



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.: 500-11-051692-164
ESTATE No.: 41-2190983

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

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

HII (105) 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 (105) GP Inc. ("**GP105**") 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. GP105 was established for the sole purpose of acting as the "managing" general partner of Homco Realty Fund (105) Limited Partnership ("**H105**").

1810040 Alberta Ltd. (formerly known as Homburg Invest Inc. and Homburg Shareco Inc.) ("**HII**") is the sole limited partner of H105. As limited partner, HII is entitled to the profits of H105 and, in the event of a liquidation of H105, 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 H105.

The general partners of H105 are Homburg L.P. Management Inc. (“**HLPM**”) (as “holding” general partner) and GP105 (as “managing” general partner). HLPM is indirectly owned by Homburg Canada Incorporated (“**HCI**”), whereas GP105 is a wholly owned subsidiary of HII. Pursuant to the limited partnership agreement, the “managing” general partner, GP105, has full power and authority to manage the business and assets of H105. The Trustee understands that, as per Nova Scotia law, HLPM and GP105, as general partners of H105, are liable for the debts and obligations incurred by H105.

GP105 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 H105 (and also of virtually all other limited partnerships which formed part of the HII Group's business).

H105 was established for the sole purpose of owning and operating a real estate asset, namely the Cristal Towers Property, a 29,000-square foot development site in Calgary. At the time of the bankruptcy of H105, which occurred on February 4, 2015, the property had been disposed of and the net proceeds had been distributed, the whole pursuant to an Approval and Vesting Order rendered by the CCAA Court, as explained in H105's Trustee preliminary report to the creditors (included in **Appendix A**).

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 of Québec.

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 America properties, including that of H105, 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 GP105.

Causes of insolvency

As of November 22, 2016, H105 no longer has any asset and has been assigned into bankruptcy.

As mentioned in the previous section of this report, the Trustee understands that, as per Nova Scotia law, GP105 is liable for the debts and obligations owing by H105. Due to the voluntary assignment in bankruptcy of H105 on February 4, 2015, all of H105's outstanding debt became due as of the date of the bankruptcy. HLPM and GP105 would therefore be, as of today, liable for H105's outstanding debts and obligations.

GP105 was formed for the sole purpose of acting as general partner of H105 and, as such, has never held any asset. As general partner, GP105 has no economic interest in the limited partnership. GP105 no longer has a purpose given that H105 filed for bankruptcy on February 4, 2015. A decision was therefore made to file an assignment in bankruptcy for GP105.

GP105 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 GP105 to file an assignment in bankruptcy. On November 22, 2016, GP105 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 GP105 as of November 22, 2016:

HII (105) GP Inc. Statement of Affairs (CAD) As of November 22, 2016 (unaudited)		Estimated Net Realization Value
Assets		-
Liabilities (Note 1)		
Unsecured creditor - Intercompany		10,206,915
		10,206,915
Surplus (deficit) before professional fees		(10,206,915)

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:

- Sending of notices to the sole known creditor, HII, informing it 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 the preparation of this report, only a proof of claim from HII (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 GP105. 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 105]") 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 GP105, 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 13th day of December, 2016.

DELOITTE RESTRUCTURING INC.

In its capacity as Trustee of the estate of
HII (105) GP Inc.

Per:



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

APPENDIX A

CANADA
PROVINCE OF QUEBEC
DISTRICT OF QUEBEC
DIVISION No.: 01- Montreal
COURT. No.: 500-11-048158-154
ESTATE No.: 41-1957405
OFFICE No.: 900785-1000016

SUPERIOR COURT
Commercial Division

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

**HOMCO REALTY FUND (105) 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 a chief place of business
at 3500 de Maisonneuve Blvd. West, Suite 970,
Montreal, Quebec, H3Z 3C1, Canada

Bankrupt

– and –

SAMSON BÉLAIR/DELOITTE & TOUCHE INC.
(Benoît Clouâtre, CPA, CA, CIRP, designated
responsible person) having its place of business at
1 Place Ville Marie, Suite 3000, Montreal, Quebec,
H3B 4T9, 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 (105) Limited Partnership (“**Homco 105**”) 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 a chief place of business at 3500 de Maisonneuve Blvd. West, Suite 970, Montreal, Quebec, H3Z 3C1, Canada. Homco 105 was established for the sole purpose of operating a real estate asset, namely the Cristal Towers Property (the “**Cristal Property**”), a 29,000-square foot development site in Calgary.

1810040 Alberta Ltd. (formerly known as Homburg Invest Inc. and Homburg Shareco Inc.) (“**HII**”) is the sole limited partner of Homco 105. The general partners of Homco 105 are Homburg L.P. Management Inc. (as “holding” general partner) and HII (105) GP Inc. Pursuant to the limited partnership agreement, the “managing” general partner, HII (105) GP Inc., has full power and authority to manage the business and assets of Homco 105.

Homco 105's only real estate asset was the Cristal Property, located in Calgary, Alberta. At the time of the bankruptcy, the Cristal Property had been disposed and Homco 105's main asset is cash.

