



**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.: 500-11-051699-169  
ESTATE No.: 41-2191120

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

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

**HII (121) GP INC.**, 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*, 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**

HII (121) GP Inc. ("**GP121**") 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. GP121 was established for the sole purpose of acting as the "managing" general partner of Homco Realty Fund (121) Limited Partnership ("**H121**").

1810040 Alberta Ltd. (formerly known as Homburg Invest Inc. and Homburg Shareco Inc.) ("**HII**") is the sole limited partner of H121. As limited partner, HII is entitled to the profits of H121 and, in the event of a liquidation of H121, to any liquidation proceeds after the payment of all of the limited partnership's creditors, and thus has the ultimate beneficial interest of the property owned by H121.

The general partners of H121 are Homburg L.P. Management Inc. ("**HLPM**") (as "holding" general partner) and GP121 (as "managing" general partner). HLPM is indirectly owned by Homburg Canada Incorporated ("**HCI**"), whereas GP121 is a wholly owned subsidiary of HII. Pursuant to the limited partnership agreement, the "managing" general partner, GP121, has full power and authority to manage the business and assets of H121. The Trustee understands that, as per Nova Scotia law, HLPM and GP121, as general partners of H121, are liable for the debts and obligations owing by H121.

GP121 was established on April 9, 2012 in the course of the restructuring of the HII Group under the *Companies' Creditors Arrangement Act* (the "**CCAA**") (as further described below) to resolve certain "control issues" affecting the HII Group. As described in the second, fourth and fifth reports to the Superior Court of Québec (the "**CCAA Court**") submitted by Deloitte Restructuring Inc. (formerly Samson Bélair/Deloitte & Touche Inc.) ("**Deloitte**"), in its capacity as court-appointed monitor, the "control issues" resulted from the fact that HLPM, an entity indirectly controlled by Richard Homburg through HCI, was the sole general partner of H121 (and also of virtually all other limited partnerships which formed part of the HII Group's business).

H121 was established for the sole purpose of owning and operating a real estate asset, namely two parcels of undeveloped land known as the Henderson Farms Property, totaling approximately 38.34 acres, located in the Balzac area of Rocky View County, in Alberta, and 200 capacity units of treated water supply rights. At the time of the bankruptcy of H121, which occurred on November 22, 2016, the Henderson Farms Property had been disposed as part of receivership proceedings and the net proceeds were insufficient to reimburse the secured debt in full, as further described in H121's Trustee preliminary report to the creditors (included in **Appendix A**). This disposition was done during the month of June 2016 as part of Receivership process where PricewaterhouseCoopers Inc. ("**PwC**" or the "**Receiver**") was appointed Receiver of Homco 121 pursuant to an Order of the Superior Court of Canada.

#### *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 all North American properties, including those of H121, 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 plan implementation date took place from March 24 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 GP121.

#### *Causes of insolvency*

As of November 22, 2016, H121 is the object of receivership proceedings and has also been assigned into bankruptcy.

As above, the Trustee understands that, as per Nova Scotia law, GP121 is liable for the debts and obligations owing by H121. Due to the voluntary assignment in bankruptcy of H121 on November 22, 2016, all of H121's outstanding debt became due as of the date of the bankruptcy. H121 and GP121 would therefore be, as of November 22, 2016, liable for H121's outstanding debts and obligations.

GP121 was formed for the sole purpose of acting as general partner of H121 and, as such, has never held any asset. As general partner, GP121 has no economic interest in the limited partnership. GP121 no longer has a purpose given that H121 filed for bankruptcy (on November 22, 2016). A decision was therefore made to file an assignment in bankruptcy for GP121.

GP121 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 GP121 to file an assignment in bankruptcy. On November 22, 2016, GP121 filed an assignment in bankruptcy and Deloitte was appointed as trustee.

