberline ICI Mortgage Lands;
 - (c) a postponement agreement granted in favour of ICI from Valiant Trust Company in respect of a mortgage against the Timberline ICI Mortgage Lands; and
 - (d) other security.
63. The Timberline ICI Facilities are guaranteed as follows:
- (a) UBG Alberta Builders LP up to \$6,000,000; and
 - (b) Timberline Lodges LP up to \$6,000,000, secured by a general security agreement.
64. As at April 30, 2012, the approximate amount owing under the Timberline ICI Facilities is \$6,000,000.

Lender – ABC Inc. / Valiant

65. By way of a loan agreement dated March 11, 2010, Alberta Builders Capital Inc. and Valiant Trust Company jointly loaned to Timberline Lodges LP the sum of \$5,739,000 (the “**Timberline ABC Inc. Facilities**”) due September 19, 2014.
66. The Timberline ABC Inc. Facilities were provided in consideration for a right of the class C subordinated debentureholders of Alberta Builders Capital Inc. (the “**ABC Subordinated Debentureholders**”) to participate in an offer of class B limited partnership units in Timberline Lodges LP (the “**Timberline Lodges LP Class B Participants**”).
67. The Timberline ABC Inc. Facilities are secured by a subordinated mortgage granted in favour of Alberta Builders Capital Inc. and Valiant Trust Company, trustee to the ABC Subordinated Debentureholders, over the lands described as follows:
- (a) Condominium Plan 0810854 Unit 21;
 - (b) Condominium Plan 0810854 Units 25-31;
 - (c) Condominium Plan 0810854 Unit 33;
 - (d) Condominium Plan 0810854 Units 50-55; and
 - (e) Condominium Plan 0810854 Units C and D.
68. As at April 30, 2012, the approximate amount owing under the Timberline ABC Inc. Facilities is \$5,739,000.

Partnership Interests

69. The limited partners of Timberline LP are Alpine Homes LP, holding 50% interest and Class A Units, and thirty-seven Timberline Lodges LP Class B Participants holding collectively 50% interest, and Class B Units at a nominal contribution of \$1.00 per Unit.

THE LEDGES

Project Description

70. The Ledges is a condominium project in Canmore, Alberta (the "**Ledges Project**"). The developer of the Ledges Project is The Ledges Inc., which is the general partner of The Ledges LP.
71. The Ledges Project is a 1-phase, 31 townhome unit complex. As at April 30, 2012, no units had been started.
72. The Ledges Project has been financed by way of secured lending facilities, described further below.

Secured Debt

Lender – Firm Capital

73. By way of a commitment letter dated May 27, 2011, Firm Capital Mortgage Fund Inc. made available to The Ledges Inc. (as a renewal) a \$3,000,000 first mortgage land loan, due on June 1, 2012, unless renewed (the "**Ledges Facilities**").
74. The Ledges Facilities are secured by:
 - (a) a first charge mortgage granted by The Ledges Inc. in the amount of \$3,000,000 over the lands described as Plan 0714123, Block 18, Lot 1 (the "**Ledges Lands**");
 - (b) a general security agreement in all present and after acquired property of The Ledges LP; and
 - (c) other security.
75. The Ledges Facilities are guaranteed by:
 - (a) UBG Alberta Builders LP, up to an unlimited amount and secured by all present and after acquired property connected with the Ledges Lands; and
 - (b) UBG Alberta Builders (2006) Inc., up to an unlimited amount and secured by all present and after acquired property connected with the Ledges Lands.
76. As at April 30, 2012, the approximate amount owing under the Ledges Facilities is \$2,100,000.

Partnership Interests

77. The limited partner of The Ledges LP is Alpine Homes Limited, holding 100% interest.

WILDERNESS RIDGE

Project Description

78. Wilderness Ridge is a condominium project located in Canmore, Alberta (the "**Wilderness Project**"). The developer of the Wilderness Project is Wilderness Ridge at Stewart Creek Inc., which is the general partner of Wilderness Ridge at Stewart Creek LP.
79. The Wilderness Project is a 6-phase, 45 townhome and apartment unit complex. As at April 30, 2012, 26 units were closed, 9 units were pre-sold, and 10 units were being built on speculation.
80. The Wilderness Project has been financed by way of secured lending facilities and limited partnership contributions to Wilderness Ridge at Stewart Creek Inc., as further described below.

Secured Debt

Lender - Scotiabank

81. By way of a commitment letter dated January 18, 2012, Scotiabank made available to Wilderness Ridge at Stewart Creek Inc. the following construction financing facilities (the "**Wilderness Facilities**"):
 - (a) a non-revolving loan up to an amount of \$6,785,720, due on demand or by June 30, 2012; and
 - (b) a letter of guarantee up to an amount of \$525,000, due on demand.
82. The Wilderness Facilities are secured by:
 - (a) a first fixed charge mortgage granted by Wilderness Ridge at Stewart Creek Inc. in the amount of \$30,000,000 over the lands described as Plan 0610834, Block 14, Lot 4;
 - (b) a general security agreement over all present and future real and personal property, granted by Wilderness Ridge at Stewart Creek Inc.;
 - (c) a subordination agreement whereby The Alberta New Home Warranty Program subordinates its interest against Wilderness Ridge at Stewart Creek LP to Scotiabank; and
 - (d) other security.
83. The Wilderness Facilities are guaranteed by:
 - (a) UBG Alberta Builders LP, up to an unlimited amount, provided with an undertaking to maintain a minimum TNW of \$42,500,00; and
 - (b) Wilderness Ridge at Stewart Creek LP, secured by a general security agreement over all present and future real and personal property of Wilderness Ridge at Stewart Creek LP.
84. As at April 30, 2012, the approximate amount owing under the Wilderness Facilities is \$4,579,605.

Lender – Highfield Stock Farm Inc.

85. By way of a promissory note dated September 28, 2011, Highfield Stock Farm Inc. loaned to Wilderness Ridge at Stewart Creek Inc. \$1,440,000 (the “**Highfield Facilities**”), due on demand.
86. The Highfield Facilities are secured by a mortgage granted by Wilderness Ridge at Stewart Creek Inc. in favour of Highfield Stock Farm Inc. on lands described as Condominium Plan 0910404 Unit, 1 (the “**Highfield Mortgage**”).
87. The Highfield Mortgage has expired, however, Highfield Stock Farm Inc. has verbally agreed to an extension of the Highfield Mortgage, but not to renew the loan or enter into a written forbearance agreement.
88. As at April 30, 2012, the approximate amount owing under the Highfield Facilities is \$1,440,000 plus outstanding interest.

Partnership Interests

89. The limited partners of Wilderness Ridge at Stewart Creek LP are Wilderness Homes by Riverdale LP, holding 50% interest, and a private investor, holding 50% interest and having made an initial contribution in the approximate amount of \$3,780,000.

GREENBORO COMMUNITIES IN EDMONTON

90. Greenboro Communities LP is a Project Partnership having multi-family development projects in Edmonton, and includes the Terwillegar Project, VOP Project, Hamptons Project, Griesbach Project, and Laurel Project (each defined below).

SOUTH TERWILLEGAR

Project Description

91. South Terwillegar is a condominium project in southwest Edmonton, Alberta (the “**Terwillegar Project**”). The developer of the Terwillegar Project is South Terwillegar Village Inc., which is the general partner of South Terwillegar Village LP.
92. The Terwillegar Project is a 2-phase, 112 townhome unit complex. As at April 30, 2012, there were 70 units closed, 25 units pre-sold, and 17 units under construction but not yet sold.
93. The Terwillegar Project has been financed by way of secured lending facilities, subordinated debenture mortgage units, and limited partnership contributions, described further below.

Secured Debt

Lender - Scotiabank

94. By way of a commitment letter dated August 2, 2011, Scotiabank made available to South Terwillegar Village Inc., as a renewal, the following construction financing facilities (the “**Terwillegar Facilities**”):

- (a) a non-revolving term loan up to an amount of \$7,700,000, due on demand or by July 31, 2013; and
 - (b) a letter of guarantee up to an amount of \$500,000, due on demand.
95. The Terwillegar Facilities are secured by:
- (a) a demand debenture for \$20,000,000 secured by a first fixed charge over the lands described as Plan 00525260, Block 91, Lot 3 (the "Terwillegar Lands") granted by South Terwillegar Village Inc.;
 - (b) a general security agreement in all present and after acquired property, granted by South Terwillegar Village Inc.;
 - (c) and other security.
96. The Terwillegar Facilities are guaranteed by:
- (a) UBG Alberta Builders LP up to an unlimited amount together with an undertaking to maintain a minimum TNW of \$42,500,000;
 - (b) UBG Alberta Builders (2006) Inc., up to an unlimited amount; and
 - (c) South Terwillegar Village LP, up to an unlimited amount.
97. As at April 30, 2012, the approximate amount owing under the Terwillegar Facilities is \$3,444,809.

Subordinated Debenture Units

98. By way of a debenture mortgage agreement between South Terwillegar Village LP, South Terwillegar Village Inc., and Certain Debentureholders of the Partnership dated October 19, 2010, an offer was made for subordinated mortgage debenture units in South Terwillegar Village Inc. as general partner and nominee for and on behalf of South Terwillegar Village LP (the "Terwillegar Debentures"), registered against the lands described as Plan 0822612, Unit 1, Block B.
99. The Terwillegar Debentures were offered for \$1,000 per Unit, with an interest rate of 11.25% per annum, payable quarterly, and having a maturity date of October 31, 2012.
100. As at April 30, 2012, the approximate amount owing under the Terwillegar Debentures is \$1,955,000.

Partnership Interests

101. The limited partners of South Terwillegar Village LP are Greenboro Communities LP, holding 50% interest, and a private investor holding 50% interest and having made an initial contribution in the approximate amount of \$516,000.

VILLAGE ON THE PARK

Project Description

102. Village on the Park is a condominium project located in the Silverberry community of Edmonton, Alberta (the "**VOP Project**"). The developer of the VOP Project is Village on the Park Inc., which is the general partner of Village on the Park LP.
103. The VOP Project is a 3-phase, 243 apartment unit complex. As at April 30, 2012, 164 units were closed, 29 units were pre-sold, 13 units were built on speculation, and 37 units were under construction but not yet sold.
104. The VOP Project has been financed by way of secured financing and limited partnership contributions to Village on the Park LP, described further below.

Secured Debt

Lender - Scotiabank

105. By way of a commitment letter dated June 21, 2011, Scotiabank made available to Village on the Park Inc. the following construction financing facilities (the "**VOP Facilities**"):
 - (i) a non-revolving construction loan up to an amount of \$10,7500,00, due on demand or by April 30, 2012;
 - (ii) a letter of guarantee due on demand; and
 - (iii) a non-revolving construction loan up to an amount of \$10,808,000, due on demand or by December 31, 2012.
106. The VOP Facilities are secured by:
 - (a) a first fixed charge demand debenture in the amount of \$23,000,000 over the lands described as Plan 0523790, Block 28, Lot 5;
 - (b) a general security agreement over all present and future real and personal property, granted by Village on the Park Inc.; and
 - (c) other security.
107. The VOP Facilities are guaranteed by:
 - (a) UBG Alberta Builders LP, up to an unlimited amount, provided with an undertaking to maintain a minimum TNW of \$42,500,00; and
 - (b) Village on the Park LP up to an unlimited amount.
108. As at April 30, 2012, the approximate amount owing under the VOP Facilities is \$5,299,012.

Partnership Interests

109. The limited partners of Village on the Park LP are Greenboro Communities LP, holding 50% interest, and a private investor, holding 50% interest and having made an initial contribution in the approximate amount of \$3,000,000.

