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CANADA
PROVINCE OF QUEBEC
DISTRICT OF QUEBEC
COURT. No.: 500-11-041305-117

SUPERIOR COURT
Commercial Division

**IN THE MATTER OF THE PLAN OF
COMPROMISE OR ARRANGEMENT OF:**

HOMBURG INVEST INC.

– and –

HOMBURG SHARECO INC.

– and –

CHURCHILL ESTATES DEVELOPMENT LTD.

– and –

INVERNESS ESTATES DEVELOPMENT LTD.

– and –

CP DEVELOPMENT LTD.

– and –

NORTH CALGARY LAND LTD.

Debtors/Petitioners

– and –

THE ENTITIES LISTED IN APPENDIX A

Mis-en-cause

– and –

SAMSON BÉLAIR/DELOITTE & TOUCHE INC.

Monitor

**SEVENTEENTH REPORT TO THE COURT
SUBMITTED BY SAMSON BÉLAIR/DELOITTE & TOUCHE INC.
IN ITS CAPACITY AS MONITOR**
(Companies' Creditors Arrangement Act, R.S.C. 1985, c. C-36, as amended)

INTRODUCTION

1. On September 9, 2011, Homburg Invest Inc. (“**HII**”), Homburg ShareCo Inc. (“**ShareCo**”), Churchill Estates Development Ltd. (“**Churchill**”), Inverness Estates Development Ltd. (“**Inverness**”) and CP Development Ltd. (“**CP**”) (and later North Calgary Land Ltd. (“**NCLL**”)) (collectively, the “**Debtors**”) filed and obtained protection from their respective creditors under Sections 4, 5 and 11 of the *Companies’ Creditors Arrangement Act* (the “**CCAA**”) pursuant to an Order rendered by the Superior Court of Quebec (as amended from time to time, the “**Initial Order**”).
2. Pursuant to the Initial Order, the Stay extends to the following limited partnerships which form an integral part of the business of the Debtors: Homco Realty Fund (52) Limited Partnership (“**Homco 52**”), Homco Realty Fund (88) Limited Partnership (“**Homco 88**”), Homco Realty Fund (89) Limited Partnership (“**Homco 89**”), Homco Realty Fund (92) Limited Partnership (“**Homco 92**”), Homco Realty Fund (94) Limited Partnership (“**Homco 94**”) (following an amendment to the Initial Order on October 7, 2011), Homco Realty Fund (96) Limited Partnership (“**Homco 96**”) (following an amendment to the Initial Order on May 31, 2012), Homco Realty Fund (105) Limited Partnership (“**Homco 105**”), Homco Realty Fund (121) Limited Partnership (“**Homco 121**”), Homco Realty Fund (122) Limited Partnership (“**Homco 122**”), Homco Realty Fund (142) Limited Partnership (“**Homco 142**”) and Homco Realty Fund (199) Limited Partnership (“**Homco 199**”) (collectively, the “**Applicant Partnerships**” and, together with the Debtors, the “**HII Parties**”).
3. Samson Bélair/Deloitte & Touche Inc. was appointed as monitor (the “**Monitor**”) under the CCAA.
4. Pursuant to the Initial Order, an initial stay of proceedings (the “**Stay**”) was granted until October 7, 2011 in favor of the Debtors, which Stay has been extended from time to time by orders of the Court. On October 10, 2012, the Court last extended the Stay up until December 14, 2012 (the “**Stay Period**”).
5. Since the Initial Order, the Monitor has filed reports with the Court and served same to the Service List from time to time. The Monitor filed sixteen such Monitor’s reports prior to this seventeenth Monitor’s report (the “**Seventeenth Report**”). A copy of all of the Monitor’s reports is available on the Monitor’s website at www.deloitte.com/ca/homburg-invest. The Monitor has also established a toll free number that is referenced on the Monitor’s website so that parties may contact the Monitor if they have questions with respect to the HII Parties’ restructuring under the CCAA.

PURPOSE OF THE SEVENTEENTH REPORT

6. This Seventeenth Report is intended to provide a general update on the progress of the HII Parties’ restructuring and related steps, more specifically on the Mortgage Bondholders’ meetings and certain other restructuring alternatives, and confirm the support of the Monitor to the Debtors’ Motion for approval of funding charges (HOMCO 52 and HOMCO 88).
7. This Seventeenth Report is structured as follows:
 - I- Update on Mortgage Bondholders meetings;
 - II- Update on specific restructuring initiatives;
 - III- Conclusion and recommendations.

TERMS OF REFERENCE

8. In preparing this Seventeenth Report, the Monitor has relied upon audited and unaudited financial information, the HII Parties' records, the amended motion for an Initial Order dated September 9, 2011, subsequent motions filed with the Court (collectively, the "**Debtors' Motions**") and exhibits in support of same, its discussions with management of the HII Parties ("**Management**") and the HII Parties' and the Monitor's legal advisors. While the Monitor has analyzed the information, some in draft form, submitted in the limited time available, the Monitor has not performed an audit or otherwise verified such information. Forward looking financial information included in this Seventeenth Report is based on assumptions of Management regarding future events, and actual results achieved will vary from this information and such variations may be material.
9. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars. Capitalized terms not otherwise defined in this Seventeenth Report are as defined in the previous reports of the Monitor and the Debtors' Motions.

