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

PURPOSE OF THE SUPPLEMENTAL REPORT

1. In this Eleventh Supplemental Report of the Monitor (the "**Eleventh Supplemental Report**"), a budget to actual cash flow analysis will be presented for the three-month period of June 2013 to August 2013 (the "**Eleventh Supplemental Period**"), with commentary for the HII Group on a consolidated basis, as well as by geographic region, including Canada, the Netherlands, Germany, USA and the Baltics.

TERMS OF REFERENCE

2. In preparing this Eleventh Supplemental Report, the Monitor has relied upon unaudited financial information, the HII Group's records, the Motion for an Initial Order, the Initial Order and further orders issued by the Court and its discussions with Management of the HII Group and their financial and legal advisors.

3. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars. Capitalized terms not otherwise defined in this Eleventh Supplemental Report are as defined in the previous reports of the Monitor and the Debtors' Motions.

4. A copy of this Eleventh Supplemental Report and the previous reports of the Monitor are available on the Monitor's website at www.deloitte.com/ca/homburg-invest.

OVERVIEW OF ELEVENTH SUPPLEMENTAL REPORT

5. For the Eleventh Supplemental Report, the individual cash flow forecasts and actual results for the three-month period of June 2013 to August 2013 were combined by geographic region and then consolidated for budget to actual cash flow purposes. Please note that a foreign exchange impact exists as a result of varying source currencies being used in each applicable geographic region.

HII GROUP CONSOLIDATED BUDGET TO ACTUAL CASH FLOW ANALYSIS

6. The following is the budget to actual cash flow analysis for the Eleventh Supplemental Period for the HII Group, which consists of Canada, the Netherlands, Germany, USA and the Baltics:

Budget to Actual Cash Flow Summary
June to August 2013
HII Group Consolidated

(C$000)	For the 3-month period of June to August 2013		
	Actual	Budget	Variance
Cash Inflow			
Rent	27,595	25,006	2,589
Other receipts	25,646	8,623	17,023
Proceeds of sale	6,246	-	6,246
Total Cash Inflow	**59,487**	**33,629**	**25,858**
Cash Outflow			
Payroll	610	525	(85)
Taxes	6,989	6,887	(102)
Mortgage principal and interest	13,453	15,066	1,613
Operating expenses	4,300	4,640	340
Professional fees	17,219	18,129	910
Capital expenditures	167	1,519	1,352
Other expenditures	23,962	2,060	(21,902)
Total Cash Outflow	**66,700**	**48,826**	**(17,874)**
Net Cash Flow	**(7,213)**	**(15,197)**	**7,984**
Opening Cash Balance	124,098	124,098	-
Add: Net Cash Flow	(7,213)	(15,197)	7,984
Add: FX Impact and Other Transactions	731	-	731
Ending Cash Balance	**117,616**	**108,901**	**8,715**
Cash Balance per Bank	**117,616**		

<u>HII Group consolidated budget to actual cash flow commentary</u>

7. Total cash inflows for the HII Group were $59,487K for the period noted, while total cash outflows were $66,700K, which resulted in a negative net cash flow of $7,213K compared to a negative budgeted net cash flow of $15,197K.

<u>Opening cash balances</u>

8. The opening cash balances for each region as at June 1, 2013 reflect the allocated balances reflected in the Tenth Supplemental Report prior to applying the impact of foreign exchange and other transactions. As such, the HII Group consolidated opening cash balance will differ from the Tenth Supplemental Report's ending cash by the amount allocated to foreign exchange and other transactions listed in the Tenth Supplemental Report.

9. In order to provide a direct comparison, actual and budgeted transactions for each region have been converted at the relevant closing exchange rate as August 31, 2013.

10. As a result of the negative net cash flows of $7,213K and after taking into consideration a cumulative foreign exchange impact and other transactions of positive $731K, which was not allocated regionally as at August 31, 2013, the opening cash balance of $124,098K as at June 1, 2013 decreased to $117,616K as at August 31, 2013.

11. A detailed explanation of the global cash inflow and outflow variances is presented on a regional basis. Accordingly, please refer to each of the regional budget to actual cash flow analyses performed in the upcoming sections for additional information.

