From: Tom Dea
Sent: March-27-14 10:28 AM
To: - Greg Boland; Peter Fraser; Tony Griffin; Yu-Jia Zhu
Subject: FW: Update

We me this guy (now at Catalyst) when we were looking at analysts last go-around. Could be a fit. Let me know if you'd like to have him in.

Thomas P. Dea
(o) 647-724-8902
(m) 416-704-1273
tom.dea@westfacecapital.com

From: Brandon Moyse [mailto:brandonmoyse@hotmail.com]
Sent: March-27-14 1:47 AM
To: Tom Dea
Subject: RE: Update

As discussed, please see attached for my CV and deal sheet, and a few investment write-ups I've done at Catalyst. I kept the deal sheet to one page, limited to the two deals I've done from beginning to end and which are closing shortly. (I'm working on a third live deal at the moment which is not in my CV at all.) The attached memos can give you a better idea of the broader scope of work I've done on the pure investment analysis side:

1) Homburg -- This was written ex post facto so it reads more like a narrative than is typical, but includes all the analysis I did leading up to and during the deal, the bulk of which is in the Waterfall Analysis.
2) NSI -- This was another distressed European real estate company which we ultimately did not proceed with for Fund-level issues; however, the investment thesis was compelling. (Opportunity now gone as Company did an equity raise.) Only public info was used for the write-up.
3) RONA -- More of a special situations/undervalued equity play which we spent a couple weeks looking at. The memo was done over the course of a couple weeks and with only public info.
4) Arcan Resources -- Junior E&P company which was interesting but we couldn't get comfortable with how to enter the capital structure. We also would have needed to engage industry consultants to better understand the asset. The memo represents a couple weeks' work off completely public info.

I enjoyed our discussion today -- the type of work you guys do and the flexible mandate sounds exactly like what I'm looking for (and a good fit for my background). Would be interested to hear your thoughts -- in the meanwhile, don't hesitate to let me know if you have any questions.

From: tom.dea@westfacecapital.com
To: brandonmoyse@hotmail.com
Subject: RE: Update
Date: Wed, 26 Mar 2014 21:31:52 +0000

Hey Brandon. Thanks. What is the name of the Cerberus entity that Calidus is modeled after?

From: Brandon Moyse [mailto:brandonmoyse@hotmail.com]
Sent: Wednesday, March 26, 2014 1:40 PM
To: Tom Dea
Subject: RE: Update

Great, can meet you at the Aroma Coffee or wherever you are now if easier in 5-10 mins.

From: tom.dea@westfacecapital.com
To: brandonmoyse@hotmail.com
Subject: Re: Update
Date: Wed, 26 Mar 2014 17:37:23 +0000
I'm done now.

Sent from my BlackBerry 10 smartphone on the Rogers network.

From: Brandon Moyse
Sent: Wednesday, March 26, 2014 10:38 AM
To: Tom Dea
Subject: RE: Update

Sure, there's an Aroma coffee in the Standard Life building (121 King W).

1:30? 2?

From: tom.dea@westfacecapital.com
To: brandonmoyse@hotmail.com
Subject: RE: Update
Date: Wed, 26 Mar 2014 14:16:49 +0000
I have to leave about 12:10 for a downtown meeting at 12:30.

Could meet you for coffee somewhere after my meeting.

From: Brandon Moyse [mailto:brandonmoyse@hotmail.com]
Sent: Wednesday, March 26, 2014 10:14 AM
To: Tom Dea
Subject: RE: Update

Call just came up -- would I be able to come by at 11:30?

From: tom.dea@westfacecapital.com
To: brandonmoyse@hotmail.com
Subject: RE: Update
Date: Mon, 24 Mar 2014 14:55:32 +0000

sure

From: Brandon Moyse [mailto:brandonmoyse@hotmail.com]
Sent: Monday, March 24, 2014 10:37 AM
To: Tom Dea
Subject: RE: Update

Works for me. Should I come by your offices?

From: tom.dea@westfacecapital.com
To: brandonmoyse@hotmail.com
Subject: RE: Update
Date: Mon, 24 Mar 2014 13:35:22 +0000
Wednesday at 11:00?

From: Brandon Moyse [mailto:brandonmoyse@hotmail.com]
Sent: Monday, March 24, 2014 9:34 AM
To: Tom Dea
Subject: RE: Update

Just following up - when would work for you to discuss? I'm travelling today and tomorrow but expect to be available later this week or next.

From: tom.dea@westfacecapital.com
To: brandonmoyse@hotmail.com
Subject: Re: Update
Date: Fri, 14 Mar 2014 18:27:11 +0000
Away this week and next. Lets chat when back.   T

Sent from my BlackBerry 10 smartphone on the Rogers network.

From: Brandon Moyse
Sent: Friday, March 14, 2014 9:45 AM
To: Tom Dea
Subject: RE: Update

Hey Tom,

I saw you launched an alternative/illiquid credit fund a couple months ago. Not sure what your needs are but I wanted to let you know that I'm starting to look at exploring other opportunities and this is something that would definitely be of interest. I'd like to move somewhere where I can focus more heavily on the investment process/analysis and deal structuring (as opposed to the heavy day-to-day operational involvement in pure private equity), and this would be by far the most interesting opportunity in Toronto. If not, feel free to keep me in mind for the future.

Appreciate your keeping this in confidence and hope we can discuss further.

Cheers,
Brandon

From: brandonmoyse@hotmail.com
To: tom@westfacecapital.com
Subject: RE: Update
Date: Wed, 11 Dec 2013 02:20:10 -0500
Hi Tom -

Hope all's well. It's been a (very long) while and I'd meant to reach out much earlier. It is indeed a small space up here -- much smaller than I'd realized -- and I did want to keep in touch, especially now that I have some more experience and insight. Things are great at Catalyst but we don't share enough perspective with others, which is somewhat unfortunate.

Thought you might find the deal below interesting -- we just won the 363 sale auction and expect to close in the next few weeks. Company was spun-off from Hertz for anti-trust reasons and filed for protection less than a year later; we stepped in as DIP lender/stalking horse and credit bid for control at a nice creation multiple. Cerberus and Magnetar, along with a couple strategics, were also involved. All in all, a lot of moving parts and cool deal dynamics. Would be great to catch up some time if possible.

Cheers,
Brandon

http://online.wsj.com/news/articles/SB10001424052702303560204579250542894367298

Catalyst Capital Wins Bidding for Advantage Rent a Car

Canadian Private-Equity Firm Agrees To Forgive Debt, Beats Out German Rental Car Company

Catalyst Capital Group Inc. won a bankruptcy auction for Advantage Rent a Car, whose future has been under the microscope since it became a crucial part of antitrust regulators' decision to bless the merger of two major car-rental firms last year.

The Canadian private-equity firm beat out German rental car company Sixt SE SIX2.XE -0.51% at Monday's auction, agreeing to forgive up to $46 million in debt it extended to fund Advantage's Chapter 11 case.

Advantage filed for bankruptcy protection just months after Hertz Global Holdings Inc. HTZ -0.04% shed the chain so it could buy Dollar Thrifty Automotive Group Inc.

Looking to preserve competition in the highly concentrated $24 billion U.S. car rental industry, the Federal Trade Commission required Hertz to divest Advantage to complete the $2.3 billion purchase of Dollar Thrifty. But just months after the government settlement was reached, Advantage filed for Chapter 11 bankruptcy protection with plans to sell itself to the highest bidder.

Just two bidders showed up for Monday's auction: Sixt, a German car-rental company that has 11 U.S. airport locations, and Catalyst, whose other holdings include commercial printer Quad/Graphics Inc. QUAD -3.36% and Canadian casino operator Gateway Casinos & Entertainment Ltd.

Advantage, which operates more than 70 car-rental locations in 33 states, hopes to complete its sale to Catalyst by the end of March, according to court papers.

The U.S. Bankruptcy Court in Jackson, Miss., will hold a hearing on the deal next week. The FTC also will review the sale.

Advantage filed for Chapter 11 protection following a dispute over the vehicles that Hertz leased Advantage following the spinoff. Hertz, which sent a representative to Monday's auction, has since asked the bankruptcy court to let it seize about 14,000 of the approximately 24,000 vehicles it leased Advantage.

From: tom@westfacecapital.com
To: brandonmoyse@hotmail.com
Subject: RE: Update
Date: Tue, 25 Sep 2012 14:28:07 +0000
Hey Brandon,

Congratulations. I agree that it will be an excellent place to learn. To be clear, I am very careful about granting either praise or "red flags". So for the record, I do not have any first hand experience with Catalyst. My caution is based on second hand information from professional advisors and others who have worked with them. The comments related to how they were treated and what they were like to work with. Secondarily, we have heard comments that their track record makes some liberal assumptions regarding private market values. From your perspective, I don't think those factors need to trouble you too much and the fact is there are not a lot of alternatives in Canada so as a career choice I think you are doing fine.

Please keep in touch as it is a small community up here. I would also appreciate that you keep my candid comments private.

Good luck! - Tom

Thomas P. Dea - Partner | West Face Capital Inc.
2 Bloor Street East, Suite 810 | Toronto, ON M4W 1A8
Tel: 647-724-8902 | Mobile: 416-704-1273
Email: **tom@westfacecapital.com**

From: Brandon Moyse [mailto:brandonmoyse@hotmail.com]
Sent: September-25-12 10:11 AM
To: Tom Dea
Subject: Update

Tom -

Hope all is well since we met. I just wanted to give you a quick update -- I've been offered a position at Catalyst and will likely accept. I know you had cautioned against it but am optimistic that I will have a great learning experience.

Keep in touch.

Brandon

Catalyst Capital Group (For Internal Discussion Purposes Only)
CONFIDENTIAL – INITIAL REVIEW

HOMBURG INVEST INC. MAY 2013

Catalyst Capital Group (For Internal Discussion Purposes Only)
CONFIDENTIAL – INITIAL REVIEW

HOMBURG INVEST INC. (HII) MAY 2013

All figures in C$ unless otherwise noted. Homburg Invest Inc. referred to as "Homburg" or the "Company".

1. Executive Summary

- Homburg is a Canadian-based real estate development and investment company with over $1B of real estate assets in North America and Europe
- The Company filed for CCAA protection on September 9, 2011. Catalyst has been tracking Homburg for 2 years, and has extensively analyzed its capital structure and individual properties
- Homburg's primary creditors are holders of its retail mortgage bonds and unsecured bonds — almost all elderly pensioners who bought the bonds expecting a safe investment
- Following a tender offer for all series of bonds in 1Q13, Catalyst is currently Homburg's largest single creditor. Based on the court-appointed Monitor's subsequent estimated recovery values, Catalyst's cash-on-cash multiple on its tender offer purchases is at least 1.7x
- After pushing the Company and Court towards a formal process, Catalyst was named Plan Sponsor, and is offering a cash buy-out of the equity that creditors will receive in the restructured Newco
- Catalyst's buy-out values the Newco equity at €95MM versus the Monitor's estimated book value of €160-165MM representing a potential immediate cash-on-cash return of 1.7x
  - o Moreover, Newco has a key asset which itself has an equity value €100MM+, providing Catalyst with substantial downside protection
- Catalyst believes Newco is undervalued due to its fragmented holder base, prior lack of a strong financial sponsor and current "distressed" connotation. Based on peer valuation metrics, Newco's equity could be worth €400-500MM once the company establishes a dividend and growth strategy, for a cash-on cash return of 4.7x in this normalized case

Catalyst - Homburg Offer and Returns Analysis

	Catalyst	Total Recovery as % of Total Claim			Catalyst Multiple on Claims Already Owned			Catalyst Equity Cash-Out Price		Equity Recovery as % of Total Claims			Catalyst Multiple on Cash Equity Cash-Out			Weighted Multiple on Cash		
Series	Avg. Price % of Face - Claims Owned	Monitor Low[2]	Monitor High[2]	Comparables Normalized[3]	Low	High	Normalized	Low	High	Monitor Low[2]	Monitor High[2]	Comparables Normalized[3]	Low	High	Normalized	Low	High	Normalized
Mortgage Bonds																		
HM34	44.4%	56.7%	67.8%	112.3%	1.3x	1.6x	2.6x	14.7%	12.7%	25.1%	21.7%	64.9%	1.7x	1.7x	4.7x	1.7x	1.7x	4.6x
HM35	39.8%	51.7%	56.4%	126.3%	1.3x	1.5x	3.0x	16.4%	16.9%	28.0%	28.9%	79.0%	1.7x	1.7x	4.7x	1.7x	1.7x	4.6x
HM36	24.9%	75.5%	81.0%	191.7%	3.2x	3.4x	8.2x	30.5%	30.2%	52.0%	51.6%	143.8%	1.7x	1.7x	4.7x	1.8x	1.8x	4.9x
HM37	49.8%	65.6%	76.5%	110.0%	1.4x	1.6x	2.1x	11.7%	9.1%	19.9%	15.6%	49.3%	1.7x	1.7x	4.7x	1.7x	1.7x	4.6x
Unsecured Bonds																		
HB8	24.7%	45.7%	51.0%	111.7%	2.0x	2.2x	4.6x	18.4%	19.1%	31.5%	32.5%	88.8%	1.7x	1.7x	4.7x	1.7x	1.7x	4.7x
HB9	25.0%	45.7%	51.0%	111.7%	1.9x	2.2x	4.7x	18.4%	19.1%	31.5%	32.5%	88.8%	1.7x	1.7x	4.7x	1.7x	1.7x	4.7x
HB10	25.0%	45.7%	51.0%	111.7%	1.9x	2.2x	4.7x	18.4%	19.1%	31.5%	32.5%	88.8%	1.7x	1.7x	4.7x	1.7x	1.7x	4.7x
HB11	25.0%	45.7%	51.0%	111.7%	1.9x	2.2x	4.7x	18.4%	19.1%	31.5%	32.5%	88.8%	1.7x	1.7x	4.7x	1.7x	1.7x	4.7x
Other Claims[1]																		
Trade Creditors	26.5%	61.4%	45.1%	107.1%	1.6x	1.7x	4.3x	16.7%	17.2%	28.5%	29.4%	80.3%	1.7x	1.7x	4.7x	1.7x	1.7x	4.7x
Total	28.7%	49.1%	55.0%	118.9%	1.7x	1.9x	4.1x	19.1%	19.4%	32.7%	33.1%	91.2%	1.7x	1.7x	4.7x	1.7x	1.7x	4.7x

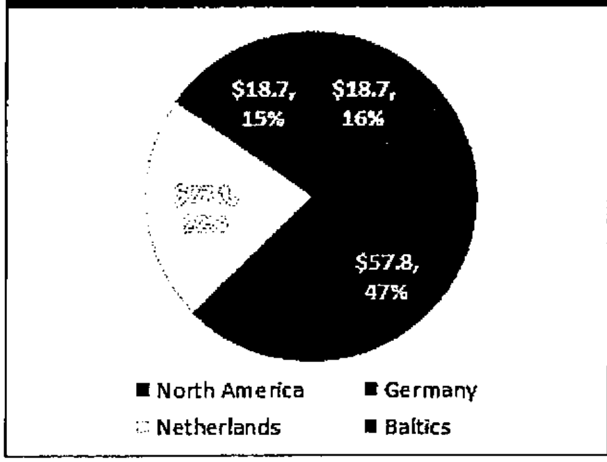
(1) Trade claims purchased outside of tender offer. Price represents weighted average price paid.
(2) Source: Monitor (Deloitte) Information Circular dated April 29, 2013.
(3) EUR450mm normalized equity value based on comparable company yields.
Note: Recovery figures based on % of claim value; Catalyst tender price based on face value.

2. Business Description

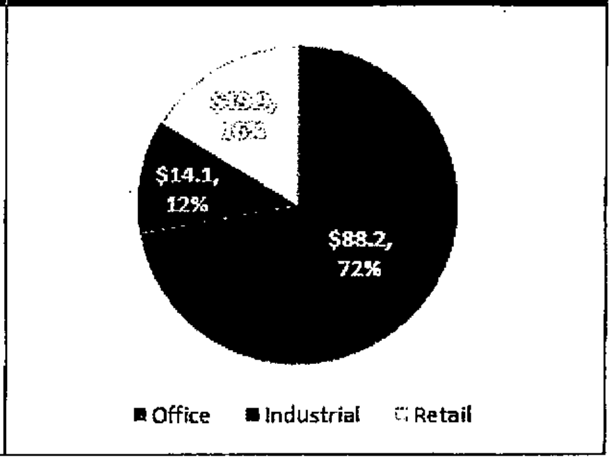
Business Overview

- Homburg is a Canadian-based real estate development and investment company with assets in North America and Europe
    - o Investment properties comprise commercial, retail and industrial properties in the U.S., Germany, Netherlands and the Baltic States (Estonia, Latvia and Lithuania)
    - o Development properties consist of residential-zoned undeveloped land, primarily in Calgary, and condominiums in PEI, Nova Scotia and Alberta
- The Company filed for CCAA protection on September 9, 2011, in the Superior Court of Quebec, and has been under a Court-supervised restructuring process since then
    - o Homburg is currently in the latter stages of this process, with a view to exiting protection on July 3, 2013
    - o After pushing the Company, Monitor and Trustee towards a court-approved formal auction process, Catalyst was named Plan Sponsor
- Homburg generated revenue and EBITDA of $136.4MM and of $39.3MM (28.8% margin), respectively, for the 12 months ended September 30, 2012
    - o Over the past 18 months, Homburg has written down $470MM of its investment properties as its non-core, vacant, distressed assets continue to decline in value
- German assets account for 47% of the Company's revenues from a geographical standpoint, while office properties represent a large majority of revenues (72%) on a property-type basis

9/30/12 LTM Revenue by Geography



9/30/12 LTM Revenue by Property Type



Homburg Asset Overview

- The Company has a diversified asset base across multiple real estate markets

- 52% of assets are located in Germany, 20% in the Netherlands, 16% in Canada and the U.S., and 12% in the Baltic States (Estonia, Latvia, Lithuania)
- The Canadian assets comprise development properties, primarily in Alberta, condominiums in PEI and Nova Scotia, and a hotel in Nova Scotia

HII Asset Breakdown

(As at September 30, 2012, C$ in millions, Gross Sq. Ft. in millions)

Investment Properties

	Buildings	Fair Value	Gross Sq. Ft.
Germany	16	$617.3	2.5
Netherlands	32	$236.7	3.7
Baltic States	53	$144.3	1.0
North America	12	$29.7	0.3
Total	**113**	**1,028.0**	**7.5**

	Buildings	Fair Value	Gross Sq. Ft.
Office	77	827.8	5.1
Retail	8	79.5	0.3
Industrial	28	120.7	2.1
Total	**113**	**1,028.0**	7.5

Land and Property Held for Future Development

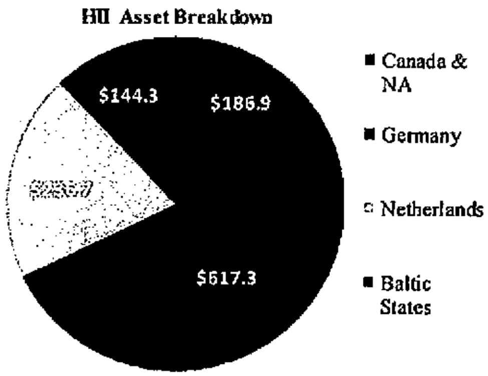
	Buildings	Fair Value	Gross Sq. Ft.
Canada	5	70.6	na

Construction Properties Being Developed for Resale

	Buildings	Fair Value	Gross Sq. Ft.
Canada	3	16.0	na

Investment Property Under Construction

	Buildings	Fair Value	Gross Sq. Ft.
Canada	2	70.6	na
Total	**123**	**1,185.2**	**7.5**

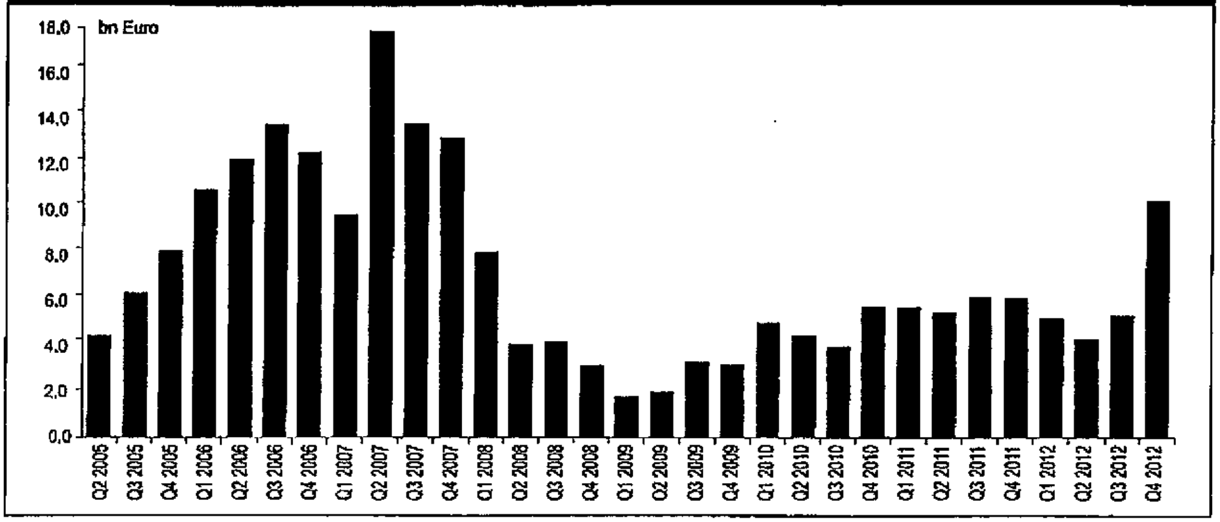


- Homburg's assets are held in individual numbered LPs, called "Homcos", of which Homburg is the sole limited partner and also controls the managing general partner
- The Company has a diverse list of quality tenants across its investment properties including: Infineon Technologies, SEB Group, Moto Dupli Group and Veba Immobilien, amongst others
- Occupancy rates are 100%, 85%, 78% and 60 % across its German, Baltics, North American and Netherlands portfolios, respectively

German Real Estate Market Overview

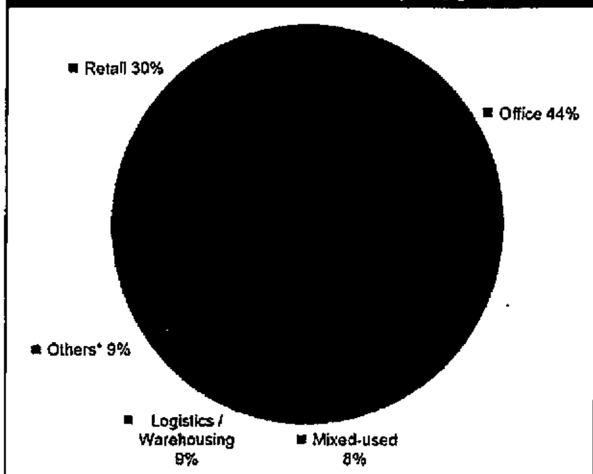
- The German Commercial Real Estate Market ("CRE") is among the most stable and robust in Europe
- For full-year 2012, Germany CRE transaction volume totaled €25B, representing an 8% increase year-over-year
    - Moreover, Q4 2012 was the strongest quarter in five years

Historical German Commercial Real Estate Transaction Volumes

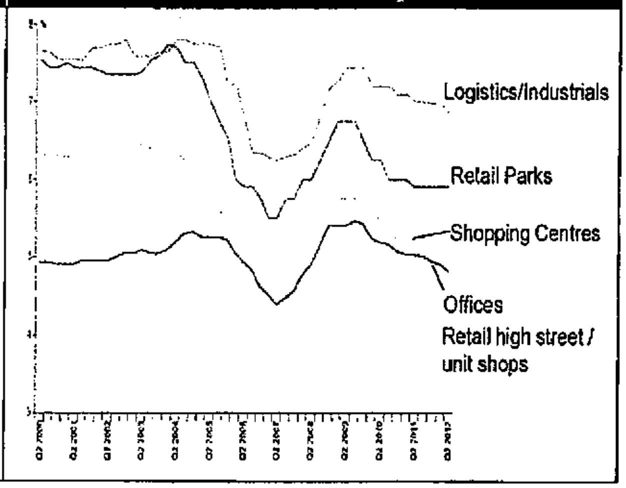


- Demand was mostly focused on the "Core" segment (i.e. high quality properties in prime locations), but since the end of 2011, appetite for Core-Plus properties has been visibly increasing due to lack of supply of Core assets
  - Homburg's German assets would likely be characterized as Core-Plus
- There is significant pent-up appetite for Core-Plus assets; however, European banks are less willing to finance non-Core properties and therefore transaction volumes have been limited
- Foreign buyers accounted for a significant portion of investment volumes (42%) and also were involved in the four largest transactions of the year (from Norway, Austria, US and France)
- In terms of property type, offices dominated the transaction market in 2012 and prime yields have fallen as a result

Transaction Volume by Type



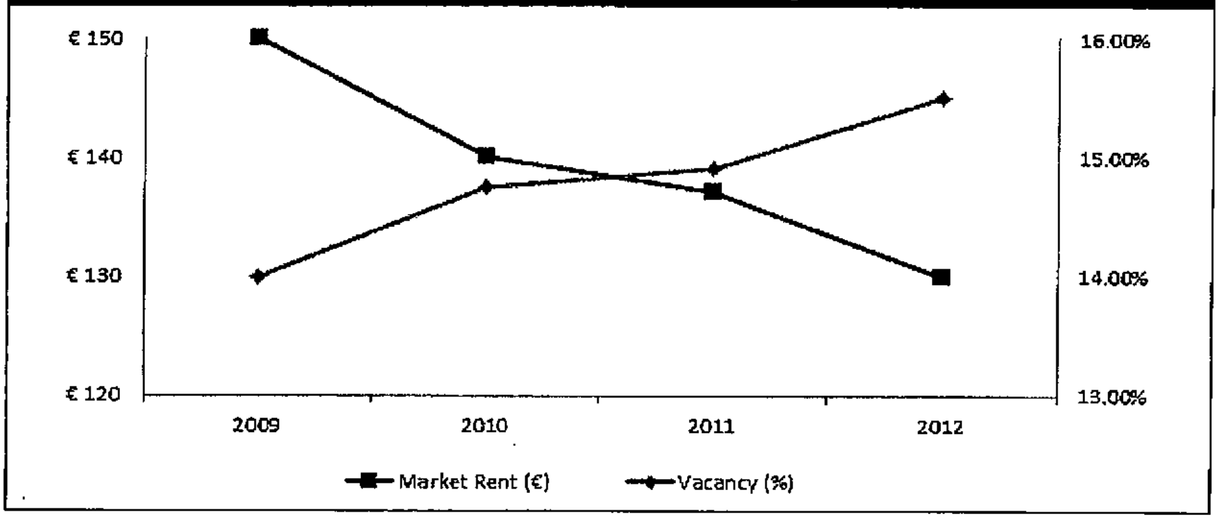
Prime Yield Development



Netherlands Real Estate Market Overview

- In contrast to the German CRE investment market, activity in the Dutch CRE investment market is at a 10-year low
- Office property transactions are mostly focused in the prime segment and the bottom end of the market
- A small number of deals comprises the top of the office market, while at the bottom end of the market, an increasing number of forced deals are noted
  - Only two of seven "trophy" buildings listed for sale in the Amsterdam financial district have sold within one year of listing — and at discounted prices
  - For less desirable properties (called "B" and "C" class), many of them may not be sold at all, or only at junk prices
- Opportunistic buyers of distressed assets are offering vacant buildings at very low rents, causing tenants of other buildings to migrate
- As a result of these factors, prices are depressed and vacancy rates remain high
  - Office vacancy rates have increased from 14% in 2009 to almost 16% in 2012 — a vacancy rate of 4-5% is considered "healthy". At the same time, office rents have fallen from €150/sqm to €139/sqm
  - These figures do not take into account "hidden" vacancies, where companies are renting more space than needed due to old rent contracts, or increasing rental discounts/incentives

Netherlands Office Market Development



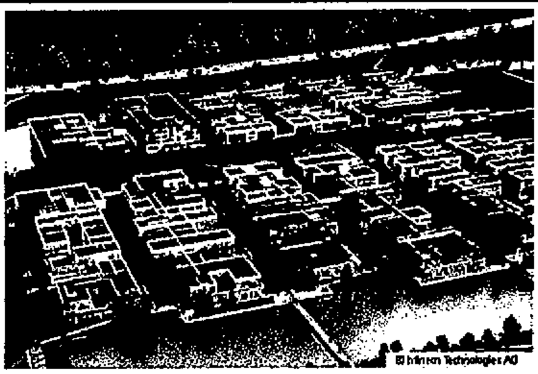
Key Assets

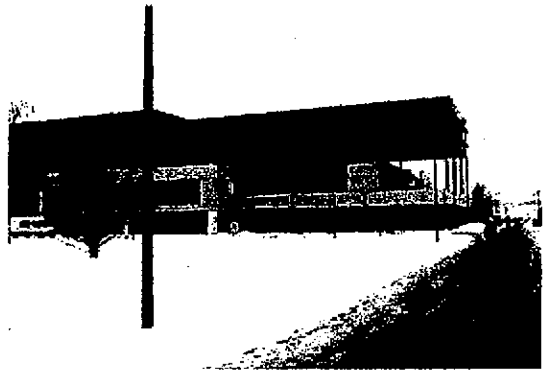
- All key assets will be included in the restructured company ("Newco"). Catalyst is offering creditors who will be receiving equity in the Newco a cash payment in return for their shares

Homco 110 ("Campeon") – AM Campeon 1-12, Neubiberg (Munich), Germany

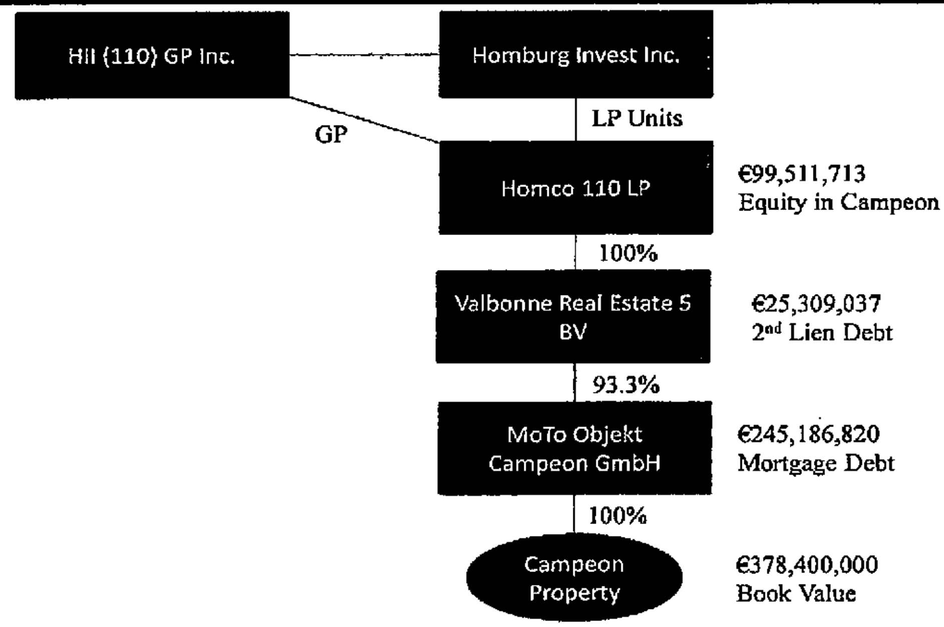
- Homco 110 is Homburg's largest and most valuable asset
- Office complex in Neubiberg, Munich, comprising six low-rise buildings with nearly 1.5 million square feet of leasable space and parking for 1,980 cars
- Leased to Infineon Technologies AG until 2020 with a possible 5-year extension
- Infineon has the right to buy the property for €274,051,346 in October 2020
  - Infineon's lease is approximately 2x above market
- Through its ownership of Valbonne Real Estate 5 BV, Homco 110 owns 93.3% of Campeon
- The property generates €12MM of free cash flow per year on ~€36MM of rent
- Campeon has an asset value of €378MM, with mortgage debt of €270MM

Campeon Property Photos





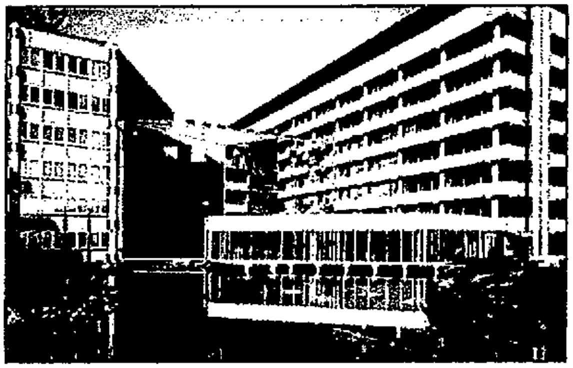
Campeon Structure



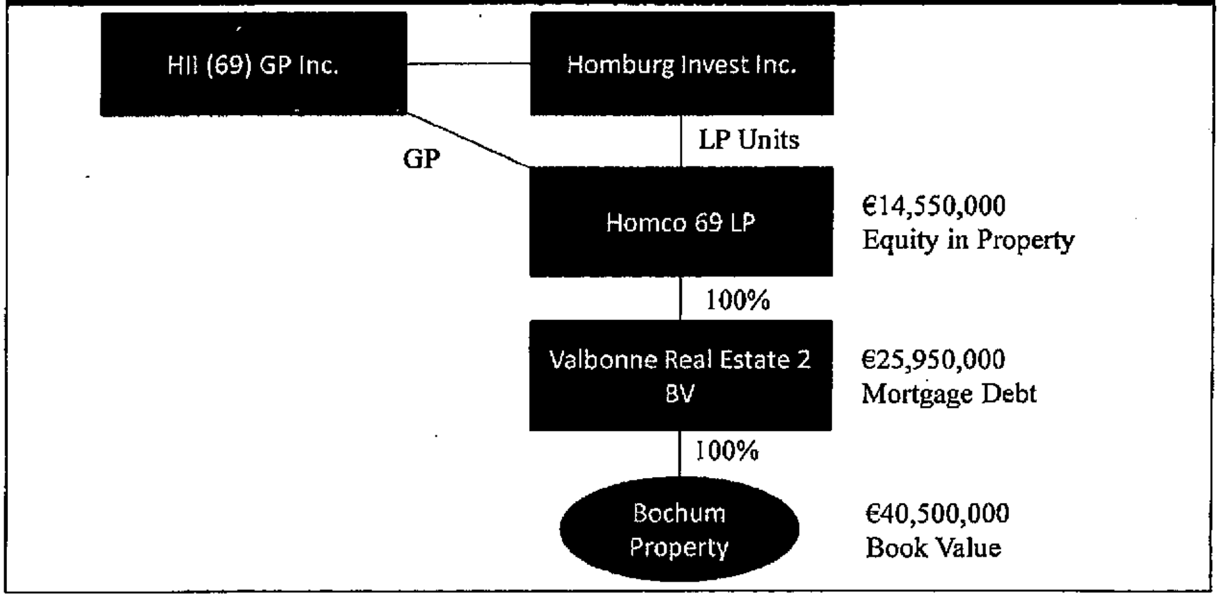
Homco 69 – Philippstrasse 3, Bochum, Germany

- Homco 69 is Homburg's second most valuable asset
- Office space located in Bochum, a city of 375,000 in the North Rhine-Westphalia province of Germany and part of the largest urban agglomeration in the country (the Ruhr)
- Located less than 20 minutes from Essen and Dortmund, and 30 miles from Dusseldorf
- Comprises two buildings with 285,461 sqft. of total leasable space
- 100% leased to Veba Immobilien AG, a real estate firm, until 2020
- Annual rent of €3.5MM, a 25% premium to local market rates
- Homco 69 has an asset value of €40.5MM, with mortgage debt of €26MM

Homco 69 Property Photos



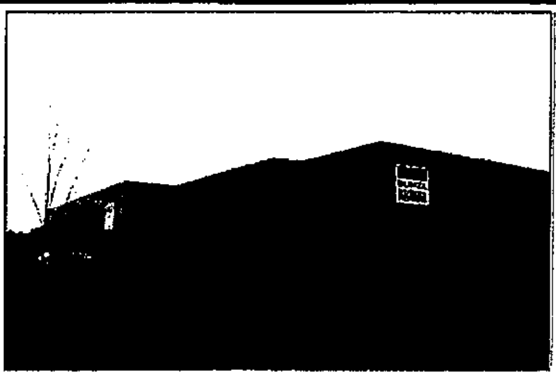
Homco 69 Structure



Homco 70

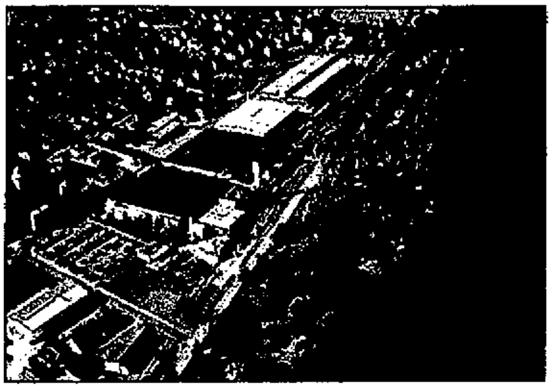
- Homco 70 holds four properties: 3 in Germany and 1 in the Netherlands
    - Elbestrasse 1-3, Marl, Germany
        - Light industrial / storage / office space located in industrial section of Marl, a town of 87,000 in North-Rhine Westphalia. Closest major city is Essen, ~16 miles away
        - 169,178 sqft. of leasable space; 100% leased to BUNZL, a global food packaging company, until 2022
        - Annual rent of €651,300, 15% below market rates
        - Asset value of €9,200,000
    - Binnerheide 26, Schwerte, Germany
        - Light industrial / storage / office space located in industrial section of Schwerte, a town of 48,000 less than 10 miles outside Dortmund
        - 54,584 sqft. of leasable space; 100% leased to Motip Dupli, a market-leading European spray paint company, until 2025
        - Annual rent of €239,694, 20% above market rates
        - Asset value of €2,700,000
    - Industriestrasse 19, Hassmersheim, Germany
        - Light industrial / storage / office space located in industrial area of Hassmersheim in Baden-Wurttemberg province. ~50 miles from Mannheim (pop. 315,000)
        - 304,567 sqft. of leasable space; 100% leased to Motip Dupli until 2025
        - Annual rent of €1,797,704, 30% above market rates
        - Asset value of €18,000,000
    - Wolfraamweg 2, Wolvega, Netherlands
        - Office / warehouse space in an industrial area of Wolvega, a town in the northern Netherlands 8 miles south of Heerenveen and 40 miles south of Groningen
        - 191,836 sqft. of leasable space; 100% leased to Motip Dupli until 2025
        - Annual rent of €659,158, 15% above market rates
        - Asset value of €7,000,000

Marl Property Photo

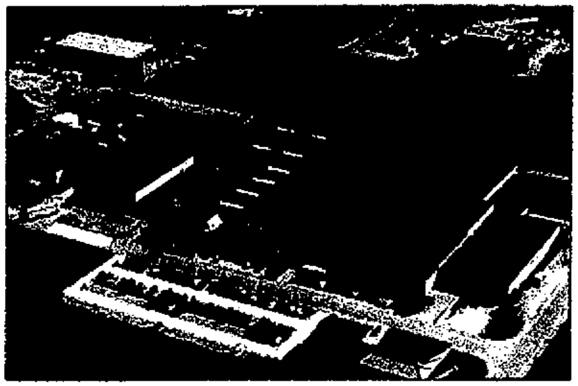


Schwerte Property Photo

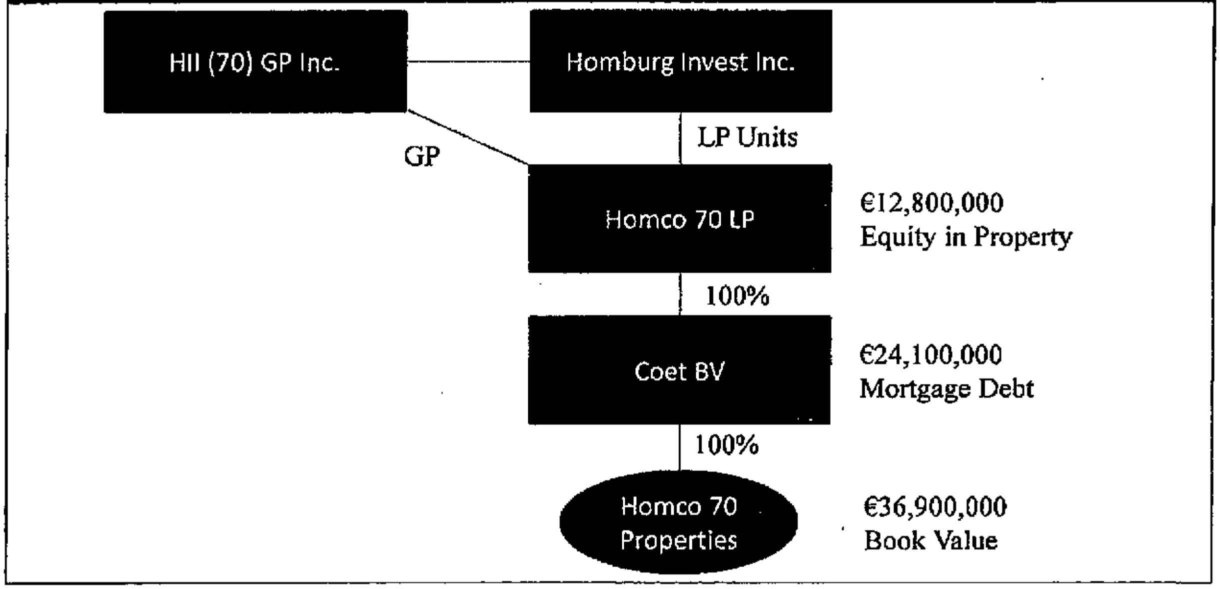
Hassmersheim Property Photo



Wolfraamweg Property Photo



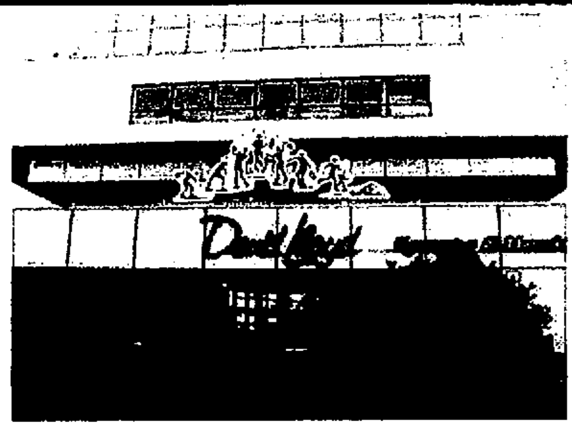
Homco 70 Structure



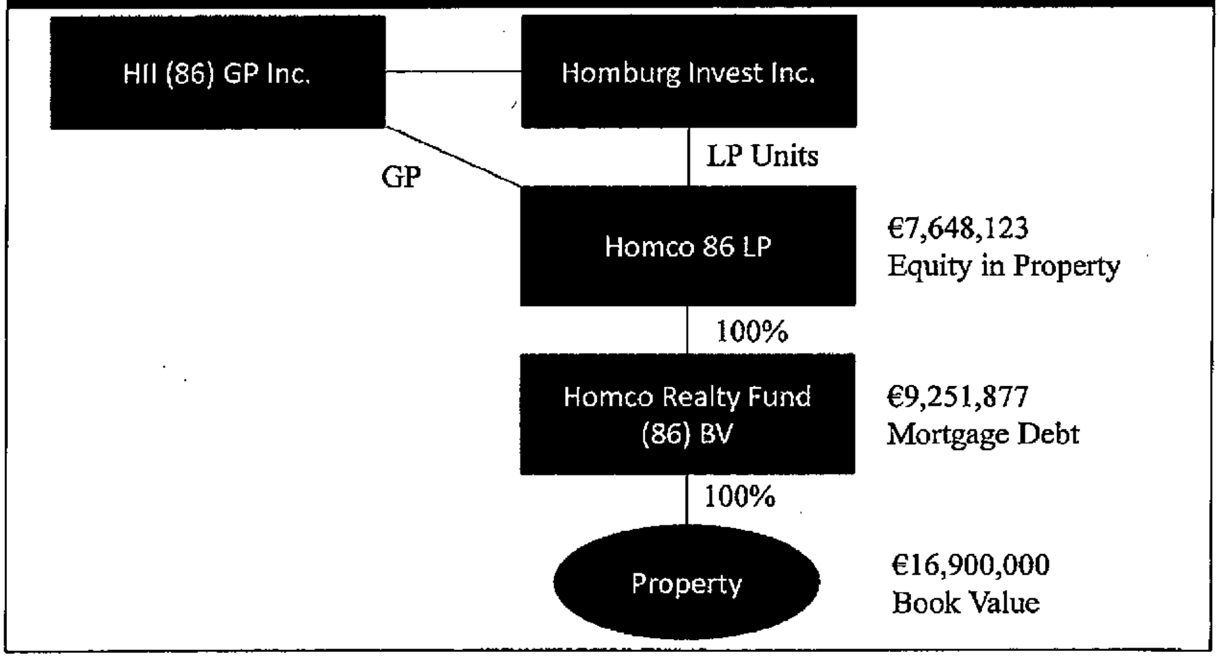
<u>Homco 86 – Benthemstraat 10, Rotterdam, Netherlands</u>

- Office building in north-central Rotterdam district of Agniesebuurt
- Rotterdam is the second-largest city in the Netherlands with a population of 617,000
- The property is leased until 2033 to David Lloyd Sports & Health club, a European chain of large fitness and health centres, and is currently used as a gym
- The building was constructed in 1969 with renovations in 1999 and 2002, and has 75,670 sqft of leasable space
- Annual rent of €1,310,831, almost double local market rates
- Asset value of €16,900,000
- The loan is a single loan split with Homco 87, and has a cross-default provision with it

Homco 86 Property Photos



Homco 86 Structure

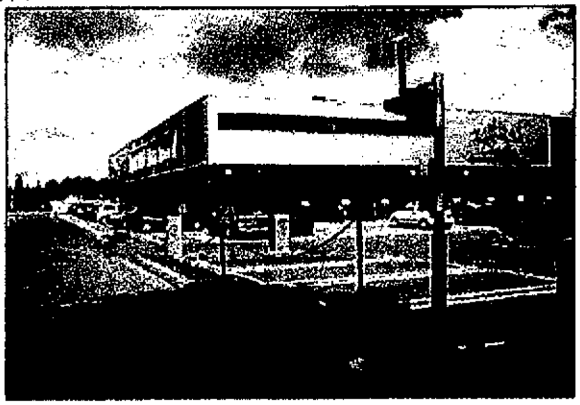


<u>Homco 87 – Benthemstraat 10, Rotterdam, Netherlands</u>

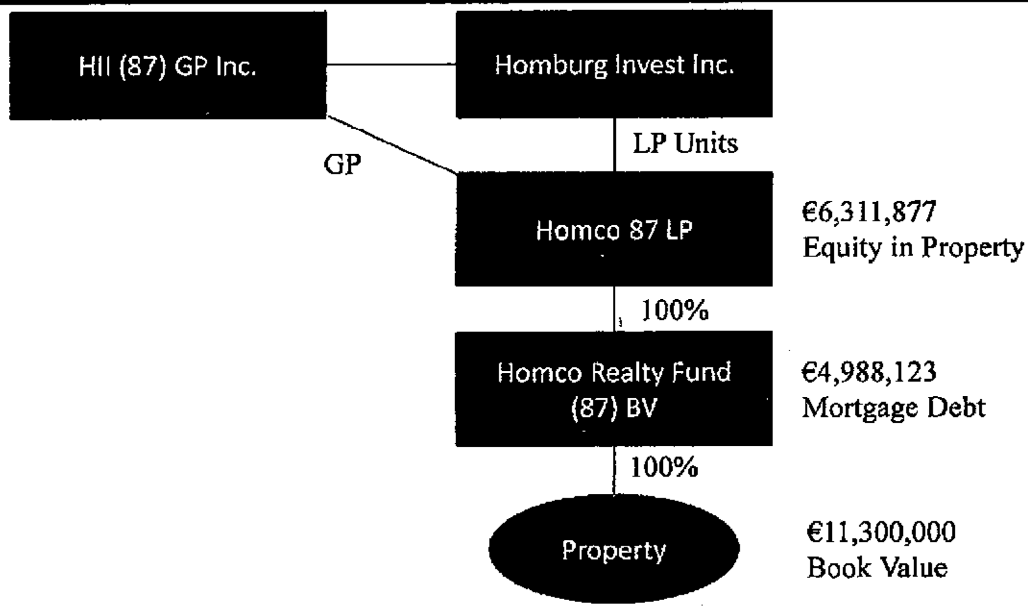
- Office building in Blijdorp area of northwestern Rotterdam, adjacent to the Hotel Rotterdam Blijdorp, a mid-level hotel
- Rotterdam is the second-largest city in the Netherlands with a population of 617,000
- The property is leased until 2037 to David Lloyd Sports & Health club, a European chain of large fitness and health centres, and is currently used as a gym
- Building was constructed in 2003, and has 35,306 sqft. of leasable space of which 100% is leased
- Annual rent of €739,813, is in line with local market rates

- Asset value of €11,300,000
- The loan is a single loan split with Homco 86, and has a cross-default provision with it

Homco 87 Property Photos



Homco 87 Structure



Newco Core Business Assets

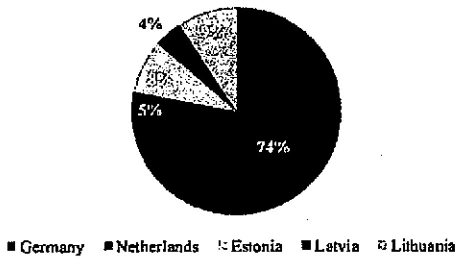
- Newco, the restructured Homburg which comprises its core income-producing, equity-positive assets, will own a portfolio of 61 commercial, retail and industrial properties in three geographic regions: Netherlands, Germany and the Baltics
- The Canadian and U.S. assets are being divested to fund cash payments to existing creditors under the restructuring plan

Newco Asset Breakdown

(As per Information Circular dated April 28, 2013)

Investment Properties	Properties	Fair Value (000s)	Sq. Ft. (000s)
Germany	5	€ 450,301	2,267.7
Netherlands	3	€ 28,128	307.8
Estonia	12	€ 51,030	323.6
Latvia	16	€ 26,920	229.4
Lithuania	25	€ 56,690	439.2
Total	**61**	**€ 613,069**	**3,567.6**

Investment Properties by Value



Country	Address	Lettable Area - Square Feet
Germany	Philippstrasse 3, Bochum	248,937
Germany	Elbestrasse 1-3, Marl	304,565
Germany	Binnerheide 26, Schwerte	54,584
Germany	Industriestrasse 19, Hassmersheim	169,047
Germany	AM Campeon 1-12, Neubiberg	1,490,520
Germany Total	**5 Properties**	**2,267,652**
Netherlands	Wolfraamweg 2, Wolvega	191,834
Netherlands	Benthemstraat 10, Rotterdam	82,236
Netherlands	Energieweg 9, Rotterdam	33,691
Netherlands Total	**3 Properties**	**307,761**
Lithuania	25 Properties	323,617
Estonia	12 Properties	229,422
Latvia	16 Properties	439,167
Baltics Total	**53 Properties**	**992,206**
Newco Total	**61 Properties**	**3,567,619**

- One property, Campeon, will account for approximately 60% of Newco's total assets and property revenue
- Campeon is under lease to Infineon Technologies AG until 2020, at which point Infineon has the right to purchase the building at a pre-agreed price of €274MM
- This purchase price implies an equity value of over €100MM for the Campeon asset alone, while Catalyst is offering €95MM for the Company's equity as Plan Sponsor, implying a significant degree of downside protection
- Newco's other core properties in Germany and the Netherlands have 100% occupancy. Most of the properties in the Baltics, which are all leased to SEB Bank, are also 100% occupied and there is a guaranteed minimum rent regardless of SEB's actual tenancy

3. Capitalization

- The Company's corporate structure is extremely complicated with a multi-jurisdictional business and individual corporate entities for most properties
- The Company's capital structure consists of five main levels of debt/notes:

Capital Structure Summary

(As of December 31, 2012, C$ in millions, unless otherwise indicated)

	EUR	CAD (1)	Maturity	Int. Rate
German Mortgages	340.5	464.0	na	na
Dutch Mortgages	244.5	333.2	na	na
Baltic Mortgages	116.5	158.7	na	na
North American Mortgages	4.8	4.8	na	na
Total Property Level Mortgages	**706.3**	**960.7**		
Construction Financing (1)	24.5	33.4	na	na
Total First Lien Property Level Debt	**730.8**	**994.1**		
Private Mortgage Notes				
	EUR	CAD (1)	Maturity	Int. Rate
HMB Series 4	20.0	27.3	Nov-11	7.50%
HMB Series 5	20.0	27.3	Nov-11	7.50%
HMB Series 6	31.2	42.6	Nov-11	7.50%
HMB Series 7	31.2	42.6	Nov-11	7.50%
Total Private Mortgage Notes	**102.5**	**139.6**		
Private Unsecured Notes				
	EUR	CAD (1)	Maturity	Int. Rate
HB Series 8	50.0	68.1	May-13	7.00%
HB Series 9	60.0	81.8	Oct-13	7.00%
HB Series 10	100.0	136.3	Feb-14	7.25%
HB Series 11	100.0	136.3	Jan-15	7.25%
Total Private Unsecured Notes	**310.0**	**422.4**		
Intercompany Liabilities	45.8	62.4	n/a	n/a
Trade Payables	100.1	136.4	n/a	n/a
Subordinated Notes				
	EUR/US	CAD (1)	Maturity	Int. Rate
Euro Denominated	25.0	34.1	Dec-36	8.03%
US Denominated	25.0	25.1	Dec-36	9.48%
Total Private Unsecured Notes	**50.0**	**59.2**		
Junior Subordinated Notes				
	EUR/US	CAD (1)	Maturity	Int. Rate
Capital A Securities Series	27.6	37.6	Feb-02	9.50%
Total Private Unsecured Notes	**27.6**	**37.6**		
Total Long Term Debt	**1,366.8**	**1,851.7**		

(1) EUR converted at 1.3626 EUR/CAD rate. USD converted at 1.004 USD/CAD rate.