VILLAGE AT HAMPTONS

Project Description

110. Village at Hamptons is a condominium project in northwest Edmonton, Alberta (the "**Hamptons Project**"). The developer of the Hamptons Project is Village at the Hamptons Inc., which is the general partner of Village at the Hamptons LP.
111. The Hamptons Project is a 7-phase, 458 townhome and apartment unit complex. As at April 30, 2012, there were 55 pre-sold, and 36 units were under construction but not yet sold, and 367 units not yet started.
112. The Hamptons Project has been financed by way of secured lending facilities, subordinated debenture mortgage units, and limited partnership contributions, described further below.

Secured Debt

Lender - BMO

113. By way of a commitment letter dated July 21, 2011, BMO made available to Village at the Hamptons LP the following land and construction financing facilities (the "**Hamptons Facilities**"):
- (a) a non-revolving land and land servicing financing up to an amount of \$9,030,989, due on demand, or, for tranche (a) by September 30, 2011; for tranche (b) by August 31, 2011; and for tranche (c) by June 30, 2012 (the "**Hamptons Land Facility**");
 - (b) a non-revolving construction credit or commercial letter of credit up to an amount of \$12,151,895, due on demand or by March 31, 2013 (the "**Hamptons Construction Facility**"); and
 - (c) a non-revolving construction credit or commercial letter of credit up to an amount of \$4,739,747, due on demand or by March 31, 2013.
114. The Hamptons Facilities are secured by:
- (a) a demand collateral mortgage for \$25,922,631 secured by a first fixed charge over the lands described as Plan 0726963, Block 1, Lots 1 and 2 (the "**Hamptons Lands**") granted by Village at the Hamptons Inc. as beneficial owner of the Hamptons Lands;
 - (b) a beneficial ownership agreement from Village at the Hamptons Inc.;
 - (c) a security agreement over all assets of the Hamptons Project;
 - (d) a subordination agreement granted by Valiant Trust Company in favour of BMO in respect of a mortgage against the Hamptons Lands; and

(e) other security.

115. The Facilities are guaranteed by UBG Alberta Builders LP up to an amount of \$25,922,631, secured by a general security agreement.
116. As at April 30, 2012, the approximate amount owing under the Hamptons Facilities is \$8,412,294.

Subordinated Debenture Units

117. By way of a trust indenture agreement dated May 30, 2011, with Valiant Trust Company, an offer was made for subordinated mortgage debenture units in Village at the Hamptons Inc. as general partner and nominee for and on behalf of Village at the Hamptons LP (the "**Hamptons Debentures**"), registered against the Hamptons Lands.
118. The Hamptons Debentures were offered for \$1,000 per Unit, with an interest rate of 11.75% per annum, payable quarterly, and have a maturity date of August 12, 2014.
119. As at April 30, 2012, the approximate amount owing under the Hamptons Debentures is \$3,550,000.

Partnership Interests

120. The limited partners of Village at the Hamptons LP are Greenboro Communities LP, holding 50% interest, and a private investor, holding 50% interest and having made an initial contribution in the approximate amount of \$3,500,000.

EDGEWATER AT GRIESBACH

Project Description

121. Edgewater at Griesbach is a condominium project in northwest Edmonton, Alberta (the "**Griesbach Project**"). The developer of the Griesbach Project is Edgewater at Griesbach Inc., which is the general partner of Edgewater at Griesbach LP.
122. The Griesbach Project is a 2-phase, 210 apartment unit complex. As at April 30, 2012, no units had been started.
123. The Griesbach Project has been financed by way of secured lending facilities and limited partnership contributions, described further below.

Secured Debt

Lender – ICI

124. By way of a commitment letter dated March 14, 2012, ICI made available to Edgewater at Griesbach LP the following inventory financing facilities (the "**Griesbach Facilities**"):
 - (i) a two tranche fixed term loan in the amount of \$2,950,000, due on October 1, 2013, and advanced as follows:

- (A) the first tranche in the amount of \$1,496,000 ("Tranche 1"); and
- (B) second tranche in the amount of \$1,454,000 ("Tranche 2").

125. The Griesbach Facilities are secured by:
- (a) a conventional first mortgage charge granted by Edgewater at Griesbach Inc. against lands described as Plan 1122473, Lot 2, Block 23 for Tranche 1;
 - (b) a conventional first mortgage charge granted by Edgewater at Griesbach Inc. against lands described as Plan 1122473, Lot 1, Block 23 for Tranche 2;
 - (c) a general security agreement;
 - (d) an assignment of purchase agreement and sale;
126. The Griesbach Facilities are guaranteed by UBG Alberta Builders LP, up to a limited amount of \$2,950,000.
127. As at April 30, 2012, the approximate amount owing under the Griesbach Facilities is \$1,496,000.

Partnership Interests

128. The limited partners of Edgewater at Griesbach LP are Greenboro Communities LP, holding 50% interest, and a private investor, holding 50% interest and having made an initial contribution in the approximate amount of \$1,100,000.

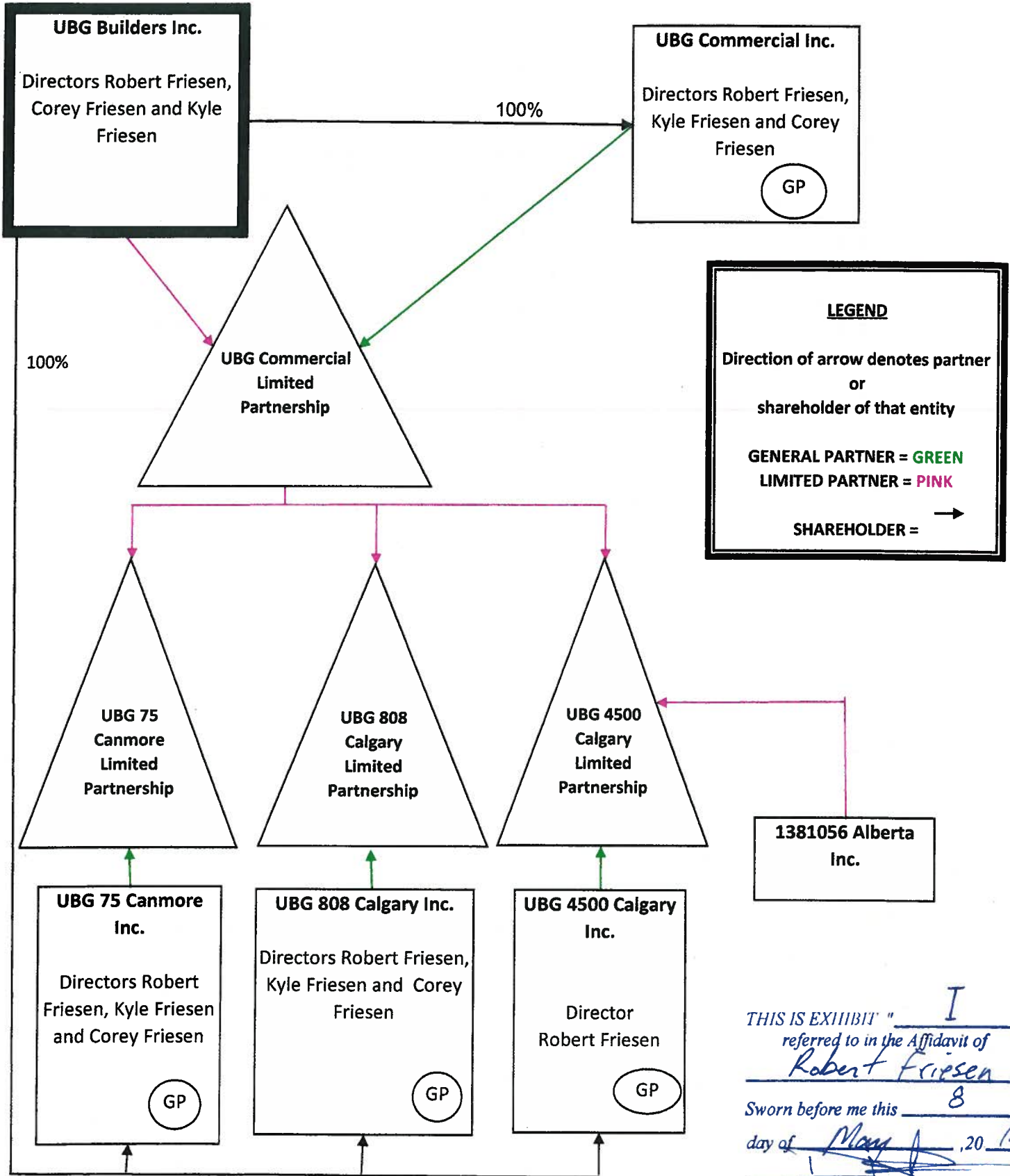
VILLAGE AT LAUREL

Project Description

129. Village at Laurel is a condominium project in southeast Edmonton, Alberta (the "Laurel Project"). The Laurel Project is in the planning stage and As at April 30, 2012, no corporation or limited partnership designated for the Laurel Project had yet been incorporated and registered.
130. The Laurel Project is planned to be a 3-phase, 247 apartment unit complex. As at April 30, 2012, no units had been started.
131. For the Laurel Project and pursuant to a purchase agreement and agreement for sale, Greenboro Communities LP, through its general partner Greenboro Communities (2006) Inc., purchased lands contained in the North West Quarter of Section 31, Township 51, Range 23, west of the Fourth Meridian, from Lehndorff Land General Partner Inc., care of Dundee Developments, and for \$1,938,750.
132. For the Laurel Project and pursuant to a purchase agreement and agreement for sale, Greenboro Communities LP, through its general partner Greenboro Communities (2006) Inc., purchased lands contained in the North West Quarter of Section 31, Township 51, Range 23, west of the Fourth Meridian, from Lehndorff Land General Partner Inc., care of Dundee Developments, and for \$2,040,000.

133. The Laurel Project has no secured lending facilities.

EXHIBIT "I"



LEGEND

Direction of arrow denotes partner or shareholder of that entity

GENERAL PARTNER = GREEN

LIMITED PARTNER = PINK

SHAREHOLDER = →

THIS IS EXHIBIT " I " referred to in the Affidavit of Robert Friesen

Sworn before me this 8 day of May, 2012

[Signature]
A Commissioner for Oaths
in and for the Province of Alberta

Derek Pontin
Barrister and Solicitor

EXHIBIT "J"



LAND TITLE CERTIFICATE

THIS IS EXHIBIT " J "
referred to in the Affidavit of
Robert Friesen
Sworn before me this 8
day of May 20 12

A Commissioner for Oaths
in and for the Province of Alberta
Derek Pontin
Barrister and Solicitor

S
LINC SHORT LEGAL
0032 035 819 0614092;16

TITLE NUMBER
071 576 769

LEGAL DESCRIPTION
CONDOMINIUM PLAN 0614092
UNIT 16
AND 4088 UNDIVIDED ONE TEN THOUSANDTH SHARES IN THE COMMON PROPERTY
EXCEPTING THEREOUT ALL MINES AND MINERALS

ESTATE: FEE SIMPLE
ATS REFERENCE: 5;10;24;22;SW

MUNICIPALITY: TOWN OF CANMORE

REFERENCE NUMBER: 061 472 418 +15

Table with 5 columns: REGISTRATION, DATE (DMY), DOCUMENT TYPE, VALUE, CONSIDERATION. Row 1: 071 576 769, 26/11/2007, TRANSFER OF LAND, \$4,151,200, \$4,151,200

OWNERS
UBG 75 CANMORE INC..
OF 808 - 55 AVENUE SE
CALGARY
ALBERTA T2E 6Y4

ENCUMBRANCES, LIENS & INTERESTS
Table with 3 columns: REGISTRATION NUMBER, DATE (D/M/Y), PARTICULARS. Row 1: 021 298 502, 26/08/2002, UTILITY RIGHT OF WAY GRANTEE - THE TOWN OF CANMORE. 600 9TH STREET CANMORE ALBERTA

(CONTINUED)