CANADA CONSOLIDATED BUDGET TO ACTUAL CASH FLOW ANALYSIS

12. The following is the consolidated budget to actual cash flow analysis for the Eleventh Supplemental Period for Canada:

Budget to Actual Cash Flow Summary
June to August 2013
Canada

(C$000)	For the 3-month period of June to August 2013		
	Actual	Budget	Variance
Cash Inflow			
Rent and Hotel receipts	8	-	8
Other receipts	10,304	8,623	1,681
Proceeds of sale	1,757	-	1,757
Total Cash Inflow	**12,069**	**8,623**	**3,446**
Cash Outflow			
Payroll	610	525	(85)
Taxes	143	241	98
Mortgage principal and interest	-	-	-
Operating expenses	716	1,189	473
Professional fees	17,203	17,733	530
Capital expenditures	-	5	5
Other expenditures	5,828	1,953	(3,875)
Total Cash Outflow	**24,500**	**21,646**	**(2,854)**
Net Cash Flow	**(12,431)**	**(13,023)**	**592**
Opening Cash Balance	110,154	110,154	-
Add: Net Cash Flow	(12,431)	(13,023)	592
Ending Cash Balance	**97,723**	**97,131**	**592**

Canada consolidated budget to actual cash flow commentary

13. Total cash inflows for Canada were $12,069K during the Eleventh Supplemental Period, while total cash outflows were $24,500K, which resulted in a negative net cash flow of $12,431K compared to a negative budgeted net cash flow of $13,023K.

14. As a result of the negative net cash flow of $12,431K, the opening cash balance of $110,154K at June 1, 2013 decreased to $97,723K as at August 31, 2013.

15. The Monitor’s comments on the consolidated cash inflow and outflow variances for Canada for the Eleventh Supplemental Period are as follows:

Inflows

16. Other receipts of $10,304K were received compared to a budgeted amount of $8,623K resulting in a favorable variance of $1,681K. The actual and budgeted values are outlined below.

    i. The actual amount of $10,304K primarily relates to :

a) The reimbursement of intercompany advances of $2,091K from Homco 92 to HII. These funds were later used for the Valbonne 5 Bridge Loan which was reimbursed to HII during the same period. As such, the impact of these two transactions on the other receipts is $4,182K. The repayment of the Valbonne 5 Bridge Loan was budgeted whereas the reimbursement of intercompany advances of $2,091K to HII from Homco 92 was not. In addition to the above, since Homco 92 had paid all of its creditors in full, it proceeded to make an unbudgeted capital distribution to HII for $2,388K.. Homco 92 is a Dutch entity and as such, both transactions of Homco 92 are reflected in the Netherlands as other expenditures.

b) The reimbursement of intercompany advances of $1,939K from Homco 122 to HII. Given that all cash movements in the region are reflected in this schedule, the reimbursement of intercompany advances from Homco 122 is also captured as other receipts and other expenditures in the above schedule.

c) The remaining other receipts are mainly composed of unbudgeted receipts such as, GST reimbursements of $1,253K, reimbursement from Geneba of $244K, interest receipts of $228K and other miscellaneous receipts for $70K.

ii. The budgeted amount of $8,623K is composed of the Valbonne 5 Bridge loan reimbursement for $2,053K, the proceeds from the sales of two (2) HHUS properties for an amount of $3,848K, the capital distribution from Homco 92 to HII of $2,344K and $378K in reimbursement of intercompany advances from Inverness.

iii. In summary, the favorable variance of $1,681K is mainly attributed to the non-budgeted collection of the Homco 92 intercompany reimbursement, the non-budgeted collection of the Homco 122 intercompany reimbursement, the non-budgeted GST collection, the non-budgeted Geneba reimbursement and the non-budgeted interest and miscellaneous collections all partially offset by the budgeted proceeds from the sales of two (2) HHUS properties for which the funds have not been transferred to HII during the presented 3-month period.

17. Proceeds of sale of $1,757K were received compared to budgeted receipts of nil, resulting in a favorable variance of $1,757K. The favorable variance is mainly due to the unbudgeted bulk sale of Homco 83's (Northumberland) mortgage free condominium units for $1,757K.

Outflows

18. Payroll expenses were $610K compared to a budgeted amount of $525K, resulting in an unfavorable variance of $85K. The unfavorable variance of $85K is mainly due to timing.

19. Taxes were $143K compared to a budgeted amount of $241K, resulting in a favorable variance of $98K. The favorable variance of $98K is mainly due to timing.

20. Operating expenses were $716K compared to a budgeted amount of $1,189K resulting in a favorable variance of $473K. The favorable variance of $473K is mainly due to lower than expected operating expenses.

