

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

SUPERIOR COURT
Commercial Division

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

HOMBURG INVEST INC., a legal person, duly constituted under the *Business Corporations Act* (Alberta), having its registered office at 3700 Canterra Tower, 400 Third Avenue SW, Calgary, Alberta, T2P 4H2, and having a chief place of business at Suite 1010, 1 Place Alexis Nihon, Montreal, Quebec, H3Z 3B8

– and –

HOMBURG SHARECO INC., a legal person, duly constituted under the *Companies Act* (Nova Scotia), having its head office at 3700 Canterra Tower, 400 Third Avenue SW, Calgary, Alberta, T2P 4H2, and having a chief place of business at Suite 1010, 1 Place Alexis Nihon, Montreal, Quebec, H3Z 3B8

– and –

CHURCHILL ESTATES DEVELOPMENT LTD., a legal person, duly constituted under the *Business Corporations Act* (Alberta), having its head office at Unit 127, 6227-2nd Street SE, Calgary, Alberta, T2H 1J5, and having a chief place of business at Suite 1010, 1 Place Alexis Nihon, Montreal, Quebec, H3Z 3B8

– and –

INVERNESS ESTATES DEVELOPMENT LTD., a legal person, duly constituted under the *Business Corporations Act* (Alberta), having its head office at Unit 127, 6227-2nd Street SE, Calgary, Alberta, T2H 1J5, and having a chief place of business at Suite 1010, 1 Place Alexis Nihon, Montreal, Quebec, H3Z 3B8

– and –

CP DEVELOPMENT LTD., a legal person, duly constituted under the *Business Corporations Act* (Alberta), having its head office at Unit 127, 6227-2nd Street SE, Calgary, Alberta, T2H 1J5, and having a chief place of business at Suite 1010, 1 Place Alexis Nihon, Montreal, Quebec, H3Z 3B8

Petitioners

- and -

THE ENTITIES LISTED IN APPENDIX A

Mis-en-cause

– and –

SAMSON BÉLAIR/DELOITTE & TOUCHE INC.
(Pierre Laporte, CA, CIRP, person in charge), having a place of business at 1 Place Ville Marie, Suite 3000, Montreal, Quebec, H3B 4T9

Monitor

**FIRST REPORT TO THE COURT
SUBMITTED BY SAMSON BÉLAIR/DELOITTE & TOUCHE INC.
IN ITS CAPACITY AS MONITOR**

(Companies' Creditors Arrangement Act, R.S.C. 1985, c. C-36, as amended)

INTRODUCTION

1. On September 9, 2011, Homburg Invest Inc. ("**HII**"), Homburg Shareco Inc. ("**Shareco**"), Churchill Estates Development Ltd. ("**Churchill**"), Inverness Estates Development Ltd. ("**Inverness**") and CP Development Ltd. ("**CP**") (collectively the "**Petitioners**" or the "**Companies**") filed and obtained protection from its creditors under Section 4, 5 and 11 of the *Companies' Creditors Arrangement Act* ("**CCA**") pursuant to an Order rendered by this Honourable Court (the "**Initial Order**").
2. The Initial Order provides, inter alia, for the following:
 - a. No proceedings or enforcement processes in any court or tribunal shall be commenced or continued against or in respect of the Companies or the entities listed in Appendix A (collectively, the "**Homburg Parties**") or their properties, or affecting the Homburg Parties' business operations and activities until and including October 7, 2011 (the "**Stay Period**").
 - b. All persons having agreements with the Homburg Parties for the supply of goods and services must continue to provide goods and services in the normal course of business.
 - c. No person shall discontinue, fail to honour, alter, interfere with, repudiate, resiliate, cancel, terminate or cease to perform any right, renewal right, contract, agreement, license or permit in favour of or held by the Homburg Parties, except with the written consent of the Homburg Parties and the Monitor, or with leave of the Court.