ENCUMBRANCES, LIENS & INTERESTSPAGE 2
071 576 769REGISTRATION
NUMBER DATE (D/M/Y) PARTICULARS

AS TO PORTION OR PLAN:0212837

021 298 505	26/08/2002	RESTRICTIVE COVENANT
021 298 509	26/08/2002	RESTRICTIVE COVENANT
021 336 079	24/09/2002	CAVEAT RE : RESTRICTIVE COVENANT
021 354 337	08/10/2002	CAVEAT RE : CANMORE UNDERMINING REVIEW REGULATION CAVEATOR - THREE SISTERS RESORTS INC.. #1000, 1520-4TH ST SW CALGARY ALBERTA T2R0Y4
051 473 075	12/12/2005	CAVEAT RE : DEVELOPMENT AGREEMENT PURSUANT TO MUNICIPAL GOVERNMENT ACT CAVEATOR - THE TOWN OF CANMORE. 902-7 AVENUE CANMORE ALBERTA T1W3K1
061 195 252	18/05/2006	MORTGAGE MORTGAGEE - BANK OF MONTREAL. 9TH FLOOR, FIRST CANADIAN CENTRE 350 - 7TH AVENUE S.W., CALGARY ALBERTA T2P3N9 ORIGINAL PRINCIPAL AMOUNT: \$8,910,808
061 195 253	18/05/2006	CAVEAT RE : ASSIGNMENT OF RENTS CAVEATOR - BANK OF MONTREAL. 9TH FLOOR, FIRST CANADIAN CENTRE 350 - 7TH AVENUE S.W., CALGARY ALBERTA T2P3N9 AGENT - CLIFFORD J SHAW
061 216 261	01/06/2006	CAVEAT RE : POSTPONEMENT CAVEATOR - BANK OF MONTREAL. REAL ESTATE FINANCE, 9TH FLR. FIRST CANADIAN CENTRE 350 7 AVE SW CALGARY ALBERTA T2P3N9

(CONTINUED)

ENCUMBRANCES, LIENS & INTERESTS

PAGE 3
071 576 769

REGISTRATION

NUMBER	DATE (D/M/Y)	PARTICULARS
		AGENT - CLIFFORD J SHAW
061 359 468	01/09/2006	CAVEAT RE : UTILITY RIGHT OF WAY CAVEATOR - FORTISALBERTA INC.. ATTN: LAND DEPT. 320 17 AVE SW CALGARY ALBERTA T2S2V1 AGENT - BOBBI MAGEE
061 379 179	14/09/2006	EASEMENT OVER LOT 42 IN BLOCK 4 ON PLAN 0613172 FOR BENEFIT OF LOT 38 IN BLOCK 4 ON PLAN 0212836 PORTION AS DESCRIBED
061 465 438	08/11/2006	CAVEAT RE : CANMORE UNDERMINING REVIEW REGULATION
071 576 770	26/11/2007	MORTGAGE MORTGAGEE - BANK OF MONTREAL. 9TH FLOOR, 350-7 AVE SW CALGARY ALBERTA T2P3N9 ORIGINAL PRINCIPAL AMOUNT: \$2,822,648
071 576 771	26/11/2007	CAVEAT RE : ASSIGNMENT OF RENTS AND LEASES CAVEATOR - BANK OF MONTREAL. 9TH FLOOR, FIRST CANADIAN CENTRE 350 - 7TH AVENUE S.W., CALGARY ALBERTA T2P3N9 AGENT - CLIFFORD J SHAW
071 576 772	26/11/2007	CAVEAT RE : ASSIGNMENT OF RENTS AND LEASES CAVEATOR - BANK OF MONTREAL. 9TH FLOOR, FIRST CANADIAN CENTRE 9TH FLOOR - 7TH AVENUE SW CALGARY ALBERTA T2P3N9 AGENT - CLIFFORD J SHAW
101 019 232	19/01/2010	CAVEAT RE : LEASE INTEREST CAVEATOR - GAIA COLLABORATIVE MEDICINE INC.. 101, 75 DYRGAS GATE

(CONTINUED)

ENCUMBRANCES, LIENS & INTERESTS

PAGE 4
071 576 769

REGISTRATION

NUMBER DATE (D/M/Y) PARTICULARS

CANMORE
ALBERTA T1W0A6
AGENT - OLIVIA COLIC

111 309 632 29/11/2011 CAVEAT
RE : PURCHASERS INTEREST
CAVEATOR - A. CONSTANTIN PROFESSIONAL CORPORATION.
CAVEATOR - GERT DU PLESSIS PROFESSIONAL CORPORATION.
BOTH OF:
C/O GROVER FROESE PROFESSIONAL CORPORATION
#200, 201 BEAR STREET
P.O. BOX 2190
BANFF
ALBERTA T1L1B9
AGENT - LISA M GROVER

111 309 633 29/11/2011 CAVEAT
RE : LEASE INTEREST
CAVEATOR - A. CONSTANTIN PROFESSIONAL CORPORATION.

CAVEATOR - GERT DU PLESSIS PROFESSIONAL CORPORATION.
BOTH OF:
C/O GROVER FROESE PROFESSIONAL CORPORATION
#200, 201 BEAR STREET
P.O. BOX 2190
BANFF
ALBERTA T1L1B9
AGENT - LISA M GROVER

* ADDITIONAL REGISTRATIONS MAY BE SHOWN ON THE CONDOMINIUM ADDITIONAL PLAN SHEET

TOTAL INSTRUMENTS: 018

THE REGISTRAR OF TITLES CERTIFIES THIS TO BE AN ACCURATE
REPRODUCTION OF THE CERTIFICATE OF TITLE REPRESENTED
HEREIN THIS 27 DAY OF APRIL, 2012 AT 03:57 P.M.

ORDER NUMBER: 21112750

CUSTOMER FILE NUMBER:



END OF CERTIFICATE

(CONTINUED)

THIS ELECTRONICALLY TRANSMITTED LAND TITLES PRODUCT IS INTENDED FOR THE SOLE USE OF THE ORIGINAL PURCHASER, AND NONE OTHER, SUBJECT TO WHAT IS SET OUT IN THE PARAGRAPH BELOW.

THE ABOVE PROVISIONS DO NOT PROHIBIT THE ORIGINAL PURCHASER FROM INCLUDING THIS UNMODIFIED PRODUCT IN ANY REPORT, OPINION, APPRAISAL OR OTHER ADVICE PREPARED BY THE ORIGINAL PURCHASER AS PART OF THE ORIGINAL PURCHASER APPLYING PROFESSIONAL, CONSULTING OR TECHNICAL EXPERTISE FOR THE BENEFIT OF CLIENT(S).

EXHIBIT "K"



LAND TITLE CERTIFICATE

THIS IS EXHIBIT " K "
referred to in the Affidavit of
Robert Friesen
Sworn before me this 8
day of May, 20 12
A Commissioner for Oaths
in and for the Province of Alberta

Derek Pontin
Barrister and Solicitor
TITLE NUMBER
091 305 573

S
LINC SHORT LEGAL
0034 012 914 0913797;3

LEGAL DESCRIPTION
CONDOMINIUM PLAN 0913797
UNIT 3
AND 2570 UNDIVIDED ONE TEN THOUSANDTH SHARES IN THE COMMON PROPERTY
EXCEPTING THEREOUT ALL MINES AND MINERALS

ESTATE: FEE SIMPLE
ATS REFERENCE: 4;29;23;15;SW

MUNICIPALITY: CITY OF CALGARY

REFERENCE NUMBER: 091 256 889 +2

Table with 5 columns: REGISTRATION, DATE (DMY), DOCUMENT TYPE, VALUE, CONSIDERATION. Row 1: 091 305 573, 09/10/2009, TRANSFER OF LAND, \$2,300,000, SEE INSTRUMENT

OWNERS
UBG 4500 CALGARY INC..
OF 808-55 AVE NE
CALGARY
ALBERTA T2E 6Y4

ENCUMBRANCES, LIENS & INTERESTS
Table with 3 columns: REGISTRATION NUMBER, DATE (D/M/Y), PARTICULARS. Row 1: 041 259 137, 12/07/2004, UTILITY RIGHT OF WAY... Row 2: 061 235 967, 13/06/2006, CAVEAT

(CONTINUED)

ENCUMBRANCES, LIENS & INTERESTS

PAGE 2
091 305 573

REGISTRATION
NUMBER DATE (D/M/Y) PARTICULARS

RE : EASEMENT AND RESTRICTIVE COVENANT

061 301 811 26/07/2006 RESTRICTIVE COVENANT

091 305 574 09/10/2009 MORTGAGE
MORTGAGEE - BUSINESS DEVELOPMENT BANK OF CANADA.
110, 444-7 AVE SW
CALGARY
ALBERTA T2P0X8
ORIGINAL PRINCIPAL AMOUNT: \$2,000,000

091 305 575 09/10/2009 CAVEAT
RE : ASSIGNMENT OF RENTS AND LEASES
CAVEATOR - BUSINESS DEVELOPMENT BANK OF CANADA.
110, 444-7 AVE SW
CALGARY
ALBERTA T2P0X8
AGENT - JAMES D MCFARLANE

* ADDITIONAL REGISTRATIONS MAY BE SHOWN ON THE CONDOMINIUM ADDITIONAL PLAN SHEET

TOTAL INSTRUMENTS: 005

THE REGISTRAR OF TITLES CERTIFIES THIS TO BE AN ACCURATE
REPRODUCTION OF THE CERTIFICATE OF TITLE REPRESENTED
HEREIN THIS 27 DAY OF APRIL, 2012 AT 03:59 P.M.

ORDER NUMBER: 21112802

CUSTOMER FILE NUMBER:



END OF CERTIFICATE

THIS ELECTRONICALLY TRANSMITTED LAND TITLES PRODUCT IS INTENDED FOR THE
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PURCHASER APPLYING PROFESSIONAL, CONSULTING OR TECHNICAL EXPERTISE FOR

(CONTINUED)

THE BENEFIT OF CLIENT(S) .

ENCUMBRANCES, LIENS & INTERESTS

PAGE 2
091 305 573 +1

REGISTRATION
NUMBER DATE (D/M/Y) PARTICULARS

RE : EASEMENT AND RESTRICTIVE COVENANT

061 301 811 26/07/2006 RESTRICTIVE COVENANT

091 305 574 09/10/2009 MORTGAGE
MORTGAGEE - BUSINESS DEVELOPMENT BANK OF CANADA.
110, 444-7 AVE SW
CALGARY
ALBERTA T2P0X8
ORIGINAL PRINCIPAL AMOUNT: \$2,000,000

091 305 575 09/10/2009 CAVEAT
RE : ASSIGNMENT OF RENTS AND LEASES
CAVEATOR - BUSINESS DEVELOPMENT BANK OF CANADA.
110, 444-7 AVE SW
CALGARY
ALBERTA T2P0X8
AGENT - JAMES D MCFARLANE

* ADDITIONAL REGISTRATIONS MAY BE SHOWN ON THE CONDOMINIUM ADDITIONAL PLAN SHEET

TOTAL INSTRUMENTS: 005

THE REGISTRAR OF TITLES CERTIFIES THIS TO BE AN ACCURATE
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ORDER NUMBER: 21112802

CUSTOMER FILE NUMBER:



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PURCHASER APPLYING PROFESSIONAL, CONSULTING OR TECHNICAL EXPERTISE FOR

(CONTINUED)

THE BENEFIT OF CLIENT(S) .