21. Professional fees were $17,203K, compared to a budgeted amount of $17,733K, which resulted in a favorable variance of $530K. This favorable variance is mainly due to timing as payments were remitted in subsequent periods.

22. Other expenditures were $5,828K compared to a budgeted amount of $1,953K, resulting in an unfavorable variance of $3,875K. The unfavorable variance of $3,875K mainly relates to the unbudgeted Valbonne 5 Bridge Loan of $2,091K, the reimbursement of post-filing intercompany transactions from Homco 122 of $1,939K and a favorable variance of $138K between the budgeted amount of funds transferred to assist in the establishment of Geneba and the amount that was actually transferred. The Geneba funds will be reimbursed to HII after Plan Implementation Date.

THE NETHERLANDS CONSOLIDATED BUDGET TO ACTUAL CASH FLOW ANALYSIS

23. The following is the consolidated budget to actual cash flow analysis for the Eleventh Supplemental Period for the Netherlands:

Budget to Actual Cash Flow Summary
June to August 2013
The Netherlands

(C$000)	For the 3-month period of June to August 2013		
	Actual	Budget	Variance
Cash Inflow			
Rent	5,001	4,303	698
Other receipts	2,307	-	2,307
Proceeds of sale	-	-	-
Total Cash Inflow	**7,308**	**4,303**	**3,005**
Cash Outflow			
Payroll	-	-	-
Taxes	820	419	(401)
Mortgage principal and interest	1,698	2,641	943
Operating expenses	849	629	(220)
Professional fees	-	199	199
Capital expenditures	-	-	-
Other expenditures	5,113	3	(5,110)
Total Cash Outflow	**8,480**	**3,891**	**(4,589)**
Net Cash Flow	**(1,172)**	**412**	**(1,584)**
Opening Cash Balance	8,121	8,121	-
Add: Net Cash Flow	(1,172)	412	(1,584)
Ending Cash Balance	**6,949**	**8,533**	**(1,584)**

Conversion rate used (Opening balance) 1.3427 as at 05/31/2013
Conversion rate used: (Ending balance) 1.3926 as at 08/31/2013
Source: Bank of Canada

<u>The Netherlands consolidated budget to actual cash flow commentary</u>

24. Total cash inflows for the Netherlands were $7,308K for the Eleventh Supplemental Period, while total cash outflows were $8,480K, which resulted in a negative net cash flow of $1,172K compared to a budgeted positive net cash flow of $412K.

25. As a result of the negative net cash flow of $1,172K, the opening cash balance of $8,121K at June 1, 2013 decreased to $6,949K as at August 31, 2013.

26. The Monitor's comments on the consolidated cash inflow and outflow variances for the Netherlands for the Eleventh Supplemental Period are as follows:

Inflows

27. Rent of $5,001K was received compared to a budgeted amount of $4,303K, resulting in a favorable variance of $698K during the Eleventh Supplemental Period. The favorable variance of $698K is primarily due to unbudgeted rent adjustments of approximately $400K, rent from new tenants of $90K and settlement with a tenant for approximately $40K. The remaining portion of the variance of $168K is due to timing.

28. Other receipts of $2,307K were received compared to a budgeted other receipts of nil, resulting in a favorable variance of $2,307K. The other receipts mainly consist of several unbudgeted tax refunds.

Outflows

29. Taxes were $820K compared to a budgeted amount of $419K, resulting in an unfavorable variance of $401K. The unfavorable variance of $401K is mainly due to timing.

30. Mortgage principal and interest charges totaling $1,698K were incurred, compared to $2,641K budgeted for the same period, resulting in a favorable variance of $943K. The favorable variance of $943K is mainly due to the unbudgeted financial impact resulting from amendments to various mortgage agreements.

31. Operating expenses were $849K compared to a budgeted amount of $629K, resulting in an unfavorable variance of $220K. This unfavorable variance is mainly due to timing.

32. Professional fees were nil compared to a budgeted amount of $199K, resulting in a positive variance of $199K. This positive variance of $199K is mainly due to timing as the payments of unbudgeted non-CCAA related professional fees were made in a previous period.