#### **B) Trustee's preliminary evaluation of assets**

Below is a summary of the assets and liabilities of GP121 as of November 22, 2016:

<b>HII (121) GP Inc.</b>	
<b>Balance Sheet (CAD)</b>	
<b>As of November 22, 2016 (unaudited)</b>	
	<b>Estimated Net Realization Value</b>
<b>Assets</b>	-
<b>Liabilities (Note 1)</b>	
Unsecured creditors - HSBC's debt (Note 2)	7,229,646
Unsecured creditors - Intercompany	20,856,252
Unsecured creditors - Others	67,774
	<u>28,153,672</u>
<b>Surplus (deficit) before professional fees</b>	<u><b>(28,153,672)</b></u>

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

**Note 2:** Subject to such amount being adjusted for interest accrued and the net proceeds received out of the sale of the Henderson Farms Property.

**C) Conservatory and protective measures**

The Trustee implemented the following conservatory and protective measures:

- Sending of notices to all 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, proofs of claim from HII (intercompany claim) and HSBC were received by the Trustee. As of the time of the preparation of this report, the Trustee has not yet completed its review the proof of claims received from HII and HSBC.

**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**

As explained above, the professional fees and disbursements of Deloitte, in its capacity as Trustee in the bankruptcy of GP121, are guaranteed by the "Administration Charge" and by the eventual "Administrative Reserve" approved by the Superior Court of Québec in the course of the HII Group's restructuring under the CCAA. 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 Homco 121]") 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**

The Trustee estimates that there will not be any proceeds available for distribution to unsecured creditors as there is no asset in the Bankrupt's estate (as described above).

**H) Trustee's remuneration**

As explained above, the professional fees and disbursements of Deloitte, in its capacity as Trustee in the bankruptcy of GP121, are guaranteed by the "Administration Charge" and by the "Administrative Reserve" approved by the CCAA Court.

**I) Other matters**

None.

DATED AT MONTRÉAL, Quebec, this 13<sup>th</sup> day of December, 2016.

**DELOITTE RESTRUCTURING INC.**

In its capacity as Trustee of the estate of  
HII (121) GP Inc.

Per:

A handwritten signature in black ink, appearing to read 'JC Hamel', with a stylized flourish at the end.

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

# **APPENDIX A**



**Deloitte Restructuring Inc.**

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DIVISION No.: 01- Montreal  
COURT. No.: 500-11-051703-169  
ESTATE No.: 41-2191128

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

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

**HOMCO REALTY FUND (121) LIMITED  
PARTNERSHIP**, a limited partnership formed 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*, 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**

Homco Realty Fund (121) Limited Partnership ("**Homco 121**") is a limited partnership constituted 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. Homco 121 was established for the sole purpose of owning and operating a real estate asset, namely two parcels of undeveloped land known as the Henderson Farms Property, totaling approximately 38.34 acres, located in the Balzac area of Rocky View County, in Alberta, and 200 capacity units of treated water supply rights issued by the Rocky View Water Co-op Ltd. (the "**Henderson Farms Property**").

1810040 Alberta Ltd. (formerly known as Homburg Invest Inc. and Homburg Shareco Inc.) ("**HII**") is the sole limited partner of Homco 121. The general partners of Homco 121 are Homburg L.P. Management Inc. (as "holding" general partner) and HII (121) GP Inc. Pursuant

to the limited partnership agreement, the "managing" general partner, HII (121) GP Inc., has full power and authority to manage the business and assets of Homco 121.

Homco 121's only real estate asset was the Henderson Farms Property, which was secured in favour of HSBC Bank. At the time of the bankruptcy, the Henderson Farms Property have been disposed of as part of receivership proceedings initiated at the request of HSBC Bank, as further explained in this report.

#### *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 (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 all of its North American properties, including, the Henderson Farms Property, 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 plan implementation date took place from March 24 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 Homco 121.