EXHIBIT "L"



LAND TITLE CERTIFICATE

THIS IS EXHIBIT " L "
referred to in the Affidavit of
Robert Frieson
Sworn before me this 8
day of May, 2012

A Commissioner for Oaths
in and for the Province of Alberta
Derek Pontin
Barrister and Solicitor

S
LINC SHORT LEGAL
0018 226 399 7410331;1;4

TITLE NUMBER
061 509 031

LEGAL DESCRIPTION

PLAN 7410331
BLOCK 1
LOT 4
EXCEPTING THEREOUT:
THE EASTERLY 68.580 METRES IN PERPENDICULAR WIDTH THROUGHOUT LOT 4
EXCEPTING THEREOUT ALL MINES AND MINERALS

ATS REFERENCE: 5;1;25;2;SW
ESTATE: FEE SIMPLE

MUNICIPALITY: CITY OF CALGARY

REFERENCE NUMBER: 031 102 725

Table with 5 columns: REGISTRATION, DATE(DMY), REGISTERED OWNER(S), VALUE, CONSIDERATION. Row 1: 061 509 031, 08/12/2006, TRANSFER OF LAND, \$4,000,000, NOMINAL

OWNERS
UBG 808 CALGARY INC..
OF 808 - 55 AVENUE N.E.
CALGARY
ALBERTA T2X 3J3

ENCUMBRANCES, LIENS & INTERESTS

Table with 3 columns: REGISTRATION NUMBER, DATE (D/M/Y), PARTICULARS. Row 1: 741 037 923, 25/04/1974, UTILITY RIGHT OF WAY GRANTEE - THE CITY OF CALGARY.

(CONTINUED)

ENCUMBRANCES, LIENS & INTERESTSPAGE 2
061 509 031

REGISTRATION

NUMBER	DATE (D/M/Y)	PARTICULARS
		AS TO PORTION OR PLAN:7410332 "20 FT"
771 147 064	20/10/1977	ZONING REGULATIONS SUBJECT TO CALGARY INTERNATIONAL AIRPORT ZONING REGULATIONS
011 067 970	14/03/2001	CAVEAT RE : ENCROACHMENT AGREEMENT
081 243 308	10/07/2008	MORTGAGE MORTGAGEE - CANADA ICI CAPITAL CORPORATION. 200, 12420-104 AVE EDMONTON ALBERTA T5N3Z9 ORIGINAL PRINCIPAL AMOUNT: \$15,875,000
081 243 309	10/07/2008	CAVEAT RE : ASSIGNMENT OF RENTS AND LEASES CAVEATOR - CANADA ICI CAPITAL CORPORATION. C/O BROWNLEE LLP 2200, 10155-102 STREET EDMONTON ALBERTA T5J4G8 AGENT - ROGER I SWAINSON
081 243 310	10/07/2008	CAVEAT RE : ASSIGNMENT OF RENTS AND LEASES CAVEATOR - CANADA ICI CAPITAL CORPORATION. C/O BROWNLEE LLP 2200, 10155-102 STREET EDMONTON ALBERTA T5J4G8 AGENT - ROGER I SWAINSON
091 094 077	08/04/2009	CAVEAT RE : AMENDING AGREEMENT CAVEATOR - CANADA ICI CAPITAL CORPORATION. C/O BROWNLEE LLP 2200, 10155-102 STREET EDMONTON ALBERTA T5J4G8 AGENT - ROGER I SWAINSON

(CONTINUED)

TOTAL INSTRUMENTS: 007

THE REGISTRAR OF TITLES CERTIFIES THIS TO BE AN ACCURATE
REPRODUCTION OF THE CERTIFICATE OF TITLE REPRESENTED
HEREIN THIS 27 DAY OF APRIL, 2012 AT 03:58 P.M.

ORDER NUMBER:21112773

CUSTOMER FILE NUMBER:



END OF CERTIFICATE

THIS ELECTRONICALLY TRANSMITTED LAND TITLES PRODUCT IS INTENDED FOR THE
SOLE USE OF THE ORIGINAL PURCHASER, AND NONE OTHER, SUBJECT TO WHAT IS
SET OUT IN THE PARAGRAPH BELOW.

THE ABOVE PROVISIONS DO NOT PROHIBIT THE ORIGINAL PURCHASER FROM
INCLUDING THIS UNMODIFIED PRODUCT IN ANY REPORT, OPINION, APPRAISAL OR
OTHER ADVICE PREPARED BY THE ORIGINAL PURCHASER AS PART OF THE ORIGINAL
PURCHASER APPLYING PROFESSIONAL, CONSULTING OR TECHNICAL EXPERTISE FOR
THE BENEFIT OF CLIENT(S).

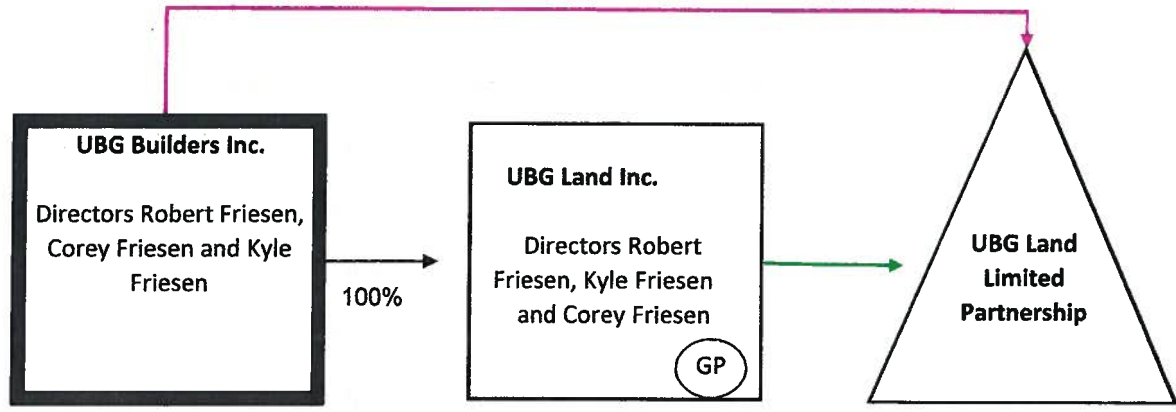
EXHIBIT "M"

THIS IS EXHIBIT " M "
referred to in the Affidavit of
Robert Friesen

Sworn before me this 8
day of May, 2012


A Commissioner for Oaths
in and for the Province of Alberta

Derek Pontin
Barrister and Solicitor



LEGEND

Direction of arrow denotes partner or shareholder of that entity

GENERAL PARTNER = GREEN

LIMITED PARTNER = PINK

SHAREHOLDER = →

EXHIBIT "N"

THIS IS EXHIBIT " N "
referred to in the Affidavit of
Robert Friesen

Sworn before me this 8
day of May, 2012


A Commissioner for Oaths
in and for the Province of Alberta

Derek Pontin
Barrister and Solicitor

**UBG BUILDERS INC.
CONSOLIDATED
FINANCIAL STATEMENTS
DECEMBER 31, 2010**



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Independent Auditor's Report

To the Shareholder of
UBG Builders Inc.:

We have audited the accompanying consolidated financial statements of **UBG Builders Inc.**, which comprise the consolidated balance sheet as at December 31, 2010, and the consolidated statement of loss and retained earnings and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

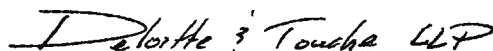
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of UBG Builders Inc. as at December 31, 2010, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Calgary, Alberta
June 10, 2011


Chartered Accountants

UBG BUILDERS INC.
CONSOLIDATED BALANCE SHEET
DECEMBER 31
(000's of dollars)

	2010	2009
Assets		
Current		
Cash	\$ -	\$ 2,359
Cash held in trust	3,176	-
Restricted cash (Note 6)	1,788	2,750
Accounts receivable	4,165	14,776
Inventory (Note 5)	247,009	270,968
Deposits and prepaid expenses	3,876	4,206
	260,014	295,059
Advances to related parties (Note 14)	17,227	17,365
Investment in joint ventures (Note 2)	8,693	8,469
Inventory - held for future development (Note 5)	8,806	11,268
Land	1,150	1,150
Property and equipment (Note 7)	18,608	20,461
Future income taxes (Note 18)	3,490	3,108
	\$ 317,988	\$ 356,880
Liabilities		
Current		
Bank indebtedness (Note 8)	\$ 2,054	\$ -
Operating lines of credit (Note 8)	21,127	18,875
Accounts payable and accrued liabilities (Note 14)	30,300	35,528
Mortgage advances (Note 9)	112,956	115,871
Payable on purchase of lots (Note 10)	32,329	40,069
Customer deposits	13,242	19,378
Notes payable (Note 11)	4,150	3,870
Participating loan payable (Note 12)	3,421	3,484
Shareholder advances (Note 14)	179	682
Income taxes payable	5,990	16,665
	225,748	254,422
Shareholder advances (Note 14)	32,322	32,639
	258,070	287,061
Non-controlling interest	23,484	18,273
Commitments (Note 15)		
Shareholder's equity		
Share capital (Note 13)	-	-
Retained earnings	36,434	51,546
	36,434	51,546
	\$ 317,988	\$ 356,880

Approved by the Board: _____
Director

UBG BUILDERS INC.
CONSOLIDATED STATEMENT OF LOSS AND RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31
(000's of dollars)

	<u>2010</u>	<u>2009</u>
Revenue		
Sales	\$ 209,203	\$ 282,443
Rental	992	496
	<u>210,195</u>	<u>282,939</u>
Cost of sales - construction (Notes 5 and 14)	132,047	200,153
- land	71,950	86,415
- closing costs	5,445	7,525
	<u>209,442</u>	<u>294,093</u>
	<u>753</u>	<u>(11,154)</u>
Expenses		
Amortization	2,485	2,759
General and administrative	9,586	19,287
Indirect construction	2,571	2,406
Interest	4,889	4,713
Sales and marketing	2,842	6,314
Foreign exchange loss (gain)	205	(1,752)
	<u>22,578</u>	<u>33,727</u>
Loss before other items	<u>(21,825)</u>	<u>(44,881)</u>
Other items:		
Income from joint ventures (Note 2)	821	801
Insurance proceeds on loss of inventory (Note 20)	(955)	8,867
Loss of inventory (Note 20)	894	(9,068)
Non-controlling interest	1,446	(1,530)
Other losses	(453)	-
	<u>1,753</u>	<u>(930)</u>
Loss before income taxes	<u>(20,072)</u>	<u>(45,811)</u>
(Recovery of) provision for income taxes (Note 18)		
Current	(4,578)	(8,713)
Future	(382)	629
	<u>(4,960)</u>	<u>(8,084)</u>
Net loss	<u>(15,112)</u>	<u>(37,727)</u>
Retained earnings, beginning of year	<u>51,546</u>	<u>89,273</u>
Retained earnings, end of year	<u>\$ 36,434</u>	<u>\$ 51,546</u>

UBG BUILDERS INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31
(000's of dollars)

	<u>2010</u>	<u>2009</u>	
Operating activities			
Net loss	\$ (15,112)	\$ (37,727)	
Adjustments for:			
Amortization	2,485	2,759	
Future income taxes (recovery)	(382)	629	
Income from joint ventures	(821)	(801)	
Loss on disposal of partnerships	-	1,211	
Gain on disposal of property and equipment	-	380	
Non-controlling interest	(1,446)	1,530	
Unrealized foreign exchange gain	-	(6,086)	
	<u>(15,276)</u>	<u>(38,105)</u>	
Changes in non-cash working capital (Note 17)	7,583	119,103	
	<u>(7,693)</u>	<u>80,998</u>	
Financing activities			
Proceeds from (repayment of) notes payable	280	(3,675)	
Proceeds from (repayment of) operating lines of credit	2,252	(24,589)	
Repayment of mortgages	(2,915)	(39,093)	
(Repayment of) proceeds from participating loan	(63)	337	
Advances to shareholder	(820)	(3,225)	
	<u>(1,266)</u>	<u>(70,245)</u>	
Investing activities			
Restricted cash	962	127	
Proceeds from disposal of property and equipment	-	148	
Advances for investments in joint ventures	(597)	(80)	
Advances from (to) related parties	138	(554)	
Advances from minority partners	-	6,638	
Advances from (to) non-controlling partners	6,657	(1,962)	
Acquisition of property and equipment	562	(3,255)	
	<u>7,722</u>	<u>1,062</u>	
Net (decrease) increase in cash and cash equivalents	(1,237)	11,815	
Cash and cash equivalents (bank indebtedness), beginning of year	2,359	(9,456)	
Cash and cash equivalents, end of year	\$ <u>1,122</u>	\$ <u>2,359</u>	
Represented by:			
Cash and cash held in trust	3,176	2,359	
Bank indebtedness	(2,054)	-	
	<u>\$ 1,122</u>	<u>\$ 2,359</u>	
Supplementary information (Note 17)			

UBG BUILDERS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

1. General

UBG Builders Inc. (the "Company") is incorporated under the Canada Business Corporations Act and is a wholly-owned subsidiary of Robert Friesen Investments Inc. (the "Shareholder"). The Shareholder is wholly-owned by Robert Friesen (the "Ultimate Shareholder").