- The property-level mortgage debt comprises loans/mortgages on Homburg's individual assets
- The Euro-Denominated Private Mortgage Notes ("Private Mortgage Notes" or "HMB") are mortgage-backed retail notes. These were issued by a special purpose entity, Homburg Shareco, and guaranteed by the parent, Homburg Invest Inc. Each series has unique, **key collateral** that is essential for the Company to continue as a going concern
- The Euro-Denominated Private Unsecured Notes ("Private Unsecured Notes" or "HB") are senior unsecured retail notes issued by Homburg Invest Inc., the parent. These notes are the main unsecured liability of Homburg, therefore, they hold a strategic position for control. All series are pari passu with each other
- The Euro-Denominated Unsecured Subordinated Notes ("Subordinated Notes") are subordinated to the Private Mortgage and Unsecured Notes
- The Euro-Denominated Unsecured Junior Subordinated Notes ("Private Junior Subordinated Notes") have similar features to preferred shares but are classified as debt due to their 99-year maturity. They are subordinated to all liabilities, including trade payables and the Subordinated Notes
- The Company has an additional €46MM of intercompany liabilities and €100MM of trade payables and accrued liabilities

4. Situation Overview

Company Overview

- Homburg Invest's origins date back to 1991, when Richard Homburg, a real estate investor and developer based in Nova Scotia, took control of Uni-Invest NV, a publicly traded real estate fund in the Netherlands
- In 2000, Uni-Invest sold its European assets, and Uni-Invest Canada Ltd. was acquired by Basic Realty Investment Corporation ("Basic")
- Basic changed its corporate name to Homburg Invest Inc. and Richard Homburg was named Chairman, President and CEO of the Company
- Homburg, which at that point had only 28 properties in Canada worth $89MM in 2001, embarked on an aggressive growth plan across North America and Europe
- By 2009, the Company had over $3B of assets; however, it was also struggling under a heavy debt load (total debt/equity ratio of 16:1) as the global recession eroded asset and equity value
- In response, the Company spun off its Canadian income-producing properties into what is now known as Canmarc REIT, however, its European properties continued to fall sharply in value

CCAA Filing and Preceding Events

- Homburg filed for CCAA protection in the Superior Court of Quebec on September 9, 2011, citing several factors
    - o An inability to pay its liabilities as they came due
    - o Overleverage
        - Management had a track record of being poor stewards of capital and invested in a number of poor quality assets which were overly exposed to the double dip recession in Europe, particularly across its Dutch portfolio
        - Homburg's poor quality properties sustained high vacancy rates due to tenant bankruptcies and overall European economic conditions
        - High vacancy rates combined with reduced renewal rental rates and decreasing property values resulted in a significant decline in revenue, cash flow generation and asset values for the Company
        - By the time Homburg filed for CCAA protection, its total debt/equity ratio had reached 36:1
    - o An investigation by the Dutch regulator, Authority for Financial Markets ("AFM"), related to Richard Homburg and the Company's inability to eliminate his control over its operations

    - The Company suffered from poor quality management and management integrity issues, particularly related to Richard Homburg, the Company founder and controlling shareholder
    - For example, the Company routinely engaged in related-party transactions with companies controlled by Richard Homburg, paying them hundreds of millions of dollars for fees and services
    - Catalyst believes that Homburg's corporate complexity existed to enrich Richard Homburg personally at the expense of other stakeholders
  - In November 2009, the AFM together with the DNB, both Dutch regulatory bodies, commenced a joint investigation into Homburg as a result of certain suspected financial and ethical irregularities
- On April 22, 2011, Homburg received an instruction from the AFM ordering it to remove its controlling shareholder, Richard Homburg, as a decision maker and a person of influence in the Company stating his integrity was not considered "beyond doubt"

Initial Catalyst Offer

- In October 2012, after Catalyst had been tracking and analyzing the Company for over a year, the Company and Monitor released a key report on specific assets and liabilities which confirmed Catalyst's thesis around establishing a position in the Private Mortgage Notes to gain influence in the proceedings
- Based on this new information and its unique understanding of the Company's situation, Catalyst presented a cash offer to holders of Homburg's four series of Private Mortgage Notes (HMB4-HMB7)
  - Catalyst was the first fund to put an offer forward for any of the Company's securities
  - Catalyst established back-office infrastructure to support private purchases of notes and claims
- Catalyst was able to use this initial offer and infrastructure to begin building a position in the Private Mortgage Notes
- The initial offer also served to continue and open up discussions between Catalyst and multiple of the Company's stakeholders

Ongoing Dialogue with Stakeholders

- In parallel with increasing its position in Homburg's securities, Catalyst continued to utilize its initial offer to further discussions with the main stakeholders of the case around Catalyst becoming the Plan Sponsor of the restructured Company
- This discussion involved multiple different potential options around this primary goal, including, but not limited to:
  - Full offer extended to all creditors to supplement Catalyst's initial offer to holders of the mortgage bonds

  - DIP financing to allow full development of assets currently distressed or in flux
- Exit financing to allow for sustained growth across the Company's current markets, as well as new markets in North America and Europe to diversify around more quality real estate assets

Trustee Conflict

- The Private Mortgage Notes, Private Unsecured Notes and the Private Junior Subordinated Notes are all represented by the same Trustee, Stichting Homburg Bonds and Stichting Homburg Capital Securities, which was further controlled by Marian Hogeslag (the "Controlling Trustee")
  - This relationship creates an inherent conflict of interest in the representation of different stakeholders with different economic interests by the same Trustee
- Surprisingly, Catalyst found the Controlling Trustee controlling the board and decisions across multiple stakeholders. Furthermore, the Controlling Trustee had previous direct business relationships with Richard Homburg
- As Catalyst increased its discussions and interactions with the Controlling Trustee, it became apparent she had a hidden agenda around her ambition to control the restructuring of the Company and the European assets of the Company post-restructuring
- Catalyst recognized this behaviour early on in its interactions with the Controlling Trustee and began planning for this risk
  - Hired a private investigator to provide further information on her relationship with Richard Homburg
  - Planned multiple potential litigation strategies in the Netherlands and Canada to remove the Controlling Trustee from the board
- Examined the process to appoint a new Trustee for each series of bonds with different economic interests
- As Catalyst's influence increased, the Controlling Trustee became increasingly hostile towards it

Catalyst Tender Offer

- As part of its purchases of the Private Mortgage Notes, Catalyst had already set up the infrastructure to engage in larger-scale buying
- The Private Unsecured Notes were the largest component of the unsecured liabilities of HII and in addition to their strategic use, they offered an attractive asymmetric return profile on a standalone basis
- Catalyst therefore felt it was appropriate to supplement its strategic initial position with a position in the Private Unsecured Notes to pursue a "ring-fencing" strategy which Catalyst

has already successfully utilized in multiple situations including: Gateway, Canwest, Cabovision, Planet Organic, amongst others

- In Q4 2012, Catalyst began laying the ground work for a public tender offer in parallel to its ongoing discussions with the stakeholders of the company
  - o Catalyst developed a full media campaign strategy to support the tender offer including real estate specific television programs, financial, trade and retail publications
  - o In addition, Catalyst targeted retail investor focused websites and other media channels to hit the retail-focused nature of the noteholders
  - o The public relations campaign also provided for specific defense tactics against the Trustee who had become increasingly difficult and aggressive due to her underlying motivation to control the assets herself upon exit
- Based on the extensive property-level and value flow analysis it had performed, Catalyst pursued an optimized pricing strategy to target specific bonds which had attractive strategic profiles to gain control of the Company while also ensuring a minimum 1.5x cash-on-cash return to Catalyst
- Catalyst launched its public tender off on January 16, 2013
- Through the tender offer, Catalyst became Homburg's largest single creditor. Moreover, Catalyst's initial estimates of value were supported by a subsequent recovery estimate release by the Monitor

Homburg Invest Inc. - Catalyst Claim Holdings Post-Tender

				Monitor Recovery Range [1]			Catalyst Returns [2]		
Series	Face Value (€)	Price Paid (€)	Average Price	Low	Mid	High	Low	Mid	High
HMB4	1,485,000	659,850	44.4%	56.7%	62.0%	67.3%	1.3x	1.4x	1.6x
HMB5	1,485,000	590,400	39.8%	51.7%	54.1%	56.4%	1.3x	1.4x	1.5x
HMB6	1,380,000	343,500	24.9%	75.5%	78.2%	81.0%	3.2x	3.3x	3.5x
HMB7	1,560,000	777,150	49.8%	65.6%	71.1%	76.5%	1.4x	1.5x	1.6x
Total Catalyst	**5,910,000**	**2,370,900**	**40.1%**	**62.2%**	**66.2%**	**70.2%**	**1.8x**	**1.9x**	**2.0x**
				Monitor Recovery Range			Catalyst Returns		
Series	Face Value (€)	Price Paid (€)	Average Price	Low	Mid	High	Low	Mid	High
HB8	2,325,000	573,800	24.7%	45.7%	48.4%	51.0%	2.0x	2.1x	2.2x
HB9	3,015,000	753,000	25.0%	45.7%	48.4%	51.0%	1.9x	2.0x	2.2x
HB10	7,140,000	1,783,950	25.0%	45.7%	48.4%	51.0%	1.9x	2.1x	2.2x
HB11	4,230,000	1,057,050	25.0%	45.7%	48.4%	51.0%	1.9x	2.1x	2.2x
Total Catalyst	**16,710,000**	**4,167,800**	**24.9%**	**45.7%**	**48.4%**	**51.0%**	**1.9x**	**2.1x**	**2.2x**
Trade Claims	**2,530,457**	**671,669**	**26.5%**	**41.4%**	**43.8%**	**46.1%**	**1.6x**	**1.6x**	**1.7x**
Total Catalyst Holdings	**25,150,457**	**7,210,369**	**28.7%**	**49.1%**	**52.1%**	**55.0%**	**1.7x**	**1.8x**	**1.9x**

(1) Source: Draft Information Circular dated April 18, 2013.

(2) Returns based on recoveries in draft Information Circular.

Catalyst Litigation Launched against Trustee

- Following the launching of the public tender offer and media campaign, the Controlling Trustee became increasingly aggressive towards Catalyst

- The Trustee pursued a strategy of misinformation and confusion about Catalyst, its tender offer, the overall intentions of Catalyst towards the business and also manipulation of what bondholders can expect to receive for their bonds
    - Catalyst countered this campaign of misinformation with its already planned public relations strategy which included noteholder targeted communication channels and separate bondholder information sessions to market Catalyst's public tender offer directly to noteholders
- To supplement its public relations counter attack, Catalyst initiated its planned Netherlands litigation strategy to highlight conflicts and hidden agenda of the Trustee. This put further pressure on the Trustee from a personal reputation standpoint in her native market in the Netherlands

Monitor Releases Plan Recovery Expectations and Plan Structure

- Catalyst had been pushing all stakeholders from the end of Q4 2012 to the beginning of Q1 2013 (the Monitor, the Company and the Trustee) to release updated information on expected recoveries to creditors due to our belief this would support Catalyst's public tender offer
- Throughout Catalyst's interactions with the stakeholders, it was able to ascertain 1) the amount of cash available to pay to creditors was going to be lower than anticipated, and 2) the stakeholders would receive the majority of their recovery in equity and long-dated notes tied to the liquidation value of "non-core" assets
- On February, 6, 2012, the Monitor, Company and Trustee released the recovery value projections for all creditors which came out worse on the immediate cash available for creditors than Catalyst had ascertained which provided further support for Catalyst's all-cash tender offer
- In addition, they released the general structure of the Plan: 1) an initial cash payment, 2) a post-emergence tracking note that gets paid down as the Monitor liquidates non-core assets and 3) equity of a new Company that holds the best assets of the Company

Initial Recovery Expectations - % of Claim

	Monitor's 19th Report (February 5, 2013)							
	Initial Cash		Post-Emergence Note		Shares		Total	
	Low	High	Low	High	Low	High	Low	High
HMB4	8.70%	7.45%	26.66%	42.69%	26.48%	24.80%	61.84%	74.94%
HMB5	20.98%	21.52%	5.42%	8.67%	30.15%	34.72%	56.55%	64.91%
HMB6	11.13%	11.74%	6.10%	9.76%	33.90%	39.04%	51.13%	60.54%
HMB7	8.01%	6.24%	32.46%	51.99%	24.38%	20.78%	64.85%	79.01%
HB8-11	11.13%	11.74%	6.10%	9.76%	33.90%	39.04%	51.13%	60.54%
Unsecured Creditors	10.13%	10.66%	5.54%	8.86%	30.84%	35.44%	46.51%	54.96%

Submission of Superior Offer

- Catalyst had been in discussions with the Company, Monitor and Trustee over many months to become Plan Sponsor, given Catalyst's belief that a strong financial partner was necessary to ensure success of a restructured going concern company
- In addition, becoming Plan Sponsor not only allowed Catalyst specific control over the restructuring process but also specific assets that Catalyst believed had an attractive risk-return profile
- Catalyst submitted a Superior Offer that provided for cash recoveries higher than the Company's released cash recovery value but still guarantees Catalyst a minimum return of 1.7x
- This feature was important because the Company's plan provided very little upfront cash to creditors, with the Company's largest creditors were elderly Dutch pensioners who would value immediate cash more highly
- Strategically, the submission of the offer was also critical for Catalyst's ability to gain control of the Company as the Superior Offer activated the Company's board's fiduciary responsibility to respond to the offer and either accept Catalyst as Plan Sponsor or open up an auction process
- The main risk to this strategy was the requirement of the board to potentially open up an auction process to solicit other offers. Catalyst had analyzed this risk and felt it had mitigated the risk through the previous purchases of notes from the initial offer and public tender offer, and also its advanced knowledge of the situation, stakeholders and assets
- Overall, Catalyst analyzed that forcing the board's hand to either accept its offer and allowing Catalyst to become plan sponsor or opening up an auction was a positive event for Catalyst's eventual control
- Catalyst believed a potential auction process would accelerate the overall restructuring process, and that it was best-positioned to win, as the auction process wouldn't provide enough time for someone to make a credible bid
- In the event Catalyst was outbid, it would receive further upside on its already held notes

Superior Offer Forces Short Auction Process

- As predicted by Catalyst, the Company and the various stakeholders were forced to open up an auction process to fulfill their fiduciary obligations. However, the auction process was limited to one week for full due diligence on the assets and providing a binding offer
- Furthermore, given Catalyst's previous involvement in the name, it learned most bidders were skeptical in participating in the auction given Catalyst's informational advantage and the perception it had created that it was already a critical stakeholder in the restructuring process
- Catalyst's outstanding litigation against the Trustee also allowed it leverage over the most aggressive and abusive stakeholder allowing Catalyst to contain her ability to oppose Catalyst's Superior Offer and to support any revised offer Catalyst would put forth after the conclusion of the auction process

Catalyst Wins Short Auction Process with Multiple Creative Structuring Options

- Catalyst leveraged its research and knowledge of the situation to create a multi cash-option offer further enhancing creditors' ability to receive cash and enhancing their liquidity options
- Furthermore, due to its leverage on the Trustee, Catalyst negotiated a very Catalyst-friendly confidentiality agreement which allowed Catalyst to continue its activist strategy should Catalyst not have won the auction process
- Overall, Catalyst utilized its pre-established relationships with stakeholders to understand pricing levels of other bidders, the structure preferred by all stakeholders and general understanding of the situational dynamics to win the auction at an optimized pricing level

Restructuring Plan Overview

- The Company's Plan has three main components
    1. Initial Distribution Cash
    2. Non-Core Properties Note
    3. Core Property Equity ("Newco")

1. Initial Distribution Cash

    - The Company has been slowly liquidating non-core assets throughout the restructuring process as opportunities present themselves, with the main cash use related to professional fees and the financing of the CCAA process
    - The Company and Monitor are projecting to have €35 million available for distribution on Plan Implementation Date on June 30, 2013
    - This number has steadily decreased from initial projections of over €50 million as the Company continues to extend its exit date
    - Catalyst had already projected the cash risk in its public tender offer pricing and furthermore in its Superior Offer and Revised Offer proposals

2. Non-Core Property Notes

    - The Company is going to issue tracking notes that will be repaid with the sale of properties that have been designated as non-core
    - The majority of these properties are in Canada and the US and are developmental properties
    - Catalyst has taken a conservative view in its public tender offer pricing and also in its Superior Offer and Revised Offer proposals
    - Catalyst believes there is some upside potential in these properties, the distressed nature of the sales process may provide an opportunity Post-Implementation Date to acquire the tracking notes issued out of the restructuring or the properties outright at discounted price

3. Core Property Equity

    - The core properties consist of properties across Germany, the Netherlands and the Baltics. All of the properties have 100% occupancy, long term leases with quality tenants, and above-market rents

- Through Catalyst's negotiation in becoming plan sponsor Catalyst has obtained the right to one board seat, the appointment of the Chairman role and leading the search for the hiring of the CEO and CFO
- Catalyst is currently working with Heidrick & Struggles to fill these roles

- The table on the following page shows the current expected recoveries for bondholders across the three main components of the Company's Plan
- With the exception of HMB6, all creditors have seen their recoveries decline on average since the Monitor's initial estimates on February 5, 2013
  - HMB6 was subject to a unique situation, whereby it held direct security on the assets of Homco 61
  - Subsequent to February 5, it was discovered that Homco 61 had a substantial receivable from Homburg, and therefore HMB6 bondholders would be entitled to the recovery value of that receivable (i.e. what Homco 61, as an unsecured creditor, would receive from Homburg)

Monitor's Current Recovery Estimates - % of Claim

	Revised Information Circular (April 28, 2013)							
	Initial Cash		Post-Emergence Cash		Shares		Total	
	Low	High	Low	High	Low	High	Low	High
HMB4	6.18%	5.72%	25.44%	39.86%	25.09%	21.70%	56.71%	67.28%
HMB5	17.98%	18.70%	5.73%	8.84%	27.99%	28.90%	51.70%	56.44%
HMB6	20.56%	25.51%	2.91%	3.86%	52.09%	51.59%	75.56%	80.96%
HMB7	4.91%	4.11%	40.76%	56.84%	19.93%	15.58%	65.60%	76.53%
HB8-11	7.76%	8.57%	6.44%	9.94%	31.48%	32.51%	45.68%	51.02%
Unsecured Creditors	7.02%	7.74%	5.84%	8.98%	28.50%	29.36%	41.36%	46.08%

	Change from Initial Report (February 5) to April 28							
	Initial Cash		Post-Emergence Cash		Shares		Total	
	Low	High	Low	High	Low	High	Low	High
HMB4	(2.52%)	(1.73%)	(1.22%)	(2.83%)	(1.39%)	(3.10%)	(5.13%)	(7.66%)
HMB5	(3.00%)	(2.82%)	+0.31%	+0.17%	(2.16%)	(5.82%)	(4.85%)	(8.47%)
HMB6	+9.43%	+13.77%	(3.19%)	(5.90%)	+18.19%	+12.55%	+24.43%	+20.42%
HMB7	(3.10%)	(2.13%)	+8.30%	+4.85%	(4.45%)	(5.20%)	+0.75%	(2.48%)
HB8-11	(3.37%)	(3.17%)	+0.34%	+0.18%	(2.42%)	(6.53%)	(5.45%)	(9.52%)
Unsecured Creditors	(3.11%)	(2.92%)	+0.30%	+0.12%	(2.34%)	(6.08%)	(5.15%)	(8.88%)

Current Status

- After extensive discussions with the Company and the Monitor, Catalyst has narrowed its multi-cash providing options to a single option for stakeholders to sell their equity in Newco ("Equity-Cash Out")
- Catalyst believes this provides the optimal risk-adjusted return as Plan Sponsor
- It also believes the growth opportunities on Newco are highest of the Company's properties
- Catalyst is in the process of finalizing documentation around the Company's Plan, governance and finalizing Newco's Exit Strategy

- **Catalyst's Equity-Cash Out values Newco at €95MM versus the Monitor and Company's estimated book value of €160MM - €165MM. At book value, this represents an immediate potential 1.7x cash-on-cash return**
- Moreover, through its active involvement and financial support, Catalyst expects that Newco can grow its asset base and trade closer to a valuation in line with other comparable European real estate companies, in which case its value would be several times higher
    - **In this normalized case, Catalyst estimates Newco's equity could be valued at €400MM-€500MM, which would represent a 4.7x cash-on-cash return at the midpoint of the range**
- Catalyst has also structured its option to maximize downside protection — its €95MM equity price is in fact lower than the equity value of just one of Newco's assets, the Campeon property in Germany (equity value of €100MM+), affording Catalyst substantial downside protection in the absolute worst case
- Please see the following table for Catalyst's bond-by-bond returns under its tender offer/previous purchases and Equity-Cash Out, based on the Monitor's published Low and High recovery ranges, as well as in the normalized scenario

Catalyst - Homburg Offer and Returns Analysis

	Catalyst	Total Recovery as % of Total Claim			Catalyst Multiple on Claims Already Owned			Catalyst Equity Cash-Out Price		Equity Recovery as % of Total Claim			Catalyst Multiple on Cash Equity Cash-Out			Weighted Multiple on Cash		
Series	Avg. Price % of Face - Claims Owned	Monitor Low[2]	Monitor High[2]	Comparables Normalized[3]	Low	High	Normalized	Low	High	Monitor Low[2]	Monitor High[2]	Comparables Normalized[3]	Low	High	Normalized	Low	High	Normalized
Mortgage Bonds																		
HMB4	44.4%	56.7%	67.3%	113.3%	1.3x	1.6x	2.6x	14.7%	12.7%	25.1%	21.7%	64.9%	1.7x	1.7x	4.7x	1.7x	1.7x	4.6x
HMB5	39.8%	51.7%	56.4%	116.3%	1.3x	1.5x	3.0x	16.4%	16.9%	28.0%	28.9%	79.0%	1.7x	1.7x	4.7x	1.7x	1.7x	4.6x
HMB6	24.9%	75.5%	81.0%	191.7%	3.2x	3.4x	8.2x	30.5%	30.2%	52.0%	51.6%	143.8%	1.7x	1.7x	4.7x	1.8x	1.8x	4.9x
HMB7	49.8%	65.6%	76.5%	110.0%	1.4x	1.6x	2.3x	11.7%	9.1%	19.9%	15.6%	49.3%	1.7x	1.7x	4.7x	1.7x	1.7x	4.6x
Unsecured Bonds																		
HB8	24.7%	45.7%	51.0%	111.7%	2.0x	2.2x	4.8x	18.4%	19.1%	31.5%	32.5%	88.8%	1.7x	1.7x	4.7x	1.7x	1.7x	4.7x
HB9	25.0%	45.7%	51.0%	111.7%	1.9x	2.2x	4.7x	18.4%	19.1%	31.5%	32.5%	88.8%	1.7x	1.7x	4.7x	1.7x	1.7x	4.7x
HB10	25.0%	45.7%	51.0%	111.7%	1.9x	2.2x	4.7x	18.4%	19.1%	31.5%	32.5%	88.8%	1.7x	1.7x	4.7x	1.7x	1.7x	4.7x
HB11	25.0%	45.7%	51.0%	111.7%	1.9x	2.2x	4.7x	18.4%	19.1%	31.5%	32.5%	88.8%	1.7x	1.7x	4.7x	1.7x	1.7x	4.7x
Other Claims[1]																		
Trade Creditors	26.5%	41.4%	46.1%	107.1%	1.6x	1.7x	4.3x	16.7%	17.2%	28.5%	29.4%	80.3%	1.7x	1.7x	4.7x	1.7x	1.7x	4.7x
Total	28.7%	49.1%	55.0%	118.9%	1.7x	1.9x	4.1x	19.1%	19.4%	32.7%	33.1%	91.2%	1.7x	1.7x	4.7x	1.7x	1.7x	4.7x

(1) Trade claims purchased outside of tender offer. Price represents weighted average price paid.
(2) Source: Monitor (Deloitte). Information Circular dated April 28, 2013.
(3) EUR450mm normalized equity value based on comparable company yields.
Note: Recovery figures based on % of claim value; Catalyst tender price based on face value.

5. Comparables

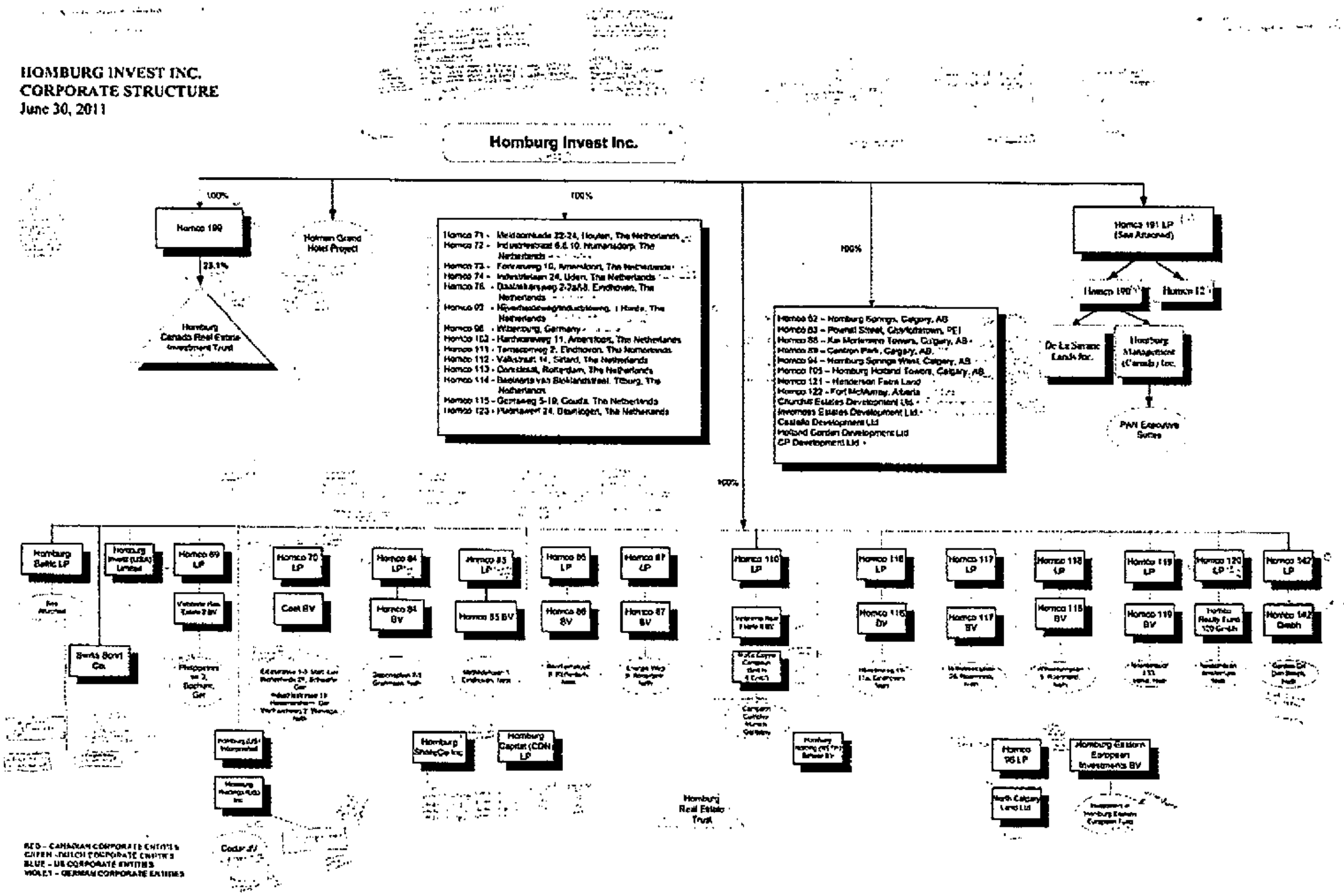
- The Company's publicly traded comparables are valued, on average, at:
  - 6.57% capitalization rate (Net Operating Income / Investment Property value)
  - 5.46% Adjusted Funds from Operations yield (Cash from Operations less CapEx)
  - 1.02x book value
  - 6.90% dividend yield
- Based on these trading multiples, there is substantial upside value in Newco's equity if its asset base can be grown and improved, and a consistent dividend is established

European Real Estate Comparables
(in EUR 000s unless otherwise noted)

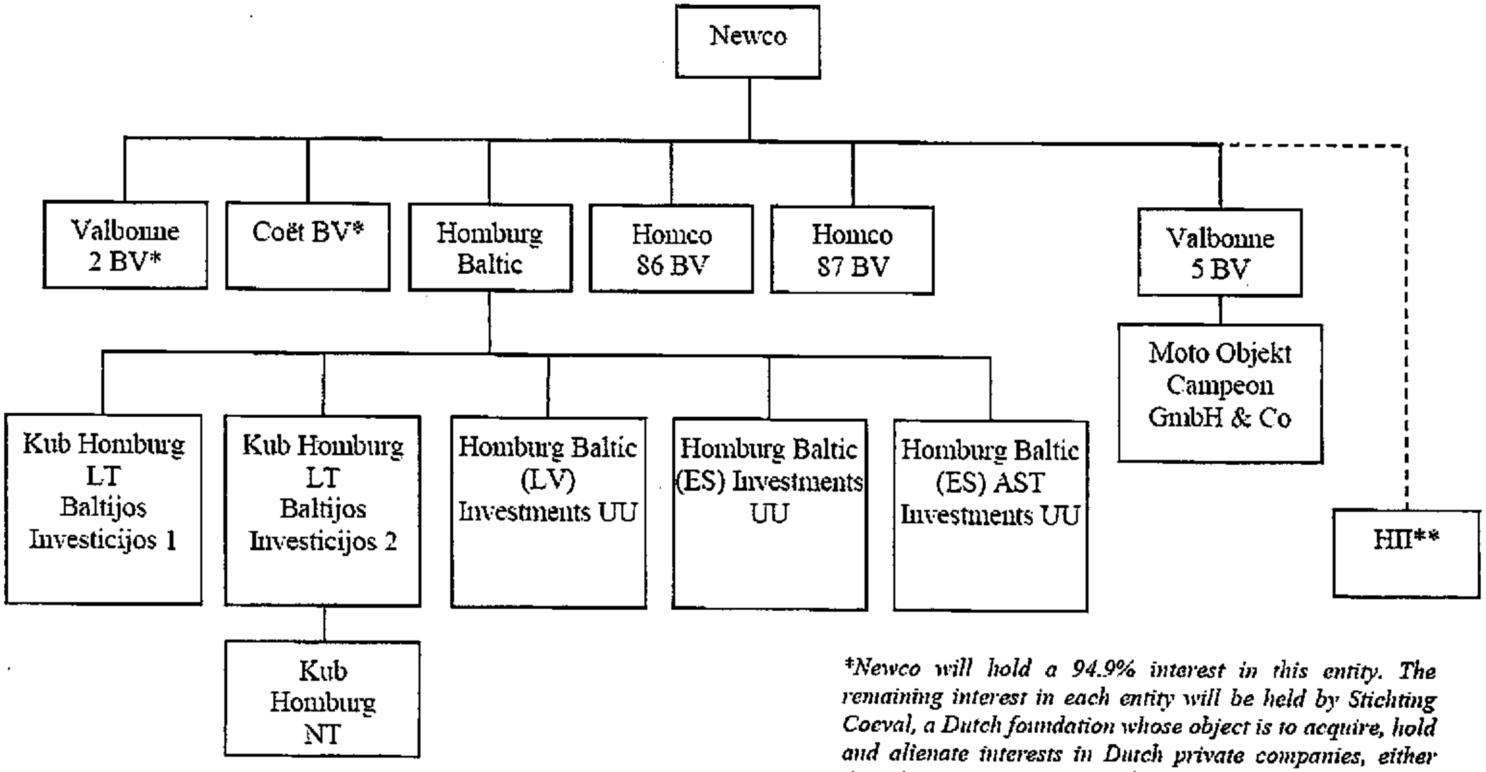
	Country(ies) of Focus	Curr.	Total Assets	Investment Properties	Book Equity Value	Market Cap	NOI	Adj. FFO	Price / Book	NOI Cap Rate	AFFO Yield	Dividend Yield
Eurcommercial Properties	France/Italy	EUR	2,733,030	2,666,233	1,281,851	1,203,210	147,900	65,000	0.94x	5.55%	5.40%	6.60%
Corio NV	Netherlands	EUR	7,631,000	6,738,300	4,130,500	3,522,300	442,500	176,200	0.85x	6.57%	5.00%	7.50%
Hamborner AG	Germany	EUR	530,400	447,200	276,300	322,100	32,599	17,600	1.17x	7.29%	5.46%	5.70%
Nieuwe Steen Investments	Netherlands	EUR	2,147,900	2,039,900	789,800	347,900	128,400	32,400	0.44x	6.29%	9.31%	8.60%
Hansteen Holdings plc	Germany/France/Neth.	GBP	1,025,400	821,600	516,400	562,200	57,600	42,400	1.09x	7.01%	7.54%	5.40%
Cofinimmo SA	Belgium	EUR	3,622,200	3,245,500	1,498,000	1,374,000	199,100	79,300	0.92x	6.13%	5.77%	7.00%
Dundee International REIT	Germany	CAD	1,400,300	1,182,800	596,100	1,014,700	81,300	46,200	1.70x	6.87%	4.55%	7.50%
								Median	0.94x	6.57%	5.46%	7.00%
								Mean	1.02x	6.53%	6.15%	6.90%
								High	1.70x	7.29%	9.31%	8.60%
								Low	0.44x	5.55%	4.55%	5.40%
Newco - 2016 Mgmt Case		EUR	587,842	542,724	213,720	213,720	60,749	31,451	1.00x	11.19%	14.72%	na

6. Corporate Structure

- Homburg Invest Inc.'s corporate structure is highly complex, consisting of dozens of OpCos and intermediate HoldCos. Catalyst spent over a year on its analysis of the corporate structure to prior to its initial purchases



- Newco's corporate structure will eliminate some of the previous Homcos but largely retain the same structure of individual assets being held in OpCos



Newco will hold a 94.9% interest in this entity. The remaining interest in each entity will be held by Stichting Coeval, a Dutch foundation whose object is to acquire, hold and alienate interests in Dutch private companies, either directly, or indirectly, as a limited partner.

***The Non-Core Business Assets will continue to be disposed of following the Plan Implementation Date and the proceeds will be used to repay the Un-Assumed Portion of Proven Claims*

7. Waterfall Analysis

General Unsecured Pool Recovery

- Catalyst has spent a tremendous amount of time on its analysis of the Company's assets and liabilities on a property-by-property basis
- As seen in the table below, Catalyst estimated there to be $186MM to $346MM of distributable value for a general unsecured pool of $739MM to $783MM, resulting in a recovery of 24-47% for general unsecured creditors
    - o Catalyst's tender offer was based on the low end of this range, providing significant downside protection
- The HB Series Unsecured Notes benefit from the subrogation of $55MM of Subordinated Notes (also known as the "Taberna" notes), which are subordinated only to the Private Unsecured Notes and the Private Mortgage Notes, and therefore recover 26-52%
    - o Please see the next page for mortgage bond recoveries
    - o Anteceding pages cover the asset-level analysis and value flow

Recovery Analysis (C$ 000s unless otherwise noted)	Low Case	Mid Case	High Case
Estimated Cash at Emergence[1]			
Estimated Cash Before Adjustments	69,773.80	69,773.80	69,773.80
HMB5 Guarantee Payment[2]	(3,065.85)	(3,065.85)	(3,065.85)
Loans Negotiation[3]	(24,790.00)	(24,790.00)	(24,790.00)
Release of Restricted Cash	20,355.94	21,348.88	22,341.82
Administrative and Litigation Reserves	(1,985.88)	(1,985.88)	(1,985.88)
Professional Fees Post-Emergence	(4,964.70)	(3,971.76)	(2,978.82)
HSBC Secured Claim[4]	(17,426.70)	(17,426.70)	(17,426.70)
Net Estimated Cash at Emergence	37,896.61	39,882.49	41,868.37
Germany Residual Value from Property Equity	99,813.94	130,553.54	161,293.14
Netherlands Residual Value from Property Equity	15,780.53	28,457.94	42,358.81
Baltics Residual Value from Property Equity	8,667.12	17,688.00	35,729.76
USA Residual Value from Property Equity	4,133.00	8,633.00	13,133.00
Canada Residual Value from Property Equity	19,980.39	35,158.89	51,311.58
Residual Value from Property Equity C$	148,374.98	220,491.37	303,826.29
Total Remaining Residual Value C$	186,271.59	260,373.86	345,694.66

Unsecured Pool	Low Case	Mid Case	High Case
Total Residual Value for Unsecured Claims Holders	186,271.59	260,373.86	345,694.66
Total Unsecured Pool Claims	783,103.17	761,864.76	739,402.89
Unsecured Recovery %	24%	34%	47%
Unsecured Pool HB Series HMB Deficiency Claims			
HB8 Series Notes (EUR 50.01mm) incl. accrued[5]	69,071.50	69,071.50	69,071.50
HB9 Series Notes (EUR 60.00mm) incl. accrued[5]	82,869.23	82,869.23	82,869.23
HB10 Series Notes (EUR 100.00mm) incl. accrued[5]	138,188.55	138,188.55	138,188.55
HB11 Series Notes (EUR 100.00mm) incl. accrued[5]	138,188.55	138,188.55	138,188.55
Total HB 8,9,10,11 Series Unsecured Pool	428,317.82	428,317.82	428,317.82
HB Series Unsecured Notes as % of Total Unsecured Pool	55%	56%	58%
HMB4 Series (EUR 20.01mm) - Deficiency Claim	21,013.41	17,688.41	14,363.41
HMB5 Series (EUR 20.01mm) - Deficiency Claim	24,597.56	24,597.56	24,597.56
HMB6 Series (EUR 31.23mm) - Deficiency Claim	29,873.29	24,063.38	17,030.01
HMB7 Series (EUR 31.23mm) - Deficiency Claim	29,249.13	19,796.63	10,344.13
Total HMB 4,5,6,7 Series Deficiency Claims	104,733.38	86,145.96	66,335.09
HMB Series Deficiency Claims as % of Total Unsecured Pool	13%	11%	9%
Total Unsecured Pool Claims	783,103.17	761,864.76	739,402.89
Total Remaining Residual Value C$	186,271.59	260,373.86	345,694.66
Unsecured Pool Claims Recovery	24%	34%	47%
HB Series Recovery			
Total HB 8,9,10,11 Series Unsecured Pool Claims	428,317.82	428,317.82	428,317.82
HB Series Recovery	101,881.14	146,381.31	200,252.37
Recovery Including Accrued Interest %	24%	34%	47%
HB Series Recovery from Taberna Notes[6]	10,494.27	15,622.78	22,228.22
Total HB Series Recovery	112,375.41	162,004.10	221,480.59
Recovery Including Accrued Interest %	26%	38%	52%
HMB Series Recovery			
Total HMB Series Claims Recovery	See next page for detail		

(1) Source: Draft Information Circular dated April 18, 2013.
(2) HMB5 bondholders voted to release their security in return for a lump sum payment to be made at emergence.
(3) Payments to mortgage banks as part of loan restructuring.
(4) HSBC is a lender on 5 to-be-sold Canadian properties. HSBC will be paid at emergence, prior to the sales of those properties.
(5) Accrued interest from 6/30/2011 to 9/9/2011 (filing date).
(6) EUR40mm of Taberna notes are subordinated to HB series and HMB series deficiency claims. Their recovery will flow up to support the HB series recovery and HMB deficiency claims recovery.

Private Mortgage Notes Recovery

- The Private Mortgage Notes benefit from the value of their underlying collateral, and also have an unsecured claim (pari passu with the Private Unsecured Notes) for any deficiency between the collateral value and the total claim amount
- Based on Catalyst's analysis, HMB holders would receive the following recoveries:
  - HMB4: 44-75%
  - HMB5: 34-57%
  - HMB6: 49-81%
  - HMB7: 50-88%
- A more detailed analysis of each series recovery follows on the next three pages

(in €'000s unless otherwise indicated) Homburg Mortgage Bonds Deficiency Claim Recovery	Low Case 26%	Mid Case 38%	High Case 52%
HMB4 Residual Collateral Value	6,650.00	9,975.00	13,300.00
HMB4 Series Total Claim (incl. accrued to 9/9/2011)	27,663.41	27,663.41	27,663.41
HMB4 Series Deficiency Claim	21,013.41	17,688.41	14,363.41
Deficiency Claim as % of Unsecured Pool	2.7%	2.3%	1.8%
HMB4 Series Deficiency Claim Recovery	4,998.32	6,045.17	6,715.35
Additional Recovery from Taberna Notes[1]	514.85	645.18	745.41
HMB4 Series Total Recovery	12,163.17	16,665.35	20,760.77
Recovery from Residual Collateral Value	24%	36%	48%
Recovery from Deficiency Claim	18%	22%	24%
Additional Recovery from Taberna Notes	2%	2%	3%
HMB4 Recovery Including Accrued Interest %	44%	60%	75%
HMB5 Security Payment[2]	3,065.85	3,065.85	3,065.85
HMB5 Series Total Claim (incl. accrued to 9/9/2011)	27,663.41	27,663.41	27,663.41
HMB5 Series Deficiency Claim	24,597.56	24,597.56	24,597.56
Deficiency Claim as % of Unsecured Pool	3.1%	3.1%	3.1%
HMB5 Series Deficiency Claim Recovery	5,850.86	8,406.43	11,500.15
Additional Recovery from Taberna Notes[1]	602.67	897.19	1,276.53
HMB5 Series Total Recovery	9,519.38	12,369.47	15,842.53
Recovery from HMB5 Guarantee	11%	11%	11%
Recovery from Deficiency Claim	21%	30%	42%
Additional Recovery from Taberna Notes	2%	3%	5%
HMB5 Recovery Including Accrued Interest %	34%	45%	57%
HMB6 Residual Collateral Value[3]	13,301.53	19,111.44	26,144.81
HMB6 Series Total Claim (incl. accrued to 9/9/2011)	43,174.82	43,174.82	43,174.82
HMB6 Series Deficiency Claim	29,873.29	24,063.38	17,030.01
Deficiency Claim as % of Unsecured Pool	3.8%	3.1%	2.2%
HMB6 Series Deficiency Claim Recovery	7,105.76	8,223.87	7,962.08
Additional Recovery from Taberna Notes[3]	731.93	877.71	883.80
HMB6 Series Total Recovery	21,139.22	28,213.02	34,990.69
Recovery from Residual Collateral Value	31%	44%	61%
Recovery from Deficiency Claim	16%	19%	18%
Additional Recovery from Taberna Notes	2%	2%	2%
HMB6 Recovery Including Accrued Interest %	49%	65%	81%
HMB7 Residual Collateral Value	13,905.00	23,357.50	32,810.00
HMB7 Series Total Claim (incl. accrued to 9/9/2011)	43,154.13	43,154.13	43,154.13
HMB7 Series Deficiency Claim	29,249.13	19,796.63	10,344.13
Deficiency Claim as % of Unsecured Pool	3.7%	2.5%	1.3%
HMB7 Series Deficiency Claim Recovery	6,957.30	6,765.67	4,836.21
Additional Recovery from Taberna Notes[1]	716.64	722.08	536.82
HMB7 Series Total Recovery	21,578.93	30,845.24	38,183.04
Recovery from Residual Collateral Value	32%	54%	76%
Recovery from Deficiency Claim	16%	16%	11%
Additional Recovery from Taberna Notes	2%	2%	1%
HMB7 Recovery Including Accrued Interest %	50%	71%	88%

(1) EUR40mm of Taberna notes are subordinated to HB series and HMB series deficiency claims. Their recovery will flow up to support the HB series recovery and HMB deficiency claims recovery.

(2) HMB5 bondholders voted to release their security in return for a lump sum payment to be made at emergence.

(3) HMB6 realizable security consists of a receivable due from HII to H61. HMB6 has a claim on the assets of H61.

HMB4 and HMB5 Recovery

- HMB4 holders have a security interest directly on a section of development land called Homburg Springs West
- Homburg Springs West is listed for sale at $13.3MM ($14MM less 5% broker fee)
- HMB4 holders would therefore receive $6.65-$13.3MM from their security and recover 26-52% on their deficiency claim (general unsecured recovery plus Taberna note subrogation)
- Total recovery of 44-75% of claim value
- HMB5 holders voted to release their security in return for a guaranteed €2.25MM cash payment
- The remaining claim is the deficiency claim, on which holders would recover 26-52% (general unsecured recovery plus Taberna note subrogation)
- HMB5 holders would therefore recover a total of 34-57% of their total claim

HMB4 (in C$ 000s unless otherwise noted)					
Assets					
			Low	Mid	High
Property	Lender	Entity	50%	75%	100% of List Price
Homburg Springs, Calgary AB. NW quarter of Section Eleven, Township 26, Range 1, Calgary AB	na	Homco 52 LP	6,650	9,975	13,300
Mortgage Bonds Payable					
Mortgage Bond HMB4 (EUR 20.01mm) @ 1.3626 CAD/EUR			27,266	27,266	27,266
Accrued Interest HMB4 - 7.50% from 6/30/2011 to 9/9/2011			398	398	398
Total			27,663	27,663	27,663
Recovery			*24.0%*	*35.1%*	*48.1%*
Collateral Value			$6,650	$9,975	$13,300
Deficiency Claim			$21,013	$17,688	$14,363
Deficiency Claim as % of Unsecured Pool			*2.7%*	*2.3%*	*1.8%*
Deficiency Claim Recovery (%)			*23.8%*	*34.2%*	*46.8%*
Deficiency Claim Recovery			$4,998	$6,045	$6,715
Additional Recovery from Taberna Notes			$515	$645	$745
HMB4 Total Recovery			$12,163	$16,665	$20,761
Recovery from Collateral Value			*24.0%*	*36.1%*	*48.1%*
Recovery from Deficiency Claim			*18.1%*	*21.9%*	*24.3%*
Additional Recovery from Taberna Notes			*1.9%*	*2.3%*	*2.7%*
Total Recovery %			*44.0%*	*60.2%*	*75.0%*

HMB5 (in C$ 000s unless otherwise noted)			
Assets			
	Low Value	Mid Value	High Value
HMB5 Guarantee (EUR 2.25mm)	3,066	3,066	3,066
HMB5 Mortgage Bond Payable			
Mortgage Bond HMB5 (EUR 20.01mm) @ 1.3626 CAD/EUR	27,266	27,266	27,266
Accrued Interest HMB5 - 7.50% from 6/30/2011 to 9/9/2011	398	398	398
Total	27,663	27,663	27,663
Recovery	*11.1%*	*11.1%*	*11.1%*
Guarantee Value	$3,066	$3,066	$3,066
Deficiency Claim	$24,598	$24,598	$24,598
Deficiency Claim as % of Unsecured Pool	*3.1%*	*3.1%*	*3.1%*
Deficiency Claim Recovery (%)	*23.8%*	*34.2%*	*46.8%*
Deficiency Claim Recovery	$5,851	$8,406	$11,500
Additional Recovery from Taberna Notes	$603	$897	$1,277
HMB5 Total Recovery	$9,519	$12,369	$15,843
Recovery from Guarantee Value	*11.1%*	*11.1%*	*11.1%*
Recovery from Deficiency Claim	*21.2%*	*30.4%*	*41.6%*
Additional Recovery from Taberna Notes	*2.2%*	*3.2%*	*4.6%*
Total Recovery %	*34.4%*	*44.7%*	*57.3%*

HMB6 Recovery

- HMB6's security comprises a direct claim on Homco 61's assets, as well as units (i.e. equity) of Homco 71, Homco 72, Homco 73, Homco 74, Homco 76, Homco 84, Homco 85, Homco 98 and Homco 120
- Homco 71-Homco 120 have no equity value and those properties are being relinquished to their lenders, and therefore HMB6 holders receive no recovery from that collateral
- Homco 61 has no property assets; it previously held the Homburg Harris Centre in Calgary which was sold in 2007
- However, Homco 61 has a large receivable from Homburg (parent), and is therefore an unsecured creditor of Homburg. Homco 61's recovery on this claim will flow through to HMB6 holders, who comprise 99% of the claims against Homco 61
- This $13.3-$26.1MM recovery against Homco 61 can be considered "secured", while HMB 6's remaining claim is the deficiency claim
- HMB6 holders would therefore recover a total of 49-81% of their total claim

HMB5 (in C$ 000s unless otherwise noted)					
Assets					
			Low	Mid	High
General Unsecured Recovery			24%	34%	47%
H61 Receivable from HI - HMB6 Portion			55,921	55,921	55,921
H61 Receivable Recovery - HMB6 Portion			13,302	19,111	26,145
			Low	Mid	High
Property	Lender	Entity	70% of BV	85% of BV	100% of Book Value
Carat Park, Teucheler Weg / Feldstrasse, Lutherstadt, Wittenburg, Germany	Hatfield Phillips	Homco 98 LP	13,456	16,340	19,223
1st Lien Mortgage Debt					
First Lien Mortgage Debt (EUR 20.4m) @ 1.34 CAD/EUR			27,717	27,717	27,717
LTV			*206.0%*	*169.6%*	*144.2%*
Recovery			*48.5%*	*59.0%*	*69.4%*
Homco 98 Residual Value			-	-	-
Assets					
			Low	Mid	High
Property	Lender	Entity	70% of BV	85% of BV	100% of Book Value
Industrielaan 24, Uden, The Netherlands	SNS Bank	Homco 74 LP	5,425	6,588	7,750
Mathildenlaan 1, Eindhoven, The Netherlands	SNS Bank	Homco 85 LP	24,290	29,495	34,700
Fortranweg 10, Amersfoort, The Netherlands	SNS Bank	Homco 73 LP	2,009	2,440	2,870
Stationsplein 7-9, Groningen, The Netherlands	FHP Bank	Homco 84 LP	16,870	20,485	24,100
Keesomlaan 6-10, Amstelveen, The Netherlands	FHP Bank	Homco 120 LP	8,190	9,945	11,700
Meidornkade 22-24, Houten, The Netherlands	Direktbank (ABN)	Homco 71 LP	3,430	4,165	4,900
Daalakkersweg 2-2a&8, Eindhoven, The Netherlands	Fortis Bank NV	Homco 76 LP	5,684	6,902	8,120
Industriestraat 6,8,10, Numansdorp, The Netherlands	Fortis Bank NV	Homco 72 LP	1,197	1,454	1,710
Sub-Total: Homco 71-120 Property Value			67,095	81,473	95,850
1st Lien Mortgage Debt					
First Lien Mortgage Debt (EUR 154.3m) @ 1.34 CAD/EUR			206,704	206,704	206,704
LTV			*308.1%*	*253.7%*	*215.7%*
Recovery			*32.5%*	*39.4%*	*46.4%*
Homco 71 - Homco 120 Residual Value			-	-	-
Remaining Residual Value for HMB6			13,302	19,111	26,145
HMB6 Mortgage Bond Payable					
Mortgage Bond HMB6 (EUR 31.23mm) @ 1.3626 CAD/EUR			42,554	42,554	42,554
Accrued Interest HMB6 - 7.50% from 6/30/2011 to 9/9/2011			621	621	621
Total			43,175	43,175	43,175
Recovery			*30.8%*	*44.3%*	*60.6%*
Collateral / Residual Value			$13,302	$19,111	$26,145
Deficiency Claim			$29,873	$24,063	$17,030
Deficiency Claim as % of Unsecured Pool			*3.8%*	*3.1%*	*2.2%*
Deficiency Claim Recovery (%)			*23.8%*	*34.2%*	*46.8%*
Deficiency Claim Recovery			$7,106	$8,224	$7,962
Additional Recovery from Taberna Notes			$732	$878	$884
HMB6 Total Recovery			$21,139	$28,213	$34,991
Recovery from Collateral / Residual Value			*30.8%*	*44.3%*	*60.6%*
Recovery from Deficiency Claim			*16.5%*	*19.0%*	*18.4%*
Additional Recovery from Taberno Notes			*1.7%*	*2.0%*	*2.0%*
Total Recovery %			*49.0%*	*65.3%*	*81.0%*

HMB7 Recovery

- HMB7 holders have a security interest directly on a piece of development land in Calgary's Beltline district
- The land is zoned for residential use and Homburg had originally planned to construct a pair of residential towers there ("Kai Mortensen Towers")
- Only the parking garage has been completed while the rest of the land remains vacant
- Kai Mortensen Towers are listed for sale at $37.8MM ($39.8MM less 5% broker fee)
- HMB7 holders would therefore receive $18.9-$37.8MM from their security and recover 26-52% on their deficiency claim (general unsecured recovery plus Taberna note subrogation)
- Total recovery of 50-89% of claim value

HMB7 (in C$ 000s unless otherwise noted)					
Assets			Low	Mid	High
Property	Lender	Entity	50%	75%	100% of List Price
Kai Mortensen Towers, Calgary AB	HSBC	Homco 88 LP	18,905	28,358	37,810
Homco 88 HSBC Construction Financing					
Construction Financing			5,000	5,000	5,000
Total			5,000	5,000	5,000
Residual Value to HMB7			13,905	23,358	32,810
HMB7 Mortgage Bond Payable					
Mortgage Bond HMB7 (EUR 31.23mm) @ 1.3626 CAD/EUR			42,554	42,554	42,554
Accrued Interest HMB7 - 7.25% from 6/30/2011 to 9/9/2011			600	600	600
Total			43,154	43,154	43,154
Recovery			*32.2%*	*54.1%*	*76.0%*
Residual Value			$13,905	$23,358	$32,810
Deficiency Claim			$29,249	$19,797	$10,344
Deficiency Claim as % of Unsecured Pool			*3.7%*	*2.5%*	*1.3%*
Deficiency Claim Recovery (%)			*23.8%*	*34.2%*	*46.8%*
Deficiency Claim Recovery			$6,957	$6,766	$4,836
Additional Recovery from Taberna Notes			$717	$722	$537
HMB7 Total Recovery			$21,579	$30,845	$38,183
Recovery from Residual Value			*32.2%*	*54.1%*	*76.0%*
Recovery from Deficiency Claim			*16.1%*	*15.7%*	*11.2%*
Additional Recovery from Taberna Notes			*1.7%*	*1.7%*	*1.2%*
Total Recovery %			*50.0%*	*71.5%*	*88.5%*

Property-by-Property Waterfall

Germany

- Campeon is not collateral for any Private Mortgage Notes and therefore its equity value flows entirely to the unsecured pool
  - o As per *Corporate Structure*, the Campeon asset is held by MoTo Objekt Campeon, which in turn is owned by Valbonne Real Estate 5 BV, which in turn is owned by Homco 110 (of which Homburg is the sole LP). The Falcon loan is at the Valbonne Real Estate 5 BV level, not on the property itself
- Homco 98, units of which secure HMB6, is a shopping mall in suburban Germany. Catalyst, through extensive onsite due diligence, discovered its main tenant vacated the property and correctly determined it has no equity value (a view confirmed by the Monitor). There may be an opportunity to purchase direct property notes on the mall at a substantial discount

HII Waterfall Analysis
(C$ in 000s, unless otherwise indicated, as at September 30, 2012 or as per updated Monitor reports)

Germany			Low Case	Mid Case	High Case (BV)
Assets					
Property		Entity	NAV	NAV	NAV
AM Campeon 1, 1-12, 85579 Neubiberg (Munich), Germany		Homco 110 LP	456,350.40	481,703.20	507,056.00
Total CAD			456,350.40	481,703.20	507,056.00
Total EUR	1.34		340,560.00	359,480.00	378,400.00
AM Campeon Property Mortgage					
First Lien Mortgage Debt CAD[1]			321,483.42	321,483.42	321,483.42
First Lien Mortgage Debt EUR[1]	1.34		239,913.00	239,913.00	239,913.00
Recovery %			*100%*	*100%*	*100%*
Loan to Value	70%		*70%*	*67%*	*63%*
Intech Debt CAD[1]			4,250.48	4,250.48	4,250.48
Intech Debt EUR[1]	1.34		3,172.00	3,172.00	3,172.00
Recovery %			*100%*	*100%*	*100%*
Loan to Value	0%		*2%*	*2%*	*1%*
Remaining Residual Value CAD			130,616.50	155,969.30	181,322.10
Remaining Residual Value EUR			97,475.00	116,395.00	135,315.00
Equity Stake in LP[2]	100.00%		130,616.50	155,969.30	181,322.10
Equity Stake in LP	100.00%		97,475.00	116,395.00	135,315.00
Valbonne Real Estate 5 BV Secured Loan (2nd Lien Term Loan)[1]					
Second Lien Secured Loan CAD			32,239.11	32,239.11	32,239.11
Second Lien Secured Loan EUR	1.34		24,059.04	24,059.04	24,059.04
Fair Value Adjustment[3]					
Fair Value Adjustment CAD			-	-	-
Fair Value Adjustment EUR	1.34		-	-	-
Remaining Residual Value CAD			98,377.39	123,730.19	149,082.99
Remaining Residual Value EUR			73,415.96	92,335.96	111,255.96
Assets					
Property		Entity			NAV
Carat Park, Teucheler Weg / Feldstrasse, Lutherstadt, Wittenburg, Germany		Homco 98 LP	19,223.12	23,342.36	27,461.60
Total CAD			19,223.12	23,342.36	27,461.60
Total EUR	1.34		14,345.61	17,419.67	20,493.73
Homco 98 LP Mortgage					Principal
First Lien Mortgage Debt CAD[1]			27,716.56	27,716.56	27,716.56
First Lien Mortgage Debt EUR[1]	1.34		20,684.00	20,684.00	20,684.00
Recovery %			*69%*	*84%*	*99%*
Loan to Value	70%		*144%*	*119%*	*101%*
Remaining Residual Value CAD			-	-	-
Remaining Residual Value EUR			-	-	-
Mortgage Bond Payable					Principal
Mortgage Bond HMB6 CAD[4]			42,554	42,554	42,554
Accrued Interest HMB6 CAD[5]			621	621	621
Total CAD			43,175	43,175	43,175
Mortgage Bond HMB6 EUR[4]	1.3626		31,230	31,230	31,230
Accrued Interest HMB5 EUR[5]			456	456	456
Total EUR			31,686	31,686	31,686
Recovery including accrued interest%			*0%*	*0%*	*0%*
Remaining Residual Value CAD			-	-	-
Remaining Residual Value EUR			-	-	-
Undersecured HMB6 Bond Portion CAD			43,175	43,175	43,175
Undersecured HMB6 Bond Portion EUR			31,686	31,686	31,686

Germany (cont'd)

- Homco 69 and Homco 70 were collateral for HMB5; however, as noted above, HMB5 holders voted to release this security and therefore the equity value from those properties flows to the unsecured pool
    - o As per *Corporate Structure*, Homco 69 owns Valbonne Real Estate 2 and Homco 70 owns Coet BV, which are the respective titleholders of their assets
- The highlighted portion at the bottom of the table indicates the residual value (assets less liens) from the Germany properties available to the unsecured pool

Germany			Low Case	Mid Case	High Case (BV)
Homco 69 LP					
Assets					
Property	Entity				NAV
Philippstrasse 3, Bochum, Germany	Homco 69 LP		41,432.80	46,571.70	51,710.60
Total CAD			41,432.80	46,571.70	51,710.60
Total EUR		1.34	30,920.00	34,755.00	38,590.00
Homco 69 LP					
First Lien Mortgage Debt CAD[1]			34,404.50	34,404.50	34,404.50
First Lien Mortgage Debt EUR[1]		1.34	25,675.00	25,675.00	25,675.00
Recovery %			*100%*	*100%*	*100%*
Loan to Value		70%	*83%*	*74%*	*67%*
Remaining Residual Value CAD			7,028.30	12,167.20	17,306.10
Remaining Residual Value EUR			5,245.00	9,080.00	12,915.00
HSH Bank Properties / Homco 70 LP					
Assets					
Property	Entity				NAV
Industriestrasse 19, Hassmersheim, Germany	Homco 70 LP		18,076.60	20,522.10	22,967.60
Elbestrasse 1-3, Marl, Germany	Homco 70 LP		9,862.40	11,048.30	12,234.20
Binnerheide 26, Schwerte, Germany	Homco 70 LP		2,693.40	3,075.30	3,457.20
Wolfsannweg 2, Wolvega, The Netherlands	Homco 70 LP (1)		6,097.00	7,470.50	8,844.00
Total CAD			36,729.40	42,116.20	47,503.00
Total EUR		1.34	27,410.00	31,430.00	35,450.00
HSH 1st Lien Mortgage / Homco 70 LP[1]					
Total CAD			32,227.00	32,227.00	32,227.00
Total EUR		1.34	24,050.00	24,050.00	24,050.00
Recovery %			*100%*	*100%*	*100%*
Remaining Residual Value CAD			4,502.40	9,889.20	15,276.00
Remaining Residual Value EUR			3,360.00	7,380.00	11,400.00
Mortgage Bond Payable					Principal
Mortgage Bond HMB5 CAD[6]			27,266	27,266	27,266
Accrued Interest HMB5 CAD[5]			398	398	398
Total CAD			27,663	27,663	27,663
Mortgage Bond HMB5 EUR[6]		1.3626	20,010	20,010	20,010
Accrued Interest HMB5 EUR[5]			292	292	292
Total EUR			20,302	20,302	20,302
HMB5 Guarantee CAD[6]			3,065.85	3,065.85	3,065.85
HMB5 Guarantee EUR[6]			2,250.00	2,250.00	2,250.00
Undersecured HMB5 Bond Portion CAD			24,598	24,598	24,598
Undersecured HMB5 Bond Portion EUR			18,052	18,052	18,052
German Remaining Residual Value CAD			99,813.94	130,553.54	161,293.14
German Remaining Residual Value EUR			74,525.96	97,465.96	120,405.96

Note: Low/Mid/High values for H69 and H70 based on 12/31/12 DTZ appraisals. Low/Mid/High range for Campeon and H98 based on 90-100% of BV and 70-100% of BV, respectively.

