

Notice to RECA Licensees and the Public

RECA's current Board of Directors has received reports from a stakeholder alleging fraud and other improprieties associated with the purchase of RECA's office building at 1506 – 11th Avenue SW in Calgary in 2018 (Transaction). These complaints and allegations have been taken extremely seriously by the Board.

As none of the current Board members or senior Administration of RECA were involved with the Transaction, RECA's Board commissioned a legally privileged review (Investigation) of the matters noted in the reports.

The Investigation into the history of the Transaction found:

- In late 2013, RECA began to review its options for its operational space requirements as its lease at the Westmount Corporate Campus was set to expire in May 2017. Negotiations with the landlord and other tenants were unsuccessful in meeting RECA's needs, resulting in RECA being required to move;
- RECA Council formed a special Facilities Committee (Committee) to assess its anticipated space needs and address its future requirements. This Committee, headed and staffed with experienced Council members, determined that RECA should enter into a public request for proposals (RFP) process. RECA sent out an RFP to obtain the best advice from experienced commercial realty firms on the economic and space issues facing the organization;
- After reviewing the proposals, RECA engaged an experienced commercial broker and its personnel to advise Council and assist in the research and decision-making process regarding RECA's space requirements, including advice as to whether RECA should lease or buy property given current and anticipated market conditions. This analysis estimated that over a 10 year term anticipated cost savings from a purchased premises would likely be very significant. This conclusion was confirmed by a competing experienced commercial brokerage;
- RECA, with the assistance of its consultants, solicited and received numerous proposals for lease or build ownership opportunities at various locations in Calgary from several established developers. Each of the proposals was carefully considered by the Committee in late 2014 and early 2015;
- Following a series of negotiations with several parties, and with careful consideration of the initiatives by the Committee and Council, in April 2015 Council approved the negotiation of a design build contract. The agreement contained a lease provision with an option to purchase the constructed premises.

- Council then directed RECA Administration to remove conditions and exercise the option to purchase, subject to due diligence associated with the satisfactory completion of the construction of the building in accordance with RECA's specifications;
- Acting on Council's direction, on October 27, 2016 RECA waived the conditions and exercised the option to purchase, subject only to financing;
- Prior to waiving the finance condition, RECA retained an expert Alberta appraisal service to appraise the premises. The detailed appraisal confirmed the market value of the property and supported the purchase option;
- The appraisal was fully accepted by a Canadian Chartered Bank for the purpose of financing the Transaction;
- RECA Council was fully advised on the appraisal and the nature of the financing, and subsequently approved the Transaction;
- Commissions for the purchase of the building were paid for by the developer and were consistent with the lower end of the industry standard;
- No RECA staff or Council member received any payment from the Transaction; and
- RECA's internal records demonstrate that substantial due diligence by experienced personnel and consultants resulted in the decision to proceed with the Transaction, based on the information available to the involved personnel at the time.

The Board's investigation has determined that there was no impropriety or lack of due diligence in undertaking the decision to proceed with the Transaction. The involved Council members, external consultants, and RECA Administration proceeded in good faith, using their best business judgment as to anticipated future market conditions and RECA's ongoing operational space requirements. The Board has concluded its investigation and the matter is now closed.