Restructuring of HII and of certain related entities (including Homco 105)

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, through a number of entities (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 all of its North American properties, including that of Homco 105, constitute non-core properties that would not form part of the HII Group's restructured portfolio.

The Monitor has agreed on terms regarding the sale of the Cristal Property held by Homco 105, as further elaborated in the Monitor's Thirty-Seventh report. On August 21, 2014, the CCAA Court rendered an Authorization of Sale and Vesting Order authorizing the sale of the Cristal Property, and the closing of such sale occurred by the end of August 2014.

Causes of insolvency

As of February 4, 2015, Homco 105's only asset was a cash balance of \$29,975 and a GST/HST reimbursement of \$4,530. As per Homco 105's books and records, Homco 105's potential unsecured liabilities as of February 4, 2015 totaled \$10,206,915 due in whole to an affiliated company, namely HII.

Homco 105 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 105's assets is lower than the value of its liabilities, and (ii) Homco 105 no longer has a purpose as its asset was sold and Homco 105 was not a core entity that was retained to form part of the HII Group's restructured portfolio, the decision was made for Homco 105 to file an assignment in bankruptcy. On February 4, 2015, Homco 105 filed an assignment in bankruptcy and Samson Bélair/Deloitte & Touche Inc. was appointed as trustee.

B) Trustee's preliminary evaluation of assets

The Cristal Property used to be the sole material asset of Homco 105. HSBC financed the Cristal Property development and held first rank security on it. Counsel for the Monitor delivered at the time an opinion confirming that said security was valid. This loan was repaid in full by HII, as all of Homco 105's obligations towards HSBC were guaranteed by HII, and HII had granted a security over its movable assets to secure such obligations as guarantor. Following the repayment of the loan which was made pursuant to an Assignment and Subrogation Agreement, HII was then subrogated in the rights of HSBC against Homco 105 and the Cristal Property. The balance of the loan of approximately \$5.5M was repaid in full to HII (as secured creditor subrogated in the rights of HSBC) out of the sale proceeds.

The "equity" realized in excess of the repayment of the secured loan was made available to repay the post-filing advances made by HII to Homco 105 and for distribution to the unsecured creditors of Homco 105.

The sale of the Cristal Property, as indicated above, was approved by the CCAA Court on August 21, 2014.

Consequently, at the time of the bankruptcy, the building was sold and Homco 105's main asset was cash.

Below is a summary of the Statement of Affairs as of February 4, 2015 which includes the estimated net realization value of the assets of Homco 105 as well as the estimated deficit following the distribution of the estimated proceeds from the liquidation of the assets to creditors:

Homco Realty Fund (105) Limited Partnership	
Statement of Affairs (\$)	
As of February 4, 2015 (unaudited)	Net realization value
Assets	
Cash	29,975
GST/HST reimbursement	4,530
	<u>34,505</u>
Liabilities	
Unsecured creditor - Intercompany	10,206,915
Unsecured creditors	-
	<u>10,206,915</u>
Deficit (before costs of administration)	<u>(10,172,410)</u>

Note 1: Total liabilities: Please note that the creditor will have the onus to prove its claim and only the claim that is proved will constitute a valid claim and will receive a distribution if funds are available.

C) Conservatory and protective measures

The Trustee implemented the following conservatory and protective measure:

- Closing of all of Homco 105's bank accounts and requesting the funds to be transferred to the Trustee's trust account.

D) Information relating to provable claims

At the time of the preparation of this report, one claim has been received by HII for an amount of \$10,206,915.42.

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

The Trustee identified two significant payments to a creditor a few weeks prior to the filing for bankruptcy. On January 30, 2014 and on February 3, 2015, Homco 105 made payments totaling \$1,413K to HII as partial reimbursement of its unsecured claim. Prior to such payment, HII had an outstanding claim of approximately \$11.6M against Homco 105, being the only claim filed against Homco 105 during the course of the claims process conducted as part of the CCAA proceedings.

Since no other creditors filed a proof of claim or that no other creditors have manifested any amount owed to them by Homco 105, the Trustee does not believe these payments constitute a preference since they do not have the effect of giving a preference to HII.

As for the sale of the Cristal Property, the transaction occurred with a non-related party and was approved by the CCAA Court on August 21, 2014.

F) Conflict of interests and details of fee guarantees

Conflict of interests

Non-applicable

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 Samson Bélair/Deloitte & Touche Inc., in its capacity as Trustee in bankruptcy of Homco 105.

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

The amount of the dividend to the unsecured creditor will depend namely 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.

H) Trustee's remuneration

The Trustee will seek approval of the estate inspector(s) appointed in the course of the administration of Homco 105'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 Samson Bélair/Deloitte & Touche Inc., in its capacity as Trustee in the bankruptcy of Homco 105.

I) Other matters

None.

DATED AT MONTREAL, this 19th day of February, 2015.

SAMSON BÉLAIR/DELOITTE & TOUCHE INC.

In its capacity as Trustee of the estate of
Homco Realty Fund (105) Limited Partnership
and not in its personal capacity



Per:
Benoît Clouâtre, CPA, CA, CIRP
Senior Vice President