The principal business activity of the Company is the investment in companies involved in the construction and sale of single and multi-family homes and investment in land.

2. Significant accounting policies

Private enterprises are not required to apply the following sections of the Canadian Institute of Chartered Accountants ("CICA") Handbook: 1530, 3855, 3862, 3863 and 3865, which would otherwise have applied to the consolidated financial statements of the Company for the years ended December 31, 2010 and 2009. The Company has elected to use this exemption and applies the requirements of Section 3860 and of Accounting Guideline 13 of the CICA Handbook.

These consolidated financial statements have been prepared in accordance with the recommendations of the Handbook of the CICA. The Company, with the consent of the Shareholder, has elected to prepare its consolidated financial statements in accordance with Canadian generally accepted accounting principles ("GAAP") using the differential reporting option described below available to non-publicly accountable enterprises:

Investment in joint ventures - The Company has elected to use the equity method to account for its investments in joint ventures.

Principles of consolidation - The consolidated financial statements include the accounts of the Company and its wholly-owned and controlled subsidiaries. All inter-company transactions have been eliminated.

UBG BUILDERS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

2. Significant accounting policies (continued)

Revenue recognition - Revenue on sale of homes and all direct costs are recorded in the month that title and possession passes to the purchaser, revenue amounts are fixed or determinable and ability to collect such amounts are reasonably assured.

The Company has retained substantially all of the risks and benefits of ownership of its rental properties and accounts for leases with its tenants as operating leases. Revenue recognition under a lease begins when the tenant takes possession of, or controls, the physical use of the property subject to the lease. Generally, this occurs on the lease commencement date or, where the Company is required to make additions to the property in the form of tenant improvements, upon substantial completion of those improvements. The total amount of contractual rent to be received from operating leases is recognized on a straight-line basis over the term of the lease; a straight-line or free rent receivable, as applicable, is recorded for the difference between the rental revenue recorded and the contractual amount received. Rental revenue also includes percentage participating rents and recoveries of operating expenses, including property and capital taxes. Operating expense recoveries are recognized in the period that recoverable costs are chargeable to tenants.

Warranty costs - At the time of possession, a provision for warranty claims is recorded and charged against cost of sales. This warranty provision is based upon management's best estimate of expected future warranty costs utilizing past claims history. Actual warranty expenditures are charged against the provision as incurred.

Short-term investments - Short-term investments include investments with a maturity date of less than 365 days.

Property and equipment - Property and equipment are recorded at cost less accumulated amortization. No amortization is taken in the year of acquisition. A full year's amortization is taken in the year of disposition. Amortization is provided on the following bases:

Buildings	-twenty year straight-line
Model home furniture	-three year straight-line, with a 10% residual value
Office equipment and furniture	-30% declining-balance
Vehicles	-30% declining-balance
Computer software	-two year straight-line
Leasehold improvements	-straight-line over the life of the lease

UBG BUILDERS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

2. Significant accounting policies (continued)

Impairment of long-lived assets - Long-lived assets are tested for impairment whenever a change in events or circumstances indicates that the carrying value may not be recoverable. If such an event has occurred, an estimate is made of future undiscounted cash flows from the long-lived asset. If the total of the undiscounted future cash flows, excluding financing charges, is less than the carrying amount of the long-lived asset, asset impairment must be recognized in the consolidated financial statements. The amount of the impairment to be recognized is calculated by subtracting the fair value of the asset from the carrying value of the asset. Fair value is the amount at which an item could be bought or sold in a current transaction between willing parties, and is estimated by calculating the present value of expected future cash flows related to the asset. Any resulting impairment loss is recognized in the period it is determined.

Inventory - Inventory is carried at the lower of cost and estimated net realizable value calculated on a per-unit basis. Cost includes land, development costs, indirect construction costs, interest, and property taxes.

The estimated net realizable value represents the undiscounted future net cash flow expected to be received. To arrive at this amount, the Company estimates the cash flow for the life of each project (usually within one year). These projections take into account the specific business plan for each project and management's best estimate of the most probable set of economic conditions anticipated to prevail in the market area. The ultimate net realizable values for the Company's housing are dependent upon future market and economic conditions.

Future income taxes - The Company follows the liability method of accounting for future income taxes. Under this method, future income tax assets and liabilities are recorded based on temporary differences between the carrying amounts of consolidated balance sheet items and their corresponding tax bases. In addition, the future benefits of income tax assets, including unused tax losses, are recognized, subject to a valuation allowance, to the extent that it is more likely than not that such future benefits will ultimately be realized. Future income tax assets and liabilities are measured using substantively enacted tax rates and laws expected to apply when the tax liabilities or assets are to be either settled or realized.

Foreign currency - The Company follows the temporal method of accounting for its interest in its U.S. subsidiaries. Monetary items are translated at the rate of exchange in effect at the consolidated balance sheet date. Non-monetary items are translated at historical exchange rates. Revenue and expense items are translated at the rate of exchange in effect on the dates they occur. Any gains or losses due to foreign exchange differences are included in general and administrative expenses.

UBG BUILDERS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

2. Significant accounting policies (continued)

Measurement uncertainty - The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. The valuation of allowance for doubtful accounts, the net realizable value of inventory, the economic lives of property and equipment, the impairment of investments in joint ventures, the realization of future income tax assets, the impairment of long-lived assets, the provision for warranty expenses and accrued liabilities are the most significant items subject to estimates in these consolidated financial statements. These estimates are reviewed at least annually and, as adjustments become necessary, they are reported in earnings in the periods in which they become known.

3. Future accounting changes

New accounting framework - The Company is currently classified as a non-publicly accountable enterprise ("NPAE") and has the option of adopting, effective January 1, 2011, either the International Financial Reporting Standards or the Accounting Standards for Private Enterprises applicable to NPAE's which were issued by the Accounting Standards Board on December 15, 2009. The Company is currently evaluating its decision on which accounting framework to apply and how it will impact the consolidated financial statements.

Business combinations, consolidated financial statements and non-controlling interests - CICA Handbook Section 1582, Business Combinations, is effective for business combinations with an acquisition date on or after January 1, 2011. This standard was amended to require additional use of fair value measurements, recognition of additional assets and liabilities, and increased disclosure. Adopting this standard is expected to have a material effect on the way the Company accounts for future business combinations. Entities adopting Section 1582 will also be required to adopt CICA Handbook Sections 1601, Consolidated Financial Statements, and 1602, Non-controlling Interests. These standards will be effective January 1, 2011, with early adoption permitted. The changes resulting from adopting Section 1582 will be applied prospectively and the changes from adopting Sections 1601 and 1602 will be applied retrospectively. The Company does not expect the adoption of this new standard to have a material impact on the consolidated financial statements.

UBG BUILDERS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

4. Capital management

The Company, through its subsidiaries, is subject to certain financial covenants related to its debt facilities. These covenants include a working capital, current and debt to equity ratio, certain lot and house inventory ratios and minimum equity requirements. As at December 31, 2010, two U.S. subsidiaries (wholly owned) were in violation of their respective covenants. The company is currently in discussions with the lender.

5. Inventory

	<u>2010</u>		<u>2009</u>
	(000's)		(000's)
Pre-sold work-in-progress	\$ 77,370	\$	91,603
Model homes - finished	11,719		13,356
Spec homes	67,736		72,899
Serviced lots	90,184		93,110
Held for future development	8,806		11,268
	<u>\$ 255,815</u>	\$	<u>282,236</u>

For the year ended December 31, 2010, the sale of inventory resulted in the recognition of expenses aggregating \$199,351,000 (2009 - \$283,124,000). There were \$7,946,000 (2009 - \$3,444,000) write-downs of inventory to net realizable value required as at December 31, 2010 and \$3,300,000 (2009 - \$Nil) reversals of write-down of inventories have been recorded for the year ended December 31, 2010. At December 31, 2010, there was \$38,815,000 (2009 - \$28,577,000) in inventory carried at net realizable value. During 2010, \$4,209,000 (2009 - \$8,513,000) of interest was capitalized to inventory.

6. Restricted cash

Restricted cash represents funds held by third parties to be released upon completion of specific project milestones and amounted to \$1,788,000 (2009 - \$2,750,000).

UBG BUILDERS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

7. Property and equipment

			<u>2010</u> (000's)			<u>2009</u> (000's)
	Cost	Accumulated Amortization	Net Book Value		Net Book Value	
Buildings	\$ 16,739	\$ 2,583	\$ 14,156	\$	14,923	
Model home furniture	2,893	2,182	711	\$	1,179	
Office equipment and furniture	3,532	2,702	830	\$	1,190	
Vehicles	583	391	192	\$	258	
Computer software	1,734	1,484	250	\$	510	
Leasehold improvements	3,677	1,208	2,469	\$	2,401	
	<u>\$ 29,158</u>	<u>\$ 10,550</u>	<u>\$ 18,608</u>	<u>\$</u>	<u>20,461</u>	

8. Bank indebtedness and operating lines of credit

Bank indebtedness represents cheques that have been issued and are outstanding in excess of cash on hand.

The subsidiaries of the Company have operating lines of \$34,400,000 (2009 - \$54,000,000) with interest rates up to prime plus 2% per annum. The operating lines are payable on demand and are secured by specific lands and a general security agreement covering all assets of certain subsidiaries. As at December 31, 2010, these operating lines were drawn to the amount of \$21,127,000 (2009 - \$18,875,000).

9. Mortgage advances

The Company finances land purchases and home construction by way of construction credit facilities, first mortgages and second mortgages. These mortgages are secured by specific assets of the subsidiaries, general security agreements over assets of individual subsidiaries and guarantees by the Company. Mortgage funds are advanced by way of draws under the mortgage arrangement. Mortgage rates vary based on the lenders and range from prime plus 1% per annum to fixed rates of 14% per annum.

A summary of the components is as follows:

	<u>2010</u> (000's)		<u>2009</u> (000's)
Construction credit facilities	\$ 51,194	\$	50,970
First mortgages	53,712		53,251
Second mortgages	8,050		11,650
	<u>\$ 112,956</u>	<u>\$</u>	<u>115,871</u>

UBG BUILDERS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

10. Payable on purchase of lots

On purchase of lots, a 15% to 20% down payment is required by the developer. The balance of the lot purchase is due either on a scheduled monthly basis or on a set date, usually within a 12 month period after the initial down payment. The developer normally provides an interest free period on the balance due and the specific lots are security until the final payouts.

A summary of the interest rates applicable to the lot payables is as follows:

	<u>2010</u>		<u>2009</u>
	(000's)		(000's)
Interest free	\$ 25,426	\$	18,879
Prime plus 0% to prime plus 2%	6,433		18,941
8%	250		-
Prime plus 12% to prime plus 13%	-		2,249
15%	220		-
	<u>\$ 32,329</u>	<u>\$</u>	<u>40,069</u>

11. Notes payable

Officers and former officers of the Company or its subsidiaries have advanced funds to the Company. The advances are unsecured, payable on demand, and bear interest between 6% and 12% per annum.