(1) Source: Data Room amortization schedules.

(2) Assumes 100% is purchased.

(3) Adjustment for scheduled accounting depreciation of EUR48mm as per Information Circular dated March 5, 2013.

(4) Security consists of H61 and units of H71, H72, H73, H74, H76, H84, H85, H98 and H120.

(5) Accrued interest from 6/30/2011 to 9/9/2011 (filing date).

(6) HMB5 bondholders voted to release collateral in return for the Guarantee Payment.

Netherlands

- HMB6 has a claim on the equity of Homco 71, 72, 73, 74, 76, 84, 85 and 120 as noted above. These properties have no equity value and are being relinquished to their respective lenders
- HMB6's sole security is its claim on the assets of Homco 61, which comprise a receivable from HII – therefore, the recovery on this receivable will flow through to HMB6 as security
- Additionally, the two properties which HBOS/Lloyds is financing, Homco 86 and Homco 87, do have residual equity value (and will in fact form part of Newco's portfolio as noted earlier), so their equity value flows to the unsecured pool

Netherlands		Low Case	Mid Case	High Case (BV)
Assets				
Property	Entity			NAV
Mortgage Bond HMB6 Collateral [1]				
Industrielaan 24, Uden, The Netherlands	Homco 74 LP (1)	5,425.00	6,587.50	7,750.00
Mathildelaan 1, Eindhoven, The Netherlands	Homco 85 LP (1)	24,290.00	29,495.00	34,700.00
Daalakkersweg 2-2a&8, Eindhoven, The Netherlands	Homco 76 LP (2)	5,684.00	6,902.00	8,120.00
Stationsplein 7-9, Groningen, The Netherlands	Homco 84 LP (1)	16,870.00	20,485.00	24,100.00
Meidoornkade 22-24, Houten, The Netherlands	Homco 71 LP (1)	3,430.00	4,165.00	4,900.00
Keesomlaan 6-10, Amstelveen, The Netherlands	Homco 120 LP (2)	8,190.00	9,945.00	11,700.00
Fortranweg 10, Amersfoort, The Netherlands	Homco 73 LP (2)	2,009.00	2,439.50	2,870.00
Industriestraat 6,8,10, Numansdorp, The Netherlands	Homco 72 LP (2)	1,197.00	1,453.50	1,710.00
Total CAD		67,095.00	81,472.50	95,850.00
Total EUR	1.34	50,070.90	60,800.37	71,529.85
Netherlands Mortgage Debt [1]				Principal
First Lien Mortgage Debt CAD [1]		206,703.70	206,703.70	206,703.70
First Lien Mortgage Debt EUR [1]	1.34	154,256.49	154,256.49	154,256.49
Recovery %		*32%*	*39%*	*46%*
Loan to Value		*308%*	*254%*	*216%*
Remaining Residual Value CAD		-	-	-
Remaining Residual Value EUR		-	-	-
H61 Receivable				Principal
Allocable to HMB6 - CAD [2]		55,920.88	55,920.88	55,920.88
Allocable to HMB6 - EUR [2]	1.34	41,732.00	41,732.00	41,732.00
Recovery - H61 Security (Receivable) CAD		13,301.53	19,111.44	26,144.81
Recovery - H61 Security (Receivable) EUR		9,926.52	14,262.27	19,511.05
Mortgage Bond Payable				Principal
Mortgage Bond HMB6 CAD [3]		43,174.82	43,174.82	43,174.82
Mortgage Bond HMB6 EUR [3]	1.3626	31,685.62	31,685.62	31,685.62
Recovery including accrued interest %		*0%*	*0%*	*0%*
Remaining Residual Value CAD		13,301.53	19,111.44	26,144.81
Remaining Residual Value EUR		9,926.52	14,262.27	19,511.05
Undersecured HMB6 Bond Portion CAD		29,873.29	24,063.38	17,030.01
Undersecured HMB6 Bond Portion EUR		21,759.10	17,423.34	12,174.56
HBOS Properties [4]				
Energieweg 9, Rotterdam, The Netherlands	Homco 87 LP (1)	9,112.00	11,658.00	14,204.00
Benthemstraat 10, Rotterdam, The Netherlands	Homco 86 LP (1)	12,663.00	16,984.50	21,306.00
Total CAD		21,775.00	28,642.50	35,510.00
Total EUR	1.34	16,250.00	21,375.00	26,500.00
		5,383.00	9,704.50	14,026.00
HBOS Mortgage Debt [4]				
First Lien Mortgage Debt CAD [4]		19,296.00	19,296.00	19,296.00
First Lien Mortgage Debt EUR [4]	1.34	14,400.00	14,400.00	14,400.00
Recovery %		*100%*	*100%*	*100%*
Loan to Value		*89%*	*67%*	*54%*
Remaining Residual Value CAD		2,479.00	9,346.50	16,214.00
Remaining Residual Value EUR		1,850.00	6,975.00	12,100.00

Netherlands (cont'd)

- The remaining properties in the Netherlands are all deeply distressed, with extremely high vacancy rates
- As a result, they are underwater and being relinquished to their respective bank lenders, so they will not contribute any value to any creditor recovery

Netherlands			Low Case	Mid Case	High Case (BV)
Assets					
Property[1]		Entity			NAV
Bruiensingel, Den Bosch, The Netherlands		Homco 142 LP (1)	4,464.88	6,378.40	7,504.00
Garden Court, Amsterdam, The Netherlands		Homco 142 LP (2)	7,973.00	11,390.00	13,400.00
Total CAD			12,437.88	17,768.40	20,904.00
Total EUR	1.34		9,282.00	13,260.00	15,600.00
FGH Mortgage Debt					
First Lien Mortgage Debt CAD[3]			25,178.60	25,178.60	25,178.60
First Lien Mortgage Debt EUR[1]	1.34		18,790.00	18,790.00	18,790.00
Recovery %			*49%*	*71%*	*83%*
Loan to Value			316%	221%	188%
Remaining Residual Value CAD			-	-	-
Remaining Residual Value EUR			-	-	-
Assets					
Property[1]		Entity			NAV
Beckarts van Bloklandstraat 10-14, Tilburg, The Netherlands		Homco 134 LP (2)	4,614.96	5,603.88	6,592.80
Platinawerf 22, 6641 TL Beuningen, The Netherlands		Homco 123 LP (1)	8,160.60	9,909.30	11,658.00
Corkstraat 38-46, Sheffield Street 21-39, Stuttgartstraat 30-34 Rotterdam, The Netherlands		Homco 113 LP (1)	8,273.16	10,045.98	11,818.80
Tarasconweg 2, Eindhoven, The Netherlands		Homco 111 LP (1)	6,097.00	7,403.50	8,710.00
Hoevenweg 11-11a, Eindhoven, The Netherlands		Homco 116 LP (1)	5,159.00	6,264.50	7,370.00
Hardwareweg 11, Amersfoort, The Netherlands		Homco 102 LP (1)	4,596.20	5,581.10	6,566.00
Wilhelminasingel 5, Roermond, The Netherlands		Homco 118 LP (2)	3,752.00	4,556.00	5,360.00
Gentsweg 5-19, Gouda, The Netherlands		Homco 115 LP (1)	3,976.80	4,100.40	4,824.00
Valkstraat 14, Sittard, The Netherlands		Homco 112 LP (1)	2,345.00	2,847.50	3,350.00
Wilhelminaplein 26-26a, Roermond, The Netherlands		Homco 117 LP (1)	1,688.40	2,050.20	2,412.00
Noorderpoort 33, Venlo, The Netherlands		Homco 119 LP (1)	1,688.40	2,050.20	2,412.00
Industrieweg 6-8,9, 't Harde, The Netherlands		Homco 92 LP	957.54	1,367.92	1,367.92
Nijverheidsweg 12, 't Harde, The Netherlands		Homco 92 LP (2)	957.54	1,367.92	1,367.92
Nijverheidsweg 14A, 't Harde, The Netherlands		Homco 92 LP (3)	957.54	1,367.92	1,367.92
Nijverheidsweg 18, 't Harde, The Netherlands		Homco 92 LP (3)	957.54	1,367.92	1,367.92
Nijverheidsweg 18A, 't Harde, The Netherlands		Homco 92 LP (3)	957.54	1,367.92	1,367.92
Nijverheidsweg 14, 't Harde, The Netherlands		Homco 92 LP (3)	957.54	1,367.92	1,367.92
Homburg Eastern European Fund		HEEF B.V.	-	-	-
Total CAD			55,496.77	68,620.06	79,281.10
Total EUR	1.34		41,415.50	51,209.00	59,165.00
Netherlands Mortgage Debt [3]					Principal
First Lien Mortgage Debt CAD[1]			101,081.56	101,081.56	101,081.56
First Lien Mortgage Debt EUR[1]	1.34		75,434.00	75,434.00	75,434.00
Recovery %			*55%*	*68%*	*78%*
Remaining Residual Value CAD			-	-	-
Remaining Residual Value EUR			-	-	-
Total Remaining Residual Value CAD			15,780.53	28,457.94	42,358.81
Total Remaining Residual Value EUR			11,776.52	21,237.27	31,611.05

(1) Source: Data Room. These properties are being relinquished to lenders due to negative equity value. Low and Mid values based on 70% and 85% of Book Value.
(2) Source: IC dated 4/18/13. HMB6 has a claim on H61's assets. H61 has a receivable due from HII which will participate in the general unsecured recovery and flow through to HMB6.
(3) Accrued interest from 6/30/2011 to 9/9/2011 (filing date).
(4) Source: Data Room. Low/Mid/High based on DTZ appraisals dated 12/31/2012.

Baltics

- The Baltic properties are financed under a single loan from SEB Bank and SEB is the primary tenant, resulting from a sale/leaseback of their portfolio
- The Baltic properties do have residual equity value and will form part of the Newco portfolio, and therefore their residual value flows to the unsecured pool

Baltics			Low Case	Mid Case	High Case (BV)
Assets					
Property[1]	Entity				NAV
Tornimae 2, Tallinn, Estonia	Homburg Baltic (ES) AST Investments UU		44,990.50	47,637.00	52,930.00
Unicentrs, Riga, Latvia	Homburg Baltic (LV) Investments UU		23,235.60	24,602.40	27,336.00
Laisves 75, Vilnius, Lithuania	KUB Homburg LT Baltijos Investicijos 1		4,556.00	4,824.00	5,360.00
Maironio 19, Kaunas, Lithuania	KUB Homburg LT Baltijos Investicijos 1		3,530.90	3,738.60	4,154.00
Tartu mnt. 13, Tallinn, Estonia	Homburg Baltic (ES) Investments UU		3,417.00	3,618.00	4,020.00
Laisves 82, Kaunas, Lithuania	KUB Homburg LT Baltijos Investicijos 2		7,859.10	8,321.40	9,246.00
Gedimino 10, Vilnius, Lithuania	KUB Homburg LT Baltijos Investicijos 1		9,112.00	9,648.00	10,720.00
Tilzes 157, Siauliai, Lithuania	KUB Homburg LT Baltijos Investicijos 2		3,872.60	4,100.40	4,556.00
Jogailos 9/1, Vilnius, Lithuania	KUB Homburg LT Baltijos Investicijos 1		7,973.00	8,442.00	9,380.00
Gedimino 12, Vilnius, Lithuania	KUB Homburg LT Baltijos Investicijos 2		8,770.30	9,286.20	10,318.00
Maleva 1, Tallinn, Estonia	Homburg Baltic (ES) Investments UU		774.52	820.08	911.20
Ukmerges 20, Panevezys, Lithuania	KUB Homburg LT Baltijos Investicijos 2		3,417.00	3,618.00	4,020.00
Rüütli 40a, Parnu, Estonia	Homburg Baltic (ES) AST Investments UU		3,075.30	3,256.20	3,618.00
Baznicas iela 4/6, Liepaja, Latvia	Homburg Baltic (LV) Investments UU		1,480.70	1,567.80	1,742.00
Ozola iela 1, Gulbene, Latvia	Homburg Baltic (LV) Investments UU		683.40	723.60	804.00
Jogailos 9a, Vilnius, Lithuania	KUB Homburg LT Baltijos Investicijos 2		3,303.10	3,497.40	3,886.00
Aia 5, Valga, Estonia	Homburg Baltic (ES) AST Investments UU		1,082.05	1,145.70	1,273.00
Kestucio 38, Kaunas, Lithuania	KUB Homburg LT Baltijos Investicijos 2		1,366.80	1,447.20	1,608.00
Vainu 11, Paide, Estonia	Homburg Baltic (ES) AST Investments UU		820.08	868.32	964.80
Rigas iela 9, Saldus, Latvia	Homburg Baltic (LV) Investments UU		683.40	723.60	804.00
Zirmunu 70, Vilnius, Lithuania	KUB Homburg LT Baltijos Investicijos 2		569.50	603.00	670.00
Vaksali 2, Viljandi, Estonia	Homburg Baltic (ES) AST Investments UU		945.37	1,000.98	1,112.20
Basanaviciaus 51, Kedainiai, Lithuania	KUB Homburg LT Baltijos Investicijos 2		1,366.80	1,447.20	1,608.00
Barbos 3, Mazeikiai, Lithuania	KUB Homburg LT Baltijos Investicijos 2		569.50	603.00	670.00
Tallinna mnt. 28, Narva, Estonia	Homburg Baltic (ES) AST Investments UU		1,321.24	1,398.96	1,554.40
Pulko, Alytus, Lithuania	KUB Homburg LT Baltijos Investicijos 2		1,070.66	1,133.64	1,259.60
Brivibas iela 14, Dobele, Latvia	Homburg Baltic (LV) Investments UU		797.30	844.20	938.00
Vytauto 11, Marijampole, Lithuania	KUB Homburg LT Baltijos Investicijos 2		774.52	820.08	911.20
Turgaus 15, Klaipeda, Lithuania	KUB Homburg LT Baltijos Investicijos 1		1,195.95	1,266.30	1,407.00
Rotuses 8, Birzai, Lithuania	KUB Homburg LT Baltijos Investicijos 2		273.36	289.44	321.60
Tallinna mnt. 12, Rapla, Estonia	Homburg Baltic (ES) AST Investments UU		580.89	615.06	683.40
Pormala iela 11, Jekabpils, Latvia	Homburg Baltic (LV) Investments UU		797.30	844.20	938.00
Rakvere 3a, Johvi, Estonia	Homburg Baltic (ES) AST Investments UU		774.52	820.08	911.20
Dzirnavu iela 5, Kuldiga, Latvia	Homburg Baltic (LV) Investments UU		478.38	506.52	562.80
Talsu iela 3, Preili, Latvia	Homburg Baltic (LV) Investments UU		318.92	337.68	375.20
Kuldigas iela 3, Ventspils, Latvia	Homburg Baltic (LV) Investments UU		569.50	603.00	670.00
Rigas iela 1, Sigulda, Latvia	Homburg Baltic (LV) Investments UU		398.65	422.10	469.00
Burtnieku iela 8, Limbazi, Latvia	Homburg Baltic (LV) Investments UU		284.75	301.50	335.00
Utenio 15, Utena, Lithuania	KUB Homburg LT Baltijos Investicijos 2		535.33	566.82	629.80
Rigas iela 25, Valka, Latvia	Homburg Baltic (LV) Investments UU		136.68	144.72	160.80
Lacplesa iela 2, Aizkraukle, Latvia	Homburg Baltic (LV) Investments UU		250.58	265.32	294.80
Berzpils iela 6, Balvi, Latvia	Homburg Baltic (LV) Investments UU		227.80	241.20	268.00
Saltoniskiu 29, Vilnius, Lithuania	KUB Homburg LT Baltijos Investicijos 2		273.36	289.44	321.60
Studentu iela 2, Kraslava, Latvia	Homburg Baltic (LV) Investments UU		250.58	265.32	294.80
Aia 1, Jogeva, Estonia	Homburg Baltic (ES) AST Investments UU		227.80	241.20	268.00
Turgaus 19, Klaipeda, Lithuania	KUB Homburg LT Baltijos Investicijos 1		512.55	542.70	603.00
Turgaus 17, Klaipeda, Lithuania	KUB Homburg LT Baltijos Investicijos 1		512.55	542.70	603.00
Joniskis, Lithuania	KUB Homburg LT Baltijos Investicijos 2		91.12	96.48	107.20
Vokiecių 9, Vilnius, Lithuania	KUB Homburg LT Baltijos Investicijos 2		1,241.51	1,314.54	1,460.60
Darzu 13, Klaipeda, Lithuania	KUB Homburg LT Baltijos Investicijos 2		1,537.65	1,628.10	1,809.00
Kalvariju 98, Vilnius, Lithuania	KUB Homburg LT Baltijos Investicijos 2		284.75	301.50	335.00
Keskvaljak 7, Kardla, Estonia	Homburg Baltic (ES) AST Investments UU		113.90	120.60	134.00
Liela iela 11, Kandava, Latvia	Homburg Baltic (LV) Investments UU		68.34	72.36	80.40
Total CAD			**153,354.96**	**162,375.84**	**180,417.60**
Total EUR		1.34	**114,444.00**	**121,176.00**	**134,640.00**
SEB Baltic State Mortgage Debt [1]					Principal
First Lien Mortgage Debt CAD[2]			134,000.00	134,000.00	134,000.00
First Lien Mortgage Debt EUR[2]		1.34	100,000.00	100,000.00	100,000.00
Recovery %			*100%*	*100%*	*100%*
SEB Baltic State Fair Value Adjustment[3]					
Fair Value Adjustment CAD[3]			10,687.84	10,687.84	10,687.84
Fair Value Adjustment EUR[3]		1.34	7,976.00	7,976.00	7,976.00
Remaining Residual Value CAD			**8,667.12**	**17,688.00**	**35,729.76**
Remaining Residual Value EUR			**6,468.00**	**13,200.00**	**26,664.00**

(1) Book value based on Information Circular dated April 18, 2013.

(2) Mortgage debt based on book value EUR118mm balance at Q3/12, less EUR15mm payment to SEB and 3mm amortization. Note that this does not reconcile with Newco's pro-forma balance sheet, which measures the debt at fair value.

(3) Reflects loss on disposal of Baltic assets to reflect "true" fair value.

U.S.

- The U.S. portfolio is currently listed for sale for a total of $18MM. None of the properties are collateral for any of Homburg's bonds
- It has positive overall equity value; however, it will not form a part of Newco, which will be entirely focused on Europe
- Net proceeds from the sale of these assets will secure the Non-Core Property Notes, and eventually fund distributions to unsecured creditors from their realization

North America USA			Low Case (BV) 50%	Mid Case 75%	High Case List Price
Assets					
Property[1]		Entity			NAV
669 Airport Freeway, Hurst, Texas, USA		Homburg Holdings (US) Inc	1,441.68	2,162.52	2,883.35
555 East pikes Peak Avenue, Colorado SpringsColorado, USA		Homburg Holdings (US) Inc	1,455.41	2,185.12	2,910.82
559 East pikes Peak Avenue, Colorado SpringsColorado, USA		Homburg Holdings (US) Inc	1,132.53	1,698.79	2,265.05
557 East pikes Peak Avenue, Colorado SpringsColorado, USA		Homburg Holdings (US) Inc	1,006.73	1,510.09	2,013.46
3740 Colony Drive, San Antonio, Texas, USA		Homburg Holdings (US) Inc	839.43	1,259.15	1,678.86
10800 and 10829 Hillpoint Drive, San AntonioTexas, USA		Homburg Holdings (US) Inc	824.31	1,236.46	1,648.61
4718 and 4738 Cotton Belt Drive, San AntonioTexas, USA		Homburg Holdings (US) Inc	492.14	738.21	984.28
15510 Lexington Boulevard, Sugarland, Texas, USA		Homburg Holdings (US) Inc	581.13	871.69	1,162.25
8400 Blanco Road, San Antonio, Texas, USA		Homburg Holdings (US) Inc	536.93	805.39	1,073.86
3535 Van Teylingen Drive, Colorado SpringsColorado, USA		Homburg Holdings (US) Inc	409.00	613.51	818.01
4575 Hilton Parkway, Colorado Springs, Colorado, USA		Homburg Holdings (US) Inc	280.72	421.08	561.44
Total CAD			9,000.00	13,500.00	18,000.00
Total USD	1.00		9,026.18	13,539.26	18,052.35
US Mortgage Debt					Principal
First Lien Mortgage Debt CAD			4,867.00	4,867.00	4,867.00
First Lien Mortgage Debt USD	1.00		4,881.16	4,881.16	4,881.16
Recovery %			*100%*	*100%*	*100%*
Remaining Residual Value CAD			4,133.00	8,633.00	13,133.00
Remaining Residual Value USD			4,145.02	8,658.11	13,171.20
Total Remaining Residual Value CAD			4,133.00	8,633.00	13,133.00
Total Remaining Residual Value USD			4,145.02	8,658.11	13,171.20

(1) US properties are listed for a total of $18mm. Values have been allocated by square footage.

Canada

- The Canadian portfolio comprises development properties in Alberta, and condominiums in Alberta, PEI and Nova Scotia. It has positive overall equity value; however, it will not form a part of Newco, which will be entirely focused on Europe
- As noted earlier, HMB4 holds a direct claim on Homburg Springs West, while Kai Mortensen Towers are collateral for HMB7, and therefore their net proceeds are applied directly to repayment of those series
- The difference between the residual value of those properties and the HMB claim value is the undersecured portion, or deficiency claim

Canada As % of Listing Price		Low Case 50%	Mid Case 75%	High Case (BV) 100%
Mortgage Bond HMB4 Collateral [1]				
Assets				
Property	Entity			NAV
Homburg Springs, Calgary AB, NW quarter of Section Eleven, Township 26, Range 1, Calgary AB	Homco 52 LP	6,650.00	9,975.00	13,300.00
Total CAD		6,650.00	9,975.00	13,300.00
Mortgage Bond Payable				Principal
Mortgage Bond HMB4 CAD (EUR 20.01mm) [2]	1.3626	27,265.63	27,265.63	27,265.63
Accrued Interest HMB4 CAD [4]		397.78	397.78	397.78
Total CAD		27,663.41	27,663.41	27,663.41
Recovery %		*24%*	*36%*	*48%*
Remaining Residual Value HMB4 CAD		-	-	-
Undersecured HMB4 Bond Portion CAD		**21,013.41**	**17,688.41**	**14,363.41**
Mortgage Bond HMB5 Collateral [2]				
Homburg Gateway to North, Calgary, AB	Homco 53 LP	-	-	-
Total CAD		-	-	-
Mortgage Bond Payable				Principal
Residual Mortgage Bond HMB5 CAD (EUR 20.01mm) [2]		24,597.56	24,597.56	24,597.56
Recovery %		*0%*	*0%*	*0%*
Remaining Residual Value HMB5 CAD		-	-	-
Undersecured HMB5 Bond Portion CAD		**24,597.56**	**24,597.56**	**24,597.56**
Mortgage Bond HMB7 Collateral [1]				
Assets				
Property	Entity			NAV
TBD	Homco 62 LP			-
Total CAD		-	-	-
Remaining Residual Value CAD		-	-	-
Kai Mortensen Towers, Calgary AB	Homco 88 LP	18,905.00	28,357.50	37,810.00
Total CAD		18,905.00	28,357.50	37,810.00
Homco 88 LP HSBC Construction Financing				Principal
Construction Financing CAD [1]		5,000.00	5,000.00	5,000.00
Recovery %		*100%*	*100%*	*100%*
Remaining Residual Value CAD		13,905.00	23,357.50	32,810.00
Homco 88 LP Trade Payables and Other Creditors		-	-	-
Remaining Residual Value CAD		13,905.00	23,357.50	32,810.00
Residual Value to HMB7 CAD		**13,905.00**	**23,357.50**	**32,810.00**
Mortgage Bond Payable				Principal
Mortgage Bond HMB7 CAD (EUR 31.23mm) [1]	1.3626	42,554.00	42,554.00	42,554.00
Accrued Interest HMB7 CAD [3]		600.13	600.13	600.13
Total CAD		43,154.13	43,154.13	43,154.13
Recovery %		*32%*	*54%*	*76%*
Remaining Residual Value HMB7 CAD		-	-	-
Undersecured HMB7 Bond Portion CAD		**29,249.13**	**19,796.63**	**10,344.13**

Canada (cont'd)

- The remaining Canadian properties are not collateral for any of Homburg's bond series and therefore any residual value from the net proceeds of their sale will flow to the unsecured pool
- Henderson Farms has no equity value and is being relinquished to its lender, HSBC

Canada As % of Listing Price		Low Case 50%	Mid Case 75%	High Case (BV) 100%
Assets				
Property	Entity			NAV
Residence-Eau Claire (Condos), 307-6th Street SW, Calgary AB - 40 units total	Churchill Estates Development Ltd	2,476.00	3,714.00	4,952.00
Total CAD		2,476.00	3,714.00	4,952.00
Remaining Residual Value CAD		2,476.00	3,714.00	4,952.00
Churchill Trade Payables		118.90	118.90	118.90
Churchill Other Creditors		439.21	439.21	439.21
Total Churchill Trade and Other Unsecured Creditors		558.11	558.11	558.11
Recovery %		*100%*	*100%*	*100%*
Remaining Residual Value CAD		1,917.89	3,155.89	4,393.89
Henderson Farms, AB	Homco 121 LP	-	-	-
Total CAD		-	-	-
Homco 121 LP HSBC Construction Financing				Principal
Construction Financing CAD[1]		6,575.00	6,575.00	6,575.00
Recovery %		*0%*	*0%*	*0%*
Remaining Residual Value CAD		-	-	-
200 Lougheed Dr., Fort McMurray, AB	Homco 122 LP	3,289.84	4,934.77	6,579.69
Total CAD		3,289.84	4,934.77	6,579.69
Homco 122 LP Mortgage Financing				
Mortgage Financing CAD[1]		6,340.00	6,340.00	6,340.00
Recovery %		*52%*	*78%*	*100%*
Remaining Residual Value CAD		-	-	239.69
Cristal Towers, Calgary AB	Homco 105 LP	4,037.50	6,056.25	8,075.00
Total CAD		4,037.50	6,056.25	8,075.00
Homco 105 LP HSBC Construction Financing				
Construction Financing CAD[1]		4,772.00	4,772.00	4,772.00
Recovery %		*85%*	*100%*	*100%*
Remaining Residual Value CAD		-	1,284.25	3,303.00
Points North, Calgary, AB	Homco 96 LP	15,200.00	22,800.00	30,400.00
Total CAD		15,200.00	22,800.00	30,400.00
Homco 96 LP & NCLL HSBC Construction Financing				
Construction Financing CAD[1]		7,250.00	7,250.00	7,250.00
Remaining Residual Value CAD		7,950.00	15,550.00	23,150.00
Castello Towers (Condos), 522A & 526 - 120 Av SW, Calgary, AB - 104 units total	Castello Development Ltd	693.75	1,040.63	1,387.50
Homburg Springs West, NW 1/4 Section 10, Township 26, Range 1, Calgary AB	Homco 94 LP	6,412.50	9,618.75	12,825.00
135 - 137 Pownal Street, Charlottetown, PEI	Homco 83 LP	3,006.25	4,509.38	6,012.50
Total CAD		10,112.50	15,168.75	20,225.00
Remaining Residual Value CAD		10,112.50	15,168.75	20,225.00
Total Remaining Residual Value CAD		19,980.39	35,158.89	51,311.58

(1) Source: Sedar, Monitors Creditor List and 2nd & 10th reportMonitor's Report
(2) Source: CCAA filings. Mortgage Bonds also have a corporate guarantee from HI.
(3) Accrued Interest 6/30/2011 to 3/31/2013.

8. Capital Structure Summary

- Terms of the Company's key debt securities are mortgages are summarized below

Bonds

Series	HMB4	HMB5	HMB6	HMB7
Type	Private Mortgage Notes			
Issuer	Homburg Shareco Inc.			
Guarantor	Homburg Invest Inc.			
Amount	€ 20,010,000	€ 20,010,000	€ 31,230,000	€ 31,230,000
Coupon	7.50%	7.50%	7.50%	7.25%
Maturity Date	30-Nov-11	31-Dec-11	30-Jun-12	30-Jun-12
Rank / Security	1st Lien on assets of Homco 52 (Homburg Springs West)	Security released at bondholder vote in return for €2.25MM guarantee payment from Homburg	1st Lien: Homco 61 Units of: Homco 71, 72, 73, 74, 76, 84, 85, 120	1st Lien on assets of Homco 88 (Kai Mortensen Towers)

Series	HB8	HB9	HB10	HB11
Type	Private Unsecured Notes			
Issuer	Homburg Invest Inc.			
Guarantor	n/a			
Amount	€ 50,010,000	€ 60,000,000	€ 100,005,000	€ 100,005,000
Coupon	7.00%	7.00%	7.25%	7.25%
Maturity Date	31-May-13	31-Oct-13	28-Feb-14	31-Jan-15
Rank / Security	Senior Unsecured			

Mortgages

Property	Homco 69	Homco 70	Homco 86	Homco 87
Borrower	Valbonne Real Estate 2 BV	Coet BV	Homco Realty Fund (86) BV	Homco Realty Fund (87) BV
Lender	NIBC Bank NV	HSH Nordbank	HBOS (now Lloyds)	
Rank	First Lien	First Lien	First Lien	First Lien
Remaining Amount	€ 25,950,000	€ 24,100,000	€ 9,251,877	€ 4,988,123
Interest Rate	5.22%	EURIBOR +4%	EURIBOR +1.25%	EURIBOR +1.25%
Maturity Date	1-Jun-14	28-Oct-15	22-Jun-16	22-Jun-16
Annual Amortization	€ 1,100,000	€ 282,000	€ 207,192	€ 112,104
Additional Notes	n/a	Not yet finalized. Terms reflect what is likely to be agreed upon	Cross-Default with each other	

Property	Homco 110	Homco 110	Homco 110
Borrower	MoTo Objekt Campeon	MoTo Objekt Campeon	Valbonne Real Estate 5 BV
Lender	Bayerische Landesbank	Imtech Ict Financial	Falcon Bank
Rank / Collateral	First Lien	Second Lien	Share Pledge
Remaining Amount	€ 24,534,404	€ 3,652,416	€ 25,309,037
Interest Rate	4.90%	8.44%	LIBOR +8%
Maturity Date	16-Oct-20	31-Dec-15	1-Mar-18
Annual Amortization	€ 4,861,920	€ 1,361,952	€ 5,000,000
Additional Notes	n/a	n/a	Not yet finalized. Terms reflect what is likely to be agreed upon

9. Operating and Credit Statistics

Operating Summary (C$ Thousands)	Notes	31-Dec-09	31-Dec-10	31-Dec-11	LTM 30-Sep-12	3 Months Ending 31-Dec-11	31-Mar-12	30-Jun-12	30-Sep-12
Revenue and Sale of Properties Developed for Resale		$285,853	$148,065	$139,966	$136,350	$33,507	$35,794	$36,632	$30,417
Operating Expenses and Cost of Sales		$190,320	$46,997	$37,958	$41,395	$9,033	$10,946	$12,152	$9,264
Gross Income from Operations		**$95,533**	**$101,068**	**$102,008**	**$94,955**	**$24,474**	**$24,848**	**$24,480**	**$21,153**
General and Administrative		$14,238	$14,820	$24,728	$20,643	$9,984	$3,997	$3,480	$3,182
Expenses Relating to CCAA Filings		-	-	$13,151	$35,002	$10,733	$8,238	$6,974	$9,057
EBITDA		**$81,295**	**$86,248**	**$64,129**	**$39,310**	**$3,757**	**$12,613**	**$14,026**	**$8,914**
(Impairment) of Properties Under Development		($27,779)	($7,811)	($2,455)	($2,682)	($2,455)	($666)	$424	$15
Change in FV of Investment Properties		($312,227)	($40,221)	($196,391)	($317,873)	($193,661)	($5,920)	($102,334)	($15,958)
Change in FV of Properties Held for Sale		-	$9,109	($15,116)	($15,175)	($15,116)	($59)	-	-
Change in FV of Properties Under Development		($48,707)	($16,777)	($58,957)	($50,838)	($49,846)	$6,522	($7,460)	($54)
Change in FV of Trading Financial Assets		($1,187)	$88	$32,490	$18,782	$18,764	$93	($41)	($34)
Change in FV of Derivatives		($7,486)	($677)	($5,299)	($8,248)	($1,579)	($907)	($3,711)	($2,051)
EBIT		**($316,091)**	**$29,959**	**($181,599)**	**($336,724)**	**($240,136)**	**$11,676**	**($99,096)**	**($9,168)**
Interest Expense		$124,614	$110,648	$103,436	($28,345)	$16,162	($15,828)	($13,794)	($14,865)
Net Income (Loss)		($449,262)	($88,054)	($360,306)	($385,869)	($249,380)	($11,857)	($103,276)	($21,356)
Capital Expenditures		($1,951)	($1,908)	($2,584)	($2,062)	($413)	($276)	($1,073)	($300)
Cash from Operations		$57,682	($16,518)	($9,254)	($23,140)	($27,520)	($463)	($479)	$5,322
Cash from Investing		($53,016)	$66,680	$58,972	$49,769	$9,774	$15,416	$16,251	$8,328
Cash from Financing		$11,544	($69,114)	($42,812)	($54,033)	($8,504)	($16,600)	($22,826)	($6,103)

Balance Sheet (C$ Thousands)	Notes	31-Dec-09	31-Dec-10	31-Dec-11	LTM 30-Sep-12	31-Dec-11	31-Mar-12	30-Jun-12	30-Sep-12
Assets									
Non-Current									
Investment Properties		$2,739,415	$1,401,727	$1,224,291	$1,028,011	$1,224,291	$1,226,591	$1,090,479	$1,028,011
Investment Properties Under Development		$245,896	$217,363	$143,768	$141,260	$143,768	$148,720	$141,310	$141,260
Investments, at Fair Market Value		$27,942	$8,864	$28,278	$7,193	$28,278	$7,605	$7,365	$7,193
Investment in an Associate, Equity		-	$191,702	-	-	-	-	-	-
Restricted Cash		$23,159	$4,088	$8,514	$118,466	$8,514	$143,719	$126,224	$118,466
Deferred Tax Assets		$26,715	$8,316	$950	-	$950	$375	$35	-
Current									
Cash and Cash Equivalents		$32,569	$13,617	$20,523	$19,369	$20,523	$18,376	$11,822	$19,369
Investment, at Fair Market Value (Current)		-	-	$120,222	-	$120,222	-	-	-
Properties under Development for Resale		$73,957	$36,932	$26,487	$15,961	$26,487	$22,805	$16,915	$15,961
Receivables and Other		$49,639	$36,025	$31,472	$14,127	$31,472	$30,668	$32,638	$14,127
Assets Classified as Held for Sale		$72,957	$144,247	$123,742	$135,854	$123,742	$115,519	$116,247	$135,854
Total Assets		**$3,292,249**	**$2,062,881**	**$1,728,247**	**$1,480,241**	**$1,728,247**	**$1,714,678**	**$1,543,035**	**$1,480,241**
Liabilities									
Non-Current Liabilities									
Long Term Debt		$2,017,440	$1,433,340	$595,324	$392,069	$595,324	$594,490	$485,317	$392,069
Derivative Financial Instruments		$24,045	$21,847	-	-	-	-	-	-
Deferred Tax Liabilities		$31,474	$40,055	$22,152	$19,173	$22,152	$22,244	$19,442	$19,173
Other Liabilities		$12,838	$10,340	-	-	-	-	-	-
Provisions		$17,124	$10,287	$869	$3,166	$869	$708	$708	$3,166
Total Non-Current Liabilities		**$2,102,921**	**$1,515,869**	**$618,345**	**$414,408**	**$618,345**	**$617,442**	**$505,467**	**$414,408**
Current Liabilities									
Accounts Payable and Other Liabilities		$195,891	$102,783	$62,210	$35,475	$62,210	$56,975	$43,128	$35,475
Income Taxes Payable		$13,760	$8,243	$5,491	$3,195	$5,491	$5,913	$5,581	$3,195
Construction Financing		$94,999	$40,231	$7,414	-	$7,414	$7,253	-	-
Current Portion of Long Term Debt		$624,284	$185,168	$392,343	$480,505	$392,343	$387,998	$453,307	$480,505
Provisions		$16,965	$16,922	$3,624	-	$3,624	$3,372	$2,607	-
Derivative Financial Instruments		-	-	$26,850	$32,284	$26,850	$27,962	$30,771	$32,284
Liabilities Subject to Compromise		-	-	$794,383	$807,474	$794,383	$807,980	$808,504	$807,474
Liabilities Associated with Assets Held for Sale		$43,358	$91,989	$87,936	$122,371	$87,936	$81,833	$83,122	$122,371
Total Current Liabilities		**$989,257**	**$445,336**	**$1,380,251**	**$1,481,304**	**$1,380,251**	**$1,379,286**	**$1,427,020**	**$1,481,304**
Total Liabilities		**$3,092,178**	**$1,961,205**	**$1,998,596**	**$1,895,712**	**$1,998,596**	**$1,996,728**	**$1,932,487**	**$1,895,712**
Total Debt		**$2,736,723**	**$1,658,739**	**$1,789,464**	**$1,680,048**	**$1,789,464**	**$1,797,721**	**$1,747,128**	**$1,680,048**
Shareholder's Equity		**$200,071**	**$101,676**	**($270,349)**	**($415,471)**	**($270,349)**	**($282,050)**	**($389,452)**	**($415,471)**

Credit Statistics (C$ Thousands)	31-Dec-09	31-Dec-10	31-Dec-11	LTM 30-Sep-12	3 Months Ending 31-Dec-11	31-Mar-12	30-Jun-12	30-Sep-12
Sales Growth	NA	(48.2%)	(5.5%)	NA	NA	6.8%	2.3%	(17.0%)
Gross Margin	33.4%	68.3%	72.9%	69.0%	73.0%	69.4%	66.8%	69.5%
SG&A / Sales	-	-	9.4%	25.7%	32.0%	23.0%	19.0%	29.8%
EBITDA / Sales	28.4%	58.3%	45.8%	28.8%	11.2%	35.2%	38.3%	29.3%
EBITDA / Interest Expense	0.7x	0.8x	0.6x	(1.4x)	0.2x	(0.8x)	(1.0x)	(0.6x)
(Total Debt - Cash) / EBITDA	33.3x	19.1x	27.6x	16.6x	NA	NA	NA	NA
(Total Debt - Cash) / (EBITDA - Capex)	34.1x	19.5x	28.7x	15.8x	NA	NA	NA	NA
Net Investment in Working Capital	($146,252)	($66,758)	($30,738)	($243,616)	($30,738)	($26,307)	($10,490)	($21,348)

10. Review of Historical Asset Values

Catalyst Capital Group Summary - Quarterly Asset Movements							
(C$ millions, unless otherwise indicated)							Change since
	Q3 2011	Q4 2011	2011	Q1 2012	Q2 2012	Q3 2012	CCAA Filing
Germany - EUR	558.70	505.91	505.91	505.30	490.85	487.87	
# of Investment Properties	16	16	16	16	16	16	0
Total Change in Value - EUR	(0.19)	(52.80)	(58.90)	(0.61)	(14.45)	(2.98)	(70.84)
% of Assets	*0.0%*	*-9.5%*	*-10.4%*	*-0.1%*	*-2.9%*	*-0.6%*	*-12.5%*
Netherlands - EUR	321.25	242.96	242.96	249.19	216.15	187.07	
# of Investment Properties	32	32	32	32	32	32	0
Total Change in Value - EUR	(0.01)	(78.29)	(76.07)	6.23	(33.04)	(29.08)	(134.18)
% of Assets	*0.0%*	*-24.4%*	*-23.8%*	*2.6%*	*-13.3%*	*-13.5%*	*-39.0%*
Baltics - EUR	164.12	154.98	154.98	145.00	114.94	114.04	
# of Investment Properties	53	53	53	53	53	53	0
Total Change in Value - EUR	1.00	(9.13)	(2.15)	(9.98)	(30.07)	(0.89)	(50.07)
% of Assets	*0.6%*	*-5.6%*	*-1.4%*	*-6.4%*	*-20.7%*	*-0.8%*	*-32.1%*
Total European Assets - EUR	1,044.07	903.85	903.85	899.50	821.93	788.98	
# of Investment Properties	101	101	101	101	101	101	0
Total Change in Value - EUR	0.80	(140.23)	(137.12)	(4.35)	(77.56)	(32.95)	(255.09)
% of Assets	*0.1%*	*-13.4%*	*-13.2%*	*-0.5%*	*-8.6%*	*-4.0%*	*-23.9%*
Total North America	30.90	30.50	30.50	30.00	30.70	29.70	
# of Investment Properties	12	12	12	12	12	12	0
Total Change in Value - CAD	9.60	(0.40)	8.70	(0.50)	0.70	(1.00)	(1.20)
% of Assets	*45.1%*	*-1.3%*	*39.9%*	*-1.6%*	*2.3%*	*-3.3%*	*-5.2%*
Total # of Investment Properties	113	113	113	113	113	113	0
Total Investment Properties - CAD	1,497.30	1,224.30	1,224.30	1,226.60	1,090.50	1,028.00	(469.30)
Investment Properties Under Development - CAD	197.58	143.77	143.77	148.72	141.31	141.26	(56.32)
Properties under development for resale	30.99	26.49	26.49	22.81	16.92	15.96	(15.03)
Total Assets - CAD	2,099.15	1,728.26	1,728.26	1,714.69	1,543.24	1,480.23	(618.92)
% Change in Total Assets		-18%	-16%	-1%	-10%	-14%	-29%

11. Summary / Issues / Next Steps

Summary

- Catalyst believes the fundamental value of the Company's core assets, which are being transferred to Newco, have been overlooked due to its fragmented investor base, complex capital structure, and history of mismanagement
- Catalyst had been tracking Homburg for 2 years, and used its unique understanding of the situation to insert itself into the process by purchasing notes privately and via a tender offer
  - The Monitor's recovery indications have confirmed Catalyst's thesis around value, as the cash-on-cash multiple for claims already owned by Catalyst is 1.7x-4.2x based on these indications
- Catalyst's involvement and activist strategy culminated in it being named Plan Sponsor, whereby it is offering an equity buy-out of existing bondholders valuing the Newco at €95,000,000 versus the Monitor's estimated book value of €160-165MM representing a potential immediate cash-on-cash return on 1.7x
- Potential for a 4x-5x cash-on-cash return based on peer multiples, with downside limited due to intrinsic value of one of Newco's key assets

Issues

- The Trustee's enmity towards Catalyst may create an obstacle in getting holders of the Private Mortgage Notes and Private Unsecured Notes to sell their Newco equity to Catalyst. Catalyst has mitigated this risk through a pre-planned publicity strategy to separately market its cash-out option directly to bondholders
- Catalyst may, at first, be a minority (albeit the controlling) shareholder of Newco
  - Catalyst has added protections to its deal as Plan Sponsor (ensuring itself a board seat, an independent nominee, and setting up to backstop an equity deal via the inclusion of pre-emptive rights which are unlikely to be exercised by the other shareholders), but must be prepared to initially work with the Trustee, who will also be on the board
- A large portion of Newco's asset and equity value will be in a single asset (Campeon)
  - Catalyst believes the risk can be mitigated by properly capitalizing the Company and growing its asset base to minimize concentration risk

Next Steps

- Co-opting the Trustee in parallel with media strategy: Utilize its distribution channels to disseminate Catalyst's message to bondholders in a simple, friendly, informative manner
- Work with Heidrick & Struggles to finalize and select board and management team members
- Continue to craft Newco's initial strategy and business plan, with a view to stabilizing the Company's core assets and aggressive growth through opportunistic asset acquisitions
- Build acquisition and growth targets and geographic areas through multiple sourcing channels

12. Appendix

Newco Property Summary

Germany

Homco Realty Fund (69) LP

- Philippstrasse 3, Bochum, Germany
  - Leased to Veba Immobilien AG, the property is located in Bochum-Altenbochum and is close to several highway connections including BAB 40 and 43. The complex offers easy access by both car and public transportation. The site contains approximately 5 acres. The building provides total leaseable space of 285,461 square feet and has 250 parking spaces. It is a well maintained office complex fitted out to a high standard

Homco Realty Fund (70) LP

- Elbestrasse 1-3, Marl, Germany
  - Located in the industrial section of Marl-West, the property is close to highway connections A43-A2 and contains land area of approximately 7.5 acres. The building provides 169,178 square feet leaseable. It is a well maintained property consisting of office and warehouse/distribution space, fitted out to good and functional standards
- Binnerheide 26, Schwerte, Germany
  - The property is centrally located in an industrial area of Binnerheide Schwerte and is well connected to the German motorway system. The site contains approximately 10 acres. The building provides a leaseable area of 54,584 square feet and is a well maintained mixed use property consisting of office and storage space
- Industriestrasse 19, Hassmersheim, Germany
  - The property is centrally located in an industrial area of Hassmersheim and is well connected to the German motorway system and to the river Neckar. The property contains approximately 18 acres. The building contains a total leaseable area of 304,567 square feet and is a well maintained mixed use property consisting of office and storage space

Homco Realty Fund (110) LP

- AM Campeon 1-12, Neubiberg (Munich), Germany
  - Leased to Infineon Technologies AG, this property comprises six low-rise buildings containing nearly 1.5 million square feet. It is Homburg's (and Newco's) largest and most valuable asset

The Netherlands

Homco Realty Fund (70) LP

- Wolfraamweg 2, Wolvega, Netherlands
  - Leased to Motip Dupli Group B.V., the property is centrally located in an industrial area of Wolvega and is well connected to the Dutch Highway system. The building provides gross leaseable area of 191,836 square feet consisting of warehouse and office space

Homco Realty Fund (86) LP

- Benthemstraat 10, Rotterdam, Netherlands

- o Leased to David Lloyd Fitness and used as a fitness center. 104,637 square foot building constructed in 1969 with 75,670 square feet leaseable. Renovations were carried out in 1999 and 2002

Homco Realty Fund (87) LP

- Energieweg 9, Rotterdam, Netherlands
  - o Leased to David Lloyd Fitness and used as a fitness center. 35,306 square foot building constructed in 2002-2003

Lithuania

KUB Homburg LT Baltijos Inveticijos 1

- Laisvės 75, Vilnius, Lithuania
  - o Site consists of approximately 107,639 square feet. There is a two storey warehouse building with office premises totalling approximately 69,215 square feet. The remaining area of the site is occupied by a car park
- Jogailos 9/1, Vilnius, Lithuania
  - o Site consists of approximately 10,118 square feet. The four storey office building is occupied by SEB Bank and comprises approximately 33,648 square feet. There is also a yard and a car park
- Gedimino 10, Vilnius, Lithuania
  - o Site consists of approximately 50,127 square feet. The three storey office building is currently leased to SEB Bank and consists of approximately 39,116 square feet
- Maironio 19, Kaunas, Lithuania
  - o Site consists of approximately 19,342 square feet. The four storey retail building is a modern shopping centre with approximately 54,706 square feet
- Turgaus 15, Klaipėda, Lithuania
  - o Site consists of approximately 11,528 square feet. The two storey office building with basement is occupied by SEB Bank with a total of approximately 9,957 square feet
- Turgaus 19, Klaipėda, Lithuania
  - o Site consists of approximately 11,528 square feet. The three storey office building with basement and attic consists of approximately 2,838 square feet and is leased to SEB Bank
- Turgaus 17, Klaipėda, Lithuania
  - o Site consists of approximately 11,528 square feet. The three storey office building with basement and attic comprises approximately 2,430 square feet