- d. The appointment of Samson Bélair/Deloitte & Touche Inc. (“**Deloitte**” or the “**Monitor**”) as Monitor under the CCAA.
3. This first report of Monitor (the “**First Report**”) covers:
 - (i) The statement of projected cash flow for each Petitioner as of September 9, 2011 (“**Cash Flow Statement**”), as per paragraph 23(1)(b) of the CCAA.
 4. In preparing this First Report, the Monitor has relied upon unaudited financial information, the Companies’ records, the amended Motion for an initial order dated September 9, 2011 (the “**Motion for Initial Order**”) and its discussions with the management of the Companies and their financial and legal advisors. While the Monitor has reviewed the information, some in draft format, submitted in the abridged time available, the Monitor has not performed an audit or other verification of such information. Forward looking financial information included in the First Report is based on assumptions of the Companies’ management regarding future events, and actual results achieved will vary from this information and the variations may be material.
 5. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars. Capitalized terms not defined in this First Report are as defined in the Initial Order.
 6. A copy of this First Report, the Motion for an Initial Order in this CCAA proceeding and further reports of the Monitor will be available on the Monitor’s website at www.deloitte.com/ca/homburg-invest. The Monitor has also established a hotline number that is referenced on the Monitor’s website so that parties may contact the Monitor if they have questions with respect to the Companies’ restructuring or the CCAA.

THE PETITIONERS CASH FLOW STATEMENTS

7. The Cash Flow Statements, attached as Appendices B to F to this First Report, have been prepared by the management of the Petitioners for the purpose described in the notes to the Cash Flow Statements, using the probable and hypothetical assumptions set out in the notes to the Cash Flow Statements.
8. The Monitor’s review of each Cash Flow Statement consisted of inquiries, analytical procedures and discussions on the information provided to us by the management and employees of the Petitioners. Since these hypothetical assumptions are not being supported, our involvement with respect to them was limited to evaluating whether they were consistent with the purpose of the Cash Flow Statements. We have also reviewed the supported documentation provided by the management of the Petitioners for the probable assumptions, and the preparation and presentation of the Cash Flow Statements.

9. Based on our review and the foregoing reserves and limitations, nothing has come to our attention, at the exception of some specific elements that will be stated in the following section of this First Report, that causes us to believe that, in all material respects:
- a) The hypothetical assumptions are not consistent with the purpose of the Cash Flow Statements;
 - b) As at the date of this report, the probable assumptions developed by the Petitioners are not suitably supported and consistent with the plans of the Petitioners or do not provide a reasonable basis for the Cash Flow Statements, given the hypothetical assumptions; or
 - c) The Cash Flow Statements do not reflect the probable and hypothetical assumptions.
10. Since the Cash Flow Statements are based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, we express no opinion as to whether the projections in the Cash Flow Statements will be achieved. We express no opinion or other form of assurance with respect to the accuracy of any financial information presented in this report, or relied upon by us in preparing this report. Neither do we express any opinion as to the performance of the Petitioners statutory obligations with regard to projected payments to be made in accordance with the Cash Flow Statements, *inter alia* the payment of wages, the government remittances and the payroll deductions to be made by the Petitioners.
11. The Cash Flow Statements have been prepared solely for the purpose described in the notes to the Cash Flow Statements, and readers are cautioned that the Cash Flow Statements may not be appropriate for other purposes.
12. The Petitioners' Cash Flow Statements are for a period of thirteen (13) weeks from September 9 to December 10, 2011. The key assumptions used in these Cash Flow Statements are based on the 2011 fiscal year operating plan. The Petitioners consolidated overdraft cash balance as at September 9, 2011 is of approximately \$16.1 million, as represented in the table below.

Cash balances (\$)	9/9/2011
Homburg Invest Inc.	(14,805,990)
Homburg Shareco Inc.	-
Churchill Estates Development Ltd.	(648,000)
Inverness Estates Development Ltd.	(632,163)
CP Development	(29,701)
	<u>(16,115,854)</u>

13. Each of the Petitioners' Cash Flow Statement will be monitored on a separate basis. The following sections will specifically address the main assumptions of these Cash Flows Statements.

