



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.: 500-11-051703-169
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:

Homco Realty Fund (121) Limited Partnership	
Balance Sheet (CAD)	Estimated Net
As of November 22, 2016 (unaudited)	Realization Value
Assets	-
Liabilities (Note 1)	
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>
Surplus (deficit) before professional fees	<u>(28,153,672)</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 13th 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:



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