KUB Homburg LT Baltijos Inveticijos 2

- Gedimino 12, Vilnius, Lithuania
  - o Site consists of approximately 26,866 square feet. The five storey administrative building with basement and attic is mainly office space with approximately 32,389 total square feet and is occupied by SEB Bank
- Vokieciu 9, Vilnius, Lithuania
  - o The building was constructed in 1959 and renovated in 2000. The three storey residential building has commercial premises on the ground floor. Commercial premises consist of approximately 2,090 square feet
- Laisves 82, Kaunas, Lithuania

- Site consists of approximately 41,850 square feet. The three storey modern office building with basement and attic houses mainly offices, with the main tenant being SEB Bank

- Tilzes 157, Siauliai, Lithuania
  - Site consists of approximately 33,894 square feet. The three storey commercial building houses SEB Bank with the remaining areas leased to other tenants. There is also a car park for approximately 60 cars
- Ukmerges 20, Panevezys, Lithuania
  - Site consists of approximately 28,222 square feet. The four storey with basement commercial building houses SEB Bank with a total of 22,799 square feet. The property also has a car park
- Burbos 3, Maziekiai, Lithuania
  - Site consists of approximately 33,465 square feet. The modern three storey commercial building is mainly leased to SEB Bank. There is also a car park on site
- Basanaviciaus 51, Kedainiai, Lithuania
  - Site consists of approximately 15,521 square feet. The modern two storey commercial building houses mainly offices with a total of approximately 12,032 square feet
- Vytauto 11, Marijampole, Lithuania
  - Site consists of approximately 10,451 square feet. The two storey commercial building with basement and attic comprises approximately 10,281 square feet with the main tenant being SEB Bank. There is also a car park (garage) and transformer building on site
- Pulko, Alytus, Lithuania
  - Site consists of approximately 13,928 square feet. The two storey bank building consists of approximately 11,135 square feet with both office and retail premises. There is also a car park
- Rotuses 8, Birzai, Lithuania
  - Site consists of approximately 31,968 square feet. The two storey commercial building with basement and attic is mainly occupied by SEB Bank and has a total of approximately 9,544 square feet
- Jogailos 9a, Vilnius, Lithuania
  - Site consists of approximately 10,118 square feet. The modern four storey administrative building with basement houses mainly offices with approximately 17,642 square feet in total. Building is vacant
- Žirmūnų 70,Vilnius, Lithuania
  - Site consists of approximately 298,041 square feet. The seven storey office building has a total of approximately 12,798 square feet and is occupied by SEB Bank
- LT107 Kalvarijų 98, Vilnius, Lithuania
  - The six storey residential building with commercial premises on the ground floor has approximately 1,632 square footage. SEB Bank is the main tenant
- Saltoniškių 29, Vilnius, Lithuania
  - Site consists of a four storey administrative building with commercial premises on the ground floor. Total square footage is approximately 4,015 square feet
- Utenio 15, Uteria, Lithuania
  - Site consists of approximately 11,463 square feet. The two storey office building of approximately 5,651 square feet is mainly occupied by SEB Bank
- Kęstučio 38, Kaunas, Lithuania

- o Site consists of approximately 12,507 square feet. The six storey office building consists of both office and retail space with approximately 14,816 square feet. The property also includes a garage with approximately 258 square feet
- Daržų 13, Klaipėda, Lithuania
    - o Site consists of approximately 8,664 square feet. The two storey office building with basement and attic comprises approximately 11,765 square feet, with the main tenant being SEB Bank
- Joniskis, Lithuania
    - o Site consists of approximately 3,003 square feet. The two storey commercial building with basement and attic comprises approximately 2,250 square feet and houses SEB Bank

Estonia

Homburg Baltic (ES) Investments UU

- Tartu mnt. 13, Tallinn, Estonia
    - o Site consists of approximately 25,693 square feet. The five storey office building consists of approximately 42,431 square feet
- Maleva 1, Tallinn, Estonia
    - o Site consists of approximately 97,294 square feet. The six storey building houses offices and retail on the first floor. The remaining floors contain apartments. Total square footage of the building is 26,953

Homburg Baltic (ES) AST Investments UU

- Rüütli 40a, Pärnu, Estonia
    - o Site consists of approximately 24,617 square feet with a three storey bank/office building of approximately 22,714 square feet, leased to SEB Bank
- Aia 5, Valga, Estonia
    - o Site consists of approximately 31,333 square feet. The two storey bank office also has a spacious sales hall, with a total square footage of 16,031
- Vainu 11, Paide, Estonia
    - o Site consists of approximately 21,000 square feet. The two storey bank office totals approximately 12,895 square feet and includes a spacious sales hall
- Vaksali 2, Viljandi, Estonia
    - o Site consists of approximately 33,884 square feet. The two storey bank office totals approximately 12,099 square feet and includes a spacious sales hall
- Tallinna mnt. 28, Narva, Estonia
    - o Site consists of approximately 37,835 square feet. The two storey bank office with spacious sales hall totals approximately 11,603 square feet
- Tallinna mnt.12, Rapla, Estonia
    - o Site consists of approximately 12,486 square feet. The three storey office building has a total of approximately 9,447 square feet
- Rakvere 3a, Jõhvi, Estonia
    - o Site consists of approximately 9,192 square feet. The two storey bank office includes approximately 9,117 square feet
- Aia 1, Jõgeva, Estonia

- Site consists of approximately 4,833 square feet. The two storey bank building has approximately 3,601 square feet which includes a spacious sales hall. SEB Bank is the main tenant

- Keskväljak 7, Kärdla, Estonia
  - Site consists of approximately 5,425 square feet. The one storey bank office also has a spacious sales hall, with a total of approximately 1,574 square feet

AS Tornimagi

- Tornimäe 2, Tallinn, Estonia
  - Site consists of approximately 17,997 square feet. The 24 storey office building consists of approximately 172,825 square feet

Latvia

Homburg Baltic (LV) Investments UU

- Unicentrs, Riga, Latvia
  - Site consists of approximately 111,472 square feet. The 11-storey administrative building with canteen building with originally constructed in 1982 with complete reconstruction completed in 2004. There is also a two storey car wash building on site constructed in 1990
- Baznīcas iela 4/6, Liepāja, Latvia
  - Site consists of approximately 21,772 square feet. This four storey plus a basement bank and office building is situated in the central part of Liepāja city
- Ozolu iela 1, Gulbene, Latvia
  - Site consists of approximately 18,446 square feet. This two-storey bank and office building is situated in the central part of Cesis town
- Rīgas iela 9, Saldus, Latvia
  - Site consists of approximately 12,875 square feet. This two-storey plus a basement bank and office building is situated in the center of Saldus City
- Brīvības iela 14, Dobele, Latvia
  - Site consists of approximately 11,056 square feet. This two-storey plus a basement office building is currently being used as a bank and was originally constructed in 1980
- Pormalu iela 11, Jēkabpils, Latvia
  - Site consists of approximately 9,229 square feet. This two storey (plus garage) office building was originally constructed in 1929 and reconstructed in 1998
- Kuldīgas iela 3, Ventspils, Latvia
  - Site consists of approximately 7,289 square feet. This two storey (plus garage) office building is currently being used as a bank and was originally constructed in 1908. Reconstruction of both the building and garage was completed in 2001
- Rīgas iela 1, Sigulda, Latvia
  - Site consists of approximately 7,174 square feet. This two-storey plus a basement office building is currently being used as a bank and was originally constructed in 1912. Renovations were completed in 2005
- Dzirnavu iela 5, Kuldīga, Latvia

- Site consists of approximately 7,638 square feet. This two-storey plus a basement office building is currently being used as a bank and was originally constructed in 1930. Renovations were completed in 2005
- Talsu iela 3, Preili, Latvia
  - Site consists of approximately 7,584 square feet. This two-storey (plus a garage) office building is currently being used as a bank and was originally constructed in 1974. Renovations were completed in 2005
- Burtnieku iela 8, Limbaži, Latvia
  - Site consists of approximately 6,314 square feet. This one storey (plus a garage) office building is currently being used as a bank and was originally constructed in 1962
- Lāčplēša iela 2, Aizkraukle, Latvia
  - Site consists of approximately 4,240 square feet. This one storey office building is currently being used as a bank and was originally constructed in 1963 with renovations implemented in 1997
- Rīgas iela 25, Valka, Latvia
  - Site consists of approximately 4,482 square feet. This office building is currently being used as a bank and was originally constructed in 1910 with structural renovations implemented in 1995
- Bērzpils iela 6, Balvi, Latvia
  - Site consists of approximately 4,049 square feet. This two-storey office building is currently being used as a bank and was originally constructed in 1967. Renovations have subsequently been completed in 1997 and 2004
- Studentu iela 2, Krāslava, Latvia
  - Site consists of approximately 3,762 square feet. This two-storey plus a basement office building is currently being used as a bank and was originally constructed in early 1900. Major renovations were completed in 2004
- Lielā iela 11, Kandava, Latvia
  - Site consists of approximately 1,540 square feet. This one-storey office building is currently being used as a bank and was originally constructed in 1930 with major renovations completed in 2001

Catalyst Capital Group (For Internal Discussion Purposes Only)
CONFIDENTIAL – INITIAL REVIEW

NSI NV **JULY 2013**

Catalyst Capital Group (For Internal Discussion Purposes Only)
CONFIDENTIAL – INITIAL REVIEW

NSI NV (TICKER: ENXTAM:NISTI) JULY 2013

All figures in Euros unless otherwise noted. NSI NV referred to as "NSI" or the "Company".

1. Executive Summary

- NSI NV (pka Nieuwe Steen Investments NV) is the third-largest mixed-use REIT in the Netherlands, focused primarily on commercial real estate investment
- NSI's equity is currently trading at attractive entry multiples: 0.57x book value, 10.9% revenue capitalization rate (normalized for 100% occupancy) and 12.4% cash flow yield
  - o These multiples can be further improved through spin-outs of NSI's subportfolios — please see the following page for a full creation multiple analysis
- The Company owns a diversified portfolio of 265 high-yielding commercial assets valued at over €2.0B
  - o NSI is focused on office (56%), retail (28%) and industrial (16%) properties in the Netherlands (69%), Belgium (29%) and Switzerland (1%)
  - o Belgian properties are held through a 54.8% interest in Intervest Offices & Warehouses ("Intervest"), a publicly traded Belgian REIT
- On a consolidated basis, NSI has ~€1.2B of debt comprising €911MM of multi-property loans, ~€200MM of credit facilities and €75MM of retail bonds (issued by Intervest and trading at 102%)
- NSI's current valuation is similar to that at which Catalyst invested in Homburg Invest Inc. ("Homburg") and is creating Geneba Properties ("Geneba")
  - o NSI is less levered than Geneba, at a 58% LTV vs. 68% LTV, but also has a much lower occupancy rate, at 81.3% vs. 95.8%, and a lower cash flow yield, at 12.4% vs. 18.1%

Creation Multiple Comparison *(in EUR millions unless otherwise noted)*	Homburg / Geneba	NSI Consolidated	NSI - Dutch Properties	NSI - Dutch Offices
Investment Property Value	€ 613.1	€ 2,039.7	€ 1,412.0	€ 775.1
Market Capitalization	€ 95.0	€ 371.0	€ 223.2[2]	€ 47.3[3]
Book Value of Common Equity	€ 162.1	€ 645.7	€ 535.7[1]	€ 294.1[1]
Occupancy Rate	95.8%	81.3%	79.5%	71.3%
Gross Rental Income @ Current Occupancy	€ 56.7	€ 156.1	€ 109.9	€ 60.4
Gross Rental Income @ 100% Occupancy	€ 59.1	€ 192.0	€ 138.2	€ 84.7
Free Cash Flow @ Current Occupancy	€ 17.2	€ 46.1	€ 28.2	€16.0[1]
Free Cash Flow @ 100% Occupancy	€ 19.5	€ 76.9	€ 52.4	€35.6[1]
Price-to-Book	0.59x	0.57x	0.42x	0.16x
Revenue Cap Rate @ Current Occupancy	10.4%	8.8%	10.0%	11.4%
Revenue Cap Rate @ 100% Occupancy	10.8%	10.9%	12.6%	16.0%
Cash Flow Yield @ Current Occupancy	18.1%	12.4%	12.6%	33.8%
Cash Flow Yield @ 100% Occupancy	20.6%	20.7%	23.5%	75.3%
Dividend Yield	n/a	7.4%	n/a	n/a
LTV	68.0%	58.0%	62.0%	62.0%[1]

(1) Catalyst estimate.
(2) Implied by public valuation of Belgian assets.
(3) Implied by potential breakup value.

NSI NV
Creation Multiple Analysis

(In EUR millions unless otherwise noted)

NSI (Consolidated)	14-day Avg. Open	14-day Avg. Close	14-day VWAP	Current Price	14-day High	
NSI Share Price	€ 5.29	€ 5.31	€ 5.33	€ 5.44	€ 5.65	€ 6.00
NSI Market Capitalization	€ 360.8	€ 362.1	€ 363.5	€ 371.0	€ 385.0	€ 409.2
Book Value of NSI Common Shares	€ 645.7	€ 645.7	€ 645.7	€ 645.7	€ 645.7	€ 645.7
Total Investment Properties	€ 2,039.7	€ 2,039.7	€ 2,039.7	€ 2,039.7	€ 2,039.7	€ 2,039.7
Total Gross Rent @ Current Occupancy (81.3%)	€ 156.1	€ 156.1	€ 156.1	€ 156.1	€ 156.1	€ 156.1
Total Gross Rent @ 90% Occupancy	€ 172.8	€ 172.8	€ 172.8	€ 172.8	€ 172.8	€ 172.8
Total Gross Rent @ 100% Occupancy	€ 192.0	€ 192.0	€ 192.0	€ 192.0	€ 192.0	€ 192.0
LTM Free Cash Flow @ Current Occupancy	€ 46.1	€ 46.1	€ 46.1	€ 46.1	€ 46.1	€ 46.1
LTM Free Cash Flow @ 90% Occupancy	€ 60.4	€ 60.4	€ 60.4	€ 60.4	€ 60.4	€ 60.4
LTM Free Cash Flow @ 100% Occupancy	€ 76.9	€ 76.9	€ 76.9	€ 76.9	€ 76.9	€ 76.9
NSI P/B Ratio	**0.56x**	**0.56x**	**0.56x**	**0.57x**	**0.60x**	**0.63x**
Revenue Cap Rate @ Current Occupancy	**8.9%**	**8.9%**	**8.9%**	**8.8%**	**8.8%**	**8.7%**
Revenue Cap Rate @ 90% Occupancy	**9.8%**	**9.8%**	**9.8%**	**9.8%**	**9.7%**	**9.6%**
Revenue Cap Rate @ 100% Occupancy	**10.9%**	**10.9%**	**10.9%**	**10.9%**	**10.8%**	**10.6%**
Cash Flow Yield @ Current Occupancy	**12.8%**	**12.7%**	**12.7%**	**12.4%**	**12.0%**	**11.3%**
Cash Flow Yield @ 90% Occupancy	**16.7%**	**16.7%**	**16.6%**	**16.3%**	**15.7%**	**14.8%**
Cash Flow Yield @ 100% Occupancy	**21.3%**	**21.2%**	**21.2%**	**20.7%**	**20.0%**	**18.8%**
Intervest Offices & Warehouses (Belgium Properties)						
Intervest Market Capitalization	€ 269.7	€ 269.7	€ 269.7	€ 269.7	€ 269.7	€ 269.7
Book Value of Intervest Common Shares	€ 279.3	€ 279.3	€ 279.3	€ 279.3	€ 279.3	€ 279.3
Total Investment Properties	€ 581.3	€ 581.3	€ 581.3	€ 581.3	€ 581.3	€ 581.3
Total Gross Rent @ Current Occupancy (86%)	€ 45.4	€ 45.4	€ 45.4	€ 45.4	€ 45.4	€ 45.4
Total Gross Rent @ 90% Occupancy	€ 47.4	€ 47.4	€ 47.4	€ 47.4	€ 47.4	€ 47.4
Total Gross Rent @ 100% Occupancy	€ 52.7	€ 52.7	€ 52.7	€ 52.7	€ 52.7	€ 52.7
LTM Free Cash Flow	€ 18.0	€ 18.0	€ 18.0	€ 18.0	€ 18.0	€ 18.0
LTM Free Cash Flow @ 90% Occupancy	€ 19.7	€ 19.7	€ 19.7	€ 19.7	€ 19.7	€ 19.7
LTM Free Cash Flow @ 100% Occupancy	€ 24.2	€ 24.2	€ 24.2	€ 24.2	€ 24.2	€ 24.2
Intervest P/B Ratio	**0.97x**	**0.97x**	**0.97x**	**0.97x**	**0.97x**	**0.97x**
Revenue Cap Rate @ Current Occupancy	**7.9%**	**7.9%**	**7.9%**	**7.9%**	**7.9%**	**7.9%**
Revenue Cap Rate @ 90% Occupancy	**8.3%**	**8.3%**	**8.3%**	**8.3%**	**8.3%**	**8.3%**
Revenue Cap Rate @ 100% Occupancy	**9.1%**	**9.1%**	**9.1%**	**9.1%**	**9.1%**	**9.1%**
Cash Flow Yield	**6.7%**	**6.7%**	**6.7%**	**6.7%**	**6.7%**	**6.7%**
Cash Flow Yield @ 90% Occupancy	**7.3%**	**7.3%**	**7.3%**	**7.3%**	**7.3%**	**7.3%**
Cash Flow Yield @ 100% Occupancy	**9.0%**	**9.0%**	**9.0%**	**9.0%**	**9.0%**	**9.0%**
NSI Dutch Portfolio						
NSI Ownership in Intervest	54.8%	54.8%	54.8%	54.8%	54.8%	54.8%
Value of NSI Intervest Stake	€ 147.8	€ 147.8	€ 147.8	€ 147.8	€ 147.8	€ 147.8
Implied NSI Dutch Market Value	€ 213.0	€ 214.4	€ 215.7	€ 223.2	€ 237.2	€ 261.4
Estimated Actual NSI Dutch Book Value(1)	€ 535.7	€ 535.7	€ 535.7	€ 535.7	€ 535.7	€ 535.7
NSI Dutch Investment Property Value	€ 1,412.0	€ 1,412.0	€ 1,412.0	€ 1,412.0	€ 1,412.0	€ 1,412.0
Implied Dutch Investment Property Value	€ 1,089.3	€ 1,090.6	€ 1,092.0	€ 1,099.5	€ 1,113.5	€ 1,137.7
Dutch Rent @ Current Occupancy (79.5%)	€ 109.9	€ 109.9	€ 109.9	€ 109.9	€ 109.9	€ 109.9
Total Gross Rent @ 90% Occupancy	€ 124.4	€ 124.4	€ 124.4	€ 124.4	€ 124.4	€ 124.4
Dutch Rent @ 100% Occupancy	€ 138.2	€ 138.2	€ 138.2	€ 138.2	€ 138.2	€ 138.2
Implied NSI Dutch P/B Ratio	**0.40x**	**0.40x**	**0.40x**	**0.42x**	**0.44x**	**0.49x**
Implied Revenue Cap Rate @ Current Occupancy	**10.1%**	**10.1%**	**10.1%**	**10.0%**	**9.9%**	**9.7%**
Implied Revenue Cap Rate @ 90% Occupancy	**11.4%**	**11.4%**	**11.4%**	**11.3%**	**11.2%**	**10.9%**
Implied Revenue Cap Rate @ 100% Occupancy	**12.7%**	**12.7%**	**12.7%**	**12.6%**	**12.4%**	**12.1%**
NSI Dutch Office Portfolio						
Implied NSI Dutch Market Value	€ 213.0	€ 214.4	€ 215.7	€ 223.2	€ 237.2	€ 261.4
Retail Market Value (Assume 0.75x P/B)(2)	€ 154.8	€ 154.8	€ 154.8	€ 154.8	€ 154.8	€ 154.8
Industrial Market Value (Assume 0.6x P/B)(2)	€ 21.1	€ 21.1	€ 21.1	€ 21.1	€ 21.1	€ 21.1
Implied Dutch Office Market Value	€ 37.1	€ 38.4	€ 39.8	€ 47.3	€ 61.3	€ 85.5
Estimated Actual Dutch Office Book Value(1)	€ 294.1	€ 294.1	€ 294.1	€ 294.1	€ 294.1	€ 294.1
Implied Dutch Office Investment Property Value	€ 518.1	€ 519.5	€ 520.8	€ 528.3	€ 542.3	€ 566.5
Dutch Office Rent @ Current Occupancy (71.3%)	€ 60.4	€ 60.4	€ 60.4	€ 60.4	€ 60.4	€ 60.4
Total Gross Rent @ 90% Occupancy	€ 76.2	€ 76.2	€ 76.2	€ 76.2	€ 76.2	€ 76.2
Dutch Office Rent @ 100% Occupancy	€ 84.7	€ 84.7	€ 84.7	€ 84.7	€ 84.7	€ 84.7
Implied NSI Dutch Office P/B Ratio	**0.13x**	**0.13x**	**0.14x**	**0.16x**	**0.21x**	**0.29x**
Implied Revenue Cap Rate @ Current Occupancy	**11.7%**	**11.6%**	**11.6%**	**11.4%**	**11.1%**	**10.7%**
Implied Revenue Cap Rate @ 90% Occupancy	**14.7%**	**14.7%**	**14.6%**	**14.4%**	**14.0%**	**13.4%**
Implied Revenue Cap Rate @ 100% Occupancy	**16.3%**	**16.3%**	**16.3%**	**16.0%**	**15.6%**	**14.9%**

(1) Estimated based on proportional allocation. Catalyst requires more information on the actual structure of NSI's debt.

(2) Based on market comparables.

- The tables below present illustrative returns based on Catalyst's entry price for the NSI shares and exit price/book ratio, revenue cap rate (at different occupancy levels) and cash flow yield

Cash-on-Cash Multiple (No Change in Occupancy Rate)

Exit Revenue Cap Rate	Entry Share Price: 14-day Avg. Open €5.26	14-day Avg. Close €5.28	14-day VWAP €5.30	Current Price €5.54	14-day High €5.65
7.75%	1.73x	1.72x	1.71x	1.64x	1.61x
8.00%	1.56x	1.55x	1.54x	1.48x	1.45x
8.25%	1.39x	1.38x	1.38x	1.32x	1.29x
8.50%	1.23x	1.23x	1.22x	1.17x	1.15x
8.80%	1.06x	1.06x	1.05x	1.01x	0.99x
9.00%	0.95x	0.95x	0.94x	0.90x	0.88x
9.25%	0.82x	0.82x	0.81x	0.78x	0.76x
9.50%	0.70x	0.69x	0.69x	0.66x	0.65x

Cash-on-Cash Multiple (Increase in Occupancy to 85%)

Exit Revenue Cap Rate	Entry Share Price: 14-day Avg. Open €5.26	14-day Avg. Close €5.28	14-day VWAP €5.30	Current Price €5.54	14-day High €5.65
7.75%	1.99x	1.98x	1.97x	1.88x	1.85x
8.00%	1.80x	1.79x	1.79x	1.71x	1.68x
8.25%	1.63x	1.62x	1.62x	1.55x	1.52x
8.50%	1.47x	1.46x	1.45x	1.39x	1.37x
8.80%	1.29x	1.28x	1.27x	1.22x	1.20x
9.00%	1.17x	1.17x	1.16x	1.11x	1.09x
9.25%	1.03x	1.03x	1.02x	0.98x	0.96x
9.50%	0.90x	0.90x	0.90x	0.86x	0.84x

Cash-on-Cash Multiple (Increase in Occupancy Rate to 90%)

Exit Revenue Cap Rate	Entry Share Price: 14-day Avg. Open €5.26	14-day Avg. Close €5.28	14-day VWAP €5.30	Current Price €5.54	14-day High €5.65
7.75%	2.33x	2.32x	2.31x	2.21x	2.17x
8.00%	2.14x	2.13x	2.12x	2.03x	1.99x
8.25%	1.96x	1.95x	1.94x	1.85x	1.82x
8.50%	1.78x	1.78x	1.77x	1.69x	1.66x
8.80%	1.59x	1.58x	1.58x	1.51x	1.48x
9.00%	1.47x	1.46x	1.45x	1.39x	1.37x
9.25%	1.32x	1.32x	1.31x	1.26x	1.23x
9.50%	1.19x	1.18x	1.18x	1.13x	1.10x

Cash-on-Cash Multiple (Increase in Occupancy Rate to 95%)

Exit Revenue Cap Rate	Entry Share Price: 14-day Avg. Open €5.26	14-day Avg. Close €5.28	14-day VWAP €5.30	Current Price €5.54	14-day High €5.65
7.75%	2.68x	2.67x	2.65x	2.54x	2.49x
8.00%	2.47x	2.46x	2.45x	2.35x	2.30x
8.25%	2.28x	2.27x	2.26x	2.16x	2.12x
8.50%	2.10x	2.09x	2.08x	1.99x	1.95x
8.80%	1.89x	1.89x	1.88x	1.80x	1.76x
9.00%	1.77x	1.76x	1.75x	1.68x	1.64x
9.25%	1.61x	1.61x	1.60x	1.53x	1.50x
9.50%	1.47x	1.46x	1.45x	1.39x	1.37x

Cash-on-Cash Multiple - Price/Book

Exit Price-to-Book	Entry Share Price: 14-day Avg. Open €5.26	14-day Avg. Close €5.28	14-day VWAP €5.30	Current Price €5.54	14-day High €5.65
0.40x	0.72x	0.72x	0.71x	0.68x	0.67x
0.50x	0.90x	0.90x	0.89x	0.85x	0.84x
0.59x	1.07x	1.07x	1.06x	1.02x	1.00x
0.60x	1.08x	1.08x	1.07x	1.03x	1.01x
0.70x	1.26x	1.26x	1.25x	1.20x	1.17x
0.80x	1.44x	1.43x	1.43x	1.37x	1.34x
0.90x	1.62x	1.61x	1.61x	1.54x	1.51x
1.00x	1.80x	1.79x	1.78x	1.71x	1.68x

Cash-on-Cash Multiple - Cash Flow Yield

Exit Cash Flow Yield	Entry Share Price: 14-day Avg. Open €5.26	14-day Avg. Close €5.28	14-day VWAP €5.30	Current Price €5.54	14-day High €5.65
6.0%	2.14x	2.13x	2.12x	2.03x	2.00x
7.5%	1.71x	1.71x	1.70x	1.63x	1.60x
9.0%	1.43x	1.42x	1.42x	1.36x	1.33x
10.5%	1.22x	1.22x	1.21x	1.16x	1.14x
12.0%	1.07x	1.07x	1.06x	1.02x	1.00x
12.2%	1.05x	1.05x	1.04x	1.00x	0.98x
13.0%	0.99x	0.98x	0.98x	0.94x	0.92x
14.0%	0.92x	0.91x	0.91x	0.87x	0.86x

Potential Value Catalysts

- *Spin-out of Belgian properties* — NSI's Belgian properties are held through its 54.8% interest in Intervest, a public Belgian REIT which trades at 0.97x book value. Buying NSI and divesting the Belgian assets would therefore effectively create the Dutch portfolio at 0.42x book value and a 12.6% revenue cap rate (*see page 3*). Furthermore, the assets are divided into both office and industrial segments which could potentially provide a country/type-specific REIT platform which is currently being demanded by international REIT investors
- *Spin-out of Dutch properties* — Similar to the above strategy, a further spin-out of the Dutch office and/or retail properties could unlock value as investors place additional value on a more specialized portfolio. For example, if Netherland Retail REIT trading multiples of ~0.75x book value are applied to NSI's Dutch retail assets, which comprise 40% of NSI's Netherlands asset value, this would imply creation multiples for NSI's office portfolio of less than 0.2x book value and an 16.0% revenue cap rate at current occupancy (assuming the

Company's Dutch debt is proportionally distributed by asset value between the property types). Note that Catalyst requires further clarity on NSI's capital structure, which is not well-detailed in public filings (*see page 3*)

- *Long-term hold and redevelopment strategy* — A redevelopment of the portfolio could improve occupancy rates and maintain or improve rental revenue from current levels, in turn increasing equity value through a reduction in cap rates and LTV due to favourable revaluations. Also, given the value-oriented pricing of NSI's shares, Catalyst can use a buy-and-hold strategy as markets recover over the medium term
- *Merge with Geneba* — A merger with Geneba would provide short-term portfolio diversification and create a larger platform with the opportunity for accretive spin-outs over the medium term (*see page 35*)
- *Distressed seller situation* — NSI is 20.5% owned by the Habas Group, an Israeli real estate investment firm. Habas is distressed and its investment in NSI was financed with bank debt secured by the NSI shares. Buying the debt at a discount or engaging in direct negotiation with Habas could allow an investor to further improve his creation multiples (*see page 7*)

<u>Key Risks to Investment Thesis and Catalyst Events</u>

- *Short lease profile* — NSI bears substantial re-letting risk with an average remaining lease length of just 3.7 years. Given the Company is re-letting new space at a 10-30% discount to existing rent levels, property values may decline by a similar percentage until the market stabilizes, which could take several more years (*see page 14*)
- *Short debt maturity profile* — NSI's weighted average debt maturity is just 2.8 years, with ~€1B due by 2017. Moreover, at a 58% LTV, NSI is relatively highly levered compared to peers, compounding the Company's refinancing risk (*see pages 13 and 33*)
- *Significant market risks* — Commercial real estate markets in the Netherlands and Belgium, where all but one of NSI's properties are located, remain historically weak – particularly for the B- and C-class properties comprising the Company's portfolio. Both markets are structurally challenged due to heavy office supply, and it therefore could take 5+ years for rents to stabilize and asset valuations to improve (*see pages 19-28*)
- *Potentially unsustainable dividend* — The Company's dividend yield of 7.4% may be unsustainable in light of the high capital expenditures required to improve the properties and the ongoing risks in the portfolio (*see Cash Flow Projections on pages 16-18*). This could expose Catalyst to market repricing risk from current levels if NSI is forced to cut its dividend

2. Situation Overview

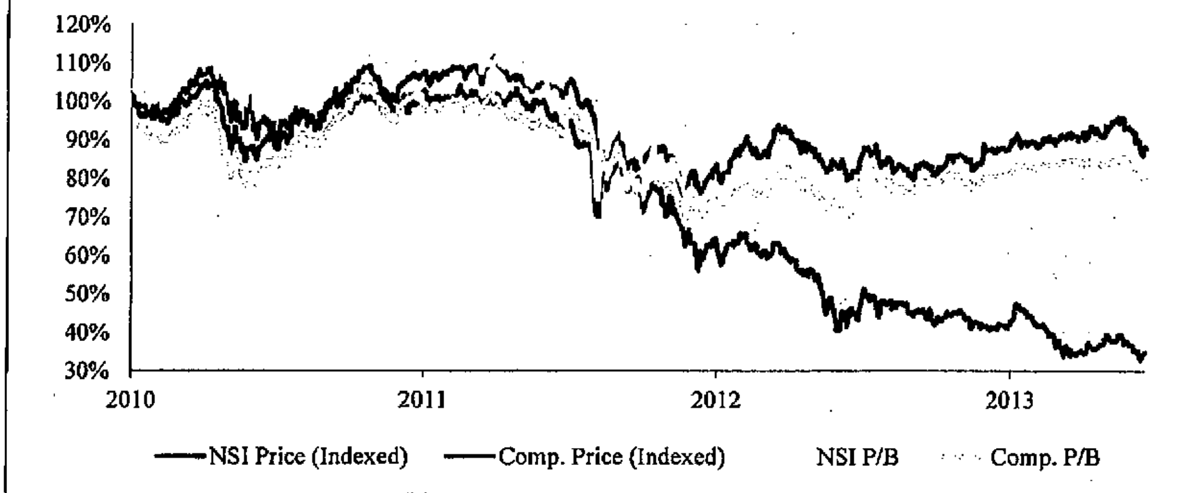
Background

- NSI was founded as Nieuwe Steen Investments in 1993 by Jo Roelof Zeeman and went public on the Amsterdam exchange in 1998
- The Company has focused on retail, office and industrial investments since inception
- Beginning in 2007, a number of actions were undertaken with a goal to focus, internationalize, professionalize and grow the portfolio
    - o Mr. Zeeman sold his family's 12.4% stake in the Company to the Habas Group, a 105-year old Israeli real estate investment company headed by Hertzel Habas, after a failed public takeover attempt by the Habas Group
    - o The current CEO, Johan Buijs, was hired in September 2008
    - o Asset/property management was brought in-house with the acquisition of Zeeman Vastgoed Beheer, a company previously owned by the Zeeman family
        - ▪ Substantially all of the Company's property management continues to be handled internally
- The Company made its first international investments at this time, expanding into the Swiss market. This was meant to be a small step towards further internationalization which never truly materialized, likely due to the economic downturn
- Additionally, NSI purchased a portfolio of direct real estate assets held by Phillips' pension arm at the peak of the market in 2008
    - o To fund these two investments, the Company's increased its debt load significantly, causing LTV to jump from 46.9% to 57.2%
- Over the next two years, through a combination of share issuance and asset sales NSI reduced its LTV by 250bps to 54.7%. By 2010, NSI's stock was trading above book value as a result of the delevering and recovery in equity markets
- The Company used its favourable valuation to resume its expansion plans. It entered into merger talks with VastNed Office / Industrial ("VNOI"), another Dutch REIT, and completed a stock-for-stock deal in October 2011
    - o The deal doubled NSI's size, adding an additional €1B of offices and semi-industrial properties in the Netherlands and Belgium
- ▪ The Belgian properties are owned by Intervest Offices & Warehouses ("Intervest"), a publicly traded REIT in which VNOI held a 54.8% stake
    - o Following the merger, NSI's asset mix changed from ~50/50 offices and industrial vs. retail to ~70% offices
        - ▪ Since the merger, NSI has been focused on improving occupancy levels and divesting non-core assets such as its Swiss properties. As of July 2, 2013, all but one of the Swiss assets has been sold

Recent Performance

- NSI's stock has dramatically underperformed peers over the past two years, falling nearly 70% versus a 13% decline for comparables (Corio NV, Wereldhave Netherlands, Wereldhave Belgium and VastNed Retail)
  - o Note some of these comparables are more geographically diversified and have a higher mix of retail properties than NSI
- As a result, NSI is currently trading at 0.57x book value, versus 0.87x for other Dutch and Belgian real estate companies
- The underperformance has been most pronounced since NSI's merger with VNOI, as the increased dilution (~30%) from the large share issue was exacerbated by a continuing decline in occupancy rates and property values

Indexed Stock Price Performance and Historical Price/Book



Source: Bloomberg, Capital IQ.

Stakeholder Dynamics

- The Habas Group, an Israeli-based real estate development and investment company focused on residential development, is NSI's only significant shareholder, with a 20.5% stake though its 76% interest in Habas Tulip BV
- Hertzel Habas, the Habas Group's chief executive, is also the chairman of NSI
- Habas financed its initial purchase of the NSI stake in 2007, as well as subsequent purchases, with debt secured by the shares
  - o According to a report by *Globes*, an Israeli business publication, Habas borrowed €55MM from a banking syndicate. Rabobank is believed to be the lead lender
- Since the initial acquisition, NSI's stock price has fallen substantially, undermining the value of the collateral and forcing Habas to seek LTV covenant waivers from its lenders in March to stave off foreclosure on the shares

- The sharp drop in the value of Habas' investment has partially contributed to overall financial distress at Habas and it now has negative balance sheet equity
    - *Globes* also reported that in March 2013, Habas was extended a €1.3MM 90-day loan by Mayer Cars and Trucks, an Israeli company which is the 24% minority partner in Habas Tulip BV, in order to post more collateral against its NSI share debt
- A Deutsche Bank indicative term sheet dated May 16, 2013, suggests that Habas was seeking up to €75MM to refinance a €35MM loan from Rabobank, and also to participate in a potential NSI rights offering
    - Financing was to be secured by Habas' NSI shares and first ranking mortgages on three of Habas' properties
    - The contemplated NSI equity raise (or asset disposal) was a minimum €300MM. While Catalyst has learned that the Company was trying to raise at least €200MM, it has not found any other public reports of an attempted rights offering
    - Situs Asset Management, a commercial real estate-focused firm based in the U.S., is listed as the facility agent
- Additionally, an indicative term sheet from an Israeli mezzanine fund, Mustang, dated June 4, 2013, proposes €15MM of financing
    - Use of proceeds to post collateral against its NSI share debt and also to participate in a potential NSI rights offering
- There is no English language context available for either of these term sheets — a Google search resulted in a direct link to a PDF which appears to be hosted on the Tel Aviv stock exchange's website
    - NSI has not recently completed and does not appear to have filed for an equity offering
- Habas is currently the subject of a takeover battle between two other Israeli-based companies: BGI, a clothing manufacturer, and Aspen Group, another real estate company
    - Both are offering a new equity investment and debt-to-equity conversion of its outstanding bonds at a ~40% haircut
- Catalyst has also heard from market participants that KKR has been in discussions with Habas to purchase its equity stake in NSI or provide a loan to Habas
- In addition, Catalyst has been informed by investment bankers at Kempen that Dutch management is also seeking a white knight financial backer to separate itself from Habas
- **The issues at Habas may be causing a negative feedback loop in NSI's shares.** The market believes NSI has lost a backer which previously provided it with much-needed capital, depressing its share price and in turn pushing Habas further into insolvency, thereby continuing the cycle
- A prospective investor in NSI could undertake a direct purchase of either Habas' stake in NSI or the bank debt secured by the shares (and potentially seize the collateral if Habas is in violation of its covenants, which it may be)

- o Given Habas' financial situation and European banks' reticence to take balance sheet risk in the form of risky equity securities (even if publicly traded), it may be possible to effect an acquisition at an even larger discount to NSI's NAV
  - o One of NSI's five Supervisory Board seats is attached to the Habas stake
- There is no public information available on the margin loans to Habas and they are not publicly traded

Merger with VastNed Offices / Industrial

- On October 14, 2011, NSI completed a merger with VastNed Office / Industrial ("VNOI")
- As a result, NSI grew from €1.4B to €2.3B of property assets, including a 54.8% stake in the Belgian-listed REIT Intervest Offices & Warehouses ("Intervest")
  - o The combined portfolio was much more heavily weighted towards offices than NSI had been historically. The Company continues to target a ~50/50 balance but has not made any progress toward that goal
  - o VNOI's portfolio had a much higher vacancy rate than NSI, particularly in the Netherlands where many assets were improperly utilized and maintained
- The goal of the merger was to create economies of scale with a larger combined entity and to leverage NSI's internal property management expertise to improve VNOI's portfolio
  - o Expected synergies of €3.5MM were realized on schedule, and NSI was able to let certain VNOI properties under a different approach (multi-tenant vs. single-tenant); however, the Company's vacancy rate remains very high

NSI-VNOI Merger

Combined Financials

(in EUR millions)	NSI	VNOI	Combined
Gross Rent	103.2	78.3	181.5
Net Rent	88.7	68.1	156.8
Direct Result	52.4	25.0	77.4
Investment Properties	1,358.1	1,030.0	2,392.1
Type			
Offices	*53%*	*90%*	*69%*
Retail	*42%*	*10%*	*28%*
Industrial	*5%*	*0%*	*3%*
Geography			
Netherlands	*93%*	*44%*	*72%*
Belgium	*0%*	*48%*	*21%*
Other Europe	*7%*	*8%*	*7%*
Occupancy Rate	90.0%	79.9%	85.6%
LTV	54.8%	54.4%	54.6%
Gross Rental Yield	8.4%	9.5%	8.9%
Net Rental Yield	7.3%	8.3%	7.7%

Source: Company filings. Based on FY 2010.

- All assets and liabilities of VNOI were transferred to NSI entities with VNOI shareholders receiving newly issued NSI shares
- The exchange ratio was set at 0.897 NSI shares for each VNOI share, implying a premium of 19% to VNOI's closing price on December 10, 2010, the date the transaction was announced
    - VNOI was trading at a 0.71x price-to-book prior to the transaction while NSI was valued a premium of 1.13x book value
    - Transaction value implied a 0.84x P/B for VNOI
- VNOI shareholders also received value retention warrants ("VRW"), which entitled them to compensation should NSI sell any shares of Intervest, the publicly traded Belgian REIT 54.8% owned by VNOI, within 18 months of the merger closing date
    - The warrants expired in April 2013

3. Comparables

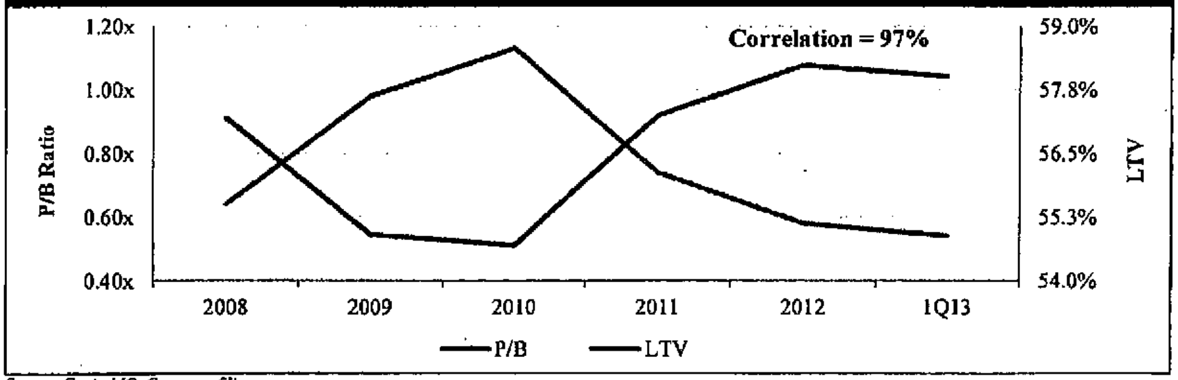
- There are few publicly traded REITs with a majority focus in the Dutch and/or Belgian commercial real estate markets, and unlike NSI, most are heavily weighted toward retail
- At a 58.0% LTV, NSI carries a much higher debt load than its peers, which average 36.6% and are mostly concentrated between 40-45%
- NSI's gross normalized cap rate is 9.4% versus a comparable average of 7.9%, while occupancy is 81.3% versus 93.7% for peers. Both of these differentials partially reflect the higher weighting of office properties in NSI's portfolio, as its retail occupancy rate of 92% is in line with comps
- The Company's price/book ratio of 0.57x is 34% lower than the peer average of 0.87x. This likely reflects NSI's higher LTV and perceived risk, as the Company's historical price/book and LTV have tracked closely since 2008
- Of note, Intervest, of which NSI owns 54.8%, is publicly traded. Intervest's price implies the market is valuing NSI's Dutch properties at 0.42x book value and a 12.6% revenue cap rate at full occupancy. Furthermore, assuming the Company's debt is proportionally distributed by asset value between the property types (Catalyst requires more detail on NSI's structure), this implies a book value below 0.2x and a revenue cap rate of 16.0% for the Dutch offices

NSI NV
Comparables
(in EUR millions unless otherwise noted)

Company	Share Price	Market Cap.	Income Properties	Loan-to-Value	Geographical Focus	Property Mix: Office	Property Mix: Industrial	Property Mix: Retail	Occ. Rate	FY 2012: Gross Rent	FY 2012: Net Rental Income[1]	FY 2012: PT Direct Investment Result[2]	FY 2012: Normalized Net Yield[3]	FY 2012: Normalized Gross Yield[4]	Price / Book	Dividend Yield
Corio NV	€ 32.73	3,217	6,228	40.3%	NED(27%)/FRA(24%)	0.0%	1.0%	99.0%	98.6%	475.6	397.5	229.1	6.6%	7.6%	0.79x	8.4%
Intervest O&W[5]	€ 16.73	270	581	51.2%	BEL(100%)	61.0%	39.0%	0.0%	86.0%	45.4	37.6	24.9	7.5%	9.1%	0.97x	9.5%
Wereldhave NV	€ 53.64	1,160	2,073	44.0%	NED(26%)/BEL(24%)	18.0%	3.0%	79.0%	89.2%	147.6	130.8	83.9	7.1%	8.0%	0.84x	6.1%
Wereldhave Belgium	€ 84.93	535	500	18.2%	BEL(100%)	24.5%	0.0%	75.5%	93.7%	33.2	30.6	28.5	6.6%	7.1%	1.10x	5.1%
VastNed Retail	€ 31.61	601	1,927	43.9%	NED(35%)/FRA(24%)	0.0%	0.0%	100.0%	95.1%	133.5	115.7	71.0	6.3%	7.3%	0.66x	8.0%
High				51.2%		61.0%	39.0%	100.0%	98.6%	475.6	397.5	229.1	7.5%	9.1%	1.10x	9.5%
Low				18.2%		0.0%	0.0%	0.0%	86.0%	33.2	30.6	24.9	6.3%	7.1%	0.66x	5.1%
Average				39.5%		20.7%	8.6%	70.7%	92.1%	167.0	142.5	87.4	6.8%	7.8%	0.87x	7.4%
NSI NV	€ 6.44	371	2,108	58.0%	NED(69%)/BEL(29%)	58.0%	13.7%	28.1%	81.3%	160.5	137.1	72.3	8.1%	9.4%	0.57x	7.4%

(1) Gross rent less property operating expenses.
(2) Net Rental Income less G&A and finance costs.
(3) Net Rental Income at 100% occupancy as a % of income-producing properties.
(4) Gross Rental Income at 100% occupancy as a % of income-producing properties.
(5) NSI owns 54.8% of Intervest.

NSI Historical LTV and P/B Correlation



Source: Capital IQ, Company filings.

4. Business Overview

Overall Portfolio

- NSI NV (pka Nieuwe Steen Investments NV) is the third-largest mixed-use REIT in the Netherlands, focused primarily on commercial real estate (office, retail and industrial)
- As of March 31, 2013, NSI's portfolio comprised 48 residential units and 265 commercial properties across The Netherlands, Belgium and Switzerland, valued at a total of €2.0B
  - o NSI is in the process of exiting the Swiss market, and only one building remains unsold
  - o The residential assets comprise rental units which are gradually being sold off

Type	Value (EUR 000s)	% of Total
Offices	1,142,693	56.0%
Retail	572,697	28.1%
Industrial	320,116	15.7%
Residential	4,240	0.2%
Total Real Estate Investments	**2,039,746**	**100.0%**

Type	Occupancy Rate	Ann. Gross Rent (100% occupancy)	% of Total
Offices	76.1%	118,391	61.3%
Retail	92.0%	45,347	23.5%
Industrial	89.7%	29,107	15.1%
Residential	n/a	330	0.2%
Total	**81.3%**	**193,175**	**100.0%**

Geography	Value (EUR 000s)	% of Total
Netherlands	1,416,233	69.4%
Switzerland	34,219	1.7%
Belgium	589,294	28.9%
Total Real Estate Investments	**2,039,746**	**100.0%**

Geography	Occupancy Rate	Ann. Gross Rent (100% occupancy)	% of Total
Netherlands	79.5%	138,186	71.5%
Switzerland	96.5%	2,525	1.3%
Belgium	85.2%	52,454	27.2%
Total	**81.3%**	**193,175**	**100.0%**

NSI NV Financial Performance

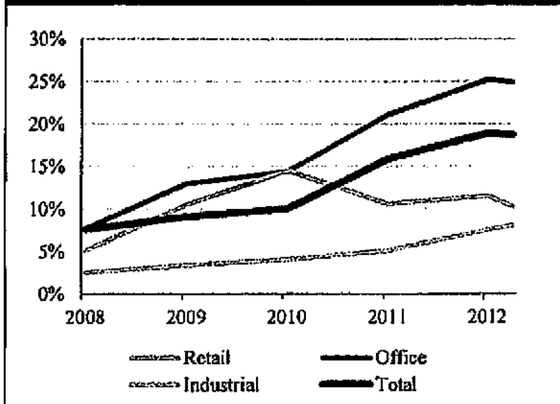
(in EUR 000s)	2008	2009	2010	2011	2012	LTM 1Q13	Change '08-LTM	Change '10-LTM
Gross Rental Income	101.7	103.8	103.2	120.0	160.5	156.1	+54.4	+53.0
y/y		*+2.1%*	*(0.6%)*	*+16.3%*	*+33.8%*	*+15.1%*	*+53.5%*	*+51.3%*
Net Rental Income	88.3	89.6	88.7	101.5	137.3	133.9	+45.7	+45.3
Direct Investment Result (Pre-Tax)	48.7	50.2	49.0	47.8	72.3	69.8	+21.1	+20.8
Free Cash Flow	49.3	44.7	44.4	30.5	41.2	46.1	(3.2)	+1.7
Occupancy Rate	92.4%	90.9%	90.0%	84.1%	81.1%	81.3%	(11.1%)	(8.7%)
Net Rental Yield (Net Cap Rate)	7.1%	7.3%	7.2%	7.6%	8.0%	8.1%	+1.0%	+0.8%
Cash Flow Yield	11.6%	7.7%	6.8%	5.4%	11.7%	13.8%	+2.2%	+7.0%
Loan-to-Value	57.2%	54.9%	54.7%	57.2%	58.2%	58.0%	+0.8%	+3.3%
Debt / Capital	58.1%	56.3%	56.1%	59.4%	60.8%	60.4%	+2.3%	+4.2%
Price / Book Value[1]	0.64x	0.98x	1.13x	0.74x	0.58x	0.57x	-0.07x	-0.56x

(1) LTM 1Q13 Price / Book as at July 17, 2013.

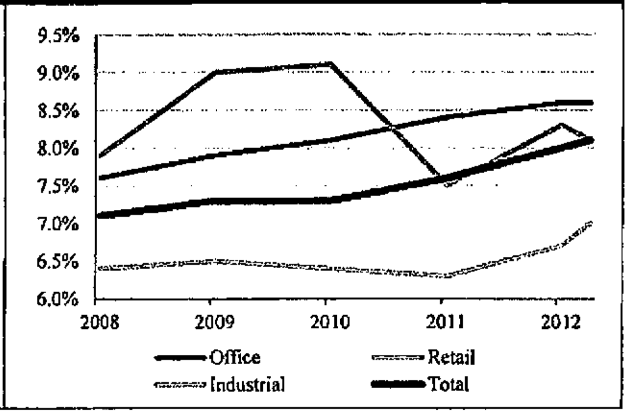
Source: Company filings. As of March 31, 2013.

- With 70% of its properties in the Netherlands, NSI is heavily exposed to the Dutch commercial real estate market which suffered one of the most severe declines of any market in Europe over the past five years
  - o The Belgian market, which is 30% of NSI's assets, has followed a similar trajectory
  - o Property values, occupancy rates and rents in both countries remain depressed
- Between 2008 and March 2013, NSI's overall vacancy rate increased from ~8% to 18.7%
  - o Office vacancy rates climbed from 7.7% to 24.9% as of March 31, 2013, with a slight positive trend since they peaked at 26.2% in Q3 2012
  - o Retail vacancy rates, while much lower than in the office space, have more than tripled since 2008, going from 2.5% to 8.0%
  - o Industrial/logistics vacancy rates went from 5.1% to 10.3% over the past 5 years, though they have steadily (if not constantly) declined since 2009
- Net capitalization rates (also known as "Net Yields", indicating potential net rent as a percentage of property value) have also risen by 100bps over the past five years

Historical NSI Vacancy Rates



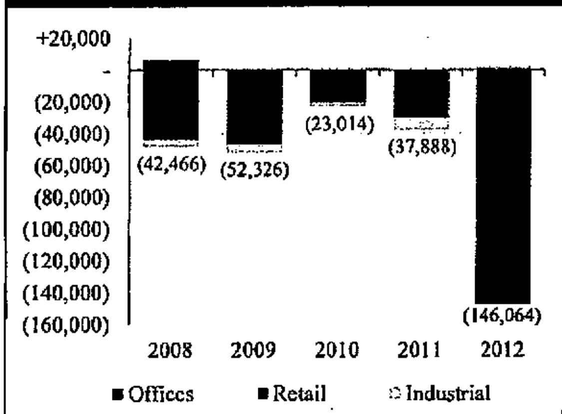
Historical NSI Net Yields



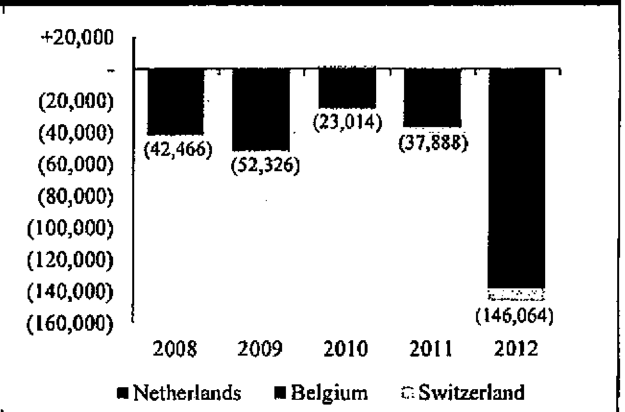
Source: Company filings.

- As a result of the increasing vacancy rates and consequent falling rents, NSI has been forced to write down over €275MM of property since 2008 – almost all in its Dutch office portfolio

Asset Revaluation (EUR 000s) by Type



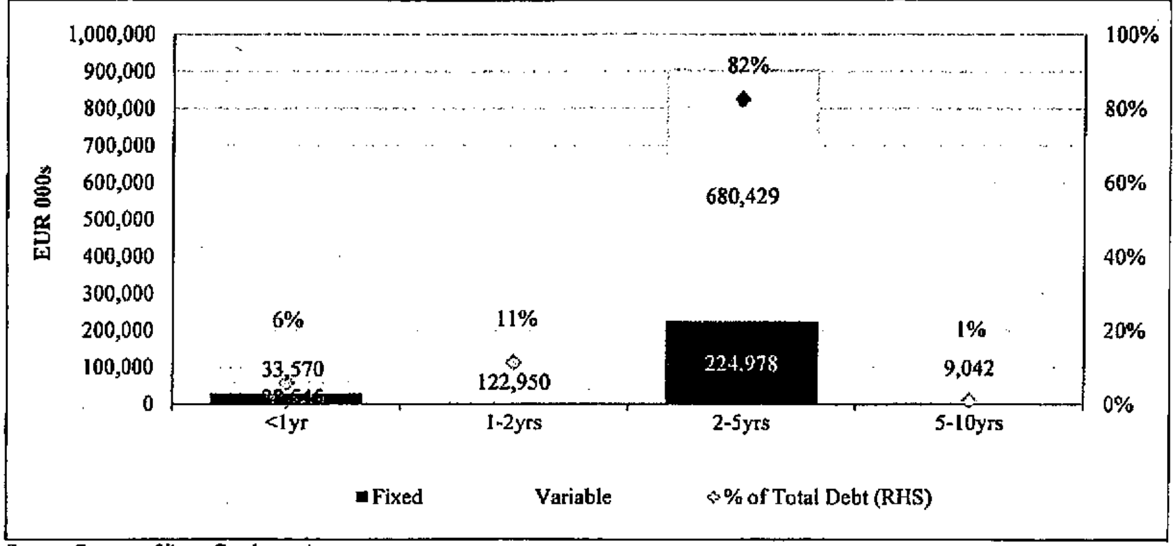
Asset Revaluation (EUR 000s) by Country



Source: Company filings.