HII

14. HII's Cash Flow Statement is attached as Appendix B to this First Report.
15. HII prepared a Cash Flow Statement on the assumption that an important cash inflow of \$34.5 million in the week ending September 17, 2011 would be generated. This inflow is related to the agreement entered into by HII to sell, through Homco Realty Fund [199] Limited Partnership, 3,000,000 units of Homburg Canada REIT (the "**Bought Deal**").

16. As described in the Motion for Initial Order, the Bought Deal was signed on August 23, 2011. This transaction consisted essentially in the sale of 3,000,000 units in Homburg Canada REIT to a syndicate of underwriters at a price of \$11.50 per unit.
17. As contemplated, the Bought Deal closed on September 13, 2011.
18. Homburg Canada REIT is a separate entity. Following the closing of the Bought Deal, HII's retained indirect interest, in Homburg Canada REIT is 16.4%.
19. HII anticipates more restrictive payment terms from suppliers following the announcement of the CCAA proceedings. As such, HII has anticipated certain paid upon delivery purchases and payment of deposits to certain utility providers.
20. Certain suppliers requested payment of their amounts due representing approximately \$1.5 million before completing the work already in progress on a property in development in Prince Edward Island ("PEI"). HII had issued cheques to said suppliers prior to the filing of the CCAA proceedings. Concurrently with the CCAA filing, the Government of PEI funded approximately \$1.5 million due to said suppliers through HII. This amount was received by HII on the week ending September 16, 2011. In conformity with the instructions of PEI, HII, as mandatory for PEI, used said funds to issue payments to the specified suppliers. Accordingly, the receipt of this amount and the payment to the relevant suppliers is reflected in HII Cash Flow Statement in Appendix B.
21. HII anticipates that an amount of \$1.6 million will be payable under head lease obligations in respect of a property known as Jamieson. HII and its legal advisors are currently reviewing these obligations. The result of their analysis will be presented to the Monitor for approval before issuing these payments.
22. As of the date of this First Report, all expenses incurred going forward by HII have been or will be paid out of HII's working capital.
23. At this time, there is nothing that would lead us to believe that HII will need additional financing to meet current obligations between now and October 7, 2011.
24. However, since September 9, 2011, the Monitor has been informed of several outstanding issues that could impact negatively the Cash Flow Statement of HII. As these issues have not yet been quantified or completely validated by the Monitor, it is difficult to provide an opinion or a recommendation on same. The Monitor is currently analyzing all these issues and will report to the Court as soon as he will be in position to do so. The issues are the following:
 - a. HII (directly and indirectly) owns a diversified portfolio of real estate and land assets for development in Canada, Europe (Germany, Baltic States and the Netherlands) and the United States. It appears that some of the real estate assets located in Europe, more specifically in the Netherlands, have a negative projected cash flow. Before the filing of the CCAA proceedings, HII was funding the operational deficit of these properties in order to protect its investments. However, these outflows of funds are currently not considered in the HII Cash Flow Statement. HII, with the assistance of the Monitor, is currently reviewing the status of each of these investments in order to determine which

payment, in each case, must be done to protect the value, if any, for the creditors. Based on preliminary discussions with HII, it is unlikely that HII will continue to fund the cash flows of all the properties. A certain period of time will be necessary to complete the review, and meanwhile, until a decision is made regarding each of the properties with a negative cash flow, HII may have to make certain payments to address any operational deficits. These payments, as the case may be, would negatively affect the Cash Flow Statement of HII. The Monitor is not currently in a position to quantify these payments, but will report as soon as the complete information will be available and the relevant analysis conducted.