I. UPDATE ON MORTGAGE BONDHOLDERS' MEETING

MORTGAGE BONDHOLDERS' MEETINGS AND OFFER TO THE MORTGAGE BONDHOLDERS

10. Representatives of the HII Group, the Trustees and the Monitor were present at the Mortgage Bondholders' meetings held in Utrecht, Netherlands on October 24 and 25, 2012. Three formal meetings were held, namely one for each of the Series 4 Mortgage Bondholders, Series 5 Mortgage Bondholders and Series 7 Mortgage Bondholders. An information session was also held with the Series 6 Mortgage Bondholders. Prior to the commencement of these meetings, the Monitor was informed that Catalyst Capital Partners Inc. ("**Catalyst**") had expressed interest in acquiring all or some of the Mortgage Bonds. Since this time, exchanges have occurred between Catalyst and the Trustees in order to provide additional insight on Catalyst's offer. The Monitor was recently informed that the Trustees have deemed Catalyst's offer as unacceptable.
11. The Monitor has not participated in the negotiations between Catalyst and the Trustees and will continue to update the Court of any developments that he is informed of.
12. As contemplated by the Sixteenth Report, at the meetings of the Series 4 and Series 7 Mortgage Bondholders, the relevant bondholders were asked to vote in favour of a resolution seeking to authorize the Trustees to enter into the Supplemental Indentures providing for the terms pursuant to which the Mortgage Bondholders' secured portions of their claims will be compromised.
13. At the meetings of the Series 4 and Series 7 Mortgage Bondholders, the bondholders were asked to ratify the sale processes initiated by HII in connection with the relevant mortgaged properties, namely respectively Homburg Springs East (Homco 52) and Kai (Homco 88). Given the absence of value for the unsecured creditors, it is also provided that all costs and expenses related to the sale process and the carrying of these properties from September 1, 2012 shall be paid out of the sale proceeds. The Series 4 Mortgage Bondholders and the Series 7 Mortgage Bondholders voted in favour of the resolutions, each with an overwhelming majority.
14. As further described in the Sixteenth Report, Homco 52 and the Monitor are in the process of retaining CBRE to conduct the sale process for Homburg Springs East, setting the list price at \$14 million. The execution of the listing agreement by Homco 52 and the Monitor was conditional

upon obtaining the Series 4 Mortgage Bondholders' approval and the subsequent approval of the Court that the carrying costs and the costs related to the sale process of Homburg Springs East starting from September 1st, 2012 be advanced by HII and secured by a prior ranking charge on the Homburg Springs East property. The estimated carrying costs and costs related to the sale process of the Homburg Springs East property, excluding commissions and fees related to the sale, are included in the budget included under Appendix B.

15. As further described in the Sixteenth Report, Homco 88 and the Monitor are in the process of retaining CBRE to conduct the sale process for Kai. The list price will be set at \$39.8 million. The execution of the listing agreement by Homco 88 and the Monitor was conditional upon obtaining the approval of HSBC (which benefits from a mortgage over the Kai property to secure its claim of approximately \$5.5 million), as well as the approval of the Series 7 Mortgage Bondholders' and the subsequent approval of the Court that the carrying cost and the costs related to the sale process of the Kai property starting from September 1st, 2012 be advanced by HII and secured by a charge on the Kai property ranking ahead of all creditors and claimants other than HSBC. HSBC has indicated that it approves the terms of the proposed listing agreement. The estimated carrying costs and costs related to the sale process of the Kai property, excluding commissions and fees related to the sale, are included in the budget included under Appendix B.
16. Accordingly, HII, with the approval of the Monitor, is requesting that the Court authorize HII to fund the advances to Homco 52 and Homco 88 and grant charges (the "**Funding Charges**") on Homburg Springs East and Kai to secure said advances, as approved by corresponding Mortgage Bondholders. The Monitor supports the Funding Charges, which cause no prejudice to HII and its stakeholders and should allow a maximization of the realization value of the properties and thus result in a lesser dilution of the unsecured creditors coming from the unsecured deficiency of the Series 4 and Series 7 Mortgage Bondholders.