- Ill-timed, debt-funded acquisitions of €275MM of property near the peak of the bubble in early 2008 pushed NSI's loan-to-value well above 50%, a level which it had historically remained at or below
- At a current 58.0% LTV, NSI is highly levered relative to peers and also has a short maturity profile, with a weighted average maturity of 2.8 years
  - NSI's debt consists of property-level loans with the exception of a €102.2MM corporate credit facility and €75MM of bonds issued out of Intervest in Belgium
  - On July 1, 2013, NSI refinanced its largest facility of €260MM, extending from 2013/14 to 2017
  - While a large majority of NSI's debt is naturally floating rate, ~90% is either fixed or hedged via swaps
  - The Company has struggled to delever, as a €100MM capital raise and subsequent debt paydown in 2012 (via asset sales and a small share sale) was not enough to offset a (€146MM) asset revaluation

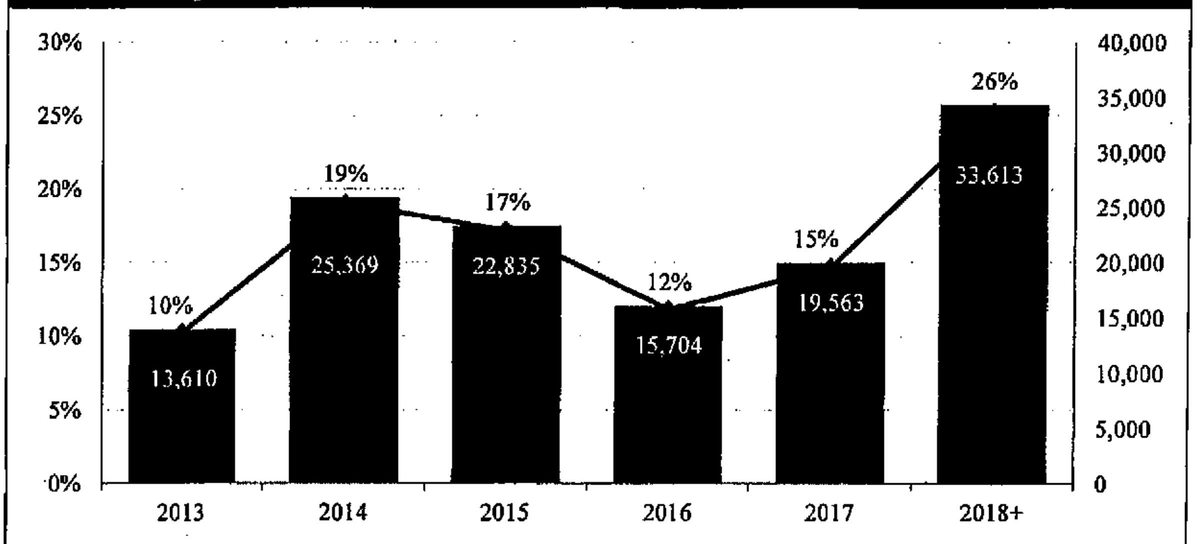
NSI Debt Maturity Profile



Source: Company filings, Catalyst estimates.

- To reach a 50% LTV, NSI would need to raise ~€160MM of additional capital for property equity investments or debt repayment
- In addition to its short-dated maturity stack, NSI's overall lease profile is also relatively short, exposing it to significant re-letting risk
- As of March 31, 2013, the weighted average maturity of NSI's leases is ~3.7 years, compared to an average of 5+ years for its peers
  - ~29% of leases come due in the next 18 months
  - ~45% of leases come due between 2015 and 2017
  - ~26% of leases come due in 2018 or later

NSI Lease Expiration Calendar



Source: Company filings.

- As shown in the table below, NSI has several 2013-14 expansion and redevelopment plans in its retail pipeline, with a total of €44MM budgeted over the next two years, with approximately €10-15MM planned for 2013
  - o Budget implies a total investment of €1,637 per incremental square metre. These properties currently average €155/sqm in annual rent, equating to a 10.5-year payback period at current rent and occupancy levels
  - o Assuming full occupancy post-renovation and a 20% boost to rent levels, the payback period would be approximately 8 years

NSI Retail Property Redevelopment Pipeline

Property Name	City	Current Occupancy	Size (sqm)	Current Actual Gross Rent / sqm	Investment (EUR 000s)	Expansion / Renovation (sqm)	Expected Delivery
Het Lage Land	Rotterdam	90%	2,745	€ 164.6	1,700	700	2013
't Loon	Heerlen	91%	25,312	€ 101.8	8,000	2,400	2013
De Heeg	Maastricht	96%	3,536	€ 147.6	1,400	3,550	2013/2014
't Plateau	Spijkenisse	99%	5,244	€ 131.2	1,500	450	2013/2014
Stervpassage	Rijswijk	89%	10,516	€ 267.0	9,730	5,100	2013/2014
Keizerslanden	Deventer	98%	6,973	€ 198.0	21,960	14,800	2014
Total		**93%**	**54,326**	**€ 155.1**	**44,290**	**27,000**	

Source: 2012 Annual Report.

- There are also a number of redevelopment and expansion plans in the Dutch office pipeline, with a total of €44MM budgeted over the next three years (€30MM in 2013-2014) focused on older and vacant properties
  - o The budget implies a total investment of €1,308 per incremental square metre. The properties currently average €133/sqm in actual annual rent, equating to a 9.8-year payback period at current rent and occupancy levels
  - o Assuming an average 80% occupancy across these properties post-renovation and a 20% boost to the €133/sqm rent level, the payback period would be 3.7 years

NSI Office Property Redevelopment Pipeline

Property Name	City	Current Occupancy	Size (sqm)	Current Actual Gross Rent / sqm	Investment (EUR 000s)	Expansion / Renovation (sqm)	Expected Delivery
Delflandlaan	Amsterdam	0%	7,440	€ 0.0	10,720	9,300	2013
Wegalaan	Hoofddorp	0%	3,032	€ 0.0	1,000	3,400	2013
Weg der Verenigde Naties	Utrecht	0%	3,092	€ 0.0	1,500	3,100	2013
Karel du Jardinstraat	Amsterdam	0%	6,107	€ 0.0	3,000	-	2013/2014
Keizersgracht	Eindhoven	98%	10,821	€ 175.7	4,800	10,820	2013/2014
Europaweg	Zoetermeer	77%	10,480	€ 103.0	7,200	3,000	2013/2014
Parkstraat	The Hague	100%	2,953	€ 196.4	2,000	2,950	2014
Geleenstraat	Heerlen	100%	10,072	€ 99.1	15,960	11,900	2016/2017
Total		**59%**	**53,997**	**€ 132.8**	**46,180**	**44,470**	

Source: 2012 Annual Report.

Cash Flow Projections

- Catalyst has projected NSI's cash flow and key balance sheet metrics in a Base Case, High Case and Downside Case, anticipating a transaction closing date of August 31
  - o All scenarios implicitly assume that NSI is able to refinance its large upcoming maturities. The Company has ~€180MM of debt due over the next two years and ~€1B due within five years (*see page 14*), and will be unable to make these payments without refinancing or completing significant asset sales/equity raises
    - Of note, NSI's lenders have historically been cooperative and it has been able to refinance its bank loans
  - o For cash flow purposes, no changes in property values are modeled
  - o NSI's starting cash balance is based on its March 31 balance plus an additional €7.5MM to account for net proceeds from sales of its Swiss assets
- The Base Case, presented below, assumes no change in current occupancy rates (currently 81.3%), annual rental growth of +2.0% and annual debt amortization of 1.5%
  - o Given high expected capex needs, even in the base case (in line with Company guidance outlined above) it is likely that NSI will have to cut its dividend to a 4.5% yield (from 7.5% today) to be cash flow neutral, implying a repricing on the stock of ~10%
    - However, if capex needs moderate beginning in 2015, NSI should be able to fully restore its dividend
  - o In the Base Case, the Company only generates €52MM of free cash flow through the end of 2014, leaving a ~€130MM gap versus maturities, excluding dividend payments

NSI Consolidated Cash Flow Projection - Base Case

(all figures in EUR 000s)	Month Ended,				4 months,	Year ended,			
	Sep-13	**Oct-13**	**Nov-13**	**Dec-13**	**2013**	**2014**	**2015**	**2016**	**2017**
Office	7,495	7,495	7,495	7,495	29,980	91,737	93,572	95,443	97,352
y/y growth	*n/a*	*n/a*	*n/a*	*n/a*	*n/a*	*+2.0%*	*+2.0%*	*+2.0%*	*+2.0%*
Retail	3,290	3,290	3,290	3,290	13,162	40,276	41,081	41,903	42,741
y/y growth	*n/a*	*n/a*	*n/a*	*n/a*	*n/a*	*+2.0%*	*+2.0%*	*+2.0%*	*+2.0%*
Industrial	2,133	2,133	2,133	2,133	8,533	26,110	26,632	27,164	27,708
y/y growth	*n/a*	*n/a*	*n/a*	*n/a*	*n/a*	*+2.0%*	*+2.0%*	*+2.0%*	*+2.0%*
Gross Rent	**12,919**	**12,919**	**12,919**	**12,919**	**51,674**	**158,122**	**161,285**	**164,511**	**167,801**
y/y growth	*n/a*	*n/a*	*n/a*	*n/a*	*n/a*	*+2.0%*	*+2.0%*	*+2.0%*	*+2.0%*
Rental Discounts	190	190	190	190	759	1,858	1,421	1,450	1,479
Rental Discounts	*1.5%*	*1.5%*	*1.5%*	*1.5%*	*1.5%*	*1.2%*	*0.9%*	*0.9%*	*0.9%*
OpEx	1,824	1,824	1,824	1,824	7,296	22,325	22,771	23,227	23,691
OpEx %	*14.1%*	*14.1%*	*14.1%*	*14.1%*	*14.1%*	*14.1%*	*14.1%*	*14.1%*	*14.1%*
Net Rental Income	**10,905**	**10,985**	**10,905**	**10,905**	**43,619**	**133,940**	**137,092**	**139,834**	**142,631**
SG&A	509	509	509	509	2,037	6,232	6,357	6,484	6,613
SG&A %	*3.9%*	*3.9%*	*3.9%*	*3.9%*	*3.9%*	*3.9%*	*3.9%*	*3.9%*	*3.9%*
Interest Expense	4,346	4,341	4,336	4,331	17,356	51,586	50,869	50,164	49,469
Pre-Tax Earnings	**6,049**	**6,054**	**6,059**	**6,064**	**24,227**	**76,122**	**79,866**	**83,187**	**86,549**
Income Tax Provision	91	91	91	91	363	1,142	1,198	1,248	1,298
Tax Rate %	*1.5%*	*1.5%*	*1.5%*	*1.5%*	*1.5%*	*1.5%*	*1.5%*	*1.5%*	*1.5%*
Direct Investment Result	**5,958**	**5,963**	**5,968**	**5,973**	**23,864**	**74,980**	**78,668**	**81,939**	**85,251**
Attributable to NSI Shareholders	*5,093*	*5,098*	*5,103*	*5,107*	*20,401*	*64,025*	*67,111*	*69,981*	*72,886*
Operating Cash Flow	**5,958**	**5,963**	**5,968**	**5,973**	**23,864**	**74,980**	**78,668**	**81,939**	**85,251**
Capital Expenditures	2,917	2,917	2,917	2,917	11,667	35,000	25,000	17,500	17,500
Free Cash Flow	**3,042**	**3,047**	**3,052**	**3,057**	**12,197**	**39,980**	**53,668**	**64,439**	**67,751**
Dividend Payment to NSI Shareholders	1,117	1,123	1,129	1,135	4,504	16,380	29,690	39,151	42,273
Dividend as % of NSI Direct Result	*21.9%*	*22.0%*	*22.1%*	*22.2%*	*22.1%*	*25.6%*	*44.2%*	*55.9%*	*58.0%*
Dividend Yield at Current Market Cap	*n/a*	*n/a*	*n/a*	*n/a*	*n/a*	*4.5%*	*8.2%*	*10.8%*	*11.6%*
Debt Amortization	1,374	1,373	1,371	1,369	5,487	16,411	16,165	15,922	15,683
Dividend to Minority Interests (Intervest)	551	551	552	552	2,206	7,189	7,813	9,366	9,795
Net Cash Flow	-	-	-	-	-	-	-	-	-
Starting Cash	12,779	12,779	12,779	12,779	12,779	12,779	12,779	12,779	12,779
Ending Cash	**12,779**	**12,779**	**12,779**	**12,779**	**12,779**	**12,779**	**12,779**	**12,779**	**12,779**

- The Downside Case, presented below, assumes occupancy rates fall 15% through 2016 (to 66%); rents decline 5% annually until 2016 (as tenants leave and space is relet at lower rates); and capex remains historically high to retain existing tenants and attract new tenants given the weakening conditions
- In the Downside Case, the Company only generates €36MM of free cash flow through the end of 2014, leaving a ~€150MM gap versus maturities, excluding dividends
  - o Moreover, in order to maintain neutral cash flow, NSI must cut its dividend to shareholders entirely by 2015

NSI Consolidated Cash Flow Projection - Downside Case

(all figures in EUR 000s)	Month Ended,				4 months,	Year ended,			
	Sep-13	**Oct-13**	**Nov-13**	**Dec-13**	**2013**	**2014**	**2015**	**2016**	**2017**
Office	7,495	7,495	7,495	7,495	29,980	79,958	70,797	65,661	65,661
y/y growth	*n a*	*n a*	*n a*	*n a*	*n/a*	*(11.1%)*	*(11.5%)*	*(7.3%)*	-
Retail	3,290	3,290	3,290	3,290	13,162	35,470	31,756	29,817	29,817
y/y growth	*n a*	*n a*	*n a*	*n a*	*n/a*	*(10.2%)*	*(10.5%)*	*(6.1%)*	-
Industrial	2,133	2,133	2,133	2,133	8,533	22,963	20,527	19,240	19,240
y/y growth	*n a*	*n a*	*n a*	*n a*	*n a*	*(10.3%)*	*(10.6%)*	*(6.3%)*	-
Gross Rent	**12,919**	**12,919**	**12,919**	**12,919**	**51,674**	**138,390**	**123,081**	**114,718**	**114,718**
y/y growth	*n a*	*n a*	*n a*	*n a*	*n a*	*(10.7%)*	*(11.1%)*	*(6.8%)*	-
Rental Discounts	190	190	190	190	759	1,630	1,090	1,019	1,019
Rental Discounts	*1.5%*	*1.5%*	*1.5%*	*1.5%*	*1.5%*	*1.2%*	*0.9%*	*0.9%*	*0.9%*
OpEx	1,824	1,824	1,824	1,824	7,296	19,536	17,372	16,189	16,189
OpEx %	*14.1%*	*14.1%*	*14.1%*	*14.1%*	*14.1%*	*14.1%*	*14.1%*	*14.1%*	*14.1%*
Net Rental Income	**10,905**	**10,905**	**10,905**	**10,905**	**43,619**	**117,224**	**104,619**	**97,510**	**97,510**
SG&A	509	509	509	509	2,037	5,454	4,851	4,521	4,521
SG&A %	*3.9%*	*3.9%*	*3.9%*	*3.9%*	*3.9%*	*3.9%*	*3.9%*	*3.9%*	*3.9%*
Interest Expense	4,346	4,341	4,336	4,331	17,356	51,586	50,869	50,164	49,469
Pre-Tax Earnings	**6,049**	**6,054**	**6,059**	**6,064**	**24,227**	**60,184**	**48,899**	**42,826**	**43,521**
Income Tax Provision	91	91	91	91	363	903	733	642	653
Tax Rate %	*1.5%*	*1.5%*	*1.5%*	*1.5%*	*1.5%*	*1.5%*	*1.5%*	*1.5%*	*1.5%*
Direct Investment Result	**5,958**	**5,963**	**5,968**	**5,973**	**23,864**	**59,282**	**48,166**	**42,184**	**42,868**
Attributable to NSI Shareholders	*5,093*	*5,098*	*5,103*	*5,107*	*20,401*	*50,358*	*40,598*	*35,417*	*36,044*
Operating Cash Flow	**5,958**	**5,963**	**5,968**	**5,973**	**23,864**	**59,282**	**48,166**	**42,184**	**42,868**
Capital Expenditures	2,917	2,917	2,917	2,917	11,667	35,000	35,000	22,500	22,500
Free Cash Flow	**3,042**	**3,047**	**3,052**	**3,057**	**12,197**	**24,282**	**13,166**	**19,684**	**20,368**
Dividend Payment to NSI Shareholders	1,117	1,123	1,129	1,135	4,504	2,713	-	-	430
Dividend as % of NSI Direct Result	*21.9%*	*22.0%*	*22.1%*	*22.2%*	*22.1%*	*5.4%*	*0.0%*	*0.0%*	*1.2%*
Dividend Yield at Current Market Cap	*n/a*	*n/a*	*n/a*	*n/a*	*n/a*	*0.7%*	*0.0%*	*0.0%*	*0.1%*
Debt Amortization	1,374	1,373	1,371	1,369	5,487	16,411	16,165	15,922	15,683
Dividend to Minority Interests (Intervest)	551	551	552	552	2,206	5,158	3,824	4,175	4,254
Net Cash Flow	-	-	-	-	-	-	**(6,823)**	**(414)**	-
Starting Cash	12,779	12,779	12,779	12,779	12,779	12,779	12,779	5,956	5,542
Ending Cash	**12,779**	**12,779**	**12,779**	**12,779**	**12,779**	**12,779**	**5,956**	**5,542**	**5,542**

- The High Case, presented on the next page, assumes occupancy rates rise 15% through 2016 (to ~95%) and rents rise 2% annually through the projection period, and that capex moderates more than expected after 2015 to levels ~10% below historical trends
  - o In this case, NSI should be able to maintain its dividend and even grow the payout ratio (as a % of its Direct Investment Result, which is essentially operating cash flow less working capital changes, which are assumed to be non-material as they are unpredictable for a real estate company)
- In the High Case, the Company only generates €58MM of free cash flow through the end of 2014 (as most of the benefits of higher occupancy rates and rising rents accrue later), still leaving a ~€130MM gap to maturities excluding dividends

NSI Consolidated Cash Flow Projection - High Case									
(all figures in EUR 000s)	Month Ended,				4 months,	Year ended,			
	Sep-13	Oct-13	Nov-13	Dec-13	2013	2014	2015	2016	2017
Office	7,495	7,495	7,495	7,495	29,980	96,169	102,534	108,895	111,072
y/y growth	*n/a*	*n/a*	*n/a*	*n/a*	*n/a*	*+6.9%*	*+6.6%*	*+6.2%*	*+2.0%*
Retail	3,290	3,290	3,290	3,290	13,162	41,643	43,495	44,987	45,887
y/y growth	*n/a*	*n/a*	*n/a*	*n/a*	*n/a*	*+5.5%*	*+4.4%*	*+3.4%*	*+2.0%*
Industrial	2,133	2,133	2,133	2,133	8,533	27,273	28,957	29,866	30,483
y/y growth	*n/a*	*n/a*	*n/a*	*n/a*	*n/a*	*+6.5%*	*+6.2%*	*+3.2%*	*+2.0%*
Gross Rent	**12,919**	**12,919**	**12,919**	**12,919**	**51,674**	**165,085**	**174,986**	**183,767**	**187,442**
y/y growth	*n/a*	*n/a*	*n/a*	*n/a*	*n/a*	*+6.5%*	*+6.0%*	*+5.0%*	*+2.0%*
Rental Discounts	190	190	190	190	759	1,965	1,586	1,677	1,710
Rental Discounts	*1.5%*	*1.5%*	*1.5%*	*1.5%*	*1.5%*	*1.2%*	*0.9%*	*0.9%*	*0.9%*
OpEx	1,824	1,824	1,824	1,824	7,296	23,289	24,662	25,888	26,406
OpEx %	*14.1%*	*14.1%*	*14.1%*	*14.1%*	*14.1%*	*14.1%*	*14.1%*	*14.1%*	*14.1%*
Net Rental Income	**10,905**	**10,905**	**10,905**	**10,905**	**43,619**	**139,831**	**148,738**	**156,202**	**159,326**
SG&A	509	509	509	509	2,037	6,505	6,894	7,239	7,384
SG&A %	*3.9%*	*3.9%*	*3.9%*	*3.9%*	*3.9%*	*3.9%*	*3.9%*	*3.9%*	*3.9%*
Interest Expense	4,346	4,341	4,336	4,331	17,356	51,586	50,869	50,164	49,469
Pre-Tax Earnings	**6,049**	**6,054**	**6,059**	**6,064**	**24,227**	**81,740**	**90,975**	**98,800**	**102,474**
Income Tax Provision	91	91	91	91	363	1,226	1,365	1,482	1,537
Tax Rate %	*1.5%*	*1.5%*	*1.5%*	*1.5%*	*1.5%*	*1.5%*	*1.5%*	*1.5%*	*1.5%*
Direct Investment Result	**5,958**	**5,963**	**5,968**	**5,973**	**23,864**	**80,514**	**89,610**	**97,318**	**100,937**
Attributable to NSI Shareholders	*5,093*	*5,098*	*5,103*	*5,107*	*20,401*	*68,599*	*76,072*	*82,622*	*85,780*
Operating Cash Flow	**5,958**	**5,963**	**5,968**	**5,973**	**23,864**	**80,514**	**89,610**	**97,318**	**100,937**
Capital Expenditures	2,917	2,917	2,917	2,917	11,667	35,000	25,000	12,500	12,500
Free Cash Flow	**3,042**	**3,047**	**3,052**	**3,057**	**12,197**	**45,514**	**64,610**	**84,818**	**88,437**
Dividend Payment to NSI Shareholders	1,117	1,123	1,129	1,135	4,504	20,955	38,651	56,792	60,166
Dividend as % of NSI Direct Result	*21.9%*	*22.0%*	*22.1%*	*22.2%*	*22.1%*	*30.5%*	*30.8%*	*68.7%*	*70.1%*
Dividend Yield at Current Market Cap	*n/a*	*n/a*	*n/a*	*n/a*	*n/a*	*5.8%*	*10.6%*	*15.6%*	*16.6%*
Debt Amortization	1,374	1,373	1,371	1,369	5,487	16,411	16,165	15,922	15,683
Dividend to Minority Interests (Intervest)	551	551	552	552	2,206	8,148	9,794	12,104	12,587
Net Cash Flow	-	-	-	-	-	-	-	-	-
Starting Cash	12,779	12,779	12,779	12,779	12,779	12,779	12,779	12,779	12,779
Ending Cash	**12,779**	**12,779**	**12,779**	**12,779**	**12,779**	**12,779**	**12,779**	**12,779**	**12,779**

Sensitivity Analysis

- A 0.5% change in cap rates equates to a ~3% change in NSI's LTV and a ~5% change in NSI's asset value
- A 5% change in NSI's rental income equates to a ~2.5% change in LTV and a ~5% change in asset values

Sensitivity Analysis - LTV		Change in Rent				
		(10.0%)	(5.0%)	-	+5.0%	+10.0%
Change in Cap Rate	(1.5%)	54.2%	51.3%	48.8%	46.4%	44.3%
	(1.0%)	57.6%	54.6%	51.8%	49.4%	47.1%
	(0.5%)	61.0%	57.8%	54.9%	52.3%	49.9%
	-	64.4%	61.1%	58.0%	55.2%	52.7%
	+0.5%	67.9%	64.3%	61.1%	58.2%	55.5%
	+1.0%	71.3%	67.5%	64.2%	61.1%	58.3%
	+1.5%	74.7%	70.8%	67.2%	64.0%	61.1%

Sensitivity Analysis - Change in Asset Value		Change in Rent				
		(10.0%)	(5.0%)	-	+5.0%	+10.0%
Change in Cap Rate	(1.5%)	7.1%	13.0%	19.0%	24.9%	30.9%
	(1.0%)	0.7%	6.3%	11.9%	17.5%	23.1%
	(0.5%)	-5.0%	0.3%	5.6%	10.9%	16.2%
	-	-10.0%	-5.0%	0.0%	5.0%	10.0%
	+0.5%	-14.5%	-9.8%	-5.0%	-0.3%	4.5%
	+1.0%	-18.6%	-14.1%	-9.6%	-5.1%	-0.6%
	+1.5%	-22.4%	-18.1%	-13.7%	-9.4%	-5.1%

- In order to get below its target 55% LTV, assuming no change in cap rates, rental income or occupancy levels, NSI would have to raise ~€100MM of equity

Dutch Retail Portfolio

- Following the sale of a Swiss shopping centre in April 2013, all of NSI's retail assets are now located in the Netherlands
- The retail portfolio constitutes ~27% of NSI's total property portfolio (pro-forma for the Swiss mall sale)
  - o 45 properties with over 700 tenants
- The Company's Dutch retail strategy is focused on shopping centres with a strong district or regional function, and not high-street shops in prime city locations. Of NSI's 45 retail properties, approximately 2/3rds are outside the major cities of Amsterdam, Rotterdam, Utrecht and the The Hague ("G4 cities")
- The retail portfolio comprises three types of properties
  - o Medium scale urban shopping centres (5,000 – 7,500 sqm)
    - ~35-45% of portfolio value (estimated)
  - o Small-city district shopping centres (7,500 – 12,500 sqm)
    - ~40-50% of portfolio value (estimated)
  - o Large scale retail/shopping centres (20,000 sqm)
    - ~15% of portfolio value
    - These are located in more remote municipalities with average populations <100,000

Retail Portfolio Statistics
(In EUR 000s unless otherwise noted)

	Large Scale Retail	Retail	Total
Lettable Area (sqm)	90,499	208,024	298,523
Occupancy Rate	95.8%	91.4%	92.7%
Portfolio Market Value	88,385	480,682	569,067
Gross Rent at Current Occupancy	7,239	33,595	40,834
Gross Rent at 100% Occupancy	7,556	36,756	44,312
Implied Gross Yield	8.5%	7.6%	7.8%
Effective Rent / Sqm (EUR)	83	186	153

Source: Company filings. As at Dec. 31, 2012.

- NSI aims for a mix of 25% food retail (22% as of March 31), targeting daily shopping needs
- Four of NSI's top five tenants are supermarkets/food retailers (*see below*)
- Overall, NSI has a large and diverse retail tenant base, with only two tenants accounting for over 5% of retail rental income and no tenants over 10%

Top 10 Retail Tenants

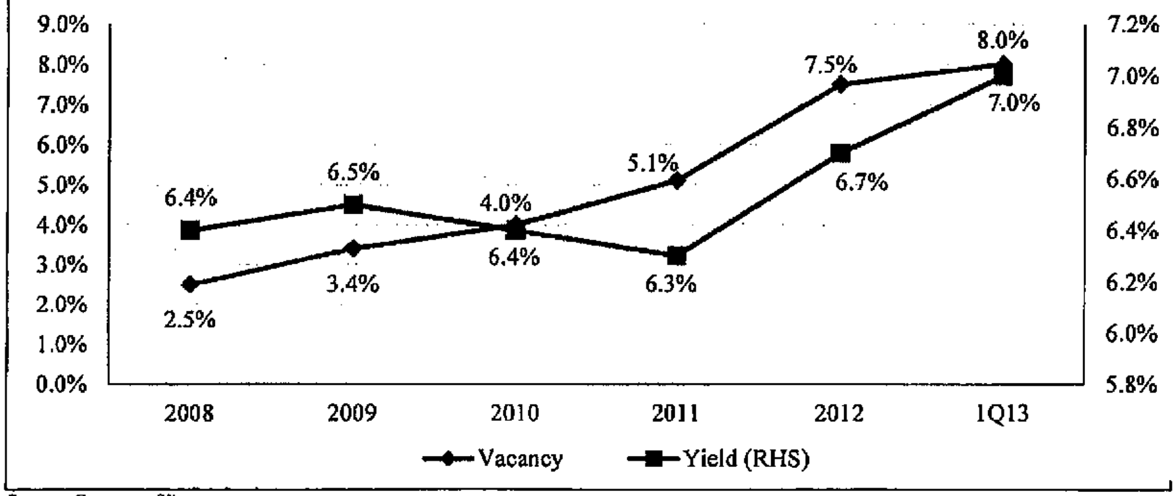
Name	Type	# of Locations	Ann. Rent (EUR MM)	% of Rental Income
Ahold Vastgoed	Supermarkets	11	2.9	6.9%
Eijerkamp	Furniture	n/a	2.1	5.1%
Lidl Nederland GmbH	Supermarkets	7	1.1	2.7%
Jumbo	Supermarkets	n/a	1.0	2.5%
Plus	Supermarkets	4	1.0	2.3%
Blokker	General Retail	n/a	0.9	2.3%
Mediamarkt Saturn	Consumer Electronics	n/a	0.9	2.3%
AS Watson	Health & Beauty Retail	n/a	0.9	2.3%
Detailconsult Groep	Supermarkets	n/a	0.8	1.9%
Action Nederland	General Retail	n/a	0.6	1.4%
Total Top 10			**12.2**	**29.7%**

Source: Company filings, Catalyst. As at Dec. 31, 2012.

- Since 2011, the Dutch retail portfolio has experienced a 60% increase in vacancy rates from 5.1% to 8.0% as the prolonged European recession and curtailed bank lending have weighed on consumer sentiment

- Decreasing occupancy has driven downward revaluations of the retail portfolio, driving net yields up 70bps from 6.3% in 2011 to 7.0% in 1Q13
  - o According to CBRE, Dutch prime shopping centre yields are ~5.75%, relatively unchanged since 2009

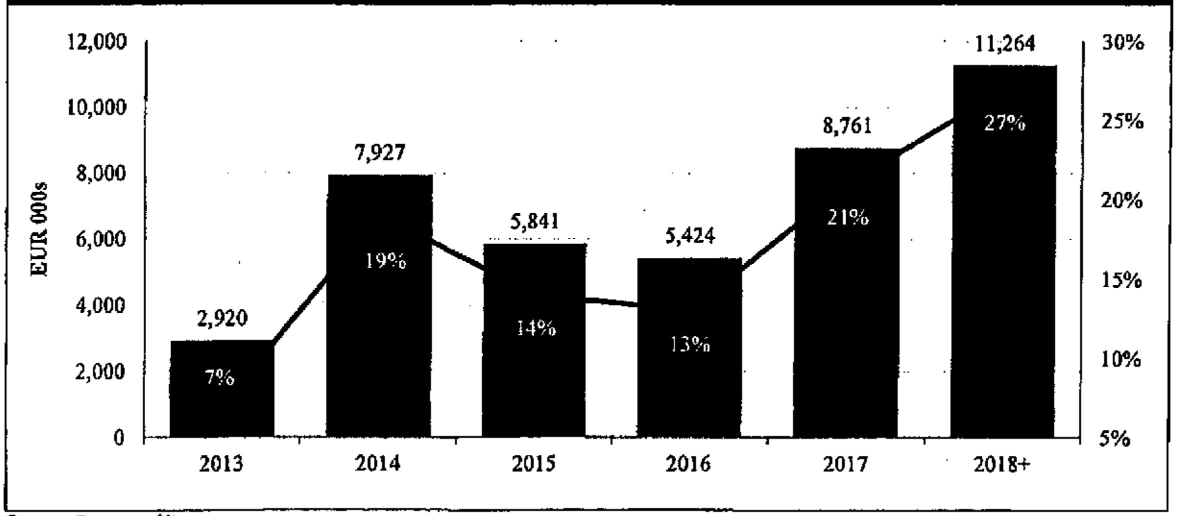
Retail Portfolio Vacancy Rate and Net Yield



Source: Company filings.

- As of March 31, 2013, the weighted average maturity of NSI's retail leases was 3.6 years
  - o ~26% of retail leases come due in the next 18 months
  - o ~47% of retail leases come due between 2015 and 2017
  - o ~27% of retail leases come due in 2018 or later
- Leases in the retail portfolio are generally signed for a period of 5 years with an additional option for a 5-year extension

NSI Retail Lease Expiration Calendar



Source: Company filings.

- Oversupply in the retail space is causing rents to come under pressure, although NSI claims it limits usage of rent-free periods and other incentives
- NSI's retail rents have steadily increased since the crisis, from an average of €140/sqm in 2009 to €152/sqm as of 1Q13; however, that marks a decline from the €153/sqm recorded at year-end 2011 and 2012
    - There is significant further downside risk: new leases are being entered into well below the average level, which primarily comprises leases signed in previous years
    - NSI does not report the average rent level for *new leases* in its retail portfolio; however, Catalyst estimates that the average rent for NSI's new/renewed leases in the quarter was approximately €140/sqm. This represents an 8.5% discount to the average effective lease across the retail portfolio as at year-end 2012
        - Estimate is based on NSI's statements that it had leased or renewed 19,357 sqm. of space in Q1 and retained approximately 242,044 sqm. (assumed to at the effective €153/sqm rate from year-end 2012)
- **Given the short-dated nature of its retail leases, NSI is highly exposed to re-letting risk in its retail portfolio**
    - As the table below demonstrates, should conditions in the retail market continue to deteriorate and not immediately recover, the Company could lose 10-15% of rental income from the portfolio based on lower new rents and higher vacancy rates
    - A 10-15% drop in rental income could cause an even greater decline in property value, as cap rates would also likely increase. Furthermore, given the highly levered balance sheet of NSI, this potential decline in asset values would put significant pressure on current equity values

Sensitivity Analysis - Change in Retail Rental Income

New Avg. Rent / sqm	Change in Occupancy Rates: (10%)	(5%)	-	+5%	+10%
130	-23.0%	-18.8%	-14.5%	-10.2%	-5.9%
135	-20.1%	-15.6%	-11.2%	-6.7%	-2.3%
140	-17.1%	-12.5%	-7.9%	-3.3%	1.3%
145	-14.1%	-9.4%	-4.6%	0.2%	4.9%
150	-11.2%	-6.3%	-1.3%	3.6%	8.6%
155	-8.2%	-3.1%	2.0%	7.1%	12.2%

Sensitivity Analysis - Change in Property Value

Change in Revenue Cap Rate	Change in Rental Income: (10%)	(5%)	-	+5%	+10%
+2.0%	-28.1%	-24.1%	-20.1%	-16.1%	-12.1%
+1.5%	-24.3%	-20.1%	-15.8%	-11.6%	-7.4%
+1.0%	-20.0%	-15.6%	-11.2%	-6.7%	-2.3%
+0.5%	-15.3%	-10.6%	-5.9%	-1.2%	3.5%
-	-10.0%	-5.0%	0.0%	5.0%	10.0%
(0.5%)	-4.0%	1.4%	6.7%	12.0%	17.4%

- The outlook for the Dutch retail market is in fact muted, as high unemployment and declining GDP are likely to continue to weigh on retailers — particularly outside of the high-street sector in the G4 cities
- NSI's focus on food retail will provide some stability as the supermarket sector continues to grow, defying non-food retail trends
    - Overall retail sales declined nearly 4% in the Netherlands last year, with the non-food sector falling 7%
    - Supermarket sales were 2% higher in 2012 year-on-year

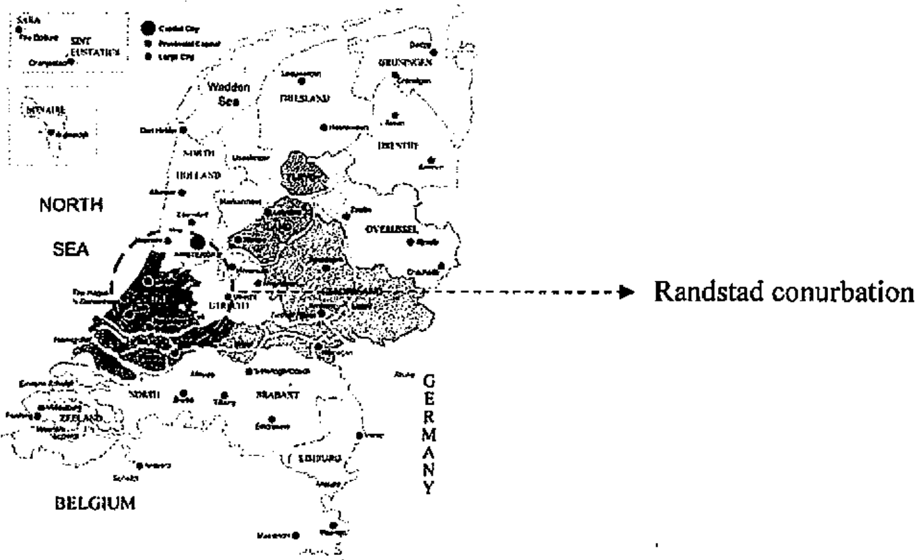
Dutch Office Portfolio

- The Dutch office portfolio constitutes ~38% of NSI's total property portfolio

Dutch Office Statistics	
(in EUR 000s unless otherwise noted)	
Lettable Area (sqm)	622,646
Occupancy Rate	71.3%
Portfolio Market Value	813,160
Gross Rent at Current Occupancy	62,142
Gross Rent at 100% Occupancy	87,155
Implied Gross Yield	10.7%
Effective Rent / Sqm (EUR)	148

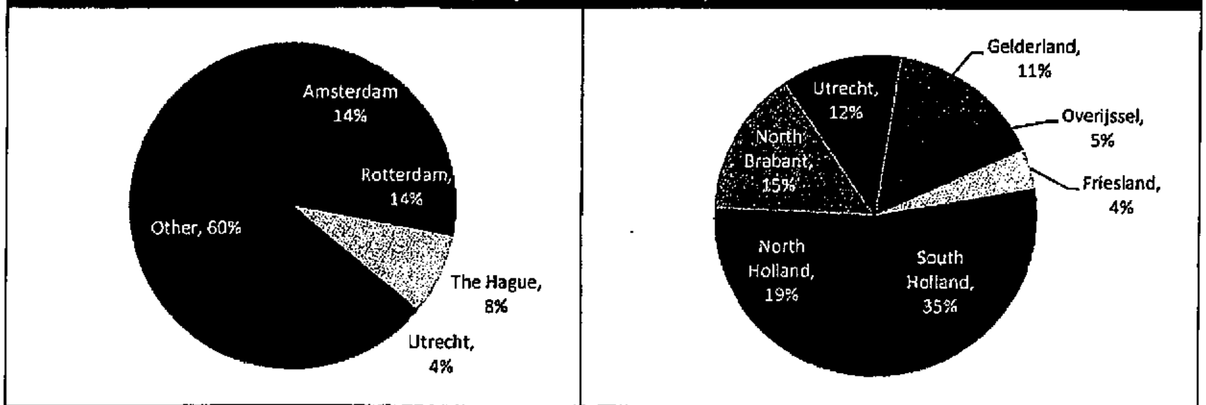
Source: Company filings. As at Dec. 31, 2012.

- Properties are concentrated in the Randstad conurbation, comprising Amsterdam, Rotterdam, The Hague and Utrecht, which has a total population of 7,100,000



- Office locations in the major cities are typically located just outside the central business district ("CBD"), while in smaller cities NSI offices are primarily located in the CBD

Dutch Office Location Breakdown (City and Province)



Source: Company filings.

- NSI has a large and diverse tenant base in its Dutch offices, with over 400 tenants in 153 locations
- Four of the top 10 tenants are government agencies (national and municipal)
- Only one tenant accounts for more than 5% of office rental income, and no tenants account for more than 10%

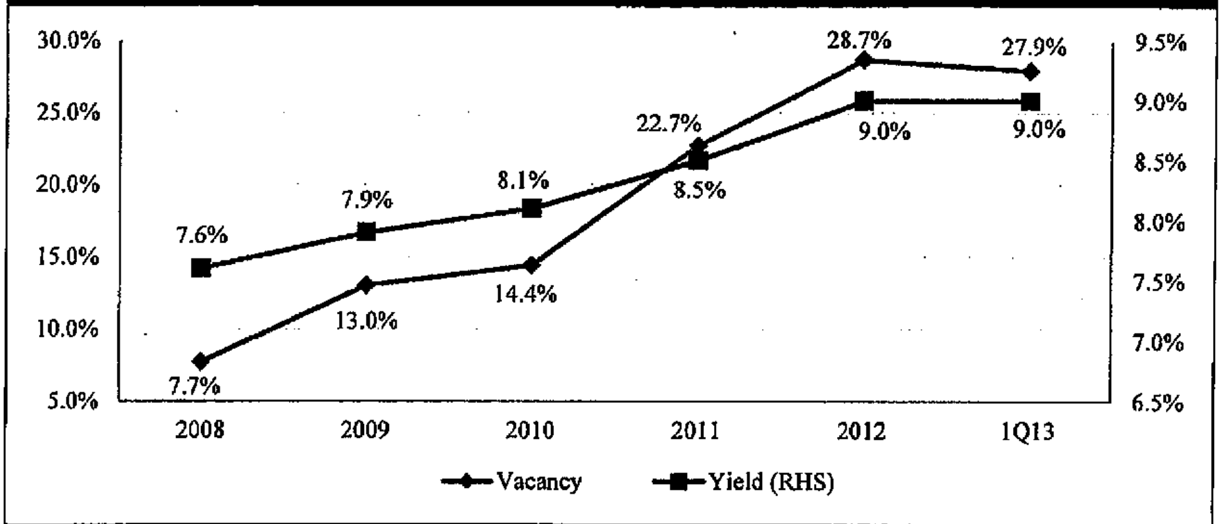
Top 10 Dutch Office Tenants

Name	Type	Ann. Rent (EUR MM)	% of Rental Income
Dutch Government Buildings Agency	National Government	3.8	6.2%
Stichting de Thuiszorg Icare	Healthcare	2.2	3.6%
ProRail BV	National Government	2.0	3.2%
Imtech	Technical Services	1.1	1.7%
RDW	National Government	1.0	1.6%
Gemeente Heerlen	Municipal Government	1.0	1.6%
Stichting RO v.A.	n/a	0.8	1.4%
Ziggo BV	Media	0.8	1.2%
Hewitt Associates	Consulting	0.7	1.2%
Oranjewoud Beheer BV	Engineering	0.7	1.2%
Total Top 10		**14.1**	**22.9%**

Source: Company filings, Catalyst. As at Dec. 31, 2012.

- Vacancies in the Dutch office portfolio have nearly quadrupled since 2008, from 7.7% to 27.9%. The Dutch office market has been among the most negatively impacted in all of Europe through the crisis due to highly unfavourable supply/demand dynamics
- For example, at year-end 2012 in Amsterdam, there were approximately 1,500,000 square metres of available office space with only 200,000 square metres let
  - Vacancy rates were 25% or higher for certain districts
  - Market conditions were largely the same in NSI's other key markets of Rotterdam, Utrecht and The Hague
- Decreasing occupancy has caused large downward revaluations of the office portfolio — over €230MM — driving net yield up 140bps from 7.6% in 2008 to 9.0% in 1Q13

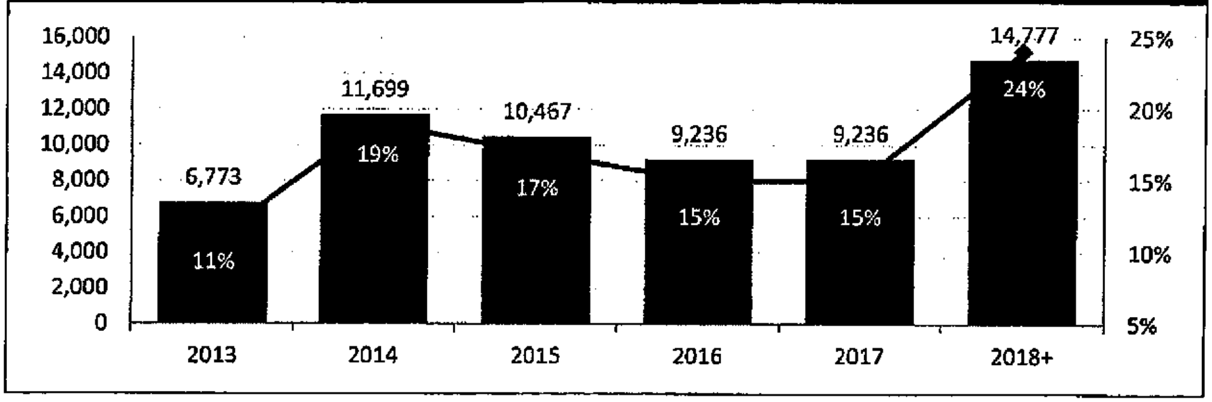
Dutch Office Portfolio Vacancy Rate and Net Yield



Source: Company filings, Catalyst estimates.

- As of March 31, 2013, the weighted average maturity of the Company's Dutch office leases was 3.8 years
  - ~30% of office leases come due in the next 18 months
  - ~46% of office leases come due between 2015 and 2017
  - ~24% of office leases come due in 2018 or later

NSI Dutch Office Lease Expiration Calendar



Source: Company filings.

- Structural factors, such as persistent high unemployment and lower floor space use per employee, are likely to continue to weigh on the Dutch office portfolio. Moreover, NSI's non-prime assets may be among the slowest to recover, and could continue to fall in value
- NSI's overall office rents have been mostly steady through the crisis, declining slightly from an average of €149/sqm in 2009 to €146/sqm in Q1 2013
  - More troubling is the average rent for new office leases NSI is reporting: €120/sqm at year-end 2012 and €104/sqm in Q1 2013. These represent ~20% and ~30% declines, respectively, from the Company's average effective rent in the portfolio
- As in its retail portfolio, NSI **bears substantial re-letting risk in its offices**. It would take less than four years to turn over the entire office lease base, meaning that unless conditions improve, NSI could experience a 30-40% fall in office rental income, assuming no deterioration in occupancy rates
  - Even a 5-10% increase in occupancy rates would still likely result in reduced rental income with little or no recovery in new lease rates, and further declines in property values. Furthermore, given the highly levered balance sheet of NSI, this potential decline in asset values would put significant pressure on current equity values

Sensitivity Analysis - Change in Office Rental Income

New Avg. Rent / sqm	Change in Occupancy Rates: (10%)	(5%)	-	+5%	+10%
100	-38%	-35%	-32%	-28%	-25%
110	-32%	-28%	-25%	-21%	-17%
120	-26%	-22%	-18%	-14%	-10%
130	-20%	-15%	-11%	-7%	-2%
140	-14%	-9%	-4%	1%	5%
150	-8%	-2%	3%	8%	13%

Sensitivity Analysis - Change in Property Value

Change in Revenue Cap Rate	Change in Rental Income: (10%)	(5%)	-	+5%	+10%
+2.0%	-23.9%	-19.7%	-15.5%	-11.3%	-7.0%
+1.5%	-20.9%	-16.5%	-12.1%	-7.7%	-3.3%
+1.0%	-17.5%	-13.0%	-8.4%	-3.8%	0.8%
+0.5%	-13.9%	-9.2%	-4.4%	0.4%	5.2%
-	-10.0%	-5.0%	0.0%	5.0%	10.0%
(0.5%)	-5.7%	-0.4%	4.8%	10.0%	15.3%

- NSI is currently attempting to improve occupancy rates and protect rental revenue through office redevelopment plans. The office redevelopment plans include transforming ~15% of the office entire portfolio to its new letting concept to increase occupancy, called "HNK" ("Het Nieuwe Kantoor" = "The New Office")
    - o Targeting under-utilized office spaces that are difficult to rent out in traditional leases
    - o HNK is meant to address growing demand for full-service and flexible leasing in the Dutch market, as well as the changing needs of tenants due to shifts in the ways employees are working (e.g. more flex time, more telecommuting, etc...)
- The HNK concept appears to be a more modular approach which provides custom office space that can accommodate any type of user
    - o Differentiated pricing schedule based on term, floor area, and range of services provided
- NSI believes that by increasing the lettability of the building, both total rent and return increase. Moreover, tenant and re-letting risk is spread better across the portfolio due to the modular usage and consequent multi-tenant character
    - o HNK was premiered in the Vasteland office building in Rotterdam, an 18,000 sqm. complex of which 6,000 sqm. (33%) was redeveloped for a total cost of €2.8 million
    - o Renovations were completed in October 2012 and only the 30% of the building which was redeveloped has been let. The renovation's success may have been limited to that portion of the property but appears to have failed in attracting more tenants
- The Company is next rolling out the concept to two vacant assets in Utrecht and Hoofddorp (total investment of €2.5 million), but otherwise has not given any specifics as to which buildings or geographies will be targeted

Intervest Offices & Warehouses (Belgium Portfolio)

- Through its ~55% interest in publicly traded Intervest Offices & Warehouses ("Intervest"), assumed through its merger with VNOI, NSI also owns a portfolio of office and logistics properties in Belgium
- The Belgian assets comprise ~29% of NSI's property value and are weighted approximately 60% offices and 40% logistics by market value

Intervest Portfolio Breakdown

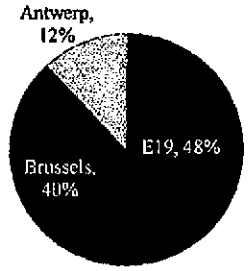
all figures in EUR 000s unless otherwise noted

Regions	Office Space (sqm)	Storage and Other (sqm)	Total (sqm)	Fair Value	Gross Rent at Current Occupancy	Gross Rent at Full Occupancy	Implied Gross Yield	Gross Rent / sqm (€)	Occupancy Rate
Offices									
Brussels	84,388	2,482	86,870	140,937	12,012	13,565	9.6%	156.2	89%
E19 (incl. Malines)	104,281	11,516	115,797	169,356	12,313	15,905	9.4%	137.4	77%
Antwerp	27,289	1,153	28,442	41,561	4,019	4,074	9.8%	143.2	99%
Total Office	**215,958**	**15,151**	**231,109**	**351,854**	**28,344**	**33,544**	**9.5%**	**145.1**	**85%**
Logistics									
Antwerp - Malines	6,670	160,462	167,132	93,366	6,434	8,147	8.7%	48.7	79%
Antwerp - Liege	11,817	161,749	173,566	105,430	8,185	8,326	7.9%	48.0	98%
Brussels	6,649	35,852	42,501	30,630	2,396	2,657	8.7%	62.5	90%
Total Logistics	**25,136**	**358,063**	**383,199**	**229,426**	**17,015**	**19,130**	**8.3%**	**49.9**	**89%**
Total	**241,094**	**373,214**	**614,308**	**581,280**	**45,359**	**52,674**	**9.1%**	**85.7**	**86%**

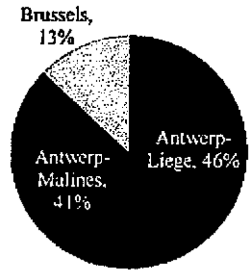
Source: Company filings. As at December 31, 2013.

- All of Intervest's office locations are located on the Brussels-Antwerp axis, which is the most important and most liquid office region in Belgium
  - o The Brussels and Antwerp properties are on their respective cities' periphery
  - o The E19 European highway between Brussels and Antwerp which includes the smaller city of Malines (also known as Mechelen)
- 87% of logistics properties are located on the A12 and E19 highways between Brussels and Antwerp, and also on the E313, E34 and E314 highways between Antwerp and Liege (closer to Antwerp) — these are the two most important logistics axes in Belgium

Geographic Spread of Office Properties



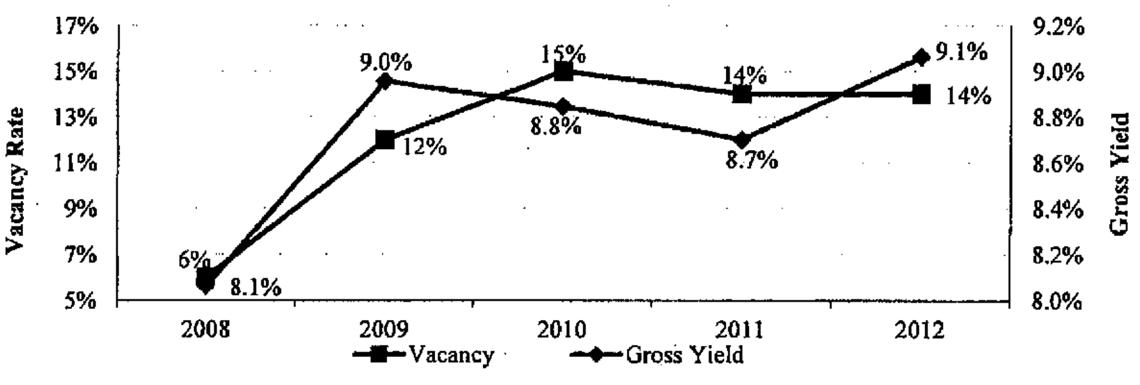
Geographic Spread of Industrial Properties



Source: Company filings.