- b. HII did not forecast any payment to be made in respect of fees related to the property manager and assets managers of the real estate properties. On July 29, 2011, the contract with Homburg Canada Inc (“**HCI**”), the main asset and property manager was terminated. Since then, the properties are being serviced by subcontractors of HCI. HII and the Monitor are currently in discussions with property and asset managers (including HCI’s subcontractors) to secure a short-term contract for the management of the properties until a permanent solution is finalized. The Monitor will report to the Court as soon as HII has secured short-term contracts or concluded a long-term agreement.
- c. An amount of about 1.1 million Euros is currently owing to Homburg Service Group (“**HSG**”), for services relating to management of HII’s European assets. HII is currently evaluating whether HSG should be engaged as property manager for the European assets outside of the Baltic’s and Munich for a preliminary period of three months in order to secure these assets. HSG is requesting that the amounts due prior to filing be paid. However, this potential disbursement is currently not considered in the Cash Flow Statement of HII. HII and the Monitor are currently analyzing this issue. The Monitor will report on it as soon as the complete information will be available.
- d. The Baltic division of HII (the “**Baltics**”) which operates through Homburg Baltic LP Inc. a wholly owned subsidiary of HII, is facing a potential claim of approximately 2.2 million Euros relating to an interest swap contract. As the Baltics do not have the funds to cover these costs, alternatives to cover these amounts are currently being analyzed. However, this potential disbursement is currently not considered in the Cash Flow Statement of HII. HII and the Monitor are currently analyzing this issue. The Monitor will report on same as soon as the complete information will be available.
- e. HII has an investment in the Netherlands through an entity known as Homburg Eastern European Fund (“**HEEF**”). The investment has not been fully paid by HII. Based on the preliminary information provided to the Monitor, it seems than an amount of approximately 4.4 million Euros would be required to fulfill HII’s obligations in this regard. The default to pay this amount could put at risk HII’s investment in HEEF. This potential disbursement is currently not considered in the Cash Flow Statement of HII. HII and the Monitor are currently analyzing this issue. The Monitor will report on it as soon as the complete information will be available.
- f. As the legal advisors for both the Petitioners and the Monitor, and the Monitor are spending tremendous amount of time on numerous material issues, the professional fees budgeted may not be sufficient. The current Cash Flow Statements are based on the

assumption that HII will be assuming all professional fees. HII and the Monitor are considering allocating the professional fees and expenses between the Petitioners and are currently evaluating the different approaches to do so and their impact.

- g. As discussed further in the First Report, CP Cash Flow Statement (Appendix F) demonstrates that CP will not generate sufficient cash from its operations to fund its forecasted outflows. In order to preserve the value of the assets, as the case may be, HII may have to fund the difference. This is currently not considered in the HII Cash Flow Statement. The Cash Flow Statement presented in appendix B has been adjusted consequently by the Monitor and provides additional outflows for HII in the aggregate amount of approximately \$861 K over the thirteen-week period of the Cash Flow Statements. The actual disbursement may be less if, during this period, the Monitor and the Companies conclude that such outflows are not beneficial.
25. Consequently, even though HII's Cash Flow Statement is presenting a surplus of approximately \$12 million, the foregoing issues could have a negative impact on this surplus. HII's actual Cash Flow Statement has been prepared considering information known as of September 9, 2011. As soon as HII and the Monitor will get a better view of the potential adjustments to the Cash Flow Statement, the Monitor will report to the Court.

Shareco

26. Shareco Cash Flow Statement is attached as Appendix C to this First Report.
27. Shareco does not have any assets, except for an intercompany receivable and its only debt is related to the mortgage bonds, which are affected by the Stay Period. Therefore, there will not be any cash inflows or outflows in Shareco for the thirteen (13) weeks from September 9 to December 10, 2011.

Churchill

28. Churchill Cash Flow Statement is attached as Appendix D to this First Report.
29. Churchill prepared a Cash Flow Statement assuming that cash inflows will be generated by the sale of condominium units.
30. Churchill anticipates more restrictive payment terms from suppliers following the announcement of the CCAA proceedings. As such, Churchill has anticipated certain paid upon delivery purchases and payment of deposits to certain utility providers.
31. Churchill believes that the Cash Flow Statement attached as Appendix D is reasonable.
32. As of the date of this First Report, all expenses incurred have been or will be paid out of Churchill's working capital.
33. At this time, there is nothing that would lead us to believe that Churchill will need additional financing to meet current obligations between now and October 7, 2011.