12. Participating loan payable

The Company develops a limited number of projects where investors provide most of the capital required to purchase the land. In lieu of interest on the advanced funds, the investors participate in the profits on these projects.

	<u>2010</u>		<u>2009</u>
	(000's)		(000's)
Unsecured, non-interest bearing with no specific due date	\$ 3,217	\$	3,280
Secured by first charge on lots, non-interest bearing, due 60 days after closing of home sale	204		204
	<u>\$ 3,421</u>	<u>\$</u>	<u>3,484</u>

UBG BUILDERS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

13. Share capital

Authorized

Unlimited number of common voting shares, no stated par value

Unlimited number of first preferred non-voting shares, no stated par value

Unlimited number of second preferred non-voting shares, no stated par value

Issued

100 common shares issued and outstanding at December 31, 2010 and 2009 for a total consideration of \$100 for both year ends.

14. Related party transactions

The Shareholder has advanced funds to the Company in the amount of \$32,501,000 (2009 - \$33,139,000), which is unsecured, non-interest bearing, and has no fixed terms of repayment. The Shareholder has waived their rights to demand repayment prior to January 2, 2012.

Non-controlling shareholders in certain subsidiaries of the Company have advanced \$Nil (2009 - \$182,000), which is included in shareholder advances. The advances are unsecured, non-interest bearing and have no fixed terms of repayment. The advances are denominated in U.S. dollars and have a USD carrying value of \$Nil (2009 - \$174,000)

The Company has advanced approximately \$2,809,000 (2009 - \$2,947,000) to Today's Land Company, LLC, a Colorado partnership that is controlled by the Shareholder. The advance is denominated in U.S. dollars and has a USD carrying value of approximately \$2,809,000 (2009 - \$2,809,000), which is included in advances to related parties. This advance is unsecured, non-interest bearing, and has no fixed terms of repayment.

In fiscal 2008, the Company transferred ownership of certain joint ventures to a company controlled by the Shareholder in exchange for preferred shares of that company. The preferred shares are redeemable and valued at \$14,418,000 (2009 - \$14,418,000), are non-voting and bear non-cumulative dividends. The preferred shares have been included in advances to related parties.

The Company purchased plumbing services from a company controlled by the Shareholder. Total of such purchases was \$2,409,000 (2009 - \$3,043,000), of which \$438,000 (2009 - \$643,000) is included in accounts payable and accrued liabilities.

UBG BUILDERS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

14. Related party transactions (continued)

The Company purchased developed lots from a joint venture jointly controlled by the Company. The total of such purchases was \$Nil (2009 - \$7,200,000), of which \$Nil (2009 - \$3,480,000) is included in payable on purchase of lots.

These transactions are in the normal course of business and are recorded at the exchange amount, which is the amount established and agreed to by the related parties.

15. Commitments

The Company has issued letters of credit totaling \$4,965,000 (2009 - \$4,883,000), which have been provided to the Alberta New Home Warranty Program, developers as security for lot damage, and to municipalities for project completion.

16. Business divestment

In 2009 the Company disposed of its interest in the Venezie Limited Partnership to the other partner for consideration of \$100.

The table below summarizes the estimated fair value of assets and liabilities disposed of as a result of the disposition as follows:

	<u>Total</u> (000's)
Inventory	\$ 5,174
Deposits and prepaid expenses	27
Total asset disposition	<u>5,201</u>
Current liabilities	2
Non-controlling interest	<u>3,988</u>
Total disposition	<u>3,990</u>
Net asset disposition	<u>\$ 1,211</u>

UBG BUILDERS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

17. Cash flow information

	2010	2009
	(000's)	(000's)
Changes in non-cash working capital:		
Accounts receivable	\$ 10,611	\$ (6,470)
Inventory	26,421	166,398
Deposits and prepaid expenses	330	1,777
Accounts payable and accrued liabilities	(5,228)	51
Payable on purchase of lots	(7,740)	(34,859)
Customer deposits	(6,136)	1,183
Income taxes payable	(10,675)	(8,977)
	\$ 7,583	\$ 119,103
Supplementary information:		
Income taxes paid	\$ 6,097	\$ 108
Interest paid	\$ 12,196	\$ 13,686

18. Loss carry forward

As at December 31, 2010, the Company and its subsidiaries have loss carry forwards totaling approximately \$23,526,000 (2009 - \$18,379,000) which are available to reduce taxes payable in subsequent years. The benefit of \$5,856,000 of these losses has been included in future income taxes. These loss carry forwards expire as follows:

	(000's)
2014	\$ 241
2015	967
2026	3,010
2027	3,051
2028	4,754
2029	5,885
2030	5,618
	\$ 23,526

UBG BUILDERS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

19. Financial instruments

Fair value - The carrying value of the Company's financial instruments, which include cash, cash held in trust, restricted cash, accounts receivable, deposits, bank indebtedness, accounts payable and accrued liabilities, payable on purchase of lots, and customer deposits approximate fair value due to their short-term nature.

The carrying value of the Company's financial instruments which include the operating lines of credit and mortgage advances approximate their fair value due to the terms of these financial instruments being similar to the current market value terms which the Company would receive at year end.

The fair value of the advances to related parties, notes payable, participating loan payable and shareholder advances are not determinable with sufficient reliability due to the related party nature of the instrument and there being no fixed terms of repayment.

Risk management - The Company is exposed to financial risk that arises from the fluctuation in interest rates, the credit quality of purchasers and foreign exchange fluctuations. These risks are managed as follows:

Interest rate risk - Interest rate risk is minimized as most of the Company's debt obligations are short-term and matched to corresponding cash inflows. In addition, the maturity of these short-term financings is staggered, thereby further minimizing the Company's exposure to interest rate fluctuations.

Credit risk - Credit risk arises with the uncertainties of predicting the financial difficulties purchasers may experience, which could cause them to be unable to fulfill their purchase commitments. The Company mitigates this risk by having a diversified mix of purchasers thereby limiting the exposure to a single purchaser. Furthermore, as most purchasers place a mortgage on their new home, the financial institution that is providing this end mortgage will perform a credit assessment of the purchaser.

Foreign exchange risk - Foreign exchange risk arises with the fluctuation of foreign currencies. The Company mitigates this risk as inputs into the foreign subsidiaries are denominated in the same currency as outputs.

UBG BUILDERS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

20. Provision for loss on inventory

During 2009, significant damages resulting from a fire occurred to the Wilderness Ridge at Stewart Creek project. Management evaluated the value of the project and insurance coverage at that time. An adjustment was made to record the estimated insurance funds to be received resulting in a write-off of inventory of \$9,068,313, an increase in accounts receivable of \$8,867,063 and a net impact on the statement of loss of \$201,250 in 2009. During fiscal 2010, \$8,029,961 of the \$8,867,063 had been received.

During fiscal 2010, there was an increase of \$955,000 to amounts receivable and a further \$894,000 written off to inventory for a net impact of income of \$61,000.

Consolidated financial statements

**UBG Alberta Builders Limited
Partnership**

For the years ended December 31, 2011 and 2010

DRAFT

UBG Alberta Builders Limited Partnership

Consolidated Statements of Loss

For the years ended December 31, 2011 and 2010

(In thousands of dollars)

	2011	2010
		(Note 2)
	\$	\$
Revenue		
Sales	150,610	196,172
Cost of sales		
Construction (Notes 5 and 10)	96,383	125,578
Land	64,296	60,378
Closing costs	3,819	5,015
	164,498	190,971
	(13,888)	5,201
Expenses		
Sales and marketing	2,896	2,322
Indirect construction costs	2,828	2,491
General and administrative (Note 10)	2,311	2,248
Interest (Notes 5 and 10)	702	1,881
Amortization	497	700
	9,234	9,642
Loss from operations	(23,122)	(4,441)
Non-controlling interest	(1,385)	1,945
(Loss) gain on disposal of assets	(4,334)	44
Rental and other income	1,114	71
Net loss	(27,727)	(2,381)

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UBG Alberta Builders Limited Partnership

Consolidated statements of partners' equity

For the years ended December 31, 2011 and 2010

(In thousands of dollars)

	UBG Builder Inc.	UBG Alberta Builders (2006) Inc.	Total
	\$	\$	\$
Balance, December 31, 2009	69,836	-	69,836
Net loss - 2010	(2,381)	-	(2,381)
Distributions made in 2010	(15,995)	-	(15,995)
Balance, December 31, 2010	51,460	-	51,460
Net loss - 2011	(27,727)	-	(27,727)
Distributions made in 2011	(7,435)	-	(7,435)
Balance, December 31, 2011	16,298	-	16,298

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UBG Alberta Builders Limited Partnership

Consolidated Balance Sheets

As at December 31, 2011 and 2010 and January 1, 2010

(In thousands of dollars)

	December 31, 2011	December 31, 2010 (Note 2)	January 1, 2010 (Note 2)
	\$	\$	\$
Assets			
Current assets			
Cash	-	-	1,524
Cash held-in-trust	977	1,884	1,530
Short-term investments	446	1,211	1,056
Accounts receivable (Note 14)	1,873	5,767	11,270
Current portion of inventory (Note 5)	185,536	211,594	234,169
Deposits and prepaid expenses	3,945	2,980	3,867
	192,777	223,436	253,416
Inventory (Note 5)	5,756	8,806	11,268
Due from related parties (Note 10)	9,151	9,151	9,151
Property and equipment (Note 6)	861	1,113	1,740
	208,545	242,506	275,575
Liabilities			
Current liabilities			
Bank indebtedness (Note 7)	194	2,335	-
Operating lines of credit (Note 7)	14,037	20,655	18,875
Accounts payable and accrued liabilities (Note 10)	25,569	29,473	37,114
GST payable	14	79	583
Mortgage advances (Notes 8 and 10)	78,225	79,985	76,386
Due to director	427	356	-
Payable on purchase of lots (Note 9)	40,109	31,231	39,990
Customer deposits	11,249	11,316	19,259
	169,824	175,430	192,207
Non-controlling interest	22,423	15,616	13,532
	192,247	191,046	205,739
Commitments (Note 12)			
Partners' equity	16,298	51,460	69,836
	208,545	242,506	275,575

Approved by the Board

Director

Director

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UBG Alberta Builders Limited Partnership

Consolidated Statements of Cash Flows

For the years ended December 31, 2011 and 2010

(In thousands of dollars)

	2011	2010
	\$	\$
Operating activities		
Net loss	(27,727)	(2,381)
Adjustments for		
Amortization	497	700
Loss on disposal of property and equipment	4	-
Gain on disposal of other assets	-	(16)
Loss on disposal of partnerships	4,286	(16)
Non-controlling interest	1,385	(1,945)
	(21,555)	(3,658)
Changes in non-cash working capital (Note 11)	29,371	6,226
	7,816	2,568
Financing activities		
(Repayment of) proceeds from operating lines of credit	(6,618)	1,780
Proceeds from (repayment of) mortgage advances	(1,689)	3,955
Distributions to partners	(7,435)	(15,995)
	(15,742)	(10,260)
Investing activities		
Proceeds from disposal of property and equipment	6	3
Acquisition of property and equipment	(255)	(60)
Acquisition of limited partnership units	(2,076)	-
Proceeds from disposal of limited partnership units	10,150	3,200
Acquisition of short-term investments	-	(155)
Proceeds on disposal of short-term investments	115	-
Advances from minority partners	2,127	1,703
Distributions to minority partners	-	(858)
	10,067	3,833
Net (increase) decrease in bank indebtedness	2,141	(3,859)
Cash (bank indebtedness), beginning of year	(2,335)	1,524
(Bank indebtedness) cash, end of year	(194)	(2,335)
Supplementary information		
Interest paid	-	10,122

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UBG Alberta Builders Limited Partnership

Notes to the consolidated financial statements

December 31, 2011 and 2010

(In thousands of dollars)

1. General

UBG Alberta Builders Limited Partnership (the "Partnership") was formed on November 1, 2006 upon the transfer of all the assets and liabilities, excluding any tax assets or liabilities, of UBG Alberta Builders Inc. (the "Company" or "UBGA") into the Partnership at carrying value. The partners of the Partnership are UBG Builders Inc. ("UBG") as a limited partner and UBG Alberta Builders (2006) Inc. (0.0001% interest) as a general partner.