- Overall, the Belgian office portfolio has followed a similar trajectory to the Netherlands portfolio, albeit to a lesser degree
  - o Since 2009, Intervest's office vacancies have risen from 10% to 15%, with gross yields going from 8.7% to 9.5%
  - o Over the same period, its logistics vacancies fell from 17% to 11% (though they were only 2% in 2008), and yields have moderately declined from 8.5% to 8.3%
- Vacancy rates in the broader Brussels office market average ~10%, though they are as high as 20% in the periphery (where Intervest's properties are located). The spread between Class A office buildings in prime locations, and Class B and C properties in secondary locations, remains wide
  - o Given their locations, Intervest's properties are likely all Class B/C properties; however, further detail has not been publicly provided and needs to be further investigated

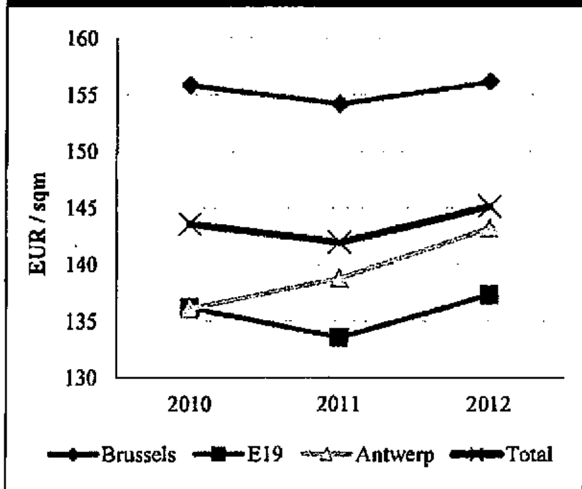
Intervest Gross Yield and Vacancy Development



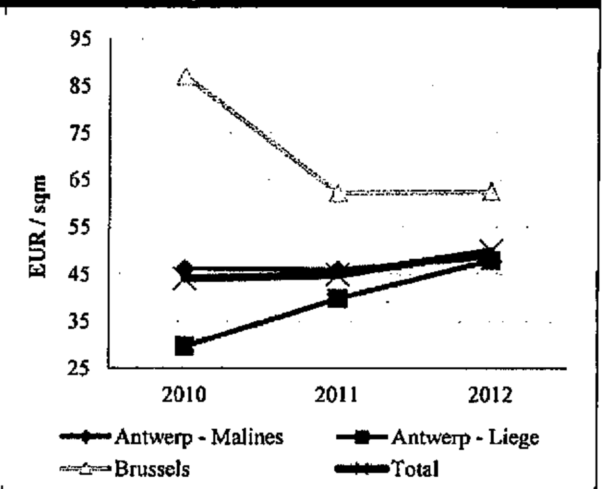
Source: Company filings.

- Office rents generally ticked higher in 2012 but supply/demand dynamics remain a headwind. There are notable regional differences:
  - o Activity in the Brussels office market rebounded after a very weak 2011 and Q1 2012, although overall take-up was ~15% below the 10-year average. A large factor was the lack of large transactions, with none from the public sector and only one from the corporate sector
    - Moreover, the Brussels periphery, where 40% of Intervest's office properties are located, has a large oversupply of office stock, driving aforementioned vacancy rates and yields higher
    - Obsolete/uneconomical office buildings are gradually being repurposed/converted or demolished; however, the office market remains largely a "renter's market", particularly on the periphery
  - o On the other hand, Malines/E-19 region, where 48% of Intervest's office properties are located, experienced the highest take-up of office space since 2001
    - Intervest's occupancy rate in the region is only 77% due to growing vacancy of its Mechelen Campus building, the company's largest single property at 60,768 sqm; however, this also presents an opportunity for redevelopment
  - o Take-up in the Antwerp market, which accounts for the 12% balance of Intervest's office properties, was above its 10-year average
- The Belgian economy contracted 0.2% in 2012, compared to 1.8% growth in 2011. Expectations are for imports and exports to grow in 2013 which will help support the logistics sector
  - o Rents in the logistics and semi-industrial sector have been stable overall, and the market for logistics properties is less structurally challenged from a supply perspective than the office market
  - o Note that in 2010, there was a high proportion of office space in the Brussels logistics portfolio which skewed average rent in that geography higher — the effective decline in Brussels industrial rent is less pronounced than in the chart below

Historical Office Rent / sqm



Historical Logistics Rent / sqm



Source: Company filings, Catalyst.

- Intervest has approximately 180 tenants in total and its tenant risk is more concentrated than in NSI's retail or office portfolio
  - PwC and Deloitte each accounts for 8% of Intervest's total rental income, while the top 3 tenants comprise 22% of total rental income, or 37% of office rental income

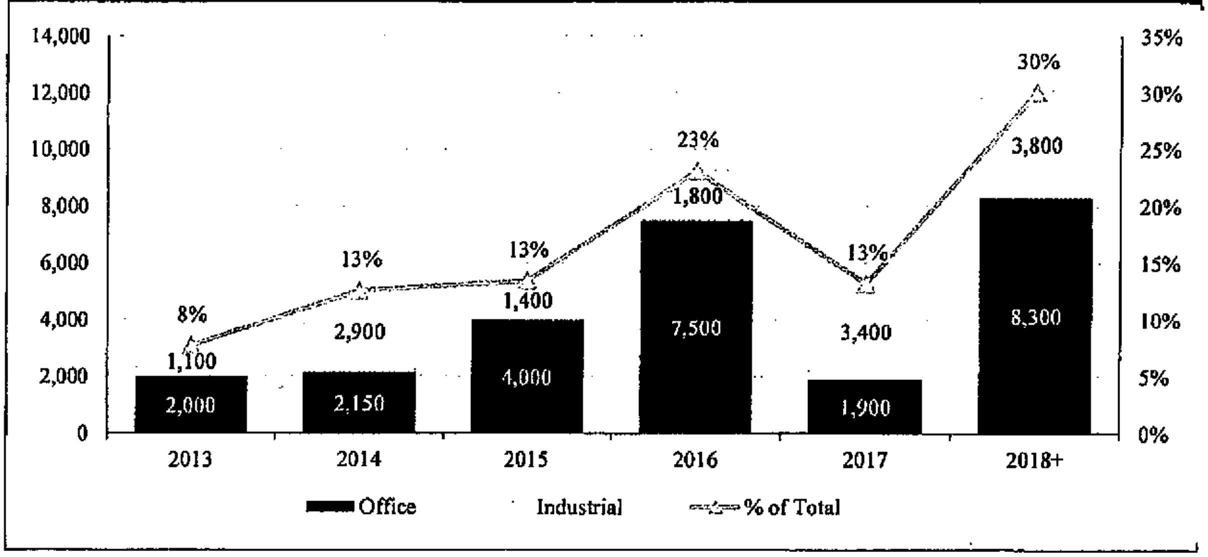
Top Intervest Tenants

Name	Type	Portfolio	Ann. Rent (EUR MM)	% of Rental Income
PricewaterhouseCoopers	Accounting	Office	3.6	8.0%
Deloitte	Accounting	Office	3.6	8.0%
Hewlett-Packard Belgium (EDS Belgium)	Technology	Office	2.7	6.0%
Nike Europe	Apparel	Industrial	2.3	5.0%
Fiege	Logistics	Industrial	2.3	5.0%
Uti Belgium	Logistics	Industrial	1.4	3.0%
PGZ Retail Concept	Consumer Products	Industrial	1.4	3.0%
Pharma Logistics	Logistics	Industrial	1.4	3.0%
Ceva Logistics	Logistics	Industrial	1.4	3.0%
Neovia Logistics	Logistics	Industrial	1.4	3.0%
Total			**21.4**	**47.0%**

Source: Company filings, Catalyst. As at Dec. 31, 2012.

- Catalyst estimates that as of March 31, 2013, the weighted average maturity of the Intervest leases was approximately 4.2 years
  - ~21% of leases come due in the next 18 months
  - ~49% of leases come due between 2015 and 2017
  - ~30% of leases come due in 2018 or later

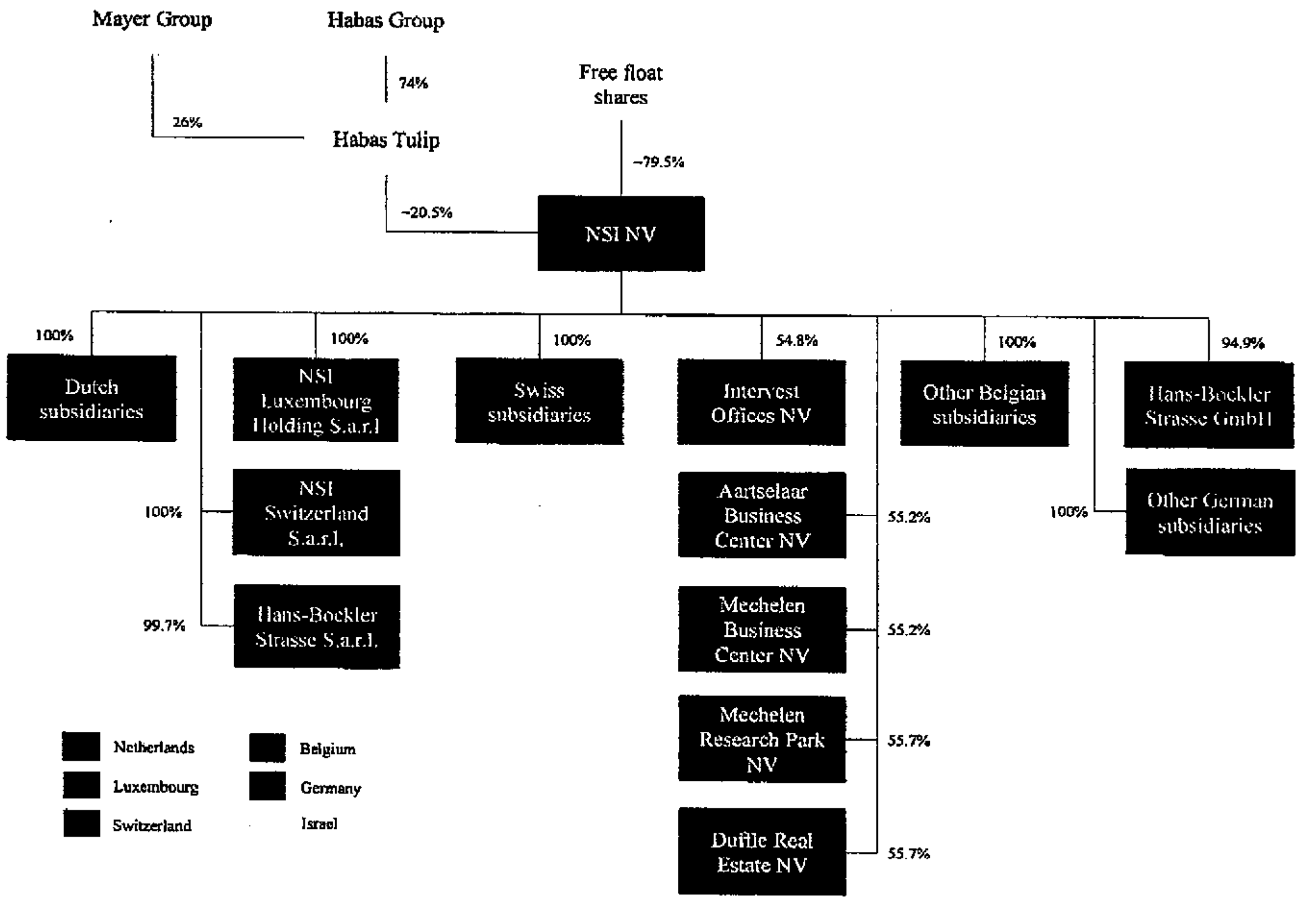
Intervest Lease Expiration Calendar



Source: Company filings, Catalyst estimates.

5. Corporate Structure

- A simplified corporate structure for NSI is shown below
- It is unclear which assets are held by which entities, and which entities are debtors; however, it appears that each subsidiary holds multiple properties



6. Operating Results and Capitalization Table

- Recent operating results, capitalization and credit statistics are tabled below in Tables 1-3.

Operating Summary (EUR 000s)	Notes	31-Dec-10	31-Dec-11	31-Dec-12	LTM 31-Mar-13	3 Months Ending 30-Jun-12	30-Sep-12	31-Dec-12	31-Mar-13
Gross Rental Income		$103,170	$119,964	$160,545	$156,121	$39,850	$38,879	$40,317	$37,075
Service Costs Recharged to Tenants		$12,726	$13,594	$23,009	$23,058	$4,994	$6,373	$5,958	$5,733
Service Costs Not Recharged to Tentants		($14,464)	($16,315)	($27,763)	($27,466)	($6,069)	($7,399)	($7,099)	($6,869)
Operating Costs		($12,747)	($15,716)	($18,457)	($17,766)	($4,323)	($4,312)	($4,884)	($4,247)
Net Rental Income		**$88,685**	**$101,497**	**$137,334**	**$133,947**	**$34,422**	**$33,541**	**$34,292**	**$31,692**
Revaluation of Investments		($24,761)	($37,753)	($142,868)	($158,358)	($33,584)	($37,818)	($44,592)	($42,364)
Revaluation of Assets Held for Sale		-	-	($3,211)	($3,211)	-	-	($3,211)	-
Net Result on Sales of Investments		($247)	$835	($7,870)	($7,509)	($7,801)	$47	($116)	$361
Total Net Proceeds from Investments		**$63,677**	**$64,579**	**($16,615)**	**($35,131)**	**($6,963)**	**($4,230)**	**($13,627)**	**($10,311)**
Selling, General & Administrative		($5,932)	($13,913)	($9,023)	($8,787)	($1,917)	($1,966)	($2,743)	($2,161)
Net Interest Expense		($33,742)	($39,775)	($55,973)	($55,322)	($13,355)	($13,664)	($14,452)	($13,851)
Capital Expenditures (Investments in Existing Property)		($4,846)	($14,994)	($22,234)	($22,815)	($11,216)	($172)	($8,947)	($2,480)
Net Income (Loss)		$25,084	$43,279	($99,726)	($103,956)	($27,221)	($28,194)	($30,545)	($17,996)
Cash from Operations		$49,244	$45,453	$63,392	$68,925	$18,902	$6,051	$24,869	$19,103
Cash from Investing		($72,540)	($31,179)	$92,080	$83,854	$63,594	($4,033)	$525	$23,768
Maintenance CapEx		*($4,846)*	*($14,994)*	*($22,234)*	*($22,837)*	*($7,418)*	*($3,970)*	*($8,947)*	*($2,502)*
Growth CapEx		*($67,166)*	*($9,333)*	*($7,966)*	*($7,966)*	*($7,966)*	-	-	-
Proceeds of Sale of Real Estate Investments		*$11,032*	*$5,363*	*$93,041*	*$115,485*	*$79,233*	*$49*	*$9,754*	*$26,449*
Net Investment in Tangible Fixed Assets		*($808)*	*($258)*	*($454)*	*($521)*	*($144)*	*($57)*	*($141)*	*($179)*
Cash from Financing		$4,811	($41,350)	($135,423)	($147,685)	($50,862)	($32,193)	($17,150)	($47,480)
Dividends		*($52,659)*	*($57,073)*	*($43,861)*	*($43,869)*	*($25,340)*	*($10,372)*	*($8,149)*	*($8)*
Debt Drawdown / (Repayment)		*$3,651*	*$16,408*	*($114,419)*	*($127,175)*	*($49,820)*	*($21,803)*	*($8,080)*	*($47,472)*
Share Issuance		*$53,819*	-	*$24,348*	*$24,850*	*$24,850*	-	-	

Balance Sheet (EUR 000s)	Notes	31-Dec-10	31-Dec-11	31-Dec-12	LTM 31-Mar-13	30-Jun-12	30-Sep-12	31-Dec-12	31-Mar-13
Assets									
Non-Current									
Real Estate Investments		$1,360,689	$2,321,813	$2,036,114	$1,981,787	$2,152,289	$2,117,210	$2,036,114	$1,981,787
Intangible Assets		$8,505	$8,509	$8,486	$8,477	$8,495	$8,486	$8,486	$8,477
Tangible Fixed Assets		$3,409	$3,890	$3,750	$3,788	$3,928	$3,836	$3,750	$3,788
Financial Derivatives		$471	-	$666	$388	-	-	$666	$388
Current									
Assets Held for Sale		-	-	$69,977	$57,959	$36,527	$37,544	$69,977	$57,959
Other Investments		$11,835	-	-	-	-	-	-	-
Accounts Receivable		$2,305	$13,957	$21,915	$22,933	$22,885	$21,554	$21,915	$22,933
Cash		$2,885	$4,399	$7,007	$5,279	$27,131	$7,601	$7,007	$5,279
Total Assets		**$1,390,099**	**$2,352,568**	**$2,147,915**	**$2,080,611**	**$2,251,255**	**$2,196,231**	**$2,147,915**	**$2,080,611**
Liabilities									
Non-Current Liabilities									
Interest-Bearing Loans		$669,498	$1,122,648	$961,046	$797,399	$730,832	$847,931	$961,046	$797,399
Financial Derivatives		$28,455	$62,297	$80,787	$72,127	$72,854	$81,133	$80,787	$72,127
Deferred Tax Liabilities		$929	$1,678	$164	$162	$635	$670	$164	$162
Total Non-Current Liabilities		**$698,882**	**$1,186,623**	**$1,041,997**	**$869,688**	**$804,321**	**$929,734**	**$1,041,997**	**$869,688**
Current Liabilities									
Current Portion of Long Term Debt		$44,109	$137,189	$186,273	$302,115	$445,743	$306,644	$186,273	$302,115
Financial Derivatives		$268	$96	-	-	$432	$436	-	-
Debts to Credit Institutions (Revolver)		$45,300	$73,727	$86,119	$88,984	$84,292	$94,992	$86,119	$88,984
Accounts Payable and Deferred Income		$19,914	$45,313	$43,738	$48,045	$49,347	$35,850	$43,738	$48,045
Total Current Liabilities		**$109,591**	**$256,325**	**$316,130**	**$439,144**	**$579,814**	**$437,922**	**$316,130**	**$439,144**
Total Liabilities		**$808,473**	**$1,442,948**	**$1,358,127**	**$1,308,832**	**$1,384,135**	**$1,367,656**	**$1,358,127**	**$1,308,832**
Total Debt		**$758,907**	**$1,333,564**	**$1,233,438**	**$1,188,498**	**$1,260,867**	**$1,249,567**	**$1,233,438**	**$1,188,498**
Shareholder's Equity		**$581,626**	**$909,620**	**$789,788**	**$771,779**	**$867,120**	**$828,575**	**$789,788**	**$771,779**

Credit Statistics (EUR 000s)	Notes	31-Dec-10	31-Dec-11	31-Dec-12	LTM 31-Mar-13	3 Months Ending 30-Jun-12	30-Sep-12	31-Dec-12	31-Mar-13
Rental Growth		NA	16.3%	33.8%	NA	(4.0%)	(2.4%)	3.7%	(8.0%)
Net Rental Income / Gross Rental Income		86.0%	84.6%	85.5%	85.8%	86.4%	86.3%	85.1%	85.5%
SG&A / Gross Rental Income		5.7%	11.6%	5.6%	5.6%	4.8%	5.1%	6.8%	5.8%
Occupancy Rate		90.0%	84.1%	81.1%	81.3%	81.8%	80.5%	81.1%	81.3%
Gross Rental Yield	1	8.4%	9.0%	9.4%	9.4%	NA	NA	NA	NA
Net Rental Yield (Cap Rate)	2	7.2%	7.6%	8.0%	8.1%	NA	NA	NA	NA
Interest Expense / Gross Rental Income		32.7%	33.2%	34.9%	35.4%	33.5%	35.1%	35.8%	37.4%
Debt / Capital		56.6%	59.4%	61.0%	60.6%	59.3%	60.1%	61.0%	60.6%
Debt / Equity		1.30x	1.47x	1.56x	1.54x	1.45x	1.51x	1.56x	1.54x
Loan-to-Value		54.7%	57.2%	58.2%	58.0%	56.4%	57.6%	58.2%	58.0%
Direct Investment Result (Pre-Tax)	3	$49,011	$47,809	$72,338	$69,838	$19,150	$17,911	$17,097	$15,680
Unlevered Free Cash Flow		$78,140	$70,234	$97,131	$101,432	$21,041	$19,543	$30,374	$30,474
Levered Free Cash Flow		$44,398	$30,459	$41,158	$46,110	$7,686	$5,879	$15,922	$16,623

Note:
[1] Gross Rent / Market Value. Note that 2011 figure is adjusted for NSI/VNOI merger.
[2] Net Rent / Market Value. This is essentially the Cap Rate. Note that 2011 figure is adjusted for NSI/VNOI merger.
[3] Direct Investment Result defined as Net Rental Income less SG&A and Interest Expense.

7. Waterfall Analysis

- The analysis below sensitizes Dutch and Belgian property values around NSI's average revenue cap rate for each of those property types in its portfolio (*see footnote 1)*
  - o The downside case assumes a 2% increase in cap rates, while the upside case assumes a 1% decrease in cap rates
- Netherlands debt is assumed to be first-lien on the commercial properties, with the Dutch working capital facility having a lien on the residual value and residential units
- The Swiss assets and Dutch residential units, held for sale, are sensitized around book value
- **Catalyst requires more information on NSI's corporate structure and has made simplifying assumptions**

Netherlands	Low	Mid	High
	+2% Cap Rate	Cap Rate[1]	-1% Cap Rate
Offices	655,165	775,143	853,271
Retail	434,930	544,139	622,263
Industrial	78,033	92,711	102,335
Total Netherlands Asset Value	1,168,129	1,411,993	1,577,869
First Lien Mortgage Debt[2]	805,968	805,968	805,968
1st Lien Loan-to-Value	*69%*	*57%*	*51%*
First Lien Mortgage Recovery	*100%*	*100%*	*100%*
Commercial Property Residual Value	362,161	606,025	771,901
	-10%	Book Value	+10%
Residential Units Value	3,816	4,240	4,664
Residual for Working Capital Facility	365,977	610,265	776,565
Working Capital Facility[3]	70,288	70,288	70,288
Total Netherlands Loan-to-Value (incl. Mortgages)	*75%*	*62%*	*56%*
Working Capital Facility Recovery	*100%*	*100%*	*100%*
NE Residual Equity Value	295,688	539,977	706,277

Switzerland	Low	Mid	High
	-10%	Book Value	+10%
Fribourg Office (Held for Sale)[4]	7,090	7,878	8,666
Zug Shopping Centre (SOLD)[5]	26,667	26,667	26,667
Total Switzerland	33,757	34,545	35,333
First Lien Mortgage Debt[2]	25,781	25,781	25,781
1st Lien Loan-to-Value	*76%*	*75%*	*73%*
First Lien Mortgage Recovery	*100%*	*100%*	*100%*
CH Residual Equity Value	7,976	8,764	9,552

Intervest Offices & Warehouses Stake[6]	Low	Mid	High
	+2% Cap Rate	Cap Rate[1]	-1% Cap Rate
Offices	290,840	351,854	393,086
Industrial	185,042	229,426	260,691
Belgium Properties	475,882	581,280	653,777
Other Intervest Assets	-35%	-20%	Book Value
Cash	328	404	505
Receivables	3,119	3,838	4,798
Income Taxes Receivable	2,090	2,572	3,215
Intervest Liabilities	314,763	314,763	314,763
BEL Residual Equity Value	166,655	273,331	347,532
Attributable to NSI	*91,327*	*149,786*	*190,447*
Minority Interest	*75,328*	*123,546*	*157,084*

(1) Mid case cap rate based on current levels of 10.9% / 8.0% / 10.6% for Dutch offices / retail / industrial, and 9.5% / 8.3% for Belgium offices / industrial.
(2) Source: 5/30/2013 investor presentation.
(3) Total of €86MM drawn on €102.2MM of Dutch and Belgian WC facilities. Draw allocated proportionally on each portion.
(4) Switzerland assets as at 12/31/2012 less Zug sale and Q1 2013 revaluation.
(5) Represents CHF32MM at 1.2 EUR/CHF.
(6) NSI's Belgium portfolio is held through a 54.8% interest in Intervest Offices & Warehouses.

- As seen below, stakeholders would receive the following recoveries:
  - Creditors would recover 100%
  - Shareholder returns would range from -22.1% to +115.1%

Unsecured Pool Recovery	Low	Mid	High
Netherlands Residual Value	*295,688*	*539,977*	*706,277*
Switzerland Residual Value	*7,976*	*8,764*	*9,552*
Belgium Residual Value	*166,655*	*273,331*	*347,532*
Residual Property Equity Value	470,320	822,072	1,063,361
NSI Current Assets			
Cash	5,279	5,279	5,279
Accounts Receivable(1)	14,906	19,493	22,933
NSI Current Liabilities			
Accounts Payable and Deferred Income	48,045	48,045	48,045
Net Working Capital	(27,860)	(23,273)	(19,833)
Less:			
Derivative Liability	72,127	72,127	72,127
Minority Interest(2)	75,328	123,546	157,084
Remaining Value for Shareholders	295,005	603,127	814,316
Shares Outstanding	68,202	68,202	68,202
Implied Price per Share	€ 4.33	€ 8.84	€ 11.94
% Premium / (Discount) to Current Price	*(22.1%)*	*+59.3%*	*+115.1%*
% Premium / (Discount) to Book Value	*(54.3%)*	*(6.6%)*	*+26.1%*

(1) High/Mid/Low represents Book Value, 85% and 65% of Book Value.
(2) Represents 45.2% interest in Intervest Offices & Warehouses not held by NSI.

8. Capital Structure Summary

- There is little detail available on the composition of NSI's capital structure beyond the amounts outstanding
- NSI's capital structure comprises credit facilities secured against its properties, revolving facilities and an unsecured retail bond issued by Intervest Offices & Warehouses in Belgium
  - o Mortgage loan facilities
    - €1.02B outstanding, ~90% secured by properties
    - In its 2010 Annual Report, NSI stated it consolidated over 30+ loans and mortgages into 7 "umbrella" facilities
    - Known lenders:
      - ING and Banque LBLux: €225MM due 2015
      - Deutsche Bank: €121MM due 2015/2016
      - ABN Amro: €122MM due 2016
      - ING, Rabobank, ABN Amro, Belfius and Banque LBLux: €260MM due 2017
  - o Working capital facilities
    - Total facility of €101.2MM (€80MM in Netherlands and €21.2MM in Belgium)
    - €89MM drawn / €12MM available
  - o Retail bonds
    - Issuer: Intervest Offices NV (Belgium entity)
    - Amount: €75MM
    - Coupon: 5.10%
    - Maturity: June 29, 2015
    - Rank: Unsecured
- The capitalization table below is based on NSI's public disclosures and is likely incomplete. Catalyst is continuing to investigate for information on NSI's capital structure

NSI NV
Capitalization Table

Description	Seniority	Country	Amount (EUR MM)	Price	Maturity	Known Lenders
ING Facility 1	1st Mortgage	Netherlands	225	n/a	2015	ING LBLux
Deutsche Bank Facility	1st Mortgage	Netherlands	121	n/a	2015-2016	Deutsche Bank
ABN Amro Facility	1st Mortgage	Netherlands	122	n/a	2016	ABN Amro
ING Facility 2	1st Mortgage	Netherlands	260	n/a	2017	ING Rabobank, ABN Amro, BoYaus, LBLux
Total Known Dutch Mortgage Facilities			728	n/a		
Intervest Mortgage Debt[1]	1st Mortgage	Belgium	183	n/a	n/a	n/a
Total Known Mortgage Debt			911			
Dutch Credit Facility[2]	1st Lien	Netherlands	70	n/a	n/a	
Intervest Credit Facility[2]	1st Lien	Belgium	19	n/a	n/a	
Total Secured Debt			1,000			
Other Loan Facilities[3]	Unsecured	Netherlands	113	n/a	n/a	
5.10% Retail Bonds	Unsecured	Belgium	75	102	2015	Public bonds
Total Debt			1,188			

(1) Based on known Dutch mortgage facilities and total property-level mortgage debt of €911MM.
(2) Allocated proportionally.
(3) Catalyst does not have additional detail on the €113MM balance of debt.

9. Summary / Issues / Next Steps

Summary

- NSI's net asset value has fallen sharply over the past five years due to its increasing exposure to an historically weak Dutch office market
- Declining property values have driven the Company's loan-to-value well above that of peers. Delevering has been challenging as downward revaluations have outpaced equity raises and asset sales
- NSI's main stakeholder, Habas Group, is itself in distress – in part resulting from the declining value of NSI's shares – and shareholders appear to have lost confidence that NSI can raise the capital it requires to renovate/refurbish properties and stabilize/increase values
- NSI's results from operations remain stable with healthy, positive cash flow on an absolute basis despite the decline in occupancy rates and property values. Since 2008, occupancy rates have fallen 12% and free cash flow has only fallen by 7%
- Due to NSI's diversification and size, an investor in the Company could create and/or unlock value through a variety of potential spin-out and redevelopment strategies

Issues

- The Company's relatively short maturity and lease profile (approximately 2 years and 3.5 years, respectively) present refinancing and reletting risk
  - Potential mitigating factors include:
    - NSI's lenders have been cooperative and the Company has had little difficulty refinancing bank debt
    - Retention rates have hovered in the 75-80% range, and last year NSI outpaced the general Dutch office markets in reletting space – NSI realized 4% of total Dutch office take-up in 2012 even though its portfolio represents less than 2% of the market
    - Moreover, NSI has substantial in-house property management expertise and successfully turned around a number of vacant VNOI properties post-merger
- There are a number of property redevelopment and expansion plans in NSI's pipeline over the next two years, to which the company is committing nearly €90MM
  - NSI can likely fund these projects with internal cash flow and select asset sales
  - Project payback periods range from 4 years for offices to 8 years for retail, assuming moderate improvements in occupancy and rent levels
- The Dutch economy remains fragile and the challenges in the office market are largely structural and will take time to resolve

Next Steps

- Catalyst should undertake additional diligence on the Company's properties and local real estate markets

- o Further clarity on NSI's corporate structure and capital structure is essential; however, the Company does not publicly provide more detail
- Catalyst should seek additional information on the details of NSI's property mortgages/facilities by approaching its known lenders — primarily ING, Deutsche Bank and ABN Amro
- In parallel, Catalyst can either approach the Habas Group directly regarding a potential purchase of all or some of its stake in NSI, or contact Rabobank, which is believed to have provided Habas with financing against its NSI shares
- NSI also represents a potential bolt-on/merger opportunity with the Geneba portfolio, as it is a less-levered entity (58% LTV vs. 68% LTV) with similar gross and net yields
  - o The table below provides an illustrative example of an NSI/Geneba combination based on their current portfolios and book values, with no expected synergies through centralized management
    - ▪ There would likely be minimal synergies due to the lack of overlap in the portfolios (NSI only realized €3.5MM synergies in its €1B merger with VNOI)

NSI-Geneba Properties Merger Analysis

(in EUR 000s unless otherwise noted)

	NSI	Geneba[1]	Pro-Forma Combined
Gross Rent	156,121	56,654	212,775
Net Rent	133,947	50,102	184,049
Pre-Tax Direct Result	69,838	34,337	104,175
Investment Properties	2,039,746	613,069	2,652,815
Type			
Offices	*61.3%*	*77.2%*	*65.0%*
Retail	*23.5%*	*3.1%*	*18.8%*
Industrial	*15.1%*	*19.7%*	*16.2%*
Other	*0.2%*	-	*0.2%*
Geography			
Netherlands	*71.5%*	*4.6%*	*56.0%*
Germany	-	*73.5%*	*17.0%*
Belgium	*27.2%*	-	*20.9%*
Baltics	-	*22.0%*	*5.1%*
Other	*1.3%*	-	*1.0%*
Occupancy Rate	81.3%	95.8%	84.7%
LTV	58.0%	68.0%	60.3%
Price / Book	0.52x	0.57x	n/a
Gross Yield - 100% Occupancy	9.4%	9.6%	9.5%
Net Yield - 100% Occupancy	8.1%	8.5%	8.2%

(1) Source: Newco Information Circular. Rental results pro-forma full-year 2013.

10. Appendix

NSI
Top 20 Properties by Gross Rent

Streetname	Type	Location	Year Built	Sqm.	Gross Rent EUR 000s
Vaste Land	Office	Rotterdam	1975	25,042	3,356
Pr. JF Promenade / Pr. WA Promenade / Steenvoordelaan	Retail	Rijswijk	1994	10,516	3,153
De Driehoek / Markt / Nagelstraat	Retail	Oldenzaal	1999	1,225	2,966
Apollolaan / Homerusplein	Retail	Heerlen	2003	25,312	2,832
Zuidplein	Retail	Rotterdam	2001	9,022	2,261
Oude Middenweg	Office	Den Haag	2002	14,918	2,142
Arthur van Schendelstraat	Office	Utrecht	1995	9,200	1,975
Zuid-Hollandlaan	Office	Den Haag	1924	10,410	1,957
Hooghuisstraat/Keizergracht	Office	Eindhoven	1970	10,821	1,940
Boogschutterstraat	Office	Apeldoorn	2003	14,223	1,886
Zuiderterras	Retail	Rotterdam	1995	10,365	1,869
Burg.Stramanweg	Office	Amsterdam	1989	11,319	1,848
Het Rietveld	Large Scale Retail	Apeldoorn	2005	23,890	1,810
Sint Jorisplein	Retail	Ridderkerk	1992	7,840	1,772
Ambachtsplein / Griendwerkerstraat / Imkerstraat / Spinet / Rietdekkerweg / Zevenkampsering	Retail	Rotterdam	1983	10,037	1,734
Horapark	Office	Ede	2003	14,364	1,684
Torenweg	Large Scale Retail	Middelburg	2006	20,363	1,639
Einsteinstraat	Large Scale Retail	Veenendaal	2005	19,651	1,613
Meerheide	Industrial	Eersel	1998	26,242	1,556
Bennekomseweg	Office	Ede	2002	10,010	1,549
Total Top 20 Properties				**284,770**	**41,542**
As % of NSI Total				**17.1%**	**21.5%**

Catalyst Capital Group (For Internal Discussion Purposes Only)
CONFIDENTIAL – INITIAL REVIEW

RONA INC. (TICKER: RON) NOV. 2012

Catalyst Capital Group (For Internal Discussion Purposes Only)
CONFIDENTIAL – INITIAL REVIEW

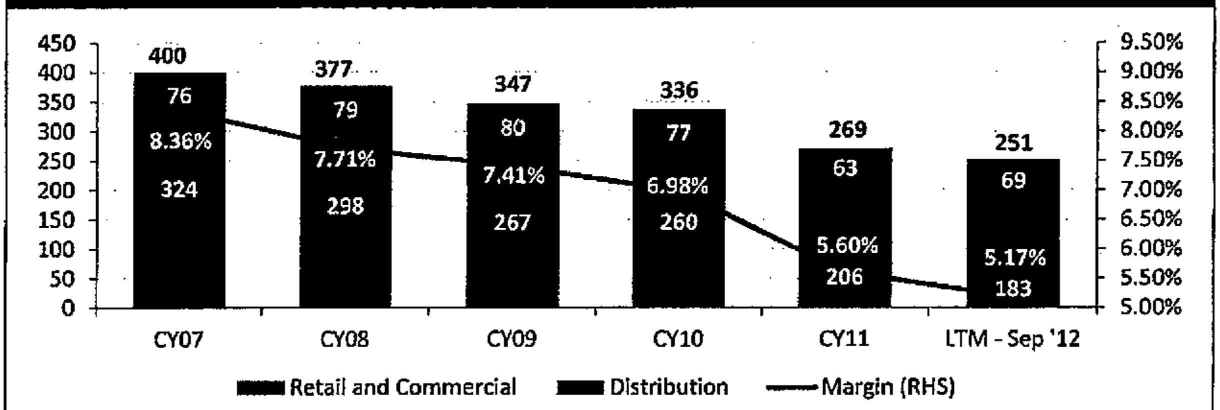
RONA INC. (TICKER: RON) NOV. 2012

All figures in C$ unless otherwise noted. RONA Inc. referred to as "RONA" or the "Company".

1. Business Description

- Headquartered in Boucherville, Quebec, RONA is the largest Canadian retailer and distributor of hardware, home renovation and gardening products with a current TEV of $1.8B

2007 – LTM EBITDA Evolution (C$ millions)



Current Capitalization

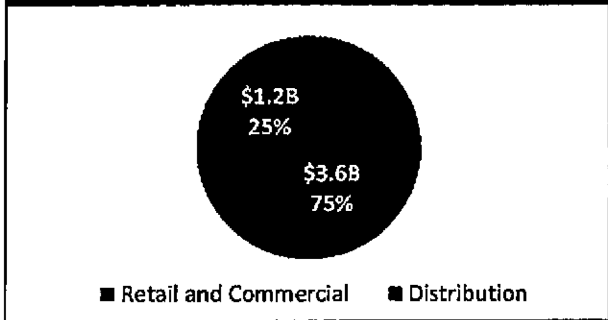
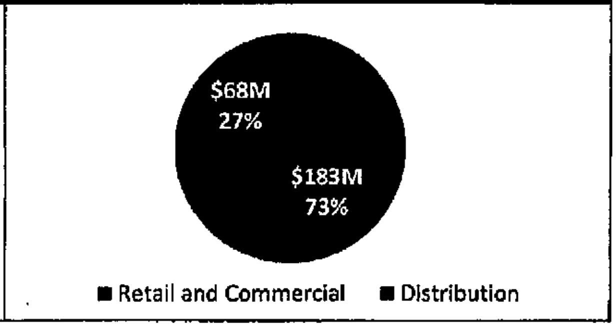
(C$ Thousands) as of 11/28/12

Capitalization	*Face Value*	*Leverage Metrics*	
Cash	$50,410	LTM EBITDA	$251,209
Total Secured Debt (Mortgages & Cap Leases)	**$27,140**	**Secured Debt / EBITDA**	**0.1x**
$950M Revolving Facility	$231,616		
5.4% Senior Debt due 2016	$116,829		
Total Unsecured Debt	**$348,445**	**Unsecured Debt / EBITDA**	**1.5x**
Preferred Shares	$173,500		
Total Debt	**$549,085**	**Total Debt / EBITDA**	**2.2x**
Total Net Debt	**$498,675**	**Net Total Debt / EBITDA**	**2.0x**
Equity	$1,306,298		
Non-Controlling Interests	$37,055		
Enterprise Value	**$1,842,028**	**EV / EBITDA**	**7.3x**

Source: Company filings.

- The Company generated revenue and EBITDA ex. unusual items of $4.9B and of $252M (5.2% margin) over the LTM ended September 30, 2012, respectively
- RONA operates under two main segments: Retail and Commercial, and Distribution
    - o Revenues in the Retail and Commercial segment are produced by RONA's big-box stores; smaller "Proximity" or "Specialized" stores; and stores adapted to specifically serve commercial and professional customers

- The Distribution segment supports RONA's retail and commercial stores as well as affiliated independently owned stores (both inside and outside the RONA banner network) which purchase a large portion of their supplies from RONA's warehouses

LTM Revenue by Segment – $4.8B	LTM EBITDA by Division - $251M
	

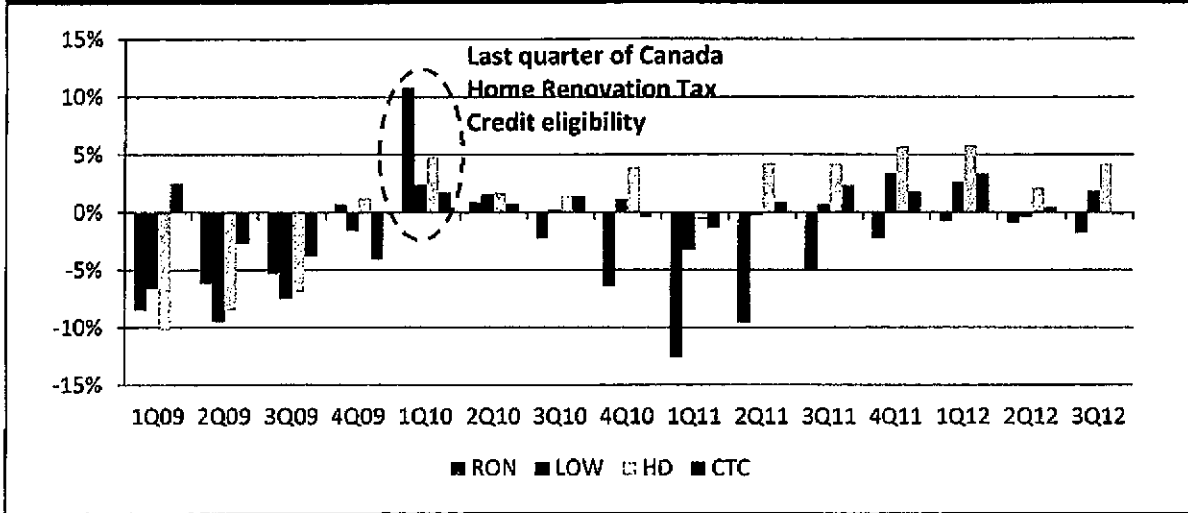
Source: Company filings.

2. Situation Overview

Recent Operating Performance

- Same store sales have declined for nine consecutive quarters (and 12 of the last 15), and RONA is the only member of its comparable set to register overall same store sales declines in 2012

YoY Same Store Sales Growth



Source: Company filings, research reports.

- Since 2009, the Company has consistently underperformed its peers
  - o 1% sales growth (vs. 10% average) from 2009 to LTM ended September 30, 2012, despite several small-to-medium acquisitions
  - o EBITDA margins have fallen from 7.1% in 2009 to 5.2% LTM, versus a peer average of 10.0% in 2009 and 10.9% LTM
  - o LTM ROA of 2.6% (8.7% average) and LTM ROE of 4.1% (15.6% average)
- RONA's operational metrics are consistently worse than those of its closest competitors
  - o Lower gross margins
  - o Higher selling, general and administrative expenses
  - o Longer cash conversion cycle
  - o Massive inventory build-up
  - o Large working capital needs
- Profitability metrics are also weaker and RONA trades at a large discount to HD / LOW

(Please see next page for detailed efficiency/operational and profitability benchmarking)

Operational Benchmarking

C$000s equivalents

LTM	Assets	Sales	Gross Profit %	SG&A % Sales	A/P	A/R	Inventory	A/P Days	A/R Days	Inventory Days	Inventory % Assets	Cash Conv. Cycle	NWC % Sales
Lowe's Companies Inc.	33,705	50,731	34.3%	23.4%	5,376	1,737	8,929	58.9	12.5	64.2	26.5%	17.9	1.9%
The Home Depot, Inc.	41,357	71,993	34.6%	22.2%	4,821	1,633	10,880	37.4	8.3	55.2	26.3%	26.1	3.8%
Canadian Tire Corp. Ltd.[1]	8,718	9,483	26.6%	21.5%	1,739	779	1,840	91.1	30.0	70.8	21.1%	9.7	10.1%
Rona Inc.	3,024	4,858	30.0%	24.8%	625	429	1,000	64.7	32.2	75.1	33.1%	42.7	16.5%

CY2011	Assets	Sales	Gross Profit %	SG&A % Sales	A/P	A/R	Inventory	A/P Days	A/R Days	Inventory Days	Inventory % Assets	Cash Conv. Cycle	NWC % Sales
Lowe's Companies Inc.	33,314	49,841	34.6%	24.1%	4,320	1,787	8,294	48.3	13.1	60.7	24.9%	25.5	2.9%
The Home Depot, Inc.	40,222	69,881	34.5%	22.8%	4,821	1,236	10,250	38.4	6.5	53.5	25.5%	21.6	4.5%
Canadian Tire Corp. Ltd.[1]	8,342	9,363	26.1%	21.2%	1,638	814	1,449	86.5	31.7	56.5	17.4%	1.7	7.3%
Rona Inc.	2,780	4,805	30.6%	25.0%	488	370	840	51.5	28.1	63.8	30.2%	40.4	15.0%

CY2010	Assets	Sales	Gross Profit %	SG&A % Sales	A/P	A/R	Inventory	A/P Days	A/R Days	Inventory Days	Inventory % Assets	Cash Conv. Cycle	NWC % Sales
Lowe's Companies Inc.	33,453	48,459	35.1%	24.4%	4,319	1,688	8,260	50.2	12.7	62.2	24.7%	24.8	3.6%
The Home Depot, Inc.	39,832	67,501	34.3%	23.3%	4,683	1,077	10,547	38.5	5.8	57.0	26.5%	24.3	5.7%
Canadian Tire Corp. Ltd.[1]	7,247	8,178	26.4%	20.9%	1,087	609	901	66.0	29.8	40.2	12.4%	4.1	5.3%
Rona Inc.	2,922	4,820	30.7%	23.7%	454	300	905	49.7	22.7	68.6	31.0%	41.6	15.6%

Source: Company filings, Capital IQ
(1) Canadian Tire retail segment.

Financial Benchmarking

C$000s equivalents

LTM	Assets	Equity	Sales	EBITDA	Net Income	EBITDA %	ROA	ROE	EV / EBITDA	EV / Sales
Lowe's Companies Inc.	33,705	14,121	50,731	5,620	2,266	11.1%	6.7%	16.1%	8.4x	0.9x
The Home Depot, Inc.	41,357	17,609	71,993	9,050	4,244	12.6%	10.3%	24.1%	11.4x	1.5x
Canadian Tire Corp. Ltd.[1]	8,718	na	9,483	780	317	8.2%	3.6%	na	na	na
Rona Inc.	3,024	1,900	4,858	251	77	5.2%	2.6%	4.1%	7.3x	0.4x

CY2011	Assets	Equity	Sales	EBITDA	Net Income	EBITDA %	ROA	ROE	EV / EBITDA	EV / Sales
Lowe's Companies Inc.	33,314	16,412	49,841	5,303	2,105	10.6%	6.3%	12.8%	8.9x	0.8x
The Home Depot, Inc.	40,222	17,767	69,881	8,282	3,765	11.9%	9.4%	21.2%	12.5x	1.0x
Canadian Tire Corp. Ltd.[1]	8,342	na	9,363	769	288	8.2%	3.4%	na	na	na
Rona Inc.	2,780	1,956	4,805	269	82	5.6%	2.9%	4.2%	6.3x	0.4x

CY2010	Assets	Equity	Sales	EBITDA	Net Income	EBITDA %	ROA	ROE	EV / EBITDA	EV / Sales
Lowe's Companies Inc.	33,453	17,980	48,459	5,286	2,053	10.9%	6.1%	11.4%	7.1x	0.8x
The Home Depot, Inc.	39,832	18,751	67,501	7,502	3,272	11.1%	8.2%	17.4%	8.0x	0.8x
Canadian Tire Corp. Ltd.[1]	7,247	na	8,178	723	270	8.8%	3.7%	na	na	na
Rona Inc.	2,922	1,912	4,820	336	122	7.0%	4.2%	6.4%	6.2x	0.5x

Source: Company filings, Capital IQ
(1) Canadian Tire retail segment.

- Normalizing operating performance would release significant value for shareholders
  - Boosting EBITDA margins by 3.3% (equal to half the delta between RONA and its peers, and in line with the Company's EBITDA margin in 2007) would add $160M in EBITDA or $1.2B in equity value assuming a 7.3x multiple
    - Share price would increase from $10.76 today to $20.42, a 90% return
  - Value creation would likely be even greater as margin expansion would also likely translate into a higher EV/EBITDA multiple
- RONA's working capital management is also problematic, although this may be due in part to the impact of the Company's Distribution segment on cash management (distributors may use RONA to finance their working capital needs)
  - Reducing NWC to 2010 levels would release $52M to the Company (which could then be dividended to shareholders), equivalent to $0.43/share or a 4% return
- Future performance will be predicated on the Company executing the strategic plan ("*New Realities, New Solutions*") introduced in February 2012 — more detail below

<u>Lowe's Offer</u>

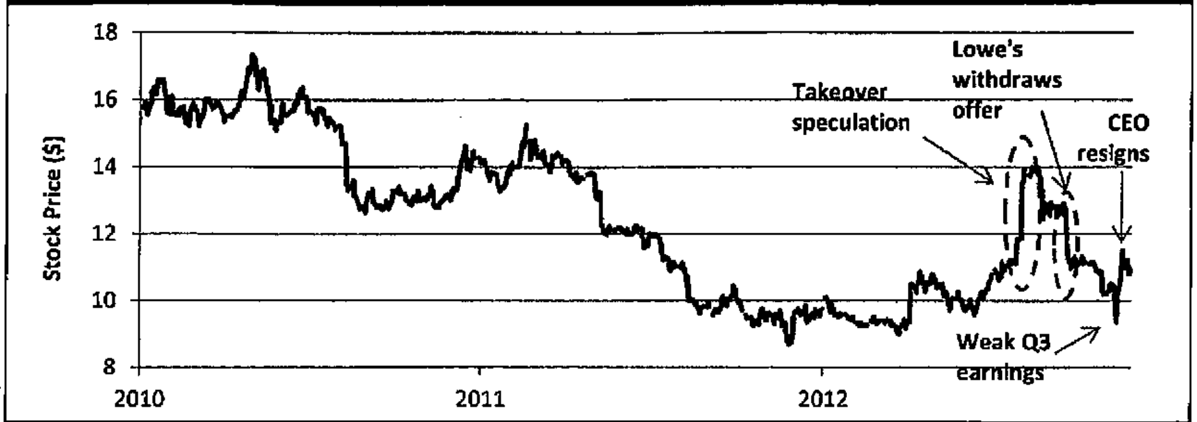
- On July 8, 2012, Lowe's made a private non-binding proposal to acquire the Company for $14.50/share, representing a value of ~$1.8B and premium of 37% to the closing price on July 6
  - RONA's and Lowe's CEOs had held several meetings over the prior year to discuss a potential relationship between the two companies
  - Lowe's indicated it had support of approximately 15% of RONA's shareholders
- On July 31, RONA made Lowe's offer public, announcing its Board unanimously rejected the proposal as it is focused instead on executing its strategic plan
  - That same day, the Caisse de depot et placement du Quebec ("CDP"), a public pension plan manager with over $150B of assets, acquired an additional 2% of RONA, bringing its stake to over 14% and making it the largest shareholder
    - CDP has played a key role in previous attempted takeovers of Quebec-based companies, either in a blocking or acceding position
  - RONA's network of affiliated dealers, who purchase items from the Company's wholesale distribution segment, own approximately 10% of its shares and were largely opposed to the takeover

Rank	Investor	Shares	Value ($mm)	% Outstanding
	Top RONA shareholders			
1	Caisse de Depot et Placement du Quebec	18,231,600	196,172,016	15.02%
2	Invesco	14,438,956	155,363,167	11.89%
3	IA Michael Investment Counsel / ABC Funds	3,650,000	39,274,000	3.01%
4	Dimensional Fund Advisors	3,463,563	37,267,938	2.85%
5	IA Clarington	2,583,600	27,799,536	2.13%
6	Franklin Resources	2,143,400	23,062,984	1.77%
7	CI Investments	1,970,081	21,198,072	1.62%
8	IG Investment Management	1,704,300	18,338,268	1.40%
9	CIBC Global Asset Management	1,431,666	15,404,726	1.18%
10	Robert Dutton (Former CEO)	972,472	10,463,799	0.80%
	RONA Dealer Network			**~10%**
	RONA Management (excl. Robert Dutton)			**~0.16%**

Note: Value based on 28/11/12 closing price of $10.76

- Lowe's play for the Company also attracted the attention of Quebec politicians, who were in the midst of a general provincial election
  - The PQ won the election on September 4, and on November 26, 2012, PQ finance minister Nicolas Marceau said he wants legislation which would allow boards of directors to reject takeover proposals without consulting all other stakeholders
- On September 17, Lowe's formally withdrew its offer for the Company, citing repeated failed attempts to engage RONA's Board of Directors in a friendly, negotiated transaction
  - In its statement, Lowe's asserted it still believed a combination "makes business sense" and that it remains committed to the Canadian market
- On November 9, Robert Dutton stepped down as President and CEO after 20 years, and also as a director on the Board
  - Dominique Boies, EVP and CFO, is currently acting CEO. Of note, Mr. Boies previously held various senior positions at CDP
- On November 14, Invesco, the Company's second-largest shareholder, said it plans to request a shareholder's meeting to replace the Board of Directors
  - Later that day, RONA formally called for its annual shareholders meeting to be held on May 14, 2013
    - By calling for the AGM, the Company may be trying to pre-empt Invesco's meeting request or postpone it entirely by arguing two meetings on the same topic cannot be held so close to each other
- RONA's third-largest shareholder, IA Michael Investment Counsel (3%), aka ABC Funds, has also been vocal of RONA's need to undertake major change, including continuing deal discussions with Lowe's
- The Company remains "in play" and rumours persist that Lowe's has made or will make another offer. Lowe's CEO recently commented that the company will continue to look at acquisitions

RONA Inc. Stock Price (2010 – Present)



RONA's Strategic Improvement Plan: "New Realities, New Solutions"

- RONA unveiled its 2012-13 Business Plan "*New Realities, New Solutions*" in its 2011 Annual Report and earnings call on February 23, 2012
- The plan is centred on three main areas, with overall goals of improving efficiency, optimizing the capital structure and increasing return on capital:
  i. Introducing a revamped digital platform
  ii. Rolling out a smaller Proximity store across 20% of the Company's network, which will be ~35,000 square feet versus the big box stores at 60,000 to 165,000 square feet
     - RONA will close 10 big box stores to transfer the customer base to 15 as-yet unconstructed Proximity (or smaller) stores, and reposition an additional 13 as Proximity stores while renting out the unused space
  iii. Continuing expansion of the commercial and professional segment via addition of nine sales outlets and likely further acquisitions
- When announced, the plan was expected to generate EBITDA benefit of $10M in 2012, ramping up to >30$M in 2013 and $40M in 2014; expected restructuring costs of $181M over two years
  - o FY07 EBITDA was $150M higher than LTM's $251M, so there remains a large gap to peak performance
- RONA is behind on executing its plan – the closing of five big box stores has been delayed until 2013, which will reduce expected EBITDA benefits by $4-5M in each of 2012 and 2013
- Market reaction to the Plan's shift away from big box stores has been favourable; however, there is skepticism as to management's ability to execute as well as calls for more drastic measures to completely exit unprofitable markets and divest of more assets

3. Pricing Matrix

Pricing Matrix (C$ Thousands) as of 11/29/12
RONA Inc.