In addition, on January 29, 2016, PricewaterhouseCoopers Inc. ("**PwC**" or the "**Receiver**") was appointed Receiver to Homco 121's assets, including namely the Henderson Farms Property, pursuant to an Order of the CCAA Court. The Trustee is informed that the Receiver initiated a sales process by seeking and obtaining listing proposals from three separate brokers to list and market the Henderson Farms Property. As result of the sales process, on May 25, 2016, the Receiver, in consultation with HSBC (i.e. the only secured creditor) accepted an offer in the amount of \$1,200,000. The purchase and sale agreement was finalized and executed on June 20, 2016, and was authorized by the Superior Court of Quebec on September 1, 2016 and by the Alberta Court of Queen's Bench on September 6, 2016. As at the time of this report, the Trustee is informed that the sale has been completed and that the net proceeds are insufficient to reimburse the secured debt in full.

#### *Causes of insolvency*

As of November 22, 2016, Homco 121 no longer has any assets and owes CAD 28,153,672 to its creditors, including CAD 20,856,252 to HII, an affiliated company, CAD 7,229,646 to the HSBC (subject to such amount being adjusted for interest accrued and the net proceeds received out of the sale of the Henderson Farms Property) and CAD 67,774 to other unsecured creditors.

Homco 121 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 Homco 121's assets is lower than the value of its liabilities, and (ii) Homco 121 no longer has a purpose as its asset was sold; and (iii) Homco 121 was not a core

entity that was retained to form part of the HII Group's restructured portfolio, the decision was made for Homco 121 to file an assignment in bankruptcy. On November 22, 2016, Homco 121 filed an assignment in bankruptcy and Deloitte Restructuring Inc. was appointed as trustee.

**B) Trustee's preliminary evaluation of assets**

The Henderson Farms Property used to be the sole real estate asset of Homco 121. As indicated above, the sale of the Henderson Farms Property was approved by the Quebec and Alberta Courts respectively on September 1, 2016 and on September 6, 2016, and the net proceeds were insufficient to reimburse Homco 121's secured debt in full. Consequently, at the time of the bankruptcy, Homco 121 no longer has any assets.

Below is a summary of the Assets and Liabilities of Homco 121 as of November 22, 2016:

<b>Homco Realty Fund (121) Limited Partnership</b>	
<b>Balance Sheet (CAD)</b>	<b>Estimated Net</b>
<b>As of November 22, 2016 (unaudited)</b>	<b>Realization Value</b>
<b>Assets</b>	-
<b>Liabilities (Note 1)</b>	
Secured creditors (Unsecured portion) (Note 2)	7,229,646
Unsecured creditors - Intercompany	20,856,252
Unsecured creditors - Others	67,774
	<u>28,153,672</u>
<b>Surplus (deficit) before professional fees</b>	<u><b>(28,153,672)</b></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:** Subject to such amount being adjusted for interest accrued and the net proceeds received out of the sale of the Henderson Farms Property.

**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, proofs of claim from HII (intercompany claim) and HSBC were received by the Trustee. As of the time of the preparation of this report, the Trustee has not yet completed its review the proof of claims received from HII and HSBC.

**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 Homco 121. 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 Homco 121]") 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, the proceeds that would be realized from the liquidation of Homco 121's assets are nil. As such, there is not going to be any distribution to Homco 121's creditors.

**H) Trustee's remuneration**

As explained above, the professional fees and disbursements of Deloitte, in its capacity as Trustee in the bankruptcy of Homco 121, are guaranteed by the "Administration Charge" and by the "Administrative Reserve" approved by the CCAA Court.

**I) Other matters**

None.

DATED AT MONTREAL, this 13<sup>th</sup> day of December, 2016.

**DELOITTE RESTRUCTURING INC.**

In its capacity as Trustee of the estate of  
Homco Realty Fund (121) Limited Partnership  
and not in its personal capacity

Per:

A handwritten signature in black ink, appearing to read 'J. Hamel', with a stylized flourish at the end.

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