



Deloitte Restructuring Inc.
La Tour Deloitte
1190 Avenue des
Canadiens-de-Montréal
Suite 500
Montreal QC H3B 0M7
Canada

Tel.: 514-393-7115
Fax: 514-390-4103
www.deloitte.ca

C A N A D A
PROVINCE OF QUEBEC
DISTRICT OF QUEBEC
DIVISION No.: 01- Montreal
COURT. No.: 500-11-053975-187
ESTATE No.: 41-2342696

S U P E R I O R C O U R T
Commercial Division

**IN THE MATTER OF THE
BANKRUPTCY OF:**

NORTH CALGARY LAND LTD., a legal person, duly incorporated under the laws of Nova Scotia, having its mailing address at P.O. Box 28059 Tacoma, Dartmouth, Nova Scotia, B2W 6E2, Canada, and having its chief place of business at 1000 De La Gauchetière Street West, Suite 2100, Montreal, Quebec, H3B 4W5, Canada

Bankrupt

– and –

DELOITTE RESTRUCTURING INC.
(Jean-Christophe Hamel, CPA, CA, CIRP, LIT, designated responsible person) having its place of business at 1190 Avenue des Canadiens-de-Montréal, Suite 500, Montreal, Quebec, H3B 0M7, Canada

Trustee

TRUSTEE'S PRELIMINARY REPORT TO CREDITORS

The *Bankruptcy and Insolvency Act* (the "**Act**"), a federal act in Canada, provides for a first meeting of creditors to discuss the creditors' collective interest in the administration of the Bankrupt's estate.

A) Background

North Calgary Land Ltd. (**NCLL**) is a legal person duly incorporated under the laws of Nova Scotia, having its mailing address at P.O. Box 28059 Tacoma, Dartmouth, Nova Scotia, B2W 6E2, Canada, and having its chief place of business at 1000 De La Gauchetière Street West, Suite 2100, Montreal, Quebec, H3B 4W5, Canada. NCLL's sole purpose was to own and operate real estate properties located in Calgary, Alberta. The sole shareholder of NCLL is Homco Realty Fund (96) Limited Partnership (**H96**).

1810040 Alberta Ltd. (formerly known as Homburg Invest Inc. and Homburg Shareco Inc.) (**H11**) is the sole limited partner of H96. As limited partner, H11 is entitled to the profits of H96 and, in the event of a liquidation of H96, to any liquidation proceeds after the payment of all of the limited partnership's creditors, and thus, has the ultimate beneficial interest of the properties owned by NCLL.

At the time of the bankruptcy, a Canadian Receiver had already been appointed to conduct the sale of NCLL's real estate properties for the benefit of its secured creditor. On the same day as the appointment of the Canadian Receiver (May 23, 2017), an Approval and Vesting Order had also been granted by the Superior Court of Québec (the "**CCAA Court**") to authorize the sale of NCLL's real estate properties by the Canadian Receiver. The sale of the real estate properties was expected to close in the months to come.

Restructuring of HII

On September 9, 2011, HII and certain related entities (the "**HII CCAA Parties**") initiated a restructuring process under the *Companies' Creditors Arrangement Act (CCAA)* by obtaining an initial order (as amended and extended from time to time, the "**Initial Order**") from the CCAA Court.

HII Group owned a diversified portfolio of real estate assets in Europe (the Netherlands, Germany, and the Baltic States), Canada, and the United States. As part of its restructuring, the HII Group ultimately determined that certain properties, including those of NCLL, constitute non-core properties that would not form part of the HII Group's restructured portfolio.

HII filed a plan of arrangement under the CCAA (as amended and restated, the "**Plan**"), which has been sanctioned by the CCAA Court pursuant to an order rendered on June 5, 2013 (the "**Sanction Order**"). The plan implementation took place from March 24, 2014 to March 27, 2014. Since the plan implementation date, the Liquidation Advisory Committee (**LAC**) has been formed and is being consulted in respect of the wind-down of the HII Group entities (collectively with HII, the "**HII Group**"), including in respect to the bankruptcies. The LAC has approved the bankruptcy of NCLL.

Causes of insolvency

Prior to the appointment of a Receiver, significant efforts were made (as part of the HII Group's restructuring) to try to sell NCLL's real estate properties. Throughout those efforts, it became evident that the sale of NCLL's real estate properties would not allow for the full reimbursement of NCLL's main secured creditor and that, therefore, the sale of NCLL's properties would not allow for the reimbursement (or partial reimbursement) of any other unsecured creditors of NCLL. On May 23, 2017, a Receiver was therefore appointed to conduct the sale of NCLL's real estate properties for the benefit of NCLL's secured creditor. As mentioned earlier in this report, on the same day as the appointment of the Receiver (May 23, 2017), an Approval and Vesting Order was also granted by the CCAA Court to authorize the sale of NCLL's real estate properties by the Receiver. The sale of the real estate properties was expected to close in the months to come.