Security	Note	Face Value	Drawn as of 9/30/12	Book xLTM EBITDA	Trading Price	Market Adj. Value	Market xLTM EBITDA	Interest Margin	Implied Interest Rate	Maturity	Yield to Maturity	Current Yield
LTM EBITDA				$251,209			$251,209					
Cash		($50,410.0)	($50,410.0)	-0.2x		($50,410.0)	-0.2x					
Mortgage Loans		$26,107	$26,107	0.1x	100	$26,107	0.1x	Variable	na	na	na	na
Capital Leases		1,033	1,033	0.0x	100	1,033	0.0x	Variable	na	na	na	na
Total 1st Lien Debt		**$27,140**	**$27,140**	**0.1x**		**$27,140**	**0.1x**					
Net Total 1st Lien Debt		**($23,270)**	**($23,270)**	**-0.1x**		**($23,270)**	**-0.1x**					
Revolver		$950,000	$231,616	0.9x	100	$231,616	0.9x	Variable	2.470%	10/06/2016	2.470%	2.470%
5.25% Unsecured Notes due 2016		116,829	116,829	0.5x	106	123,839	0.5x	Fixed	5.250%	10/20/2016	3.590%	4.953%
Total Unsecured Debt		**$1,093,969**	**$375,585**	**1.5x**		**$150,979**	**1.5x**					
Net Total Unsecured Debt		**$1,043,559**	**$325,175**	**1.3x**		**$100,569**	**1.3x**					
5.25% Series 6 Class A Preferred		172,500	172,500	0.7x	101.8	175,605	0.7x	Fixed	5.250%	03/31/2016	4.661%	5.157%
4% Class D Preferred		1,000	1,000	0.0x	100	1,000	0.0x	Fixed	4.000%	12/31/2013	3.999%	4.000%
Total Debt		**$1,267,469**	**$549,085**	**2.2x**		**$326,584**	**2.2x**					
Net Total Debt		**$1,217,059**	**$498,675**	**2.0x**		**$276,174**	**2.0x**					

Cash	$50,410.0
Revolver	$950,000.0
Draw	($231,616.0)
Liquidity	$768,794.0

- The Company is trading at 7.3x EV/LTM EBITDA, below its peer average of 10.3x. RONA is also projected to continue to trade at a discount to comparables, at 8.1x vs. 10.1x for 2012E and 7.1x vs. 9.1x for 2013E

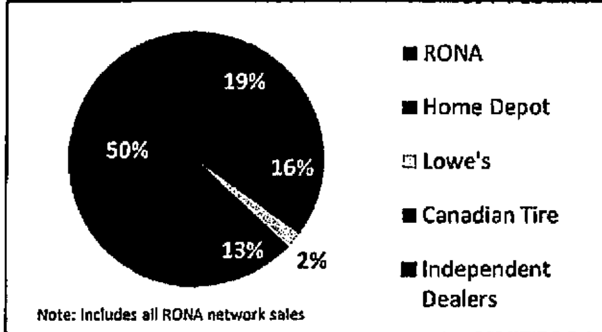
All figures in C$000s equivalent; share price in C$ equivalent

				LTM			EV / EBITDA			
Company	Share Price	Market Cap	TEV	Revenue	EBITDA	Margin	FY2011	LTM	CY2012	CY2013
Lowe's Companies Inc.	$35.08	$39,397.1	$47,089.5	$50,730.9	$5,619.7	11.1%	8.9x	8.4x	9.2x	8.6x
The Home Depot, Inc.	$63.69	$95,230.4	$103,429.1	$71,992.6	$9,050.4	12.6%	12.5x	11.4x	11.0x	10.3x
Canadian Tire Corp. Ltd.	$67.01	$5,488.9	$8,445.7	$11,395.6	$1,163.2	10.2%	8.0x	7.3x	7.2x	6.9x
Lumber Liquidators Holdings, Inc.	$53.74	$1,458.7	$1,419.0	$771.5	$76.9	10.0%	27.8x	18.4x	17.4x	14.2x
Kingfisher plc	$4.46	$10,352.8	$10,421.1	$16,906.4	$1,499.0	8.9%	6.5x	7.0x	6.6x	5.9x
Richelieu Hardware Ltd.	$33.75	$703.5	$668.6	$555.3	$70.6	12.7%	9.9x	9.5x	9.4x	8.8x
Mean				25,392	2,913	10.9%	12.3x	10.3x	10.1x	9.1x
Median				14,151	1,331	10.6%	9.4x	8.9x	9.3x	8.7x
Rona Inc.	$10.76	$1,306.3	$1,842.0	$4,857.8	$251.2	5.2%	6.8x	7.3x	8.1x	7.1x

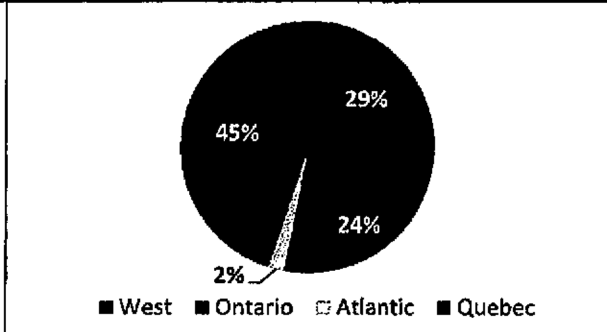
4. Company Analysis

- RONA is the largest Canadian retailer and distributor of hardware, home renovation and gardening products
- The Company derives 45% of its sales from Quebec but also has a strong presence in Ontario and Western provinces (primarily Alberta)

RONA 2011 Market Share



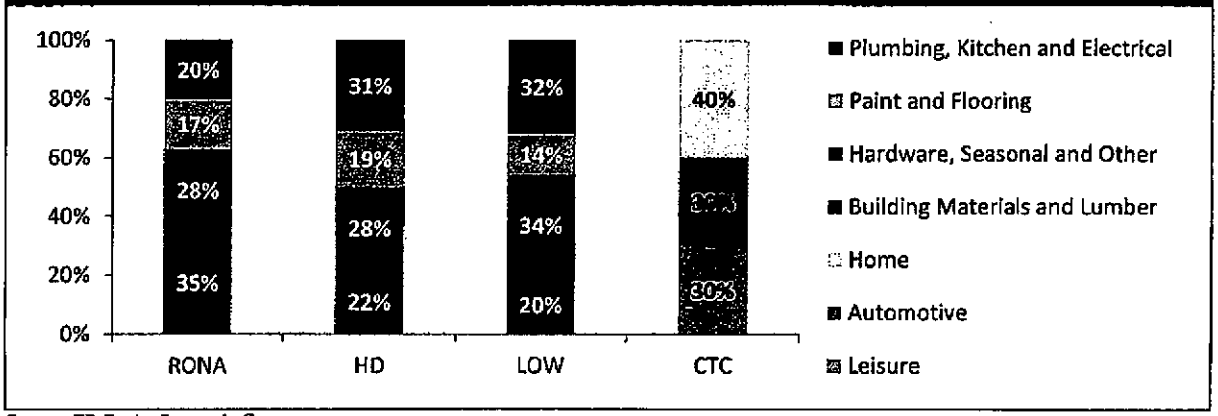
RONA 2011 Sales by Region



Source: Company Fact Sheet.

- RONA's is more dependent on lower margin and cyclical Building Materials and Lumber than its peers

RONA and Comparables Sales Mix

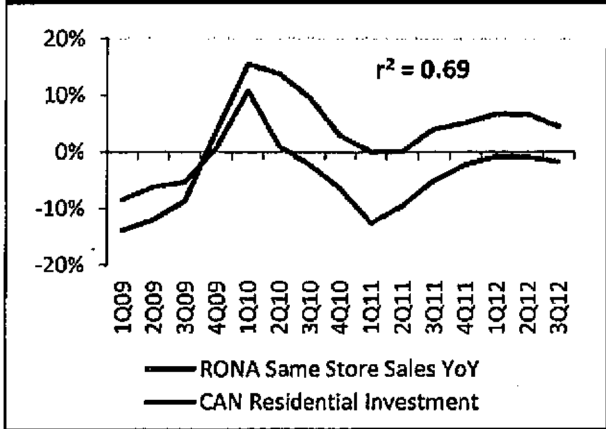


Source: TD Equity Research, Company reports.

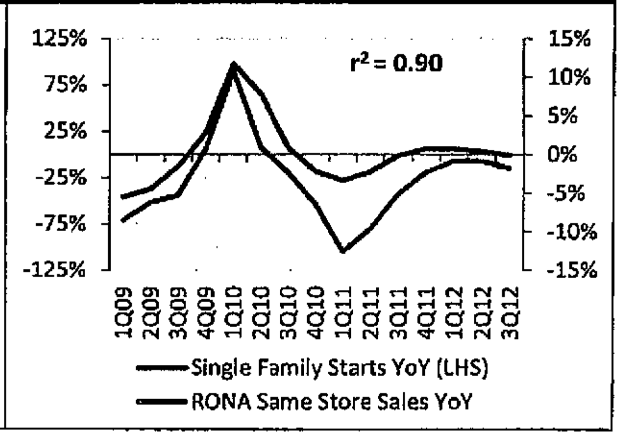
- Accordingly, the Canadian housing backdrop is a key input for RONA. The company notes a significant portion of spending in the renovation, hardware and gardening sector is discretionary and therefore sensitive to economic conditions
- The two charts below plot the Company's same-store sales growth against year-over-year Residential Investment (a GDP component including residential construction and renovation spending) and single-family housing starts
    - Same-store sales growth has a 0.69 correlation with Residential Investment and a 0.90 correlation with single-family starts

- o Residential Investment has overall been trending lower, and single-family starts have turned negative as a larger portion of residential construction is multi-family dwellings (condos)

SSS Growth vs. Residential Investment



SSS Growth vs. Single Family Starts



Source: Company Filings, Bloomberg, Statistics Canada.

Segment Detail

<u>Retail and Commercial</u>

- RONA employs a multi-banner, multi-format approach in its Retail and Commercial stores
- Retail stores fall under the RONA and Réno-Dépôt banners in the Atlantic provinces, Quebec and Ontario, and under the RONA and TOTEM names in Western provinces
  - o The TOTEM banner will be rolled into the RONA banner and be redesigned into Proximity stores as part of the 2012 Business Plan
- RONA classifies its bannered stores in its retail and commercial segment along store type and ownership format lines, as shown in the tables below
  - o An additional ~600 non-bannered stores are classified as distribution customers

Store Type (as at Dec. 31, 2011)

Number of Bannered Stores	FY2011	FY2010	FY2009
Big-Box	80	78	77
Proximity and Specialized	179	151	138
Commercial and Professional	55	62	40
Affiliates or Independent Dealers	524	522	431
Total Bannered Store Count	**838**	**813**	**686**

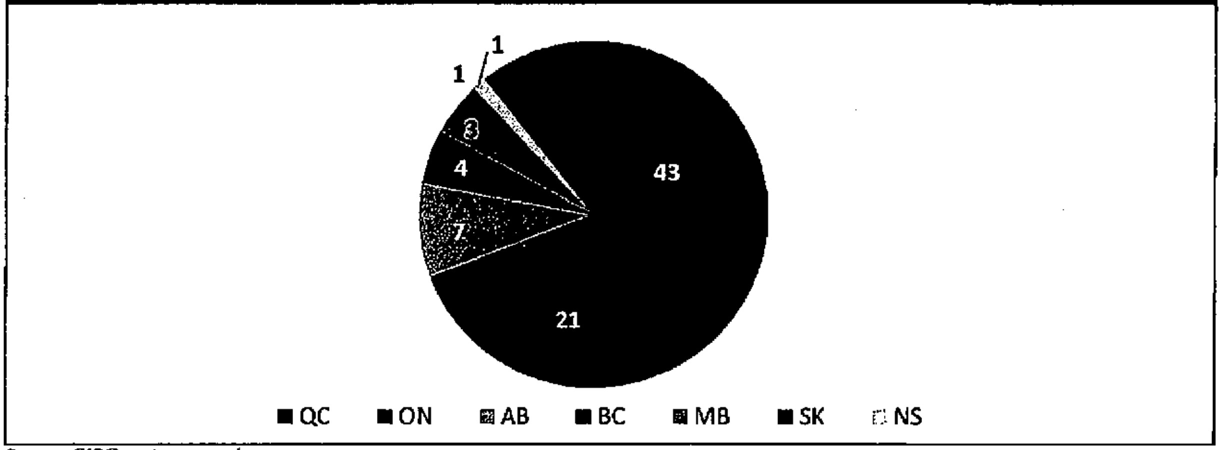
Ownership Format (as at Dec. 31, 2011)

Ownership Type	RONA's Typical Equity Participation	RONA's Economic Interest	# of Bannered Stores FY2011	FY2010	FY2009
Corporate	> 50%	Distribution, retail and commercial sales	295	271	233
Franchised	0 - 50%	Royalties on sales; distribution and retail sales	19	20	22
Affiliates / Independent Dealers	0%	Distribution sales	524	522	431
		Total	838	813	686

Source: Company Filings.

- Big-box stores
    - Typically range from 60,000 to 165,000 square feet in size and carry over 40,000 SKUs across hardware products, tools, building materials, gardening, paint, decoration and seasonal items
    - 62 are corporate stores and 18 are franchised
    - Under the 2012 Business Plan, 10 big box stores are to be closed with traffic diverted to 25 new as-yet-unbuilt Proximity and Specialized stores, while an additional 13 will be repositioned as smaller Proximity stores with the extra space leased out

Big-box Geographical Breakdown (as at Dec. 31, 2011) – 80 stores



Source: CIBC equity research.

-
    - Given recent management comments that 60 stores are "very profitable", the 43 big-box stores in Quebec are believed to all be in that category
        - Most Ontario big-box stores are likely not profitable and several closures have already been announced as part of the 2012-13 Business Plan
- Proximity and Specialized stores
    - Range from 5,000 to 60,000 square feet
    - 178 are corporate stores and 1 is franchised
    - Specialized stores are small to medium-sized neighborhood hardware stores, mostly serving customers in hardware, painting, interior decorating and seasonal products
    - Proximity stores are on the larger side and include renovation centres. They specialize in building materials and paint, while also offering a large selection of seasonal products and basic merchandise
    - As part of the 2012 Business Plan, a new Proximity store format averaging 35,000 square feet is being rolled out to 20% of the RONA retail network
- Commercial and Professional stores (formed when RONA acquired Noble Trade in 2007)
    - Provide specialized plumbing and HVAC services and products to commercial and professional customers

- Operates under banners of Noble (Ontario and Quebec), Don Park (Ontario), Boutiques Eaudace (Quebec), MPH Supply (British Columbia) and Better Bathrooms (British Columbia)
- All 55 stores are corporate

- Affiliated and Independent stores purchase a large part of their supplies from RONA distribution networks. The dealer-owners enter into a commercial agreement with RONA pursuant to which they must respect certain guidelines regarding marketing, advertising, image and purchasing loyalty

<u>Distribution</u>

- RONA's distribution centres support its ~800 bannered stores and approximately 600 non-bannered distribution clients
  - Stores are supplied by two sources: direct delivery from suppliers and delivery via RONA distribution centres
- As shown in the table below, RONA's distribution network comprises 18 centres with nearly six million square feet of total capacity

RONA Distribution Centres

(in thousands of square feet)	Hardware	Lumber	Commercial and Professional
Boucherville, QC	926	-	-
Le Gardeur, QC	-	-	20
Montreal, QC	-	-	44
Terrebonne, QC	380	-	-
Concord, ON	-	-	328
Halton Hills, ON	-	590	-
Kitchener, ON	250	-	-
Winnipeg, MB	400	-	-
Edmonton, AB	-	185	-
Calgary, AB (5 centres)	780	-	-
Calgary, AB (TOTEM Stores)	104	375	-
Calgary (Palisser), AB	-	1,000	-
Surrey, BC	-	463	-
Langley, BC	-	-	120
Total	2,840	2,613	512

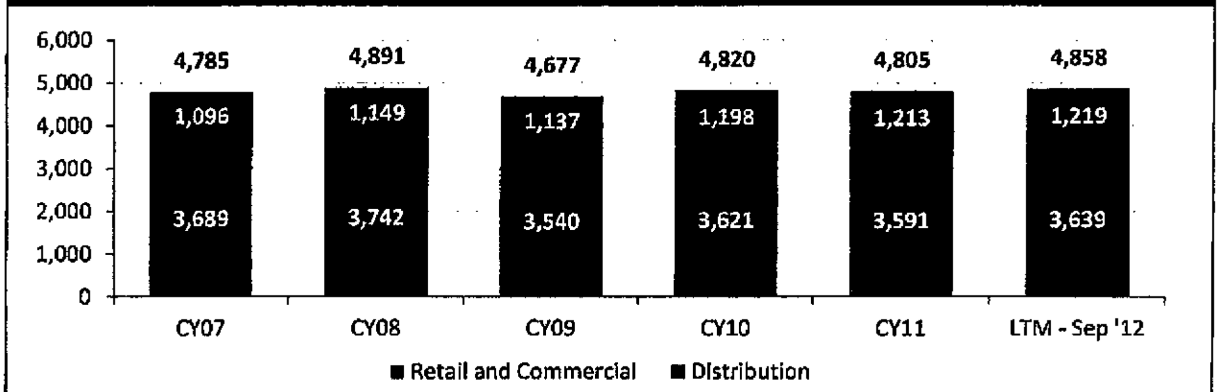
Source: Company Filings

Historical Financial Results

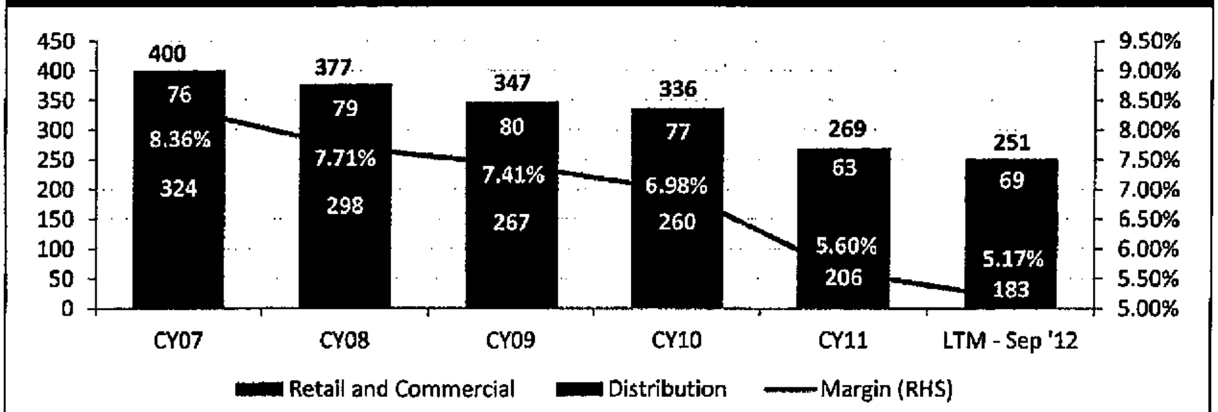
Consolidated

- As seen on the two graphs below, the Company's revenue increased marginally from $4,785M in 2007 to $4,805M in 2011 and LTM $4,858M, representing a 0.3% CAGR
- Organic growth has been challenging for RONA:
    - o Retail and Commercial sales have declined despite the acquisition of several smaller firms, primarily in its Commercial and Professional segment
    - o Distribution sales only grew by 10% even as RONA expanded its affiliate network from 405 stores at year-end 2007 to over 1,000 bannered and non-bannered stores
- EBITDA and margins have declined sharply over the same period due largely to soft consumer confidence, unfavourable economic conditions and increasing competition
    - o RONA's negative same-store sales growth has reduced its return on capital and increased its exposure to cost inflation
    - o Company management has noted a 1% change in same-store sales growth translates to a 15bps change in EBITDA margin

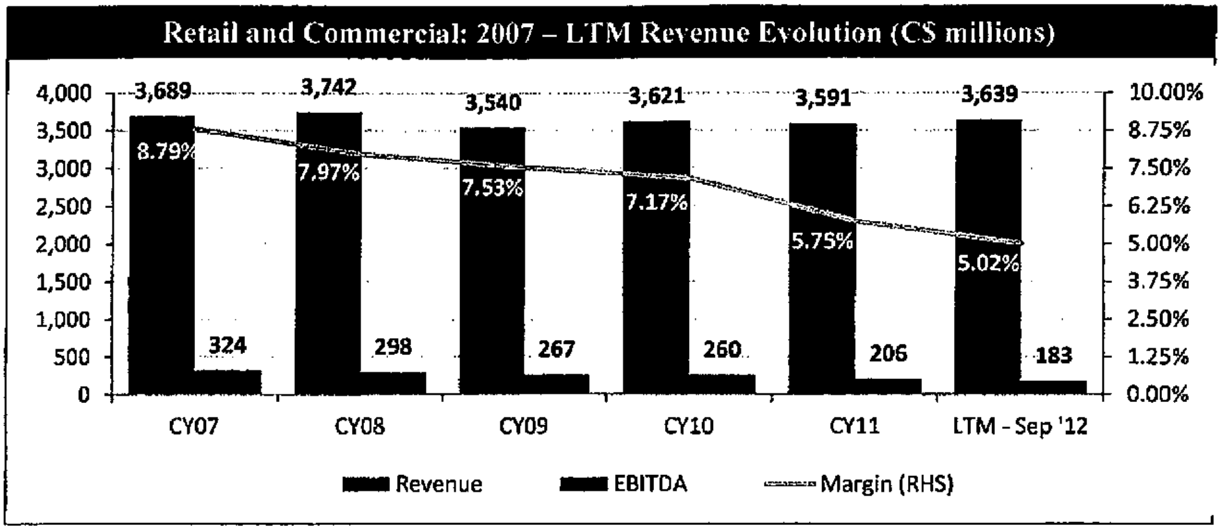
2007 – LTM Revenue Evolution (C$ millions)



2007 – LTM EBITDA Evolution (C$ millions)

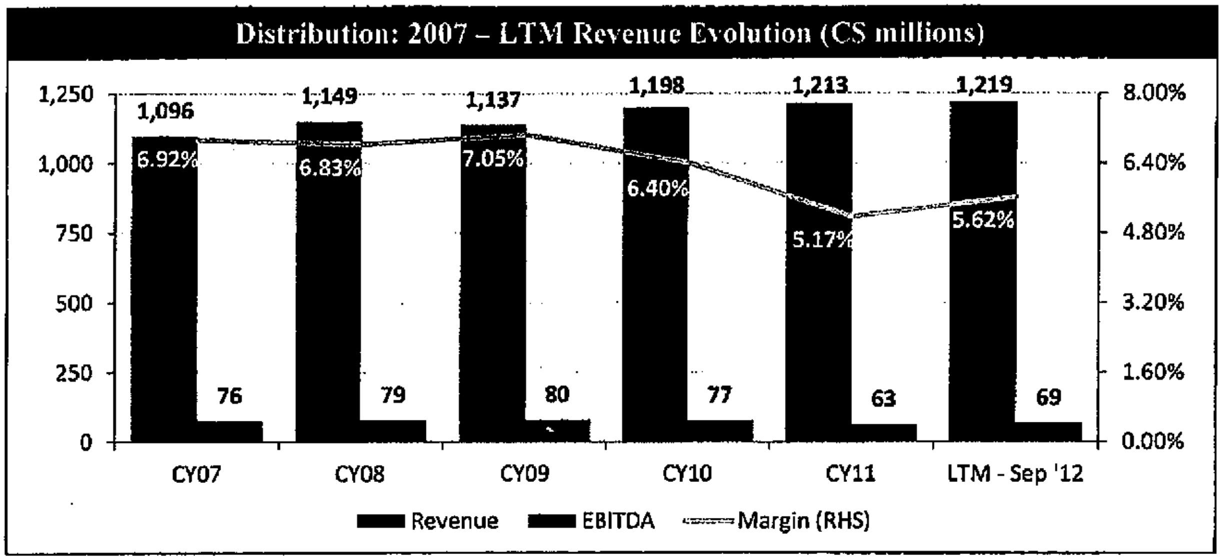


Retail and Commercial



- As seen above, Retail & Commercial revenue fell from $3,689M in 2007 to $3,591M in 2011 and $3,639M LTM, representing a CAGR decline of 0.6%. EBITDA and margins also fell, from $324M and 8.79% in 2007 to $206M and 5.75% in 2011 and $183M and 5.02% LTM
- 2008 sales were positively affected by acquisitions made over the course of 2007 and 2008, as revenues fell 3% excluding the effect of those transactions. Declining consumer confidence and housing starts (particularly in Alberta) were a negative factor. 2008 EBITDA was negatively affected by pressure on same-store sales and by results of stores opened late in the year that had not yet reached full operational potential
- 2009 revenues were negatively affected by a drop in same-store sales due to lower housing starts and weak consumer confidence. Sales of forest products and building materials were soft, while flooring, paint, plumbing and fixtures held firm as consumers undertook smaller renovation projects. EBITDA and margins declined correspondingly, though the improved product mix (away from lower-margin building materials) was a mitigating factor
- 2010's increase in revenues was driven by acquisitions, strong growth in Commercial and Professional sales, and new store openings – same-store sales were flat. 2010 EBITDA and margins decreased, due mainly to store start-up costs and acquisition of lower-margin businesses, although SG&A cost control helped offset some of those effects
- 2011 revenues were negatively impacted by a 7.3% fall in same-store sales, almost entirely offset by acquisitions, new store openings and strong performance from the Commercial and Professional segment. Poor weather conditions, tightening consumer spending, the absence of 2010's home renovation tax credit, and residential investment all contributed to the sharp decline in same-store sales. 2011 EBITDA and margins were negatively impacted by the drop in same-store sales as well as acquisitions of lower-margin businesses
- LTM revenues have been positively affected by sales from stores opened in 2011 as well as solid results from the Commercial and Professional division. LTM EBITDA and margins are lower due largely to start-up costs for Commercial and Professional stores

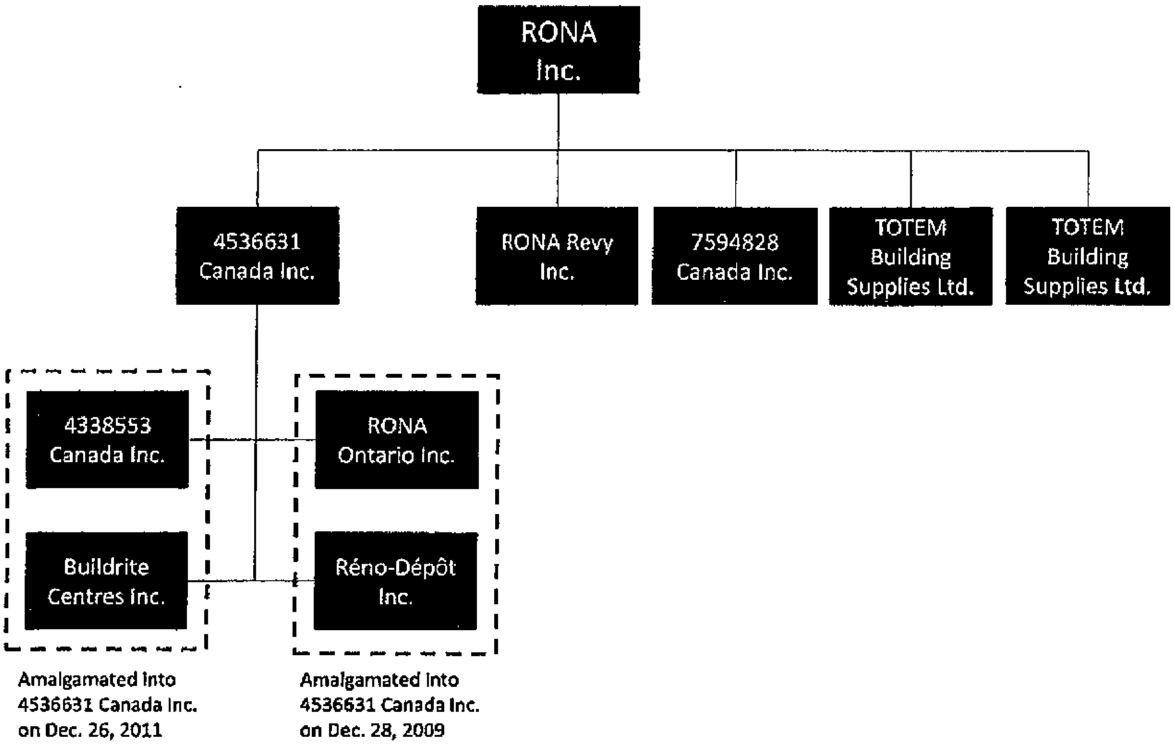
Distribution



- As seen above, Distribution segment revenue rose from $1,096M in 2007 to $1,213M in 2011 and $1,219M LTM, representing a CAGR of 2.5%. EBITDA and margins, however, fell from $76M and 6.92% in 2007 to $63M and 5.17% in 2011 and $69M and 5.62% LTM
- 2008 revenues were positively affected by recruitment of 31 new independent dealers, improved integration of other recent affiliate additions, and improved operational efficiency, also contributing to the $3M rise in EBITDA. 2008 EBITDA margins were negatively impacted by a higher mix of low-priced, lower-margin building materials
- 2009 sales were adversely impacted by a decrease in same-store sales, particularly among those affiliates with a high proportion of building materials, driven by weak consumer confidence and declining housing starts. 2009 EBITDA and margins were positively impacted by an improved product mix of hardware and fixtures, increased efficiency and reduced transportation costs
- 2010 revenues rose due to the expansion of the affiliated dealer network, increased lumber sales and the acquisition of TruServ Canada, which had 650,000 square feet of warehousing space and annual hardware distribution sales of $100 million. EBITDA and margins declined due to increased sales of lower-margin lumber and higher shipping costs
- 2011 revenues were positively affected by the recruitment of new dealers, expansion projects of existing dealers and higher loyalty rates, offset by lower same-store sales (though less pronounced than in corporate stores) and the Company's acquisition of some independent stores. 2011 EBITDA and margins were negatively affected by lower same-store sales as well as high inventory levels in the first part of the year, leading to higher warehousing expenses
- LTM revenues and EBITDA increased due to higher same-store sales to affiliates, bucking the trend seen in the corporate stores, as well as increased efficiency leading to lower warehousing and shipping costs

5. Corporate Structure

- Below are RONA's disclosed significant subsidiaries, all of which are wholly owned by the Company
- More diligence is required to determine the exact structure and if additional subsidiaries exist



Source: AIF

6. Operating Results and Capitalization Table

- Recent operating results, capitalization and credit statistics are tabled below

Operating Summary (C$ Thousands)	Notes	31-Dec-09	31-Dec-10	31-Dec-11	LTM 30-Sep-12	3 Months Ending, 31-Dec-11	31-Mar-12	30-Jun-12	30-Sep-12
Sales		$4,677,359	$4,819,589	$4,804,584	$4,857,823	$1,169,192	$934,934	$1,417,137	$1,336,560
Cost of Sales		-	$3,447,768	$3,455,301	$3,528,857	$844,739	$667,720	$1,009,566	$976,832
Adjustments for Network Support		-	$109,050	$102,668	$99,667	$18,602	$19,365	$32,079	$29,621
Unusual Items		-	-	$18,665	$26,913	$18,665	-	$5,568	$2,680
Gross Margin		$4,677,359	$1,480,871	$1,470,616	$1,455,546	$361,720	$286,579	$415,218	$392,029
SG&A		-	$1,144,553	$1,201,399	$1,204,337	$295,869	$275,466	$320,638	$312,364
EBITDA		$346,803	$336,318	$269,217	$251,209	$65,851	$11,113	$94,580	$79,665
D&A		$103,160	$108,718	$107,055	$100,472	$27,749	$23,406	$24,136	$25,181
EBIT		$243,643	$227,600	$162,162	$150,737	$38,102	($12,293)	$70,444	$54,484
Interest Expense		$23,537	$24,061	$24,889	$20,050	$5,332	$4,453	$5,164	$5,101
Net Income (Loss)	1	$143,583	$142,821	($74,773)	($115,777)	($150,016)	($12,267)	$38,306	$8,200
Capital Expenditures		$111,873	$104,924	$70,198	$44,525	$19,033	$7,485	$10,095	$7,914
Cash From Operations	1	$282,774	$138,072	$230,245	$152,208	$103,180	($139,716)	$39,234	$149,410
Cash from Investing	1	($165,747)	($212,529)	($146,833)	($94,150)	($37,917)	($19,834)	($17,882)	($18,517)
Cash from Financing	1	$109,885	($89,223)	($141,840)	($203,956)	($244,522)	$129,048	($14,305)	($74,177)

Notes:
[1] As reported.

Balance Sheet (C$ Thousands)	Notes	31-Dec-09	31-Dec-10	31-Dec-11	LTM 30-Sep-12	3 Months Ending, 31-Dec-11	31-Mar-12	30-Jun-12	30-Sep-12
Assets									
Cash		$239,257	$75,577	$17,149	$50,410	$17,149	-	-	$50,410
Trade and Other Receivables		$248,201	$299,889	$370,094	$428,761	$370,094	$408,815	$469,890	$428,761
Other Financial Assets (Current)		$2,644	$2,245	$1,468	$3,344	$1,468	$1,526	$1,598	$3,344
Current Tax Assets		$2,456	-	$7,616	$15,286	$7,616	$22,770	$19,702	$15,286
Inventory		$725,810	$905,467	$840,287	$1,000,102	$840,287	$1,027,825	$1,047,458	$1,000,102
Prepaid Expenses		$18,114	$17,955	$20,836	$30,169	$20,836	$25,973	$33,882	$30,169
Derivative Financial Instruments		-	-	-	-	-	-	$538	-
Other Financial Assets (Non-Current)		$11,118	$9,644	$13,617	$14,287	$13,617	$14,681	$14,747	$14,287
PP&E		$827,883	$885,044	$874,246	$824,025	$874,246	$867,369	$849,248	$824,025
Non-Current Assets Held for Sale		$11,080	$16,474	$10,455	$25,734	$10,455	$9,475	$10,821	$25,734
Goodwill		$455,572	$529,094	$426,968	$428,317	$426,958	$428,168	$428,168	$428,317
Intangible Assets		$106,157	$128,223	$126,968	$143,529	$126,968	$129,795	$139,254	$143,529
Other Non-Current Assets		$4,406	$3,245	$5,435	$3,901	$5,435	$4,742	$4,583	$3,901
Deferred Tax Assets		$51,830	$48,763	$65,239	$55,878	$65,239	$52,913	$52,196	$55,878
Total Assets		$2,704,508	$2,921,620	$2,780,378	$3,023,743	$2,780,378	$2,994,052	$3,074,095	$3,023,743
Liabilities									
Current Liabilities									
Bank Overdraft		-	-	-	-	-	$13,353	$6,306	-
Current Portion of Bank Loans		$5,211	$1,943	$4,377	$12,298	$4,377	$9,364	$10,946	$12,298
Trade and Other Payables		$409,764	$454,166	$487,864	$625,479	$487,864	$572,882	$631,221	$625,479
Dividends Payable		-	$9,119	$2,527	$10,589	$2,527	$11,014	$2,277	$10,589
Current Tax Liabilities		-	$3,379	-	-	-	-	-	-
Derivative Financial Instruments		$776	$1,653	$691	$2,312	$691	$1,016	-	$2,312
Provisions		$7,002	$4,625	$6,947	$16,412	$6,947	$6,929	$8,934	$16,412
Instalments on Long-Term Debt		$9,996	$21,151	$20,257	$13,382	$20,257	$17,203	$13,351	$13,382
Total Current Liabilities		$432,749	$496,036	$522,663	$680,472	$522,663	$631,761	$673,035	$680,472
Long Term Liabilities									
Long Term Debt		$430,524	$444,333	$232,073	$369,760	$232,073	$416,568	$436,623	$369,760
Other Non-Current Liabilities		$27,859	$30,601	$33,653	$35,612	$33,653	$35,153	$35,701	$35,612
Provisions		$10,762	$4,539	$3,606	$17,672	$3,606	$3,606	$3,466	$17,672
Deferred Tax Liabilities		$27,724	$34,314	$32,759	$20,378	$32,759	$21,448	$20,251	$20,378
Total Long Term Liabilities		$496,869	$513,787	$302,091	$443,431	$302,091	$476,775	$496,041	$443,431
Total Liabilities		$929,618	$1,009,823	$824,754	$1,123,903	$824,754	$1,108,536	$1,169,076	$1,123,903
Total Debt		$445,731	$467,427	$256,707	$395,449	$256,707	$456,488	$467,226	$395,449
Non-Controlling Interests		$32,761	$35,809	$35,526	$37,055	$35,526	$34,232	$36,120	$37,055
Shareholder's Equity		$1,742,129	$1,875,988	$1,920,098	$1,862,785	$1,920,098	$1,851,284	$1,868,899	$1,862,785
Total Equity		$1,774,890	$1,911,797	$1,955,624	$1,899,840	$1,955,624	$1,885,516	$1,905,019	$1,899,840

Notes:

Credit Statistics (C$ Thousands)	31-Dec-09	31-Dec-10	31-Dec-11	LTM 30-Sep-12	3 Months Ending, 31-Dec-11	31-Mar-12	30-Jun-12	30-Sep-12
Sales Growth (YoY)	NA	3.0%	(0.3%)	NA	NA	1.8%	3.4%	(0.8%)
Gross Margin / Sales	NA	30.7%	30.6%	30.0%	30.9%	30.7%	29.3%	29.3%
SG&A / Sales	NA	23.7%	25.0%	24.8%	25.3%	29.5%	22.6%	23.4%
EBITDA / Sales	7.4%	7.0%	5.6%	5.2%	5.6%	1.2%	6.7%	6.0%
EBITDA / Interest Expense	14.7x	14.0x	10.8x	12.5x	12.4x	2.5x	18.3x	15.6x
(Total Debt - Cash) / EBITDA	0.6x	1.2x	0.9x	1.4x	NA	NA	NA	NA
(Total Debt - Cash) / (EBITDA - Capex)	0.9x	1.7x	1.2x	1.7x	NA	NA	NA	NA
Net Investment in Working Capital	$564,247	$751,190	$722,517	$803,384	$722,517	$863,758	$886,137	$803,384

7. Liquidation Analysis

- In a liquidation scenario, lenders would receive the following recoveries:
  - 1st Lien lenders would recover 100%
  - Unsecured lenders would recover 98-100%
  - Preferred shareholders would recover 0-100%
  - Equity holders would lose 90-100%

RONA Inc.
Liquidation Analysis
C$ Thousands except for ratios and per unit items

	NBV	Note	Worst Case %	Mid Case %	Best Case %	Liq - W	Liq - M	Liq - B
Total Assets								
Cash	50.410		75%	85%	95%	37,808	42,849	47,890
Trade and Other Receivables	428.761		60%	70%	80%	257,257	300,133	343,009
Other Financial Assets (Current)	3.344	1	70%	75%	80%	2,341	2,508	2,675
Current Tax Assets	15.285		0%	0%	0%	-	-	-
Inventory	1,000,102		45%	50%	55%	450,046	500,051	550,056
Prepaid Expenses	30.169		75%	85%	95%	22,627	25,644	28,661
Derivative Financial Instruments	-		75%	85%	95%	-	-	-
Other Financial Assets (Non-Current)	14.287	1	70%	75%	80%	10,001	10,715	11,430
Non-Current Assets Held for Sale	25.734	2	45%	50%	55%	11,580	12,867	14,154
Goodwill	428.317		0%	0%	0%	-	-	-
Other Non-Current Assets	3.901	3	0%	0%	0%	-	-	-
Deferred Tax Assets	55 878		0%	0%	0%	-	-	-
PP&E								
Land & Parking Lots	282.381		45%	55%	65%	127,071	155,310	183,548
Buildings	271.457		45%	55%	65%	122,156	149,301	176,447
Leasehold Improvements	96,013		5%	10%	15%	4,801	9,601	14,402
Furniture and Equipment	154,838	4	15%	20%	25%	23,226	30,968	38,710
Computer Hardware	22,920	4	0%	5%	10%	-	1,146	2,292
Projects In Process	6,127	5	0%	0%	0%	-	-	-
Land for Future Development	39,445		10%	15%	20%	3,945	5,917	7,889
Intangibles								
Trademark	2,887		0%	0%	0%	-	-	-
Software	113.056		0%	0%	0%	-	-	-
Dealer Recruitment Costs	10,698		0%	0%	0%	-	-	-
Customer relationships	248		0%	0%	0%	-	-	-
Preferential Price Leases	69		0%	0%	0%	-	-	-
Total Assets	3,056,338					1,072,857	1,247,009	1,421,161
Less: Administrative Claims From Liquidation (8.0%)						(85,829)	(99,761)	(113,693)
Net Distributable Assets						987,028	1,147,248	1,307,468
Waterfall								
1. 1st Lien Claims								
Mortgage Loans						26,107	26,107	26,107
Capital Leases						1,033	1,033	1,033
Total First Lien Claims						27,140	27,140	27,140
Recovery to 1st Lien						27,140	27,140	27,140
Recovery % to 1st Lien						*100%*	*100%*	*100%*
Remaining Value Available for Unsecured Claims						959,888	1,120,108	1,280,328
2. Unsecured Claims								
Revolver						231.616	231,616	231,616
5.25% Unsecured Notes due 2018						116,829	116,829	116,829
Trade Creditors						625.479	625,479	625,479
Total Unsecured Claims						973,924	973,924	973,924
Recovery to Unsecured						959,888	973,924	973,924
Recovery % to Unsecured						*99%*	*100%*	*100%*
Remaining Value Available for Class A Preferred Claims						-	146,184	306,404
3. Class A Preferred Claims								
5.25% Series 6 Class A Preferred						172,500	172,500	172,500
Total Class A Preferred Claims						172,500	172,500	172,500
Recovery to Class A Preferred						-	146,184	172,500
Recovery % to Class A Preferred						-	*85%*	*100%*
Remaining Value Available for Class D Preferred Claims						-	-	133,904
4. Class D Preferred Claims								
4% Class D Preferred						1.000	1,000	1,000
Total Class D Preferred Claims						1,000	1,000	1,000
Recovery to Class D Preferred						-	-	1,000
Recovery % to Class D Preferred						-	-	*100%*
Remaining Value Available for Equity Holders						-	-	132,904
Market Capitalization						1,329,365	1,329,365	1,329,366
Recovery % to Equity						-	-	*10%*

Notes:
[1] Current financial assets mostly comprise equity shares; non-current largely mortgages and term notes
[2] Comprises $16.5M of land and parking lots and $9.2M of buildings
[3] Includes defined benefit assets and capitalized financing costs
[4] Of which $1M of furniture and equipment, and $7K of computer hardware is under finance leases
[5] Include costs related to construction of buildings which will be used for store operations

8. Waterfall Analysis

- As seen below, based on a valuation multiple of 7x – 9x, lenders would receive the following recoveries:
  - 1st Lien lenders would recover 100%
  - Unsecured lenders would recover 100%
  - Preferred shareholders would recover 100%
  - Equity holders would recover 91-129% of current market value

RONA Inc.
Waterfall Analysis
C$ Thousands

Priority Scheme Class	Claim Description	9/30/12
1	Mortgage Loans	26,107
	Capital Leases	1,033
2	Revolver	231,616
	5.25% Unsecured Notes due 2016	116,829
3	5.25% Series 6 Class A Preferred	172,500
4	4% Class D Preferred	1,000
5	Equity Holders	1,329,365

LTM 09/30/2012 EBITDA: 251,209

Class	Distributions by Class	Mult W 7.0x	Mult M 8.0x	Mult B 9.0x
		1,758,463	2,009,672	2,260,881
1	Mortgage Loans	26,107	26,107	26,107
	Capital Leases	1,033	1,033	1,033
	Revolver	231,616	231,616	231,616
2	5.25% Unsecured Notes due 2016	116,829	116,829	116,829
3	5.25% Series 6 Class A Preferred	172,500	172,500	172,500
4	4% Class D Preferred	1,000	1,000	1,000
5	Equity Holders	1,209,378	1,460,587	1,711,786

Class	Implied Absolute Return by Class	Mult W	Mult M	Mult B
1	Mortgage Loans	100%	100%	100%
	Capital Leases	100%	100%	100%
2	Revolver	100%	100%	100%
	5.25% Unsecured Notes due 2016	100%	100%	100%
3	5.25% Series 6 Class A Preferred	100%	100%	100%
4	4% Class D Preferred	100%	100%	100%
5	Equity Holders	91%	110%	129%

9. Capital Structure Summary

Unsecured credit facility (renewed and increased on December 23, 2011)

- C$950M revolving facility ($232M drawn as of September 30, 2012)
  - No pricing available
- Interest rate determined by base interest rate plus an applicable margin which is determined by a ratings and leverage grid
  - The applicable margin and base rate are not available or disclosed
  - The weighted average interest rate in 2011 on the revolving credit was 2.2%, with the year-end rate at 2.47%
- Maturity date of October 6, 2016
- Covenants are not disclosed; however, the Company states that it is in compliance
- Ranks equally with RONA's unsecured debentures due 2016
- Syndicate led by NBF, BMO, Desjardins and BNS, with NBF as administrative agent

Unsecured Debentures (issued in October 2006)

- C$116.8M outstanding (of $400M issued)
  - Company had repurchased $283.2M via Dutch Auction in 2011 at 102% of par
  - Currently offered at ~106% of par; ~3.60% yield-to-maturity
- Issuer: RONA Inc.
- Interest Rate: 5.40% payable semi-annually
- Maturity Date: October 20, 2016
- Make-whole price: GoC +124bps
- Rank: Direct unsecured obligations of RONA Inc., ranking equally and *pari passu* with all other unsecured and unsubordinated indebtedness
- Key covenants:
  - Limitation on Mergers, Consolidations and Sales of Assets
  - Negative Pledge
- Events of Default:
  - Failure to pay principal or premium within 3 business days when due
  - Failure to pay interest within 30 days when due
  - Failure to observe covenants
  - Defaulting on any indebtedness in excess of the greater of $25M or 2% of shareholders' equity

- Guaranteed by (Initial Guarantors): Cashway Building Centres Ltd., 4246543 Canada Inc., 3641406 Canada Inc., 3641414 Canada Inc., 3510441 Canada Inc., 4152760 Canada Inc., 220 Real Estate Limited Partnership, 4246551 Canada Inc., 220 Financial Limited Partnership, 4246560 Canada Inc., RONA Corporation, RONA Ontario Inc., RONA Revy Inc., Réno-Dépôt Inc., Totem Building Supplies Ltd. and 4338553 Canada Inc.

Series 6 Class A Preferred (issued in February 2011)

- C$172.5M of $25 par shares (6.9M shares)
- Dividend rate: 5.25% per annum, payable quarterly, as and when declared
  - Cumulative
- Redemption / rate reset dates: March 31, 2016 and every five years thereafter
  - Rate reset: 5-year GoC +265bps
- Conversion right: On each rate reset date, holders have the right to convert the Series 6 Class A Preferred Shares into Cumulative Floating Rate Series 7 Class A Preferred Shares
- Rank: Equally with the Class A Preferred Shares of all other series, and ahead of any Class B, Class C and Class D preferred shares

Class D Preferred (issued in February 2011)

- C$1M of zero-par shares
- Dividend rate: 4% fixed and cumulative
- Issued in 2002 to ITM Enterprises, a major French-based distribution company, as part of a strategic purchase alliance
- RONA is obliged to redeem $1M annually; final redemption date is December 2, 2012
- Rank: Subordinated to Class A, Class B, Class C and Class D Preferred Shares

10. Summary / Issues / Next Steps

Summary

- The macroeconomic environment is challenging but cannot explain all of RONA's difficulties, nor their duration
    - o RONA has not participated in the same-store growth or multiple expansion of its peers over the past three years
    - o Revenues have stagnated, margins have shrunk and return on capital has diminished, while comparables have grown their businesses and maintained or improved efficiency
- The 2012-13 Business Plan, while correctly acknowledging current industry conditions, carries significant execution risk and may not maximize value for the Company
    - o Shareholders' incentives are not aligned with those of Management, which owns less than 0.2% of RONA's equity
- RONA has two options: Pursue a sale of some or all of its stores, or implement a more impactful medium-term strategic plan that will return the Company much closer to its peak profitability
- As discussed above, a short/medium term operational restructuring to right-size working capital and bring EBITDA margins back into line with historical levels would generate significant equity value

Issues

- Any further developments regarding a sale of or activist approach toward RONA is likely to be met with heavy scrutiny by the Quebec and perhaps even Canadian governments
    - o The government can attempt to block a transaction through legislation/executive action, or through the CDP's ownership stake in RONA
    - o Assurance that RONA's distribution/dealer network and product sourcing (80%+ of RONA's suppliers are Canadian) will be left mostly intact may help facilitate a transaction, but also limiting
- The Company is highly leveraged to the Canadian housing market and macroeconomic backdrop
    - o Catalyst must develop a clear view and outlook on the Canadian economy, and assess the potential impact on RONA

Next Steps

- Catalyst should consider building a toehold position in RONA's equity and then reach out to other key shareholders who have expressed their desire to see major change at RONA (Invesco, IA Michael/ABC Funds), as well as the CDP
- Catalyst can pitch its restructuring expertise as a key to unlocking significant value for shareholders

- If Catalyst can bring CDP on board, CDP should be able to deliver i) the Board of Directors (current CEO was previously a senior investment official at CDP); and ii) provide political cover with the Quebec government
- Partnering with CDP may also allow Catalyst to build consensus for an LBO of RONA, which would materially improve investment returns
    - o Consideration must be given to RONA's independent dealers, who collectively own ~10% of the equity
- A take-private bid would likely induce a topping bid from Lowe's — especially if Catalyst bids below Lowe's initial $14.50/share offer — providing liquidity and the opportunity to exit at an attractive IRR

Catalyst Capital Group (For Internal Discussion Purposes Only)
CONFIDENTIAL – INITIAL REVIEW

ARCAN RESOURCES LTD. JAN. 2014

Catalyst Capital Group (For Internal Discussion Purposes Only)
CONFIDENTIAL – INITIAL REVIEW

ARCAN RESOURCES LTD. (TICKER:ARN) JAN. 2014

All figures in C$ unless otherwise noted. Arcan Resources Ltd. referred to as "Arcan" or the "Company".

1. Executive Summary

Company Overview

- Arcan Resources Ltd. is an oil-focused exploration, development and production ("E&P") company with primary operations at the Swan Hills complex in Western Alberta, part of the Western Canadian Sedimentary Basin ("WCSB")
  - 3,726 boe/d produced in Q3 2013, versus 4,503 boe/d in FY 2012 and an expected ~4,000 boe/d for FY 2013
  - Total 2P reserves of 38.7Mmbbls, of which 11.4Mmbls (29.5%) are proved developed producing ("PDP"), 0.7Mmbbls (0.8%) are proved developed non-producing, 11.7Mmbbls (30.2%) are proved undeveloped and 15.3Mmbls (39.5%) are probable
- The Company generated revenue and EBITDA of $130.0MM and of $57.7MM (44.4% margin) for the 12 months ended September 30, 2013

Investment Thesis

- Arcan is highly levered, with $324MM of net debt and $58MM of EBITDA (5.6x at face; 4.2x creation value through the convertible notes and 4.8x through the equity)
  - $157MM revolving credit facility
  - $86MM 6.25% subordinated convertible notes due 2016 ($51 / 42.3% YTM)
  - $85MM 6.50% subordinated convertible notes due 2018 ($51 / 23.9% YTM)

Pricing Matrix (C$ Thousands) as of 01/05/14
Arcan Resources Inc.

Security	Note	Face Value	Drawn as of 9/30/13	Book xLTM EBITDA	Trading Price	Market Adj. Value	Market xLTM EBITDA	Interest Margin	Implied Interest Rate	Maturity	Yield to Maturity	Current Yield
LTM EBITDA				$57,700			$57,700					
Cash		($4,058.0)	($4,058.0)	-0.1x		($4,058.0)	-0.1x					
Revolving Credit Facility	1	$200,000	$157,000	2.7x	100.0	$157,000	2.7x	L+3.5%	3.75%	05/28/2014	3.75%	3.75%
Total 1st Lien Debt		$200,000	$157,000	2.7x		$157,000	2.7x					
Net Total 1st Lien Debt		$195,942	$152,942	2.7x		$152,942	2.7x					
6.25% Convertible due 2016		86,250	86,250	1.5x	51.0	43,988	0.8x	6.25%	6.25%	02/28/2016	41.99%	12.25%
6.50% Convertible due 2018		85,000	85,000	1.5x	51.0	43,350	0.8x	6.50%	6.50%	10/31/2018	23.89%	12.75%
Total Debt		$371,250	$328,250	5.7x		$244,338	4.2x					
Net Total Debt		$367,192	$324,192	5.6x		$240,280	4.2x					

Cash	$4,058.0
Revolver	$200,000.0
Draw	($157,000.0)
Liquidity	$47,058.0

Notes:
(1) Pro-forma for $7.5MM of proceeds from sale of Virginia Hills asset.