The Partnership's principal business activity is the construction and sale of custom single and multi-family housing in Calgary, Edmonton and Canmore in the province of Alberta.

The consolidated financial statements include only the assets, liabilities, revenue and expenses related to the operations of the Partnership. Income taxes are the responsibility of the partners. Accordingly, no provision for income taxes is provided in the consolidated financial statements.

2. Adoption of a new accounting framework

During the year ended December 31, 2011, the Company adopted the new accounting standards for private enterprises (the "new standards" or "ASPE") as required by the Canadian Institute of Chartered Accountants ("CICA"). In accordance with Section 1500 of the CICA Handbook, First-time Adoption, ("Section 1500"), the date of transition to the new standards is January 1, 2010 and the Company has prepared and presented an opening balance sheet at the date of transition to the new standards. This opening balance sheet is the starting point for the entity's accounting under the new standards. In its opening balance sheet, under the recommendations of Section 1500, the Company

- (a) recognized all assets and liabilities whose recognition is required by the new standards;
- (b) did not recognize items as assets or liabilities if the new standards do not permit such recognition;
- (c) reclassified items that it recognized previously as one type of asset, liability or component of equity, but are recognized as a different type of asset, liability or component of equity under the new standards; and
- (d) applied the new standards in measuring all recognized assets and liabilities.

In accordance with the requirements of Section 1500, the accounting policies set out in Note 3 have been consistently applied to all years presented and adjustments resulting from the adoption of the new standards have been applied retrospectively excluding cases where optional exemptions available under Section 1500 have been applied. As described below, the Company has elected to adopt the exemptions available under Section 1500 relating to fair value of property, plant and equipment; business combinations; and related parties.

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UBG Alberta Builders Limited Partnership

Notes to the consolidated financial statements

December 31, 2011 and 2010

(In thousands of dollars)

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2. Adoption of a new accounting framework (continued)

Impact of the adoption of the new standards on retained earnings as at January 1, 2010

The impact of the adoption of the new standards on the non-consolidated balance sheet items and on retained earnings as at January 1, 2010 is summarized as follows:

	Balance as previously reported December 31, 2009	Adjustment	Reference	Balance as adjusted January 1, 2010
	\$	\$		\$
Liabilities and other components of shareholders' equity				
Accounts payable and accrued liabilities	37,697	(583)	(a)	37,114
Government remittance payable	-	583	(a)	583
Total adjustment to liabilities and other components of shareholders' equity		-		
Retained earnings	53,986	-		-

Impact of the adoption of the new standards on the non-consolidated statement of loss for the year ended December 31, 2010

There has been no impact on the adoption of the new standards on the statement of loss for the year ended December 31, 2010.

Explanations of adjustments

a) Government remittances

The new standards require separate disclosure of the amount of government remittances payable. Accordingly, an amount of \$583,000 as at January 1, 2010 related to payroll remittances and government and provincial sales taxes has been reclassified from accounts payable and accrued liabilities.

In addition, the changes in non-cash working capital section of the cash flow statement has been adjusted to reflect, as appropriate, the above changes to the statement of loss. The adjustments relate to the reconciling items in determining the non-cash working capital activities.

3. Significant accounting policies

Private enterprises are not required to apply the following sections of the Canadian Institute of Chartered Accountants ("CICA") Handbook: 1530, 3855, 3862, 3863 and 3865, which would otherwise have applied to the financial statements of the Partnership for the years ended December 31, 2011 and 2010. The Partnership has elected to use this exemption and applies the requirements of Section 3860 and of Accounting Guideline 13 ("AcG-13") of the CICA Handbook.

UBG Alberta Builders Limited Partnership

Notes to the consolidated financial statements

December 31, 2011 and 2010

(In thousands of dollars)

The consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). Significant accounting policies are as follows:

Basis of consolidation

The financial statements include the accounts of the Partnership and its wholly-owned partnerships from their respective date of acquisition until sale or loss of control. The wholly-owned partnerships at December 31, 2011 are as follows:

- Elite Homes Limited Partnership ✓
- Greenboro Estate Homes Limited Partnership ✓
- Today's Communities Limited Partnership ✓
- High Pointe Limited Partnership ✓
- Origins at Cranston Limited Partnership ✓
- Evolution by Greenboro Limited Partnership ✓
- Mountaineers Village I Limited Partnership ✓
- Mountaineers Village II Limited Partnership ✓
- The Ledges Limited Partnership ✓
- Alpine Homes Limited Partnership ✓
- Tuscany Developments Limited Partnership ✓
- Village at the Hamptons Limited Partnership ✓
- Wilderness Homes by Riverdale Limited Partnership ✓
- Today's Homes Limited Partnership ✓
- UBG Alpine Homes Limited Partnership ✓
- Greenboro Homes Limited Partnership ✓
- Greenboro Communities Limited Partnership ✓

The consolidated financial statements also include the accounts of six limited partnerships, which UBG Alberta Limited Partnership does not have a wholly owned equity interest in the Partnerships but is able to exercise control of the strategic operations, investing and financing policies. On that basis, the financial statements of the six Partnerships are consolidated at 100% with a related charge shown on both the balance sheet and income statement as non-controlling interest. The six Partnerships at December 31, 2011 are as follows:

	<u>Ownership</u>
Valmont at Aspen Stone Limited Partnership	50% ✓
Wilderness Ridge at Stewart Creek	50% ✓
Valour Park at Currie Barracks Limited Partnership	59% ✓
Timberline Lodges Limited Partnership	50% ✓
Village on the Park Limited Partnership	50% ✓
South Terwillegar Village Limited Partnership	50% ✓

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UBG Alberta Builders Limited Partnership

Notes to the consolidated financial statements

December 31, 2011 and 2010

(In thousands of dollars)

3. Significant accounting policies (continued)

Inter-company transactions and balances are eliminated upon financial statement consolidation.

Revenue recognition

Revenue and all direct costs are recorded in the month that title and possession passes to the purchaser, revenue amounts are fixed or determinable and ability to collect such amounts are reasonably assured.

Warranty costs

At the time of possession, a provision for warranty claims is recorded and charged against cost of sales. This warranty provision is based upon management's best estimate of expected future warranty costs utilizing past claims history. Actual warranty expenditures are charged against the provision as incurred.

Short-term investments

Short-term investments include investments with a maturity date of less than 365 days.

Property and equipment

Property and equipment are recorded at cost less accumulated amortization. Amortization is provided on the following bases:

Model home furniture	three year straight-line, with a 10% residual value
Office equipment and furniture	30% declining-balance
Vehicles	30% declining-balance
Computer software	two year straight-line
Leasehold improvements	straight-line over the term of the lease

Impairment of long-lived assets

Long-lived assets are tested for impairment whenever a change in events or circumstances indicates that their carrying values may not be recoverable. If such an event has occurred, an estimate is made of future undiscounted cash flows from the long-lived asset. If the total of the undiscounted future cash flows, excluding financing charges, is less than the carrying amount of the long-lived asset, asset impairment must be recognized in the consolidated financial statements. The amount of the impairment to be recognized is calculated by subtracting the fair value of the asset from the carrying value of the asset. Fair value is the amount at which an item could be bought or sold in a current transaction between willing parties, and is estimated by calculating the present value of expected future cash flows related to the asset. Any resulting impairment loss is recognized in the period it is determined.

Inventory

Inventory is carried at the lower of cost and estimated net realizable value calculated on a per-unit basis. Cost includes land, development costs, indirect construction costs, interest, and property taxes.

The estimated net realizable value represents the undiscounted future net cash flow expected to be received. To arrive at this amount, the Partnership estimates the cash flow for the life of each project (usually within one year). These projections take into account the specific business plan for each project and management's best estimate of the most probable set of economic conditions anticipated to prevail in the market area. The ultimate net realizable values for the Partnership's housing are dependent upon future market and economic conditions.

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UBG Alberta Builders Limited Partnership

Notes to the consolidated financial statements

December 31, 2011 and 2010

(In thousands of dollars)

3. Significant accounting policies (continued)

Measurement uncertainty

The preparation of consolidated financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of the revenue and expenses during the reporting period. The allowance for doubtful accounts, the economic life of property and equipment, the impairment of long-lived assets, the net realizable value of inventory, the provisions for warranty expenses, and accrued liabilities are the most significant items subject to estimates in these consolidated financial statements. These estimates are reviewed at least annually and, as adjustments become necessary, they are reported in income in the periods in which they become known.

4. Capital management

The Partnership, through its subsidiaries, is subject to certain financial covenants related to its debt facilities. These covenants include a working capital, current, and debt to equity ratio, certain lot and house inventory ratios, and minimum equity requirements. As at year end, the Company was in violation in one of its subsidiaries of the minimum equity requirement covenant. This breach in covenant has been communicated to the bank and the Company continues to take steps to move towards compliance.

5. Inventory

	December 31, 2011	December 31, 2010	January 1, 2010
	\$	\$	\$
Pre-sold work-in-progress	54,037	70,164	90,987
Model homes - finished	9,085	11,801	12,719
Spec homes	59,974	49,159	66,768
Serviced lots	62,440	80,470	63,695
Land held for development	5,756	8,806	11,268
	<u>191,292</u>	<u>220,400</u>	<u>245,437</u>

For the year ended December 31, 2011, the sale of inventory resulted in the recognition of expenses aggregating \$160,966,652 (2010 - \$184,608,474). There were \$20,012,463 (2010 - \$4,670,151) write-downs of inventory to net realizable value required as at December 31, 2011 and \$1,289,094 (2010 - \$3,300,000) reversals of write-down of inventories have been recorded for the year ended December 31, 2011. At December 31, 2011, there was \$42,200,401 (2010 - \$27,368,866) in inventory carried at net realizable value. During 2011, \$_____ (2010 - \$3,469,542) of interest was capitalized to inventory.

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UBG Alberta Builders Limited Partnership

Notes to the consolidated financial statements

December 31, 2011 and 2010

(In thousands of dollars)

6. Property and equipment

			December 31, 2011	December 31, 2010	January 1, 2010
	Cost	Accumulated amortization	Net book value	Net book value	Net book value
	\$	\$	\$	\$	\$
Model home furniture	2,113	1,647	466	594	1,001
Office equipment and furniture	1,487	1,298	189	271	388
Vehicles	418	319	99	154	203
Leasehold improvements	377	270	107	94	148
	<u>4,395</u>	<u>3,534</u>	<u>861</u>	<u>1,113</u>	<u>1,740</u>

7. Bank indebtedness and operating lines of credit

Bank indebtedness represents cheques that have been issued and are outstanding in excess of cash on hand.

The subsidiaries of the Partnership have operating lines of credit of \$38,500,000 (2010 - \$34,400,000) with interest rates up to prime plus 1% per annum (2010 - prime plus 2% per annum). The operating lines are payable on demand and are secured by specific lands and a general security agreement covering all assets of certain subsidiaries. **The Company has guaranteed the operating lines up to \$ (2010 - \$16,930,000).** As at December 31, 2011, these lines were drawn in the amount of \$14,036,682 (2010 - \$20,654,857).