NCLL owes C\$9,377,251 to its secured creditor (before considering any proceeds collected / to be collected following the closing of the sale of its real estate properties by the Receiver). NCLL owes C\$28,835,092 to H96, an affiliated company and C\$505,767 to other unsecured creditors.

NCLL meets the definition of an "insolvent person" under the Act because, *inter alia*, the aggregate value of its assets is not, at fair valuation, sufficient to enable payment of its obligations, due, and accruing due.

Bankruptcy

As (i) the value of NCLL's assets is lower than the value of its liabilities; (ii) no longer has a purpose as NCLL no longer operates its real estate properties; and (iii) NCLL was not a core

entity that was retained to form part of the HII Group's restructured portfolio, the decision was made for NCLL to file an assignment in bankruptcy. On February 8, 2018, NCLL filed an assignment in bankruptcy and Deloitte Restructuring Inc. was appointed as trustee.

B) Trustee's preliminary evaluation of assets

Below is a summary of the Summary of Assets and Liabilities as of February 8, 2018, which includes the estimated net realization value of the assets of NCLL as well as the estimated deficit following the distribution of the estimated proceeds from the liquidation of the assets to creditors:

North Calgary Land Ltd. Summary of Assets and Liabilities (CAD) As of February 8, 2018		Estimated Net Realization Value
Liabilities (Note 1)		
Unsecured creditors - HSBC Bank of Canada (Note 2)		-
Unsecured creditors - Others		505,767
Unsecured creditors - Intercompany (H96)		28,835,092
		<u>29,340,860</u>
Surplus (deficit) before professional fees		<u>(29,340,860)</u>

Note 1: Creditors will have the onus to prove their claims and only claims that are proved will constitute valid claims and receive a distribution if funds are available.

Note 2: Following the sale of the real estate property, the net sale proceeds shall be remitted to HSBC Bank of Canada. Should the net sale proceeds not be sufficient to fully reimburse the HSBC Bank of Canada, the HSCB Bank of Canada could have an unsecured claim in NCLL's bankruptcy. At the time of the appointment of the Canadian Receiver of NCLL's real estate property, NCLL owed \$9,377,251 to HSBC Bank of Canada.

C) Conservatory and protective measures

The Trustee implemented the following conservatory and protective measures:

- Sending of notices to all known creditors informing them about the bankruptcy and the first meeting of creditors;
- Publication of a notice to creditors in *The Globe and Mail* newspaper.

D) Information relating to provable claims

As of the time of this report, only a proof of claim from Homco Realty Fund (96) Limited Partnership (intercompany claim) was received by the Trustee. As of the time of the preparation of this report, the Trustee has not yet completed its review of HII's proof of claim.

E) Legal proceedings, transfer at undervalue, and preference payments

The Trustee has not initiated any legal proceedings and has not identified any transfer at undervalue or preference payments to date.

F) Details of fee guarantees

In an order dated October 10, 2012, the CCAA Court extended the definition of the "Administration Charge" granted in the Initial Order, such that it secures the professional fees and disbursements of Deloitte Restructuring Inc. (formerly Samson Bélair/Deloitte & Touche Inc.), in its capacity as Trustee in bankruptcy of NCLL. The Plan and the Sanction Order further provide (i) for the creation of an "Administrative Reserve" for the purpose of paying the Administrative Reserve Costs", which include, *inter alia*, the "Bankruptcy Trustee Fees" (being "the fees and disbursements (including legal fees and disbursements) of Deloitte Restructuring Inc. acting as Trustee in Bankruptcy of any Non-Core Business Entity incorporated or formed under Canadian federal or provincial law [which includes NCLL]") and (ii) that the "Administrative Charge" shall charge the "Cash Pool", the "Asset Realization Cash Pool", the "Cash Reserves", and the "Non-Core Business Assets" as such terms are defined under the Plan.

G) Projected distribution and Trustee's comments on anticipated asset realization

As illustrated in the Statement of Affairs, it is estimated that no funds will be available for distribution to unsecured creditors following the sale of the real estate asset by the Receiver.

H) Trustee's remuneration

As explained above, the professional fees and disbursements of Deloitte, in its capacity as Trustee in the bankruptcy of NCLL, are guaranteed by the "Administration Charge" and by the "Administrative Reserve" approved by the CCAA Court.

I) Other matters

None.

DATED AT MONTREAL, this 1st day of March, 2018.

DELOITTE RESTRUCTURING INC.

In its capacity as Trustee of the estate of
North Calgary Land Ltd. and not in its personal
capacity

Per:



Jean-Christophe Hamel, CPA, CA, CIRP, LIT
Vice-President