33. Other expenditures were $5,113K, compared to a budgeted amount of $3K resulting in an unfavorable variance of $5,110K. The unfavorable variance is mainly attributed to two unbudgeted transfers from Homco 92 to HII for a total amount of $4,479K, which was also reflected in the Canadian region under the heading “Other receipts”. In addition to those two transfers, the unfavorable variance is partly composed of two unbudgeted transfers from Homco 71 and Homco 102 for amounts of $220K and $386K, respectively. The two transfers were made following the receipts of funds in the account of the two bankrupt entities, which needed to be transferred to the trustee of the estate. The remaining variance is composed of unbudgeted miscellaneous expenses.

GERMANY CONSOLIDATED BUDGET TO ACTUAL CASH FLOW ANALYSIS

34. The following is the consolidated budget to actual cash flow analysis for the Eleventh Supplemental Period for Germany:

Budget to Actual Cash Flow Summary
June to August 2013
Germany

(C$000)	For the 3-month period of June to August 2013		
	Actual	Budget	Variance
Cash Inflow			
Rent	16,828	14,990	1,838
Other receipts	12,047	-	12,047
Proceeds of sale	-	-	-
Total Cash Inflow	**28,875**	**14,990**	**13,885**
Cash Outflow			
Payroll	-	-	-
Taxes	5,727	5,723	(4)
Mortgage principal and interest	8,500	9,247	747
Operating expenses	574	653	79
Professional fees	-	50	50
Capital expenditures	-	-	-
Other expenditures	12,794	104	(12,690)
Total Cash Outflow	**27,595**	**15,777**	**(11,818)**
Net Cash Flow	**1,280**	**(787)**	**2,067**
Opening Cash Balance	1,940	1,940	-
Add: Net Cash Flow	1,280	(787)	2,067
Ending Cash Balance	**3,220**	**1,153**	**2,067**

Conversion rate used (Opening balance) 1.3427 as at 05/31/2013
Coversion rate used: (Ending balance) 1.3926 as at 08/31/2013
Source: Bank of Canada

35. The German budget to actual cash flow analysis is composed of all German properties. HII's ownership in Moto is 93%, through the direct ownership of Valbonne 5, which is fully owned by Homco 110. Consistent with prior reports, for the purposes of the German consolidated budget to actual cash flow analysis and commentary contained within, no adjustment was made to the budgeted cash flows, or actual cash balances, to reflect HII's 93% ownership in Moto since the cash flow budgets and actuals take into account the cash flows of Homco 110 as a whole. Any references made to the H110 structure is to be considered as the consolidated position of Moto, Valbonne 5 and H110.

Mortgage debt

36. As discussed in the Fourth Supplemental Report, one of the lenders of Homco 110 requested that excess cash received in the operating account be applied against its mortgage debt balance. Since that time, Homco 110 has negotiated new terms with its lender which will allow for the excess cash

after the mortgage payment to become available to it. As at August 31, 2013, the net mortgage balance is still at €(26,000)K.

Germany consolidated budget to actual cash flow commentary

37. Total cash inflows for Germany were $28,875K for the Eleventh Supplemental Period, while total cash outflows were $27,595K, which resulted in a positive net cash flow of $1,280K compared to a budgeted net cash flow of negative $787K.

38. As a result of the positive net cash flow of $1,280K, the opening cash balance of $1,940K at June l, 2013 increased to $3,220K as at August 31, 2013.

39. The Monitor's comments on the consolidated cash inflow and outflow variances for Germany for the Eleventh Supplemental Period are as follows:

Inflows

40. Rent of $16,828K was received compared to a budgeted amount of $14,990K, resulting in a favorable variance of $1,838K. The positive variance is mainly due to unbudgeted monthly adjustment of service rent.

41. In order to earn interest income on excess funds contained in Homco 110's operating accounts, cash transfers are regularly made to and from the operating bank accounts into short-term term deposits. These cash movements are captured in the other receipts and other expenditures line items. As a result of this form of cash management, other receipts of $12,047K and other expenditures of $12,794K mainly consist of cash transfers to/from term deposits. These funds are generally taken from the rent proceeds in order to be invested. These investments are classified as other receipts when they mature and the balances are remitted back to Homco 110.

Outflows

42. Combined mortgage principal and interest payments of $8,500K were made, compared to a budgeted amount of $9,247K, resulting in a favorable variance of $747K. The variance is mainly due to timing.

43. Operating expenses were $574K compared to a budgeted amount of $653K, resulting in a favorable variance of $79K. The favorable variance of $79K is mainly due to timing.

