

NO : 500-11-041305-117

SUPERIOR COURT
District OF MONTREAL

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

HOMBURG INVEST INC.
-and- **HOMBURG SHARECO INC.**
-and- **HILL GP INC. & ALS.**
Debtors

-and-
THE ENTITIES LISTED IN ANNEXE I
Mis-en-cause
-and-
SAMSON BELAIR / DELOITTE & TOUCHE INC.
Monitor

-and-
ROMSPEN INVESTMENT CORPORATION
Petitioner

EXHIBIT R-7 :
**CROSS COLLATERALIZATION AND CROSS
DEFAULT AGREEMENT**

ORIGINAL

BD 3477 N/réf : 300964-18/131425-1001

ME ANNIE LEFEBVRE
DE GRANDPRÉ JOLI-
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TO: ROMSPEN INVESTMENT CORPORATION

**ACKNOWLEDGMENT
RE: CROSS-COLLATERALIZATION AND CROSS-DEFAULT**

WHEREAS Romspen Investment Corporation (the "Lender") has issued a commitment letter dated **October 6, 2009** to **Castello Development Ltd.** (the "First Commitment Letter") as amended whereby the Lender agreed to loan the sum of **\$12,000,000.00** to **Castello Development Ltd.** ("Castello") on the terms and conditions more particularly set out therein and Castello and Homburg Invest Inc. ("Homburg") agreed to grant certain security (the "First Security") as more particularly set out in the First Commitment Letter;

AND WHEREAS the Lender has issued a commitment letter dated **December 8, 2009** to **Inverness Estates Development Ltd.** (the "Second Commitment Letter") whereby the Lender agreed to loan the total sum of **\$8,900,000.00** to **Inverness Estates Development Ltd.** ("Inverness") on the terms and conditions more particularly set out therein and Inverness and Homburg agreed to grant certain security (the "Second Security") as more particularly set out in the Second Commitment Letter;

AND WHEREAS the Lender has issued a commitment letter dated **December 8, 2009** to **Churchill Estates Development Ltd.** (the "Third Commitment Letter") (the First Commitment Letter, the Second Commitment Letter and the Third Commitment Letter shall hereinafter be collectively referred to as the "Commitment Letters") whereby the Lender agreed to loan the total sum of **\$10,500,000.00** to **Churchill Estates Development Ltd.** ("Churchill") (Castello, Inverness and Churchill shall collectively hereinafter be referred to as the "Borrower Parties") on the terms and conditions more particularly set out therein and Churchill and Homburg agreed to grant certain security (the "Third Security") as more particularly set out in the Third Commitment Letter;

AND WHEREAS it is a condition of the First Commitment Letter, the Second Commitment Letter, and the Third Commitment Letter that the loans set out therein be cross-collateralized and cross-defaulted so that the security under each loan shall stand as security for the others and a default under one commitment letter or the security collateral thereto shall constitute a default under the other two commitment letters;

NOW THEREFORE the undersigned hereby acknowledge and confirm as follows:

1. a default under the First Commitment Letter or the security collateral thereto shall constitute a default under the Second Commitment Letter and the Third Commitment Letter and the security collateral thereto; a default under the Second Commitment Letter or the security collateral thereto shall constitute a default under the First Commitment Letter and the Third Commitment Letter and the security collateral thereto; and, a default under the Third Commitment Letter or the security collateral thereto shall constitute a default under the First Commitment Letter and the Second Commitment Letter and security collateral thereto and any such default as aforesaid shall entitle the Lender to exercise any and all of the rights granted to it by the First Commitment Letter or the Second Commitment Letter or the Third Commitment Letter or two or more of them.
2. The security granted or to be granted to the Lender pursuant to the First Commitment Letter, the Second Commitment Letter and the Third Commitment Letter, in addition to securing the loan and any indebtedness or obligations of the respective Borrower and Covenantor to the Lender thereunder (the "Obligations"), shall also secure any and all indebtedness and obligations to the Lender or any party affiliated or related to the Lender of the Borrower Parties and of Homburg, in respect of the other commitment letters. Any proceeds of the sale or other disposition of the First Security, the Second Security or the Third Security received or realized by the Lender or an affiliate or related party may be applied by the Lender to the indebtedness or obligations owed pursuant to any one

or more of the Commitment Letters as the Lender may determine in its sole discretion. Notwithstanding the satisfaction by the respective borrower or covenantor of the indebtedness or obligations incurred pursuant to any one commitment letter, the security granted pursuant to that particular commitment letter shall not be discharged by the Lender until the satisfaction by Homburg and the Borrower Parties of the indebtedness and obligations incurred pursuant to the other Commitment Letters. This agreement for cross-collateralization shall not otherwise limit or affect the Lender's rights and remedies under the First Security, the Second Security and the Third Security. Upon request by the Lender, any of the Borrower Parties or the Covenantor shall execute such further agreements or documents necessary to fully implement this cross-collateralization provision.

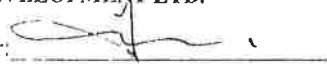
Dated the 17th day of December, 2009

CASTELLO DEVELOPMENTS LTD.

Per: 
I/we have the authority to bind the Corporation

Per: _____
c/s

**CHURCHILL ESTATES
DEVELOPMENT LTD.**

Per: 
I/we have the authority to bind the Corporation

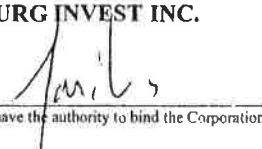
Per: _____
c/s

**INVERNESS ESTATES
DEVELOPMENT LTD.**

Per: 
I/we have the authority to bind the Corporation

Per: _____
c/s

HOMBURG INVEST INC.

Per: 
I/we have the authority to bind the Corporation

Per: _____
c/s