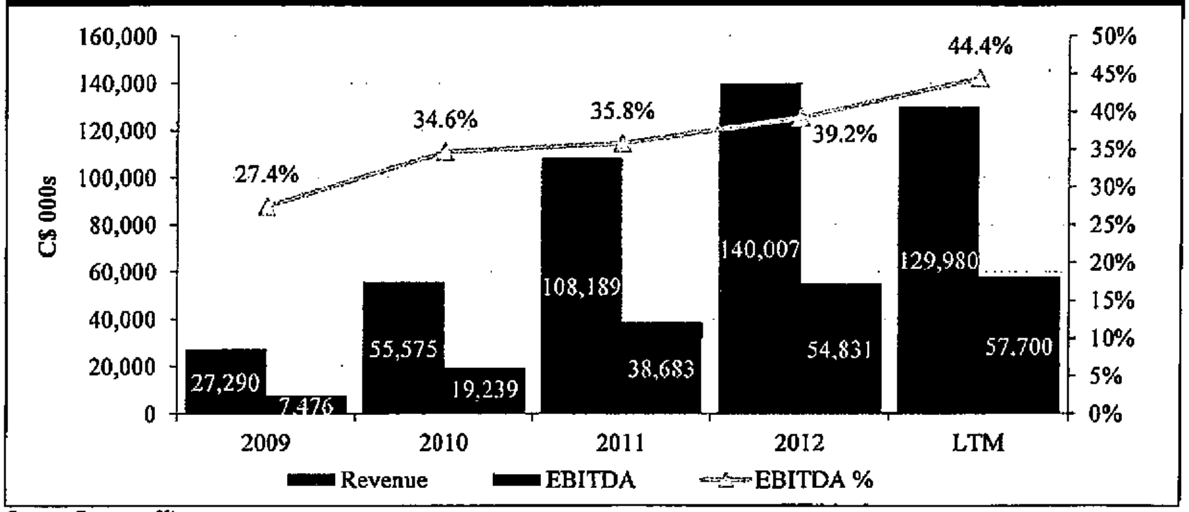
- The Company currently generates debt-adjusted cash flow (unlevered operating cash flow) of $60MM per year before capex, which is almost entirely discretionary and tied to drilling and exploration
    - Even with its significant debt and interest burden, the Company is producing operating cash flow of $40MM-$45MM; however, its current capex program calls for spend equal to OCF generation
- **Arcan currently trades at a significant discount to its peer average on all key valuation metrics**:
    - 4.8x EBITDA vs. 13.8x average
    - 11.9x proven reserves vs. 40.9x average
    - 7.2x 2P reserves vs. 22.5x average
    - $74,468 per boe/d of production vs. $111,969 average
- A blowdown model indicates potential upside of ~2x on the notes but ~50% downside in a wide potential valuation range
- Given the Company's relatively low level of secured debt and ample balance sheet asset value, Catalyst can also consider approaching Company management on a cooperative basis to explore opportunities to provide longer-term capital to better suit its growth profile
- As a next step, Catalyst should engage industry consultants to ascertain asset quality and narrow the potential valuation range to ensure ample collateral value

2. Business Description

Company Overview

- Arcan Resources Ltd. is an oil-focused exploration, development and production ("E&P") company with primary operations at the Swan Hills complex in Western Alberta, part of the Western Canadian Sedimentary Basin ("WCSB")
  - o 3,726 boe/d produced in Q3 2013, versus 4,503 boe/d in FY 2012 and an expected ~4,000 boe/d for FY 2013
  - o Total 2P reserves of 38.7 million barrels of oil ("Mmbbls"), of which 11.4Mmbls (29.5%) are proved developed producing ("PDP"), 0.7Mmbbls (0.8%) are proved developed non-producing, 11.7Mmbbls (30.2%) are proved undeveloped and 15.3Mmbls (39.5%) are probable
    - At current production levels, equates to a 1P reserve life ("RLI") of ~16 years and 2P life of 27 years, above peer average RLIs of 14.1 and 23.3 years
  - o Over 95% of Arcan's resource base and production is light sweet crude oil with a gravity of 37-42° API (comparable to WTI and Brent benchmarks, which have gravities of 39.6° and 38.06° respectively)
- The Company generated revenue and EBITDA of $130.0MM and of $57.7MM (44.4% margin) for the 12 months ended September 30, 2013

Historical Performance (2009 – LTM)

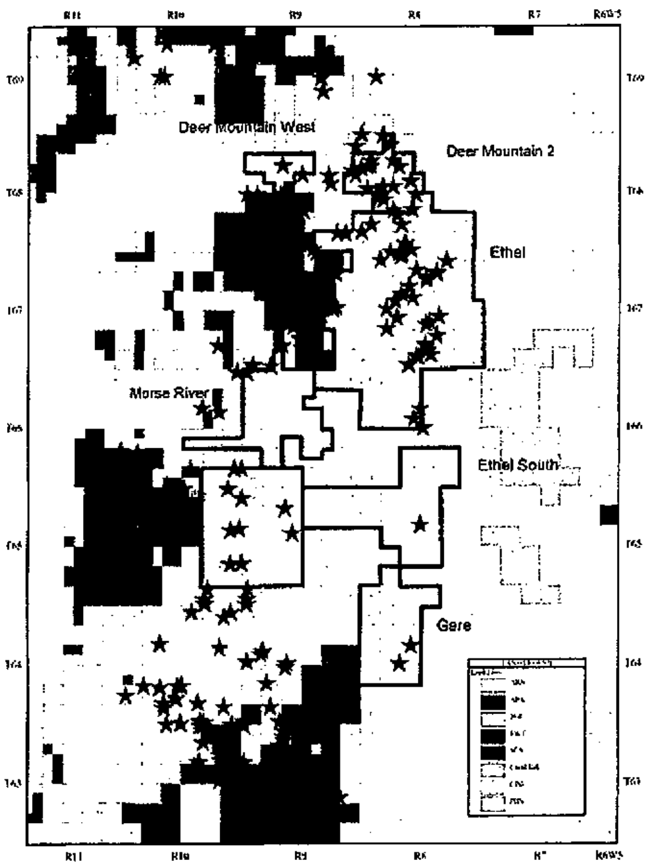


Source: Company filings.

Resource Overview

- The entire Swan Hills complex was discovered in 1957 and is estimated to hold original oil in place ("OOIP") of 7 billion barrels, of 2.4 billion barrels have been recovered to date, representing a recovery factor of 30%
  - o Secondary recovery techniques, such as waterflooding (injecting water into already-producing wells to boost pressure and, consequently, production), have proven to increase total recovery to 40% in the complex while flattening out natural decline curves

- Arcan's Swan Hill landholdings have an estimated 700 million barrels ("Mmbbls") of OOIP with similar recovery rates (30-40%) as the broader Swan Hill complex
- To date, approximately 17.5Mmbbls have been recovered from Arcan's properties, representing a 2.5% recovery rate
  - o Therefore, there remains an additional 190-260Mmbbls of ultimately recoverable oil within Arcan's landholdings
- Arcan leads its industry peers in terms of horizontal drilling activity ("Hz" = horizontal well) in the eastern flank of the Swan Hills play with approximately 60 wells currently pumping oil
- The map below shows landholdings and well sites in the Swan Hills area
- Arcan, highlighted in yellow on the map, holds a mostly contiguous land position of 90,000 prospective acres (approx. 140 sections; 640 acres = 1 section), with production concentrated at the Deer Mountain 2 — which is currently being marketed in a sale process (see *Situation Overview*) — and Ethel locations
  - o The Company has the second-largest land position in Swan Hills, aside from Crescent Point (CPG), and has been the most active horizontal driller in the area since 2009 with over 60 wells drilled compared to 30 for Pengrowth, the second-most active
    - ▪ Crescent Point and PetroBakken (PBN, now Lightstream), which also owns land in the Swan Hills area, are large shareholders of Arcan, with 19% and 17%, respectively, Arcan a potential takeover play for consolidation in the area



Resource Economics

- Catalyst has modeled out the economics of a new Swan Hills oil well based on different 30-day initial production ("IP") rates of 220 bbl/d, 180 bbl/d and 150 bbl/d
  - o Sensitivity tables based on oil prices, initial production and drilling and completion ("D&C") costs are shown on the following page
  - o Decline rates for Arcan's wells are very high, with 1-year declines ranging from 50-70% of the 30-day IP rate (i.e. a well with a 30-day IP rate of 220 bbl/d is expected to produce only 66-110 bbl/d after 1-year)
  - o Variable operating costs of $12.50/bbl assumed, with $8,000 monthly fixed costs, equating to total per barrel operating costs of $15.00-$15.50
  - o Catalyst has assumed no waterflooding in its analysis below, which would approximately double expected total recovery and stabilize production at a cost of $1.0MM-$1.5MM, ~25% that of a new well
- Arcan's current D&C cost is approximately $4.5MM per well; however, this figure had been as high as $6MM in the past
- IRRs assuming a $4.5MM D&C cost and $90/bbl received oil price range from 17.1% to 60.4% on a pre-tax basis
  - o Breakevens at a 15% discount rate range from $65-$90/bbl at 220-150 bbl/d 30-day IP rates, with higher oil prices required at lower production rates
- **Note that while Catalyst's analysis approximates information in the Company's reports and investor presentations, it represents reverse engineering with potential for error. To refine its analysis, Catalyst would require Arcan's type curves which is private information**

New Well Economics - 220 bbl/d 30-day initial production

Drilling & Completion Cost	Flat Oil Price ($/bbl) $60	$75	$90	$105	$120
$4,000,000	18.1%	46.0%	79.7%	122.0%	176.6%
$4,250,000	13.7%	39.2%	69.2%	106.0%	152.5%
$4,500,000	9.9%	33.4%	60.4%	93.0%	133.2%
$4,750,000	6.6%	28.3%	53.0%	82.1%	117.4%
$5,000,000	3.6%	23.9%	46.6%	72.9%	104.4%

Note: Assumes 220 bbl/d 30-day initial production, $8,000/mth fixed costs and $12.50/bbl operating costs.

New Well Economics - 180 bbl/d 30-day initial production

Drilling & Completion Cost	Flat Oil Price ($/bbl) $60	$75	$90	$105	$120
$4,000,000	3.1%	24.0%	47.4%	74.8%	107.6%
$4,250,000	-0.2%	19.2%	40.4%	64.8%	93.5%
$4,500,000	-3.1%	14.9%	34.4%	56.4%	81.9%
$4,750,000	-5.7%	11.2%	29.3%	49.3%	72.2%
$5,000,000	-8.0%	8.0%	24.8%	43.2%	64.0%

Note: Assumes 180 bbl/d 30-day initial production, $8,000/mth fixed costs and $12.50/bbl operating costs.

New Well Economics - 150 bbl/d 30-day initial production

Drilling & Completion Cost	Flat Oil Price ($/bbl) $60	$75	$90	$105	$120
$4,000,000	-8.0%	8.9%	26.7%	46.3%	68.8%
$4,250,000	-10.6%	5.1%	21.5%	39.4%	59.4%
$4,500,000	-13.0%	1.8%	17.1%	33.4%	51.5%
$4,750,000	-15.1%	-1.1%	13.2%	28.3%	44.8%
$5,000,000	-17.0%	-3.7%	9.7%	23.8%	39.0%

Note: Assumes 150 bbl/d 30-day initial production, $8,000/mth fixed costs and $12.50/bbl operating costs.

3. Situation Overview

Asset Sales

- Since 2012, the Company has been engaged in the marketing and sale of several of its "non-core" properties to reduce leverage and provide liquidity ahead of the Feb. 2016 maturity of its $86.25MM 6.25% convertible notes
  - o In July 2012, Arcan sold its assets in the Hamburg area of Northern Alberta for $12.1MM, a valuation of approximately $51,000 per boe/d based on 237 boe/d of production (89% oil)
  - o In August 2012, Arcan sold approximately 10 sections (6,400 acres) of undeveloped land in the Virginia Hills area for $7.0MM, a valuation of approximately $1,100/acre
- On September 24, 2013, Arcan announced its intent to divest four of its oil assets (listed below), including Deer Mountain #2, its second-most productive asset with 926 boe/d, 1P reserves of 6.6Mmbbl and 2P reserves of 8.8Mmbbl
  - o RBC Rundle is leading the sales process. Mark McMurray and Darrell Law in Calgary are the managing directors on the file

Asset	WI Production			Financial			Reserves 1P			Reserves 2P			NPV@10$	
	Oil / NGL bbl/d	Gas mcf/d	Total boe/d	NOI MM$	Opex $/boe	Net Back $/boe	Oil / NGL mbbl	Gas mmcf	Total mboe	Oil / NGL mbbl	Gas mmcf	Total mboe	1P MM$	2P MM$
Deer Mountain Unit No. 2	893	198	926	13.0	20.67	37.34	6,263	1,744	6,553	8,437	2,353	8,829	116.3	139.8
Deer Mountain Non-Unit	181	72	193	2.4	4.82	60.14	121	90	136	187	142	211	4.5	6.1
Deer Mountain West	195	37	201	4.4	7.19	73.23	640	161	667	978	240	1,017	14.9	23.0
Virginia Hills	162	0	162	4.2	10.57	46.00	234	71	246	511	155	537	6.3	9.8
Total	1,431	307	1,482	23.9	16.32	44.47	7,258	2,066	7,602	10,112	2,898	10,595	142.0	178.8

Note. Production as of June 2013; financials represent annualized values as of YTD June 2013 from Company lease operating statements; reserves information represent a mid-year update effective July 1, 2013 as per GLJ Petroleum Consultants ("GLJ")

- On December 16, 2013, Arcan announced the sale of the Virginia Hills asset for proceeds of $7.5MM. This implies a value of $46,300 boe/d, 30.5x 1P reserves and 14.0x 2P reserves
  - o Price paid represented a 19% premium to 1P reserves value of $6.3MM and a 24% discount to 2P reserves value of $9.8MM
  - o Production-based valuation of $46,300 per boe/d is a large discount to Arcan's total $74,468 valuation; however, both reserves-based valuations represent 2x-3x premia
- Based on these metrics, the remaining assets could transact at $61MM (at $46,300 boe/d) to $162MM (19% premium to 1P value)
  - o Achieving book value of $135.7MM-$169.0MM would require transaction metrics well above Arcan's TEV, with ~$100MM the threshold for accretive value

Asset Sale Value Analysis						
Book Value of Remaining Assets for Sale ($MM)						
1P NAV	135.7					
2P NAV	169.0					
Assumed Sale Value ($MM)	60.0	85.0	110.0	135.0	160.0	185.0
Sale Implied Valuation						
boe/d	$45,455	$64,394	$83,333	$102,273	$121,212	$140,152
1P	8.2x	11.6x	15.0x	18.4x	21.8x	25.1x
2P	6.0x	8.5x	10.9x	13.4x	15.9x	18.4x
Arcan Market Valuation						
boe/d	$74,468					
1P	11.9x					
2P	7.2x					

- Given the remaining assets have now been on the market for over 3 months, it seems unlikely the Company has fielded (or will field) any attractive/value-add offers
- Catalyst believes that at the present juncture, continuing the sales process is harmful to the Company as it is likely to culminate in a value-neutral (or destroying) transaction while narrowing Arcan's asset base and scale

Stakeholder Dynamics

- Arcan has a concentrated equity investor base — with 19% and 17%, respectively, only Crescent Point and Lightstream, both strategic players with a presence in Arcan's resource area, own more than 3% of the Company's stock
  - Neither Crescent Point nor Lightstream have a representative on the Board of Directors, nor have either asked for a seat on the Board
  - Arcan has entered into a 7-well farm-out agreement with Lightstream, effectively trading production for development dollars — Lightstream pays Arcan up-front for a certain interest in the wells, thereby alleviating the capital intensity of drilling. Catalyst requires additional detail on this arrangement
    - Potential for further joint ventures with Lightstream and initiation of JVs with Crescent Point to monetize assets and/or reduce capital intensity
- There are few publicly listed holders of the Company's two convertible notes, implying large hedge fund or retail ownership. Only three firms are listed as owning more than 2% of the combined issuance:
  - Middlefield Securities, an investment fund manager, owns 6.05% of the convertible notes
  - Horizon Kinetics, a U.S. based boutique investment manager, owns 5.04%
  - Mackenzie Financial owns 2.34%
- A holder list for the revolving $190MM credit facility is unavailable; however, the lender syndicate is as below:
  - Alberta Treasury Branches (Administrative Agent) — $50MM commitment (excl. $10MM operating facility commitment)
  - National Bank of Canada — $50MM commitment
  - Bank of Nova Scotia — $30MM commitment
  - CIBC — $30MM commitment
  - Royal Bank of Canada — $30MM commitment

4. Pricing Matrix and Comparables

- Arcan has a total of $324.2MM of net debt outstanding as of 9/30/2013 (pro-forma the $7.5MM Virginia Hills sale), resulting in 5.6x leverage at face value and 4.2x leverage at market value
  - A buyer of the convertible notes would be creating the Company at a near 50% discount to peer valuations in a restructuring while earning a cash yield of 12.3%-12.8% and yield to maturity of 23.9-42.0% under continuing performance
    - Even if the notes are unable to be refinanced at maturity, two full years of cash coupons would reduce a buyer's basis to ~35-40% of par versus low-case going concern valuations of 42% of par (*see Waterfall Analysis*)
  - $157MM drawn on a $200MM credit facility, and $171MM issued under two *pari passu* subordinated convertible bonds
- Liquidity appears ample, with $47MM remaining under the credit facility, in addition to the ~$40MM of cash from operations generated by Arcan
  - The Company's $200MM credit facility (79% drawn) matures in May 2014; however, the lenders, led by the Alberta Treasury, have taken a soft approach in the past: they have waived defaults of the lone covenant (a 1.0x working capital test) and also extended the facility in May 2013 when leverage was equally high

Pricing Matrix (C$ Thousands) as of 01/05/14
Arcan Resources Inc.

Security	Note	Face Value	Drawn as of 9/30/13	Book xLTM EBITDA	Trading Price	Market Adj. Value	Market xLTM EBITDA	Interest Margin	Implied Interest Rate	Maturity	Yield to Maturity	Current Yield
LTM EBITDA				$57,700			$57,700					
Cash		($4,058.0)	($4,058.0)	-0.1x		($4,058.0)	-0.1x					
Revolving Credit Facility	1	$200,000	$157,000	2.7x	100.0	$157,000	2.7x	L+3.5%	3.75%	05/28/2014	3.75%	3.75%
Total 1st Lien Debt		**$200,000**	**$157,000**	**2.7x**		$157,000	**2.7x**					
Net Total 1st Lien Debt		**$195,942**	**$152,942**	**2.7x**		$152,942	**2.7x**					
6.25% Convertible due 2016		86,250	86,250	1.5x	51.0	43,988	0.8x	6.25%	6.25%	02/28/2016	41.99%	12.25%
6.50% Convertible due 2018		85,000	85,000	1.5x	51.0	43,350	0.8x	6.50%	6.50%	10/31/2018	23.89%	12.75%
Total Debt		**$371,250**	**$328,250**	**5.7x**		**$244,338**	**4.2x**					
Net Total Debt		**$367,192**	**$324,192**	5.6x		**$240,280**	4.2x					

Cash	$4,058.0
Revolver	$200,000.0
Draw	($157,000.0)
Liquidity	$47,058.0

Notes:
(1) Pro-forma for $7.5MM of proceeds from sale of Virginia Hills asset.

- Arcan trades at a discount to peers ranging from 33% (based on most recent quarter's production) to 71% (based on 1P reserves)

Lone Pine Resources Inc.
Comparable Companies Analysis

Company	Share Price	Market Cap	TEV	LTM Revenue	LTM EBITDA	EBITDA Margin	Proven Reserves (Mbbls)	Proven + Probable (Mbbls)	% Oil & NGLs	Daily Production boe/d	EV / Proven Reserves	EV / 2P Reserves	EV / Production EV / (boe/d)	EV / EBITDA LTM
Junior E&P Peers														
Argent Energy Trust	$8.01	$480.0	$582.1	$99.7	$47.5	47.7%	17,731	32,333	70.0%	5,407	32.8x	18.0x	$107,658	12.2x
Donnycreek Energy Inc.	$2.26	$169.3	$82.8	$7.1	$1.9	27.3%	2,849	10,700	52.0%	498	29.1x	7.7x	$166,194	42.6x
Longview Oil Corp.	$4.73	$222.0	$337.4	$122.8	$61.6	50.2%	21,392	38,263	80.0%	5,859	15.8x	8.8x	$57,584	5.5x
Manitok Energy Inc	$2.17	$164.3	$168.2	$56.3	$28.9	51.3%	8,029	14,862	50.0%	3,819	20.9x	11.3x	$44,037	5.8x
Painted Pony Petroleum Ltd	$6.85	$605.9	$595.2	$91.3	$43.6	47.7%	42,978	191,343	18.0%	8,925	13.8x	3.1x	$66,694	13.7x
Pinecrest Energy Inc.	$0.42	$90.1	$205.1	$106.4	$64.9	61.0%	9,476	16,241	99.0%	2,804	21.6x	12.6x	$73,142	3.2x
Raging River Exploration Inc	$6.41	$1,095.2	$1,101.3	$138.0	$98.3	71.3%	11,544	17,164	95.0%	5,495	95.4x	64.2x	$200,414	11.2x
TORC Oil & Gas Ltd	$10.28	$937.6	$1,027.2	$95.2	$63.2	66.4%	10,526	18,920	81.0%	5,706	97.6x	54.3x	$180,027	16.2x
Mean						58.9%			68.1%	4,814	40.9x	22.5x	$111,969	13.8x
Median						50.7%			75.0%	5,451	25.3x	12.0x	$90,400	11.7x
Arcan Resources Ltd.	$0.38	$37.2	$277.5	$130.0	$57.7	44.4%	23,410	38,730	93.6%	3,726	11.9x	7.2x	[illegible]	[illegible]

5. Corporate Structure

- Catalyst requires additional detail on Arcan's corporate structure; however, it believes the structure comprises solely of Arcan Resources Ltd. and its wholly owned subsidiary Stimsol Canada Inc., which blends and provides acid for Arcan to use in its well-stimulation activity

6. Operating Results and Capitalization Table

- Recent operating results, capitalization and credit statistics are tabled below.

Operating Summary (C$ Thousands)					LTM	3 Months Ending			
	Notes	31-Dec-10	31-Dec-11	31-Dec-12	30-Sep-13	31-Dec-12	31-Mar-13	30-Jun-13	30-Sep-13
Petroleum and Natural Gas Revenue		$55,575	$104,969	$133,579	$125,898	$28,874	$31,200	$32,507	$33,317
Royalties		($14,704)	($19,518)	($20,773)	($22,668)	($4,785)	($5,033)	($6,473)	($6,377)
Pumping and Stimulation Services Revenue		-	$3,220	$6,428	$4,082	$1,896	$987	$779	$120
Net Revenue		$40,871	$88,671	$119,234	$107,312	$25,985	$27,154	$26,813	$27,360
Production and Operating Expenses		$11,110	$26,718	$33,099	$26,110	$7,042	$6,463	$6,135	$6,470
Cost of Sales for Pumping and Stimulation Services		-	$3,185	$9,128	$8,915	$3,757	$1,937	$2,099	$1,122
General and Administrative Expenses		$10,522	$20,085	$21,976	$14,587	$6,786	$2,097	$2,809	$2,895
EBITDA		$19,239	$38,683	$54,831	$57,700	$8,400	$16,657	$15,770	$16,873
Net Income (Loss)		($7,118)	($779)	($48,984)	($6,530)	-	($2,966)	$1,058	($4,622)
Cash Interest Expense		($1,743)	($3,233)	($15,995)	($18,303)	($4,371)	($4,840)	($4,611)	($4,481)
Capital Expenditures		($148,335)	($250,414)	($181,881)	($54,905)	($17,053)	($21,553)	($8,948)	($7,351)
Cash from Operations		$19,630	$44,889	$44,886	$38,723	$5,952	$11,008	$13,108	$8,655
Cash from Investing		($125,292)	($233,553)	($200,034)	($41,132)	$866	($9,783)	($26,123)	($6,092)
Cash from Financing		$105,662	$192,521	$159,590	($93)	($5,082)	($0,521)	$14,573	($63)

Balance Sheet (C$ Thousands)					LTM				
	Notes	31-Dec-10	31-Dec-11	31-Dec-12	30-Sep-13	31-Dec-12	31-Mar-13	30-Jun-13	30-Sep-13
Assets									
Current									
Cash and Cash Equivalents		-	$3,857	$8,299	$4,058	$8,299	-	$1,558	$4,058
Trade and Other Receivables		$15,610	$22,011	$13,199	$13,187	$13,199	$15,873	$14,541	$13,187
Prepaids and Deposits		$1,528	$1,827	$1,311	$1,365	$1,311	$1,043	$1,851	$1,365
Inventory		-	$428	$3,896	$1,731	$3,896	$3,799	$2,186	$1,731
Fair Value of Commodity Contracts		-	-	$3,874	-	$3,874	-	-	-
Non-Current									
Intangible Assets		-	$15,642	$2,570	$2,235	$2,570	$2,459	$2,347	$2,235
Exploration and Evaluation Assets		$250,155	$35,379	$26,610	$24,917	$26,610	$25,905	$24,981	$24,917
Property, Plant and Equipment		$23,935	$448,225	$553,630	$564,538	$553,630	$567,332	$569,405	$564,538
Fair Value of Commodity Contracts		-	-	-	-	-	-	-	-
Total Assets		$291,228	$527,369	$613,389	$612,031	$613,389	$616,411	$616,869	$612,031
Liabilities									
Current Liabilities									
Trade and Other Payables		$43,267	$66,314	$32,310	$19,718	$32,310	$41,075	$24,155	$19,718
Fair Value of Commodity Contracts		$2,233	$525	-	$4,733	-	$574	$1,693	$4,733
Restricted Share Unit Obligation		-	-	-	$1,227	-	$1,455	$873	$1,227
Total Current Liabilities		$45,500	$66,839	$32,310	$25,678	$32,310	$43,104	$26,721	$25,678
Non-Current Liabilities									
Bank Loans		$20,823	-	$159,422	$164,408	$159,422	$149,898	$164,471	$164,408
Convertible Debentures		-	$138,710	$144,117	$148,308	$144,117	$145,501	$146,897	$148,308
Decommissioning Obligations		$15,746	$19,291	$25,785	$25,263	$25,785	$26,004	$25,338	$25,263
Fair Value of Commodity Contracts		-	$231	$43	$2,321	$43	$2,061	$1,280	$2,321
Restricted Share Unit Obligation		-	-	-	$414	-	$1,219	$514	$414
Deferred Tax Liabilities		$2,204	$13,742	$3,725	$2,207	$3,725	$2,954	$3,709	$2,207
Total Non-Current Liabilities		$38,773	$171,974	$333,092	$342,921	$333,092	$327,637	$342,209	$342,921
Total Liabilities		$84,273	$238,813	$365,402	$368,599	$365,402	$370,741	$368,930	$368,599
Total Debt		$20,823	$138,710	$303,539	$312,716	$303,539	$295,399	$311,368	$312,716
Shareholder's Equity		$206,955	$288,556	$247,987	$243,432	$247,987	$245,670	$247,939	$243,432

Credit Statistics (C$ Thousands)				LTM	3 Months Ending			
	31-Dec-10	31-Dec-11	31-Dec-12	30-Sep-13	31-Dec-12	31-Mar-13	30-Jun-13	30-Sep-13
Sales Growth	NA	88.9%	27.3%	NA	(0.8%)	8.1%	4.2%	2.5%
Royalties / Sales	26.5%	18.6%	15.6%	18.0%	16.6%	16.1%	19.9%	19.1%
Gross Margin / Sales	73.5%	79.0%	78.5%	75.7%	72.2%	78.3%	74.2%	77.8%
SG&A / Sales	25.7%	22.7%	18.4%	13.6%	26.1%	7.7%	10.5%	10.6%
EBITDA / Sales	34.6%	36.9%	41.0%	45.8%	29.1%	53.4%	48.5%	50.6%
EBITDA / Interest Expense	11.0x	12.0x	3.4x	3.2x	1.9x	3.4x	3.4x	3.8x
(Total Debt - Cash) / EBITDA	1.1x	3.5x	5.4x	5.3x	NA	NA	NA	NA
(Total Debt - Cash) / (EBITDA - Capex)	0.1x	0.5x	1.2x	2.7x	NA	NA	NA	NA
Net Investment in Working Capital	($26,129)	($42,048)	($13,904)	($3,435)	($13,904)	($20,360)	($5,577)	($3,435)

7. Waterfall Analysis

- Below are multiple waterfall analyses based on key valuation metrics in the E&P space
  - The high scenarios represent peer medians, with the low case generally corresponding to the worst peer valuations
- In all cases, convertible noteholders (currently trading at 50% of par) would recover 93%-100% if Arcan is valued in line with peers, and 60%-100% in the mid-case which represents a 15%-30% discount to peers
  - Even the low case, which represents a 30%-60% discount to peers, convertible noteholders would still recover 42% on average

Arcan Resources Inc.
Waterfall Analysis
C$ Thousands

Priority Scheme Class	Claim Description	9/30/13
1	Revolving Credit Facility	157,000
2	Trade Creditors	19,718
3	6.25% Sub. Convertible due 2016	86,250
	6.50% Sub. Convertible due 2018	85,000

LTM 09/30/2013 EBITDA: 57,700

Class	Distributions by Class	Mult W	Mult M	Mult B
		4.0x	8.0x	12.0x
		230,800	461,600	692,400
1	Revolving Credit Facility	157,000	157,000	157,000
2	Trade Creditors	19,718	19,718	19,718
3	6.25% Sub. Convertible due 2016	27,238	86,250	86,250
	6.50% Sub. Convertible due 2018	26,844	85,000	85,000

Class	Implied Absolute Return by Class	Mult W	Mult M	Mult B
1	Revolving Credit Facility	100%	100%	100%
2	Trade Creditors	100%	100%	100%
3	6.25% Sub. Convertible due 2016	32%	100%	100%
	6.50% Sub. Convertible due 2018	32%	100%	100%

Daily Production (boe/d): 3,726

Class	Distributions by Class	Mult W	Mult M	Mult B
		$60,000	$75,000	$90,000
		223,560	279,450	335,340
1	Revolving Credit Facility	157,000	157,000	157,000
2	Trade Creditors	19,718	19,718	19,718
3	6.25% Sub. Convertible due 2016	23,592	51,741	79,890
	6.50% Sub. Convertible due 2018	23,250	50,991	78,732

Class	Implied Absolute Return by Class	Mult W	Mult M	Mult B
1	Revolving Credit Facility	100%	100%	100%
2	Trade Creditors	100%	100%	100%
3	6.25% Sub. Convertible due 2016	27%	60%	93%
	6.50% Sub. Convertible due 2018	27%	60%	93%

1P Reserves (Mbbls): 23,410

Class	Distributions by Class	Mult W	Mult M	Mult B
		15.0x	20.0x	25.0x
		351,150	468,200	585,250
1	Revolving Credit Facility	157,000	157,000	157,000
2	Trade Creditors	19,718	19,718	19,718
3	6.25% Sub. Convertible due 2016	86,250	86,250	86,250
	6.50% Sub. Convertible due 2018	85,000	85,000	85,000

Class	Implied Absolute Return by Class	Mult W	Mult M	Mult B
1	Revolving Credit Facility	100%	100%	100%
2	Trade Creditors	100%	100%	100%
3	6.25% Sub. Convertible due 2016	100%	100%	100%
	6.50% Sub. Convertible due 2018	100%	100%	100%

2P Reserves (Mbbls): 38,730

Class	Distributions by Class	Mult W	Mult M	Mult B
		5.0x	8.5x	12.0x
		193,650	329,205	464,760
1	Revolving Credit Facility	157,000	157,000	157,000
2	Trade Creditors	19,718	19,718	19,718
3	6.25% Sub. Convertible due 2016	8,528	76,800	86,250
	6.50% Sub. Convertible due 2018	8,404	75,687	85,000

Class	Implied Absolute Return by Class	Mult W	Mult M	Mult B
1	Revolving Credit Facility	100%	100%	100%
2	Trade Creditors	100%	100%	100%
3	6.25% Sub. Convertible due 2016	10%	89%	100%
	6.50% Sub. Convertible due 2018	10%	89%	100%

8. Discounted Cash Flow

- The DCF below assumes a base case "blowdown" scenario with no further drilling, resulting in natural production declines
- **Note that the below is based on public information regarding Arcan's current corporate decline rate. Catalyst would require detailed private information on each of the Company's wells to further refine its analysis**

Arcan Resources Ltd. - Blowdown Scenario DCF

	Actual								Forecasted					
	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14	2013	2014	2015	2016	2017	2018
Daily Production														
Oil and NGLs (bbl/d)	4,080	4,004	3,616	3,247	2,915	2,618	2,350	2,243	3,734	2,529	2,099	1,868	1,719	1,633
Gas (mcf/d)	110	401	662	594	534	479	430	411	444	463	384	342	315	299
Total (boe/d)	**4,098**	**4,071**	**3,726**	**3,346**	**3,004**	**2,698**	**2,422**	**2,312**	**3,808**	**2,607**	**2,163**	**1,925**	**1,771**	**1,683**
% Change	*n/a*	*(0.7%)*	*(8.5%)*	*(10.2%)*	*(10.2%)*	*(10.2%)*	*(10.2%)*	*(4.6%)*	*n/a*	*(31.6%)*	*(17.0%)*	*(11.0%)*	*(8.0%)*	*(5.0%)*
% Liquids	*99.6%*	*98.4%*	*97.0%*	*97.0%*	*97.0%*	*97.0%*	*97.0%*	*97.0%*	*98.1%*	*97.0%*	*97.0%*	*97.0%*	*97.0%*	*97.0%*
Total Production														
Oil and NGLs (Mbbl)	367	364	333	299	262	238	216	206	1,363	923	766	684	627	596
Gas (Mmcf)	10	36	61	55	48	44	40	38	162	169	140	125	115	109
Total (Mboe)	**369**	**370**	**343**	**308**	**270**	**245**	**223**	**213**	**1,390**	**951**	**790**	**705**	**647**	**614**
Benchmark Prices														
WTI (US$/bbl)	94.34	94.23	105.82	97.61	92.14	92.06	90.40	88.44	98.00	90.76	84.38	80.02	80.02	80.02
Edmonton Light Sweet (C$/bbl)	88.66	92.96	105.19	91.28	91.44	91.36	89.72	87.77	94.52	90.07	83.74	79.41	79.41	79.41
Alberta Plant Gate ($/mcf)	3.08	3.49	2.43	3.35	3.54	3.54	3.54	3.54	3.09	3.54	3.54	3.54	3.54	3.54
Realized Prices														
Oil and NGLs (bbl)	84.92	88.85	99.71	86.72	86.87	86.80	85.23	83.38	89.97	85.69	79.55	75.44	75.44	75.44
Gas (mcf)	1.92	3.70	2.41	3.35	3.54	3.54	3.54	3.54	2.99	3.54	3.54	3.54	3.54	3.54
Production Revenues ($000s)														
Oil and NGLs	31,181	32,372	33,170	25,904	22,793	20,676	18,430	17,209	122,627	79,108	60,959	51,591	47,334	44,968
Gas	19	135	147	183	170	154	140	134	484	598	497	443	407	386
Total	**31,200**	**32,507**	**33,317**	**26,087**	**22,963**	**20,830**	**18,570**	**17,343**	**123,111**	**79,706**	**61,456**	**52,034**	**47,741**	**45,354**
% Change	*n/a*	*+4.2%*	*+2.5%*	*(21.7%)*	*(12.0%)*	*(9.3%)*	*(10.8%)*	*(6.6%)*	*n/a*	*(35.3%)*	*(22.9%)*	*(15.3%)*	*(8.3%)*	*(5.0%)*
per boe	*84.59*	*87.75*	*97.18*	*84.75*	*84.93*	*84.86*	*83.34*	*81.54*	*88.57*	*83.78*	*77.83*	*73.84*	*73.84*	*73.84*
Cash Hedging Gains / (Losses)	557	334	(2,128)	(39)	(995)	(988)	(609)	(148)	(1,276)	(2,739)	1,364	3,567	-	-
Pumping and Stimulation Revenue	987	779	420	-	-	-	-	-	2,186	-	-	-	-	-
Total Revenues	**32,744**	**33,620**	**31,609**	**26,048**	**21,968**	**19,842**	**17,962**	**17,196**	**124,021**	**76,967**	**62,820**	**55,601**	**47,741**	**45,354**
per boe	88.77	90.76	92.20	84.62	81.25	80.83	80.61	80.85	89.23	80.90	79.55	78.90	73.84	73.84
Royalty Costs	(5,033)	(6,473)	(6,377)	(5,726)	(5,030)	(4,566)	(4,145)	(3,956)	(23,609)	(17,697)	(14,689)	(13,109)	(12,027)	(11,426)
Royalties per boe	(13.65)	(17.47)	(18.60)	(18.60)	(18.60)	(18.60)	(18.60)	(18.60)	(16.99)	(18.60)	(18.60)	(18.60)	(18.60)	(18.60)
Production Costs (incl. Transportation)	(6,463)	(6,135)	(6,470)	(5,809)	(5,103)	(4,633)	(4,206)	(4,014)	(24,877)	(17,955)	(14,903)	(13,300)	(12,202)	(11,592)
Production Costs per boe	(17.52)	(16.56)	(18.87)	(18.87)	(18.87)	(18.87)	(18.87)	(18.87)	(17.90)	(18.87)	(18.87)	(18.87)	(18.87)	(18.87)
Field Netback	53.42	53.72	59.71	47.27	47.45	47.38	45.86	44.07	53.69	46.30	40.35	36.36	36.36	36.36
Pumping and Stimulation Costs	(1,937)	(2,099)	(1,122)	-	-	-	-	-	(5,158)	-	-	-	-	-
General and Administrative Costs	(2,097)	(2,809)	(2,895)	(2,087)	(1,837)	(1,666)	(1,486)	(1,387)	(9,888)	(6,376)	(4,916)	(4,163)	(3,819)	(3,628)
Total Costs	**(15,530)**	**(17,516)**	**(16,864)**	**(13,622)**	**(11,969)**	**(10,865)**	**(9,836)**	**(9,358)**	**(63,532)**	**(42,029)**	**(34,508)**	**(30,571)**	**(28,049)**	**(26,646)**
Total Costs per boe	(42.10)	(47.28)	(49.19)	(44.25)	(44.27)	(44.26)	(44.14)	(44.00)	(45.71)	(44.18)	(43.70)	(43.38)	(43.38)	(43.38)
Unlevered Cash Netback	46.67	43.47	43.01	40.37	36.98	36.57	36.46	36.85	43.52	36.72	35.85	35.52	30.46	30.46
Debt-Adjusted Cash Flow	**17,214**	**16,104**	**14,745**	**12,426**	**9,999**	**8,977**	**8,125**	**7,838**	**60,489**	**34,938**	**28,312**	**25,030**	**19,692**	**18,707**
Capital Expenditures	(21,553)	(8,948)	(7,351)	(3,000)	(1,250)	(1,250)	(1,250)	(1,250)	(42,102)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)
Unlevered Free Cash Flow	**(4,339)**	**7,156**	**7,394**	**9,426**	**8,749**	**7,727**	**6,875**	**6,588**	**18,387**	**29,938**	**23,312**	**20,030**	**14,692**	**13,707**
EBITDA (ex. Hedging)	**16,657**	**15,770**	**16,873**	**12,464**	**10,993**	**9,965**	**8,734**	**7,985**	**61,764**	**37,677**	**26,948**	**21,463**	**19,692**	**18,707**

- The DCF analysis makes the following assumptions:
  - Forward WTI prices from Bloomberg with Edmonton Light Sweet discount of 7%, consistent with last 3Q average
  - 35% year 1 decline, 17% in year 2, 11% in year 3, 8% in year 4 and 5% in year 5 — similar rates as atypical oil well. **This assumption is key to the blowdown valuation. Catalyst has made broad assumptions and requires more information from the Company to more accurately estimate future runoff production**
  - No further activity from the pumping and stimulation division, which was shut down in Q3 2013
  - Flat royalties and production costs at $18.60 and $18.87 per barrel, respectively
  - G&A set at 8% of production revenues, flat to last 3Q average but above peers
  - Minimal capex of $5MM/year; no further capex for drilling — possible capex can be further reduced if drilling activities cease; Catalyst's assumption is conservative
- Recoveries for the convertible noteholders in the blowdown scenario range from 21%-93% (current price ~50%)
- **Catalyst notes that under these assumptions the Company can generate $75MM of unlevered cash flow through 2016 versus current market value of the convertible notes of ~$85MM, while preserving significant underlying asset value**
  - **Catalyst must engage industry consultants to ascertain the quality of the underlying asset and narrow its valuation range**

DCF Calculation

(Values in C$000s, except for production)

Discount Rate	15%

Quarter/Year	1Q14	2Q14	3Q14	4Q14	2015	2016	2017	2018
Production (bbl/d)	3,004	2,698	2,422	2,312	3,808	2,607	2,163	1,925
Revenue	22,963	20,830	18,570	17,343	123,111	79,706	61,456	52,034
EBITDA	10,993	9,965	8,734	7,985	61,764	37,677	26,948	21,463
Free Cash Flow	8,749	7,727	6,875	6,588	23,312	20,030	14,692	13,707
Discount Factor	1.03	0.99	0.96	0.93	0.84	0.73	0.63	0.55
PV of FCF	8,986	7,668	6,589	6,095	19,539	14,593	9,308	7,552

PV of Cash Flows	80,331

		Valuation Metrics			Terminal Valuation (PV in $000s)		
Terminal Value Calculation		Low	Mid	High	Low	Mid	High
2018 1P Reserves	18,314	15.0x	20.0x	25.0x	151,335	201,781	252,226
2018 2P Reserves	33,634	5.0x	8.5x	12.0x	92,645	157,496	222,347
Average Value					121,990	179,638	237,286

Stakeholder Recoveries	Low	Mid	High	
PV of All Future Cash Flows	202,321	259,969	317,617	
Plus: Cash	4,058	4,058	4,058	
Plus: Undeveloped Land	6,800	10,200	13,600	*Note: 68,000 undeveloped acres at $100/$150/$200 per acre*
Total Distributable Value	213,179	274,227	335,275	
Revolving Credit Facility	157,000	157,000	157,000	
Recovery to Credit Facility	*100%*	*100%*	*100%*	
Value for Trade Creditors	56,179	117,227	178,275	
Trade Creditors	19,718	19,718	19,718	
Recovery to Trade Creditors	*100%*	*100%*	*100%*	
Value for Convertible Notes	36,461	97,509	158,557	
6.25% Sub. Convertible due 2016	86,250	86,250	86,250	
6.50% Sub. Convertible due 2018	85,000	85,000	85,000	
Recovery to Convertible Notes	*21%*	*57%*	*93%*	

9. Capital Structure Summary

First Lien Revolving Credit Facility

- Borrower: Arcan Resources Ltd.
- Pricing: n/a; yield of 3.75% based on price of 100% and Libor base
- Interest Rate: Currently Level V as per the applicable margin table below

Level	Debt to EBITDA Ratio	Prime Loans and U.S. Base Rate Loans	Libor Loans, Bankers' Acceptances and Letters of Credit
I	< 1.00	1.00%	2.00%
II	≥ 1.00 and < 1.75	1.25%	2.25%
III	≥ 1.75 and < 2.50	1.50%	2.50%
IV	≥ 2.50 and < 3.00	2.00%	3.00%
V	≥ 3.00	2.50%	3.50%

- Lenders:
  - Alberta Treasury Branches (Administrative Agent) — $50MM commitment
  - National Bank of Canada — $50MM commitment
  - Bank of Nova Scotia — $30MM commitment
  - CIBC — $30MM commitment
  - Royal Bank of Canada — $30MM commitment
- Borrowing Base: $200MM total split into $190MM extendible revolving facility and $10MM operating facility with a $5MM L/C sublimit (effectively a standalone portion advanced on immediate notice by the lead lender, ATB)
  - $164.5MM drawn as of September 30, 2013 ($157MM pro-forma the Dec. 2013 sale of Virginia Hills asset)
  - Borrowing base determined semi-annually by May 31 and October 31, based on Arcan's submission of engineering reports and sole discretion of the lenders
- Maturity: May 28, 2014, 1-year extension available on 60 and 90 days' prior notice (e.g. from February 27 to March 28) and 66 2/3% approval by lenders (by commitment size)
  - In the event a lender refuses the extension, the other lenders will have the right to buy its commitment at par plus accrued
- Rank / Security: First lien on all assets of Arcan Resources Ltd. and Stimsol
- Covenants:
  - Non-Financial: Customary
  - Financial: >1.0x working capital test (current assets plus undrawn portion of facilities, divided by current liabilities less current debt – 2.15x as of September 30)
- Cross-default with default on either series of convertible notes
- Guarantors: Stimsol Canada Inc.

6.25% Subordinated Convertible Notes

- Issuer: Arcan Resources Ltd.
- Pricing: $51; yield of 41.99%
- Interest Rate: 6.25% per annum, semi-annual payments
    - Payable in cash or shares
- Maturity Date: February 28, 2016
    - Callable on or after February 28, 2014, if the 20-day weighted average share price is equal to or greater than 125% of the conversion price
        - Does not apply given the current share price is only 3.8% of the conversion price
    - Arcan can elect to satisfy its obligation at maturity by delivering shares, the number of which a holder would receive being equal to the debenture principal divided by 95% of the 20-day weighted average common share price
- Conversion price (ratio): $8.75 / 114.2857 common shares
    - Current value of 3.8% of par based on $0.34 share price
- Rank / Security: Subordinated unsecured
- Change of Control: Triggered by acquisition of 50% or more outstanding common shares or sale of substantially all the assets of the Company, excluding any transaction in which the previous holders of the common shares continue to own at least 50% of the voting shares in the new entity
    - 100% note repurchase price, plus accrued, in Change of Control event
    - In the event of a Change of Control where 10% or more of the consideration is in the form of: i) cash; ii) trust units, LP units or other similar securities; iii) equity securities not traded or intended to be traded on an exchange; or iv) other property not traded or intended to be traded on an exchange, then holders will be entitled to a make whole premium based on a grid
        - However, as the current share price is less than $5.66, no make whole premium would presently apply

6.50% Subordinated Convertible Notes

Note that terms are substantially similar to those of the 6.25% convertible notes

- Issuer: Arcan Resources Ltd.
- Pricing: $49; yield of 23.89%
- Interest Rate: 6.50% per annum, semi-annual payments
- Maturity Date: October 31, 2018
    - Callable on or after October 31, 2015, if the 20-day weighted average share price is equal to or greater than 125% of the conversion price

- Does not apply given the current share price is only 3.8% of the conversion price

  - Arcan can elect to satisfy its obligation at maturity by delivering shares, the number of which a holder would receive being equal to the debenture principal divided by 95% of the 20-day weighted average common share price

- Conversion price (ratio): $8.75 / 114.2857 common shares
  - Current value of 3.8% of par based on $0.34 share price
- Rank / Security: Subordinated unsecured
- Change of Control: Triggered by acquisition of 50% or more outstanding common shares or sale of substantially all the assets of the Company, excluding any transaction in which the previous holders of the common shares continue to own at least 50% of the voting shares in the new entity
  - 100% note repurchase price, plus accrued, in Change of Control event
  - In the event of a Change of Control where 10% or more of the consideration is in the form of: i) cash; ii) trust units, LP units or other similar securities; iii) equity securities not traded or intended to be traded on an exchange; or iv) other property not traded or intended to be traded on an exchange, then holders will be entitled to a make whole premium based on a grid
    - However, as the current share price is less than $5.66, no make whole premium would presently apply

10. Summary Industry Drivers Analysis

Industry Competitors and Rivalry among Incumbents

- The oil & natural gas industry is highly competitive and complex. The Canadian Association of Petroleum Producers estimates that there are over 1,000 E&P companies in Canada
- The E&P/upstream industry is highly dependent on commodity prices, specifically the prices of crude oil, natural gas, NGLs and price spreads/differentials (e.g. between different grades of oil)

Bargaining Power of Buyers

- Factors driving the upstream industry include general economic conditions, supply/demand for oilfield equipment and services, government and royalty policies, environmental regulation, and developments at other levels of the energy value chain (i.e. midstream, infrastructure and downstream sectors)

Bargaining Power of Suppliers

- Suppliers to E&P companies are oilfield services companies, which provide a wide range of services from project planning to heavy construction, contract drilling, equipment and labour supply, and environmental services. Most companies specialize in one or a limited number of areas, leading to a limited number of oilfield services suppliers in each service segment

Threat of Substitute Products

- Substitutes for the oil industry in general include alternative fuels such as coal, gas, solar power, wind power, hydroelectricity and nuclear energy. While oil remains the most widely used fuel source in the world, manufacturers and consumers alike have been gradually shifting to substitute products. Nonetheless, a full migration will likely take decades
- The E&P industry in recent years has seen the advancement of extraction techniques through the wide-scale application of directional horizontal drilling and hydraulic fracturing technology. These new techniques have allowed producers to develop what were previously thought to be out-of-reach resources

Threat of Potential Entrants

- Arcan holds a large, contiguous and defensible position in the Swan Hills complex. There is little threat of a potential entrant geographically — more realistically, Arcan would be threatened by oil substitutes and producers in more economical plays should benchmark oil prices move significantly

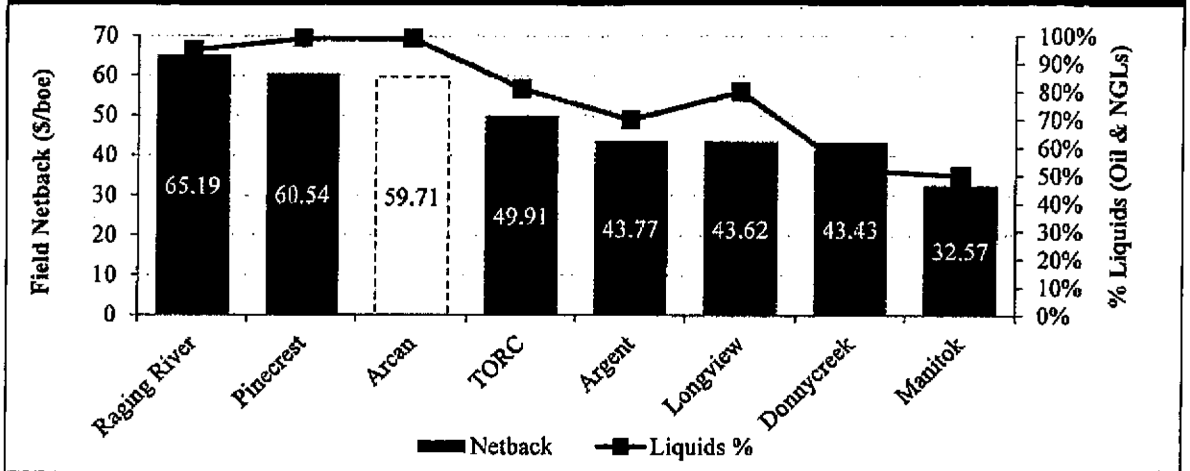
Company Strengths & Weaknesses

Strengths:

- **Large levels of OOIP.** Arcan's landholdings contain an estimated 700 million barrels of original oil-in-place. The Company's 24 Mmboe of 1P reserves and 38Mmboe of 2P reserves only account for 3%-5% of this total, compared to total possible recoveries in the Swan Hills complex of 30%-40%. Therefore, there is significant future development potential for Arcan; however, the Company currently lacks the capital to realize it.

- **Competitive operating netbacks.** With a current operating netback of $59.71/boe (price received less royalties, field opex and transportation costs) Arcan's netbacks are near the top end of the range of its oil-weighted peer set, representing high breakevens

Q3 2013 Operating Netbacks



Source: Company filings.

Weaknesses:

- **High well decline rates.** Arcan's wells are highly productive at first, with 30-day IP rates of 150-220 bbl/d on average (certain wells spudding well in excess of 500 bbl/d). However, production at these same wells tend to decline up to 70% in their first year, meaning that Arcan is highly dependent on drilling new wells or on waterflood response to maintain production rates.
- **Single asset exposure.** Arcan is almost entirely levered to the Swan Hills complex. While this complex is well-established, and Arcan has a well-developed and mature position there, it is nonetheless a narrow focus both from a production (95%+ oil, meaning no upside in gas) and geographical perspective.

Brandon Moyse

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WORK EXPERIENCE

The Catalyst Capital Group Inc. — **Toronto, ON**
Distressed Debt Associate — February 2014 – Current
Distressed Debt Analyst — October 2012 – February 2014

- One of two analysts/associates at $3.5B private equity fund focused on distressed investments and intensive operational and financial restructurings
- Led initial analysis of over 25 potential distressed debt, undervalued equity and special situations investments across the retail, real estate, natural resources and technology sectors
    - Cross-asset class experience: senior secured debt; high yield bonds; preferred and common equity; direct real estate; structured products
- Performed complex financial modeling (DCF/LBO, waterfall, sum-of-parts and liquidation), comprehensive due diligence (both on-site and industry research) and in-depth covenant assessments

Deal Experience

- Homburg Invest Inc. — €500MM+ restructuring of European commercial REIT
- Advantage Rent A Car — $75MM debtor-in-possession financing and chapter 11 stalking horse bid
- Natural Markets Food Group — $200MM+ natural food retail and food service portfolio company
- Publicly Traded European REIT — Potential €100MM distressed equity/special situation investment

Credit Suisse — **New York, NY**
Analyst, Debt Capital Markets — February 2011 – October 2012

- Originated, structured and executed debt capital transactions for investment grade and high yield clients in the Financial Institutions and Specialty Finance sectors
- Performed credit analysis by analyzing metrics, comparing qualitative fundamental factors and regressing historical relationships to assess relative value
- Prepared daily and weekly market update materials to summarize key events and market tone

RBC Capital Markets — **Toronto, ON**
Analyst, Debt Capital Markets — July 2010 – February 2011

OTHER EXPERIENCE

RBC Capital Markets — **Toronto, ON**
Summer Analyst, Debt Capital Markets — Summer 2008 and Summer 2009

The Daily Pennsylvanian — **Philadelphia, PA**
Senior Editor, Writer and Columnist — August 2006 – May 2009

EDUCATION

University of Pennsylvania — **Philadelphia, PA**
Bachelor of Arts in Mathematics — May 2010

SKILLS AND INTERESTS

Skills and Languages: Bloomberg, Capital IQ, French (conversational)
Interests: Golf, crosswords, trivia, acoustic guitar and wine

DETAILED DEAL EXPERIENCE – COMPLETED TRANSACTIONS

Homburg Invest Inc.

Transaction Responsibilities

- Built waterfall model including each of Homburg's 50+ operating companies to determine recovery values for 10 series of bonds secured by varying collateral packages
  - Complex capital structure with multiple levels of structural and contractual subordination
  - Included parent guarantees, deficiency claims/double dips and subrogation of junior debt
  - Developed property-level value estimates by looking through hundreds of comparable real estate listings (e.g. on Colliers/JLL/C&W German, Dutch and Baltic sites) and triangulating with local market research pieces on cap rates, rent levels and sale prices
- Led due diligence process including on-site visits to the Company's real estate holdings, representing Catalyst at management/advisor meetings and reviewing data room materials (e.g. stress-testing model and cash flows)
- Drafted press releases, investor presentations and media scripts for use in Catalyst's activist public relations campaign in the Netherlands (launching a tender offer, hosting bondholder meetings and suing the bondholder trustee)
- Provided ongoing support through negotiation stages by modeling Catalyst's and other stakeholders' returns under different scenarios/deal structures, including combinations of payments in cash, new shares, new debt, convertible notes and tracking shares
- Catalyst's equity in the Newco is currently valued by the Court/Company at almost 2x its investment

Advantage Rent A Car

Transaction Responsibilities

- Day-to-day deal team leader, supported by one analyst and reporting directly to the managing director
- Conducted initial analysis of investment opportunity, including collateral availability, funding requirements/forecast, pro-forma balance sheet and detailed 2-year financial forecasts
- Reviewed and provided recommendations on more than 100 key lease agreements and other executory contracts
  - Analysis used to support Company's closure of 30 concessions, representing almost half its locations and 15% of revenues
  - Restructured MSA with Advantage's largest vendor which is expected to result in over $200,000 of annual savings and provide the Company with more flexibility/optionality in the new arrangement
- Created presentation for the Federal Trade Commission ("FTC") which ultimately helped to result in its approval of the transaction despite initial hesitation in allowing a sale to Catalyst
- As part of the ongoing operational restructuring and Chapter 11 process, responsible for:
  - Development of the Company's go-forward business plan in conjunction with CEO and COO
  - Ongoing monitoring and approval of DIP funding requested by the Company
  - Oversee process of obtaining airports' (and other key vendors') consent to assignment of Advantage's rights to the Newco
  - Transitioning of existing employees and services to the Newco
  - Interviewing candidates for senior management positions (e.g. CFO, Controller and Head of Sales & Marketing)
  - Evaluating offers for bridge and long-term financing facilities from major banks to use for new fleet purchases ($250MM+)