



Deloitte Restructuring Inc.

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C A N A D A
PROVINCE OF QUEBEC
DISTRICT OF QUEBEC
DIVISION No.: 01-MONTREAL
COURT No.: 500-11-052453-178
ESTATE No.: 41-2243464

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

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

CHURCHILL ESTATES DEVELOPMENT LTD., a legal person, duly incorporated under *Business Corporations Act* (Alberta), 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 REPORT TO THE CREDITORS ON PRELIMINARY ADMINISTRATION

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

A) Background

Churchill Estates Development Ltd. ("**Churchill**") is a legal person, duly constituted under the *Business Corporations Act* (Alberta), 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. Churchill was established for the sole purpose of operating a real estate asset, namely a condominium project. The sole shareholder of Churchill is 1810040 Alberta Ltd. (formerly known as Homburg Invest Inc. and Homburg Shareco Inc.) ("**HI**").

Churchill's only real estate asset was a condominium project consisting of 40 units in total located in Calgary, Alberta. The project was completed and was ready for occupancy in the spring of 2008.

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 Superior Court of Québec ("**CCAA Court**").

All entities held directly or indirectly by HII (collectively with HII, the "**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 that of Churchill, 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**"), and same has been sanctioned by the CCAA Court pursuant to an order rendered on June 5, 2013 (the "**Sanction Order**"). The implementation of the Plan took place from March 24 to 27, 2014. Since the implementation of the Plan, the Liquidation Advisory Committee ("**LAC**") has been formed and is being consulted in respect of the wind-down of the HII Group entities, including in respect to the bankruptcies. The LAC has approved the bankruptcy of Churchill.

Causes of insolvency

As of April 24, 2017, Churchill's only assets were a cash balance of \$909K and a cash balance held in trust with Norton Rose Fulbright Canada LLP ("**Norton Rose**") (of \$117K as per Churchill's books and records). As explained in the following section of this report, a balance of \$100K, of the amount of \$117K held in trust by Norton Rose, is held in trust for the benefit of Citadel Holdings Inc. ("**CHI**"). Churchill's potential remaining unsecured liabilities total \$16.8M, of which \$15.9M is due to an affiliated company (namely HII), \$0.9M is due to the condominium corporation (the association of the condominium owners), and \$0.1M is due to other various creditors.

Churchill meets the definition of an "insolvent person" under the Act because it does not have asset enabling payment of its obligations, due and accruing due.

Bankruptcy

Consequently, for the reasons stated above, the decision was made for Churchill to file an assignment in bankruptcy. On April 24, 2017, Churchill filed an assignment in bankruptcy and Deloitte Restructuring Inc. ("**Deloitte**") was appointed as trustee.

B) Trustee's preliminary evaluation of assets

Below is a summary of the Statement of Affairs of Churchill as of April 24, 2017.

Certain funds were held in trust by Norton Rose Fulbright and, on February 24, 2017, the CCAA Court, at the request of the Monitor, rendered an order releasing an amount of approximately \$107K, for the ultimate benefit of Churchill's creditors.

Following the release of this amount, an amount of \$117K continues to be held in trust by Norton Rose Fulbright, out of which a portion of \$100K is held in for the benefit of CHI pursuant to a Full and Final Mutual Release and Settlement Agreement dated May 26, 2014

(the "**Settlement Agreement**"), which Settlement Agreement was approved and ratified by the Superior Court of Québec pursuant to the Order Approving a Settlement Agreement and Granting Ancillary Orders rendered on June 4, 2014 (the "**Order**"), as part of the CCAA proceedings of HII and Churchill. The Order specifies that the Settlement Agreement is to be binding on any trustee in bankruptcy appointed to the estate of Churchill.

Churchill is informed that the balance held in trust by Norton Rose would be in the range of \$117K due to interest accrued; the understanding of Churchill is that such interest earned in excess of the amount of \$100K will be for the benefit of the estate in bankruptcy.

Churchill Estates Development Ltd. Statement of Affairs (CAD) As of April 24, 2017 (unaudited)		Estimated Net Realization Value
Assets		
Cash		909,099
Cash held in trust by Norton Rose		<u>117,243</u>
		1,026,342
Liabilities (Note 1)		
Funds held in trust for the benefit of CHI		100,000
Unsecured creditors - Intercompany (HII)		15,870,909
Unsecured creditors - Condominium Plan 0713076		819,008
Unsecured creditors - Others		<u>74,944</u>
		16,864,861
Surplus (deficit) before professional fees		<u>(15,838,519)</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.

C) Conservatory and protective measures

The Trustee implemented the following conservatory and protective measures:

- Closing of all of Churchill's remaining bank accounts and requesting the transfer of any remaining balance of funds in the Trustee's bank account;
- 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 two proofs of claims were received by the Trustee (one from HII (intercompany claim) and one from the Condominium Plan 0713076). As of the time of the preparation of this report, the Trustee has not yet completed its review the proofs of claims of HII and of the Condominium Plan 0713076 .

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 Churchill.

G) Conflict of interest

In addition to his role as Trustee in the bankruptcy of Churchill, Deloitte is also currently acting as Monitor or Bankruptcy Trustee of a number of entities related to the Bankrupt and to the HII Group. Deloitte however does not believe that its role as Trustee in the bankruptcy of Churchill or as Monitor or Bankruptcy Trustee of entities related to the Bankrupt puts it in a position of conflict of interest.

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

The Trustee estimates that the proceeds which will be realized from the liquidation of Churchill's assets (totaling \$1.0M as per the Statement of Affairs) could result in a dividend ranging from approximately 5 to 6 cents on the dollar to the unsecured creditors after the remittance to CHI of the funds held in trust for their benefit. The amount of the final dividend to the unsecured creditors will depend on the total amount of claims that will be proven by creditors before the dividend distribution and on the costs of administration of the estate.

I) Trustee's remuneration

The Trustee will seek approval of the estate inspector(s) appointed in the course of the administration of Churchill's bankruptcy, if any, to settle the Trustee's professional fees and disbursements out of the assets of the estate.

Further, as noted above, in an order dated October 10, 2012, the CCAA Court extended the definition of the "Administration Charge" granted in the Initial Order, such that said charge secures the professional fees and disbursements of Deloitte Restructuring Inc. (formerly Samson Bélair/Deloitte & Touche Inc.), in its capacity as Trustee in the bankruptcy of Churchill.

J) Other matters

None.

DATED AT MONTRÉAL, Quebec, this 15th day of May, 2017.

DELOITTE RESTRUCTURING INC.

In its capacity as Trustee of the estate of
Churchill Estates Development Ltd.



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