II. UPDATE ON SPECIFIC RESTRUCTURING INITIATIVES

HOLMAN GRAND HOTEL

17. As further described in the Monitor's Sixteenth Report, HII was in the process of discussing possible divestiture options for the Holman Grand Hotel (the "**Hotel**") with Cominar REIT and the PEI Century Fund. HII, with the approval of the Monitor, had already announced that it would cease funding the shortfalls in relation to the operations of the Hotel and, on October 16, 2012, the PEI Century Fund and Cominar REIT indicated that they would not fund such shortfalls, resulting in the parties having no alternative sources of financing in order to bridge the ongoing cash shortfalls of the Hotel. Therefore HII ceased operating the Hotel on November 5, 2012 and will cease funding the projected cash flow deficits that will be generated by the Hotel on November 30th 2012.
18. On October 31, 2012, HII, with the approval of the Monitor, disclaimed or resiliated the following agreements:
 - i. Dyne Holdings Limited ("Dyne"): Ground Lease effective as of May 25, 2010 between Dyne and HII, with respect to the parcel of land of approximately ten thousand five hundred and forty one (10,541) square feet located at 123 Grafton Street, in Charlottetown, Prince Edward Island;
 - ii. Vintage Management Group and Lance Hurtubise the ("Operator") and Richburg LP Management Inc. ("Richburg"): Operating agreement executed in 2011 among the

Operator, Richburg and HII, with the respect to the operation of a restaurant located within the Hotel; and

- iii. Richburg, as general partner of Richburg Red Water LP ("Red Water"): Sublease executed in 2011 between Red Water and HII with respect of 2825 square feet of ground floor space within the Hotel.

THE CEDAR TRANSACTION

19. As noted in the Sixteenth Report, Cedar and HHUS agreed to sell certain properties directly to the buyers as part of the Direct Purchase Offer dated April 20, 2012.
20. This proposed transaction has since closed on October 12, 2012 and has yielded net cash proceeds of approximately \$25.5M USD of which \$1.5M USD is being held in escrow for a period of one year. HHUS has thus received proceeds of approximately \$24M USD which have now been transferred to HII.

III. CONCLUSIONS AND RECOMMENDATIONS

21. It is the Monitor's view that the HII Parties have acted in good faith and with due diligence in accordance with the Initial Order.
22. It is the Monitor's opinion that, for the reasons further elaborated in this Seventeenth Report, the Funding Charges should be granted by the Court as it is in the best interest of the stakeholders to proceed with the sale of these properties.
23. Based on discussions with Management and general supervision of the affairs of the HII Parties, it is the Monitor's opinion that the HII Parties have acted and continue to act in good faith and with due diligence, and that they will likely be able to make material progress towards developing and filing a plan (or plans) of arrangement prior to the end of the Seventh Extension.

The Monitor respectfully submits this Seventeenth Report to the Court.

DATED AT MONTREAL, this 7th day of November, 2012.



Pierre Laporte, CPA, CA, CIRP
President

SAMSON BÉLAIR/DELOITTE & TOUCHE INC.
In its capacity as Court-Appointed Monitor

APPENDICES

APPENDIX A

THE ENTITIES Mis-en-Cause

HOMCO REALTY FUND (52) LIMITED PARTNERSHIP
HOMCO REALTY FUND (88) LIMITED PARTNERSHIP
HOMCO REALTY FUND (89) LIMITED PARTNERSHIP
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HOMCO REALTY FUND (105) LIMITED PARTNERSHIP
HOMCO REALTY FUND (121) LIMITED PARTNERSHIP
HOMCO REALTY FUND (122) LIMITED PARTNERSHIP
HOMCO REALTY FUND (142) LIMITED PARTNERSHIP
HOMCO REALTY FUND (199) LIMITED PARTNERSHIP

Appendix B

Homco 52

Homco 52													
In CAD	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Total
Cash outflow													
Taxes	-	-	-	-	-	-	-	500	-	-	-	-	500
Operating expenses	-	-	-	-	400	-	-	-	-	-	-	-	400
Professional fees *	-	-	25,000	25,000	25,000	25,000	-	-	-	-	-	-	100,000
	-	-	25,000	25,000	25,400	25,000	-	500	-	-	-	-	100,900
Net cash inflow (outflow)	-	-	(25,000)	(25,000)	(25,400)	(25,000)	-	(500)	-	-	-	-	(100,900)

* Excludes broker's commission and fees related to the sale.

Homco 88

KAI - Homco 88													
In CAD	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Total
Cash outflow													
Taxes	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	120,000
Operating expenses	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	60,000
Professional fees*	-	-	25,000	25,000	25,000	25,000	-	-	-	-	-	-	100,000
Capital expenditures	<u>5,000</u>	<u>-</u>	<u>5,000</u>	<u>-</u>	<u>5,000</u>	<u>-</u>	<u>5,000</u>	<u>-</u>	<u>5,000</u>	<u>-</u>	<u>5,000</u>	<u>-</u>	30,000
	20,000	15,000	45,000	40,000	45,000	40,000	20,000	15,000	20,000	15,000	20,000	15,000	310,000
Net cash inflow (outflow)	(20,000)	(15,000)	(45,000)	(40,000)	(45,000)	(40,000)	(20,000)	(15,000)	(20,000)	(15,000)	(20,000)	(15,000)	(310,000)

* Excludes broker's commission and fees related to the sale.