8. Mortgage advances

The Partnership finances home construction by way of construction credit facilities, first mortgages and second mortgages. Some of these mortgages are secured by a first or second charge over the corresponding lands, general security agreements over assets of individual subsidiaries, and guarantees by the Company. Mortgage funds are advanced by way of draws under the mortgage arrangements. Mortgage interest rates vary based on the vendors and range from prime plus 1% per annum to fixed rates of 14% per annum. Mortgage advances are due on demand.

A summary of the components is as follows:

	December 31, 2011	December 31, 2010	January 1, 2010
	\$	\$	\$
Construction credit facilities	30,348	45,866	41,836
First mortgages	30,033	20,997	22,900
Second mortgages (Note 10)	17,844	13,122	11,650
	<u>78,225</u>	<u>79,985</u>	<u>76,386</u>

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UBG Alberta Builders Limited Partnership

Notes to the consolidated financial statements

December 31, 2011 and 2010

(In thousands of dollars)

9. Payable on purchase of lots

On purchase of lots, a 15% to 20% down payment is required by the developer. The balance of the lot purchase is due either on a scheduled monthly basis or on a set date, usually within a 12 month period after the initial down payment. As security, title remains in the developer's name until the lot is paid in full. The developer normally provides an interest free period on the balance due.

A summary of the interest rates applicable to the lot payables is as follows:

	December 31, 2011	December 31, 2010	January 1, 2010
	\$	\$	\$
Interest free	28,326	24,328	18,800
Prime plus 0% to prime plus 2%	7,373	6,433	18,941
8%	-	250	-
Prime plus 3% to prime plus 9.5%	3,087	-	-
Prime plus 12% to prime plus 13%	1,324	-	2,249
15%	-	220	-
	40,110	31,231	39,990

10. Related party transactions

The Partnership received funds in the amount of \$12,778,243 (2010 - \$12,940,500) from Alberta Builder's Capital Inc., an entity under common control, which bears interest at 12.5% per annum, are secured against specific lots, due on demand and are included in mortgage advances. Interest charged was \$1,115,881 (2010 - \$1,233,549) and has been capitalized to inventory.

The Partnership loaned funds in the amount of \$9,150,840 (2010 - \$9,150,840) to entities under common control. The loans are unsecured, non-interest bearing and have no specific terms of repayment.

The Partnership purchased plumbing services from a company controlled by a shareholder of UBG. The total of such purchases was \$1,275,670 (2010 - \$2,409,438) and has been included in cost of sales - construction, of which \$37,496 (2010 - \$437,516) has been included in accounts payable and accrued liabilities.

The Partnership purchased inventory of \$407,745 (2010 - \$799,500) at carrying value to a company under common control.

The Partnership received funds in the amount of \$16,173 (2010 - \$120,530) from a company controlled by a shareholder of UBG.

These transactions are in the normal course of business and are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

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UBG Alberta Builders Limited Partnership

Notes to the consolidated financial statements

December 31, 2011 and 2010

(In thousands of dollars)

11. Changes in non-cash working capital

	December 31, 2011	December 31, 2010
	\$	\$
Accounts receivable	4,094	5,503
Inventory	19,897	25,037
Deposits on lots and prepaid expenses	(990)	887
Payable on purchase of lots	8,878	(8,759)
Customer deposits	(67)	(7,943)
Accounts payable and accrued liabilities	(3,283)	(7,641)
GST payable	(65)	(504)
Cash held-in-trust	907	(354)
	<u>29,371</u>	<u>6,226</u>

12. Commitments

The Partnership has issued letters of credit totalling \$4,044,295 (2010 - \$4,266,777), of which \$1,044,900 (2010 - \$1,731,082) are secured by cash, to the Alberta New Home Warranty Program, developers as security for lot damage, and to municipalities for project completion.

13. Financial instruments

Fair value

Financial instruments, which include cash, cash held-in-trust, accounts receivable, operating lines of credit, accounts payable and accrued liabilities, mortgage advances, payable on purchase of lots and customer deposits are recorded at carrying value, which approximates fair value or rate approximates market rates, unless otherwise disclosed. The fair market value of the amounts due from related parties is not readily determinable as the amounts are non-interest bearing and have no specific terms of repayment.

Risk management

The Partnership is exposed to financial risk that arises from the fluctuation in interest rates and the credit quality of purchasers. These risks are managed as follows:

Interest rate risk

Interest rate risk is minimized as most of the Partnership's debt obligations are short-term and matched to corresponding cash inflows. In addition, the maturities of these short-term financings are staggered, thereby further minimizing the Partnership's exposure to interest rate fluctuations.

Credit risk

Credit risk arises with the uncertainties of predicting the financial difficulties purchasers may experience, which could cause them to be unable to fulfill their purchase commitments. The Partnership mitigates this risk by having a diversified mix of purchasers thereby limiting the exposure to a single purchaser. Furthermore, as most purchasers place a mortgage on their new home, the financial institution that is providing this end mortgage will perform a credit assessment of the purchaser.

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UBG Alberta Builders Limited Partnership

Notes to the consolidated financial statements

December 31, 2011 and 2010

(In thousands of dollars)

14. Accounts receivable

	December 31, 2011	December 31, 2010	January 1, 2010
	\$	\$	\$
Trade accounts receivable	657	686	717
Accounts receivable other	1,101	1,765	1,686
Fire insurance receivable	115	3,316	8,867
	<u>1,873</u>	<u>5,767</u>	<u>11,270</u>

15. Business divestment

Subsequent to year end, the Partnership disposed of its interest in the Versant at Stewart Creek Limited Partnership to the other partners for consideration of \$1,200,000.

The table below summarizes the estimated fair value of the assets and liabilities disposed of as a result of the divestiture:

	December 31, 2011
	\$
Short-term investments	650
Inventory	9,211
Deposits and prepaid expenses	25
Total asset disposition	<u>9,886</u>
Accounts payable	565
Non-controlling interest	5,051
Total liability disposition	<u>5,616</u>
Net asset disposition	<u>4,270</u>

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EXHIBIT "O"

UBG Builders Group
Consolidated Cash flow
As at May 8, 2012
(\$Cdn, Unaudited)

Notes	1 May 7 - 13	2 May 14 - 20	3 May 21 - 27	4 May 28 - June 3	5 June 4 - 10	6 June 11 - 17	7 June 18 - 24	8 June 25 - July 1	9 July 2 - 8	10 Jul 9 - 15	11 July 16 - 22	12 July 23 - 29	13 July 30 - Aug 5	TOTAL
Inflows														
Mortgage advances			3,114,628				10,000	2,526,201			5,000	5,000	2,321,693	7,982,520
Advances														
ATB	77,744			1,791,701		295,473		2,750,984		95,473	200,000	40,984	2,710,000	7,962,361
TD Bank	66,339			1,542,789		76,745		1,542,789		76,745		42,789	1,500,000	4,848,194
Closings														
Firm	1,963,958			2,429,187		411,046		5,883,001		1,455,008				13,573,217
Pending		322,007	1,115,753				654,836						814,268	4,361,971
A/R collection	600,000													600,000
GST		40,000												40,000
Other			60,000				35,000				35,000			130,000
Subtotal - inflows	3,045,556	400,648	7,834,218	6,055,180		832,589	778,529	13,408,936		1,801,824	240,000	88,773	7,443,673	41,729,926
Outflows														
Mortgage payment		283,387	3,503,965	2,164,066		361,720	176,481	5,203,423		863,744			742,938	15,570,556
Wages and salary	338,409			180,856		180,856		180,856		180,856		180,856		1,240,888
Rent				92,000		92,000		92,000						276,000
GST				207,000				5,000						217,000
Insurance				15,557				16,774						80,220
Property tax			16,774											796,917
Payables														
Overheads														
Legal/accounting						216,488				216,488				432,975
Trades						39,892				39,892				79,784
Restructuring costs				3,240,717		200,000	387,980	6,318,921		352,020	200,000		6,521,683	20,315,957
Lot purchases	76,923	76,923	76,923	76,923	76,923	76,923	76,923	76,923	76,923	76,923	76,923	76,923	76,923	1,000,000
Lot deposits														
Developer														
Interest														
Construction mortgage			31,000					18,000			5,000			60,000
Other mortgage														
Bank fees				6,400				200	6,200					12,800
Investor financing														
Other						2,713								5,426
Contingency	7,692	7,692	7,692	7,692	7,692	7,692	7,692	7,692	7,692	7,692	7,692	7,692	7,692	100,000
Subtotal outflows	3,095,392	408,623	7,181,020	6,285,427	101,390	1,132,886	747,669	13,425,162	107,560	1,912,216	288,615	270,471	7,559,516	42,428,986
Net cash flow														
Period only														
Opening available cash	36,185	(5,974)	453,198	(230,247)	(101,390)	(500,307)	30,860	(16,227)	(107,590)	(110,391)	(49,615)	(181,699)	(115,842)	(699,090)
Closing cash balance	776,165	776,165	770,190	1,223,388	993,141	891,751	591,443	622,303	606,076	498,487	388,095	338,460	156,782	740,000
	776,165	770,190	1,223,388	993,141	891,751	591,443	622,303	606,076	498,487	388,095	338,460	156,782	40,940	40,940

THIS IS EXHIBIT " 0
referred to in the Affidavit of
Robert Friesen
Sworn before me this 8
day of May, 2012
A Commissioner for Oaths
in and for the Province of Alberta
Derek Pontin
Barrister and Solicitor

This schedule should be read in conjunction with the notes and the representations of the debtor.

UBG Builders Group
Notes to Consolidated Cash Flow Report
As at May 8, 2012

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, 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 Edmonton developments and by The Toronto-Dominion Bank ("TD Bank") in respect of the Calgary developments. It is assumed that ATB and TD Bank will continue to fund the construction of those homes currently under construction to maximize value, including the ongoing payment of trades retained to build the projects.
3. During the period of the Cash Flow, UBG expects to close sales on 67 units totalling approximately \$18 million in the following developments:

	# of Units	Amount (\$)
Greenboro Homes	28	7,373,606
Greenboro Estate Homes	7	3,675,329
Today's Homes LP	3	1,102,988
Village on the Park	26	4,454,303
High Point LP	3	1,328,961
	67	17,935,188

4. The \$600,000 account receivable collection represents settlement funds in connection with an action against a house purchaser in Greenboro Estate Homes.
5. Comprises rental income from various tenants occupying UBG commercial buildings.
6. 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.
7. UBG will be initiating steps to reduce the quantum of salaries which currently total approximately \$650,000 per month. The Cash Flow reflects a substantial reduction in wages and salaries expected to be implemented by UBG as soon as practicable.
8. Overheads comprise general expenses including utilities, licenses, office supplies, advertising, and telephones.

9. Estimated restructuring costs to be incurred over the 13 week period. It should be noted that during the 13 week period restructuring costs are not expected to exceed \$100,000 in respect of any particular project.
10. The Cash Flow does not provide for lot deposits and payments to developers for lot purchases in respect of the single family developments. 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.
11. 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.
12. Approximately \$740,000 is available to assist in meeting payroll obligations and certain overhead expenses during the period of the cash flow.

These notes should be read in conjunction with the accompanying Consolidated Cash Flow Report.

UBG Builders Group
Representations in Respect of the Consolidated Cash Flow Report
As at May 8, 2012

The UBG Builders Group states as follows:

1. The hypothetical assumptions are reasonable and consistent with the purpose of the projections as set out in Notes 1 to 12; assumptions are suitably supported and consistent with the plans of the debtor company and provide a reasonable basis for the projections. All such assumptions are disclosed in Notes 1 to 12.
2. Since the projections are based on assumptions regarding future events, actual results will vary from the information presented and the variations may be material.
3. The projections have been prepared solely for the purpose described in Notes 1 to 12, using the probable and hypothetical assumptions set out in Notes 1 to 12. Consequently, readers are cautioned that it may not be appropriate for other purposes.