44. Professional fees were nil, compared to a budgeted amount of $50K, resulting in a favorable variance of $50K. The favorable variance is mainly due to timing, as expenses were incurred in a previous period.

USA CONSOLIDATED BUDGET TO ACTUAL CASH FLOW ANALYSIS

45. The following table presents the consolidated budget to actual cash flow analysis for the Eleventh Supplemental Period for the USA:

Budget to Actual Cash Flow Summary
June to August 2013
USA

(C$000)	For the 3-month period of June to August 2013		
	Actual	Budget	Variance
Cash Inflow			
Rent	638	657	(19)
Other receipts	557	-	557
Proceeds of sale	4,489	-	4,489
Total Cash Inflow	**5,684**	**657**	**5,027**
Cash Outflow			
Payroll	-	-	-
Taxes	37	310	273
Mortgage principal and interest	143	126	(17)
Operating expenses	449	312	(137)
Professional fees	6	28	22
Capital expenditures	-	-	-
Other expenditures	219	-	(219)
Total Cash Outflow	**854**	**776**	**(78)**
Net Cash Flow	**4,830**	**(119)**	**4,949**
Opening Cash Balance	2,375	2,375	-
Add: Net Cash Flow	4,830	(119)	4,949
Ending Cash Balance	**7,205**	**2,256**	**4,949**

Conversion rate used : (Opening balance) 1.0339 as at 05/31/2013
Conversion rate used: (Ending balance) 1.0553 as at 08/31/2013
Source: Bank of Canada

<u>USA consolidated budget to actual cash flow commentary</u>

46. As detailed in the Motion for Access to Restricted Cash dated December 16, 2013 and in the Thirtieth and Thirty-First Monitor's Reports, HII discovered that approximately $2.6M from HHUS's funds were diverted by the property manager of HHUS, namely Homburg Realty Services (U.S) Inc. As such, the actual ending balance of 7,205K presented in the table above does not consider such diversion of funds that occurred after the period of reference of this Eleventh Supplemental Report. This reduction will be demonstrated in further supplemental reports.

47. The USA consolidated budget to actual cash flow analysis represents the cash flows from the HHUS properties only because, as noted in the Seventeenth Report and Eighth Supplemental Report, the Cedar properties were divested as a result of a sale transaction that closed on October 12, 2012.

48. Total cash inflows for the USA properties were $5,684K for the Eleventh Supplemental Period, while total cash outflows were $854K, which resulted in positive net cash flow of $4,830K compared to a budgeted negative net cash flow of $119K.

49. As a result of the positive net cash flow of $4,830K, the opening cash balance of $2,375K as of June 1, 2013 increased to $7,205K as at August 31, 2013.

50. From the First Supplemental Report to the Sixth Supplemental Report, it was disclosed that HII made frequent transfers between operating bank accounts and an interest-earning cash management account. These cash management movements were captured in the other receipts and other expenditures. Since the time of the Seventh Supplemental Report and continuing with this Eleventh Supplemental Report, these inter-account cash transfers have been excluded to better represent the actual cash position and net cash flow for the USA. The Monitor intends to continue to reflect the USA properties cash flows on this basis going forward. Please refer to the sections below for further information regarding the amounts listed as other receipts.

51. The Monitor's comments on the consolidated cash inflow and outflow variances for the USA for the Eleventh Supplemental Period are as follows:

Inflows

52. Rent of $638K was received compared to a budgeted amount of $657K, resulting in an unfavorable variance of $19K. This variance is due to timing as some of the properties were sold part way through the period.

53. Other receipts of $557K were received compared to a budgeted amount of nil, resulting in a favorable variance of $557K. This variance is due to the receipt of an unbudgeted Cedar distribution relating to unpaid accounts receivable which were not distributed at the time of the closing of the Cedar transaction.

54. Proceeds of sale received were $4,489K compared to a budgeted amount of nil. This favorable variance is a result of closing the sales on four (4) properties (Hilton Parkway, Sugarland. Blanco, and Hillpoint) in July 2013 totaling cash proceeds of $4,170K and one in August 2013 (Cotton Belt) yielding cash proceeds of $319K.

Outflows

55. Taxes of $37K were paid compared to a budgeted amount of $310K, resulting in a favorable variance of $273K. This variance is primarily due to timing and will be set-off in future periods.

56. Operating expenses of $449K were paid compared to a budgeted amount of $312K, resulting in an unfavorable variance of $137K. This variance is comprised of unbudgeted tenant placement costs of $36K and repairs and maintenance of $35K. The remaining variance is largely due to timing and will be offset in future periods.

57. Other expenditures of $219K were paid compared to a budgeted amount of nil, resulting in an unfavorable variance of $219K. This unfavorable variance is largely due to tenant inducement and certain lease obligations of $61K, as well as sales commissions of $158K resulting from the sale of the five (5) properties noted in paragraph 53 above. As further detailed in the debtor's Motion for Access to Restricted Cash, these commissions were paid out of HHUS accounts without any prior

authorization by HHUS or HII. It is HHUS and HII's position that HRS is not entitled to these commissions, and proceedings are currently taken in order to recover such commissions.

58. The remaining nominal variances noted for mortgage principal and interest, and professional fees primarily represent timing variances.

THE BALTICS CONSOLIDATED BUDGET TO ACTUAL CASH FLOW ANALYSIS

59. The following is the consolidated budget to actual cash flow analysis for the Eleventh Supplemental Period for the Baltics:

Cash Flow Summary
June to August 2013
Baltics

(C$000) Baltics	For the 3-month period of June to August 2013 Actual	Budget	Variance
Cash Inflow			
Rent	5,120	5,056	64
Other receipts	431	-	431
Proceeds of sale	-	-	-
Total Cash Inflow	**5,551**	**5,056**	**495**
Cash Outflow			
Operating expenses	1,576	1,561	(15)
Loan & Swap Interest	2,418	2,357	(61)
Mortgage Principal	694	695	1
Asset management fee	136	296	160
Professional fees	10	119	109
VAT payments	262	194	(68)
Capital expenditures	167	1,514	1,347
Other expenditures	8	-	(8)
Total Cash Outflow	**5,271**	**6,736**	**1,465**
Net Cash Flow	**280**	**(1,680)**	**1,960**
Opening Cash Balance	1,508	1,508	-
Add: Net Cash Flow	280	(1,680)	1,960
Ending Cash Balance	**1,788**	**(172)**	**1,960**

Conversion rate used (Opening balance) 1.3427 as at 05/31/2013
Conversion rate used (Ending balance) 1.3926 as at 08/31/2013
Source: Bank of Canada

Baltics consolidated budget to actual cash flow commentary

60. Total cash inflows for the Baltics were $5,551K for the Eleventh Supplemental Period, while total cash outflows were $5,271K, which resulted in a positive net cash flow of $280K compared to a budgeted negative net cash flow of $1,680K.

61. As a result of the positive net cash flow of $280K, the opening cash balance of $1,508K at June 1, 2013 increased to $1,788K as at August 31, 2013.

62. The Monitor's comments on the consolidated cash inflow and outflow variances for the Baltics for the Eleventh Supplemental Period are as follows:

Inflows

63. Other receipts of $431K were collected compared to a budgeted amount of nil, resulting in a favorable variance of $431K. The favorable variance is mainly due to the payment of $431K from HII to the Baltics as a reimbursement for HII restructuring expenses previously funded by the Baltics.

Outflows

64. Loan and interest expenses of $2,418K were paid compared to a budgeted amount of $2,357K, resulting in an unfavorable variance of $61K. The unfavorable variance is mainly due the recent increase of the EURIBOR which has an impact on the unhedged portion of the debt.

65. Asset management fees of $136K were paid compared to a budgeted amount of $296K, resulting in a favorable variance of $160K. The favorable variance is mainly due to changes of rates and fair market value of properties in 2012 (fees being based on fair market value).

66. Professional fees of $10K were paid compared to a budgeted amount of $119K, resulting in a favorable variance of $109K. The favorable variance is mainly due to payment of unbudgeted restructuring fees during prior periods, which were classified as other expenditures, resulting in the reduction of cash available for professional fees.

67. VAT payments of $262K were paid compared to a budgeted amount of $194K resulting in an unfavorable variance of $68K. This unfavorable variance is mainly due to a VAT payment not originally budgeted, which was incurred in Homburg Baltic (ES) AST Investments UU. In addition, as a result of changes in Latvia’s regulations which now require HII to pay VAT on capital expenditures directly to the Latvian government rather than to the supplier, the VAT portion of capital expenditures is reflected in this account and no longer as a part of capital expenditures.

68. Capital expenditures of $167K were paid compared to a budgeted amount of $1,514K, resulting in a favorable variance of $1,347K.The favorable variance is mainly due to timing.