34. However, as indicated previously in this First Report, HII and the Monitor are considering all costs of professional fees expenses on a pro rata basis to each Petitioner. To the extent said allocation is made, this would have a negative impact on Churchill Cash Flow Statement presented as Appendix D.

Inverness

35. Inverness Cash Flow Statement is attached as Appendix E to this First Report.

36. Inverness prepared a Cash Flow Statement assuming that cash inflows will be generated by the sale of condominium units.

37. Inverness anticipates more restrictive payment terms from suppliers following the announcement of the CCAA proceedings. As such, Inverness has anticipated certain paid upon delivery purchases and payment of deposits to certain utility providers.

38. Inverness believes that the Cash Flow Statement attached as Appendix E is reasonable.

39. As of the date of this First Report, all expenses incurred have been or will be paid out of Inverness's working capital.

40. At this time, there is nothing that would lead us to believe that Inverness will need additional financing to meet current obligations between now and October 7, 2011.

41. However, as indicated previously in this First Report, HII and the Monitor are considering allocating professional fees expenses on a pro rata basis to each Petitioner Cash Flow Statement, to the extent said allocation is made. This would have a negative impact on Inverness Cash Flow Statement presented as Appendix E.

CP

42. CP Cash Flow Statement is attached as Appendix F to this First Report.

43. CP prepared a Cash Flow Statement assuming cash inflows will be generated by funds in escrow to be received following the pre-filing sale of three (3) of the CP properties. It is anticipated that the funds will be released from the escrow account once the construction costs have been paid.

44. CP anticipates more restrictive payment terms from suppliers following the announcement of the CCAA proceedings. As such, CP has anticipated certain paid upon delivery purchases and payment of deposits to certain utility providers.

45. CP believes that the Cash Flow Statement attached as Appendix F is reasonable.

46. The Cash Flow Statement shows that CP will not generate sufficient cash from its operations to fund the forecasted outflows. The Companies and the Monitor are currently evaluating whether there is any value in the assets for CP's and HII's creditors and whether it is appropriate for HII to fund the negative cash-flow. Any potential inflow is currently not considered in the CP's Cash Flow Statement. The Cash Flow Statement presented in Appendix F has been adjusted consequently by the Monitor (see Monitor adjustment). Additional inflow needs for CP for about \$861 K have been considered by

the Monitor and all or, some of these needs may be funded by HII during the period while the Monitor and the Companies are making their final determination.

The Monitor respectfully submits to the Court this, its First Report.

DATED AT MONTREAL, this 19th day of
September 2011.



Pierre Laporte, CA, CIRP
President

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

APPENDIX A

APPENDIX A

MIS-EN-CAUSE ENTITIES

- Homco Realty Fund (52) Limited Partnership
- Homco Realty Fund (53) Limited Partnership
- Homco Realty Fund (89) Limited Partnership
- Homco Realty Fund (92) Limited Partnership
- Homco Realty Fund (105) Limited Partnership
- Homco Realty Fund (121) Limited Partnership
- Homco Realty Fund (122) Limited Partnership
- Homco Realty Fund (142) Limited Partnership
- Homco Realty Fund (199) Limited Partnership
- Homco Realty Fund (88)

APPENDIX B

Homburg Invest Inc. Cash Flow Statement															
Number of weeks	13	0	1	2	3	4	5	6	7	8	9	10	11	12	13
Start Date:	Friday, September 09, 2011														
Beginning period:	9-Sep-11	10-Sep-11	17-Sep-11	24-Sep-11	1-Oct-11	8-Oct-11	15-Oct-11	22-Oct-11	29-Oct-11	5-Nov-11	12-Nov-11	19-Nov-11	26-Nov-11	3-Dec-11	
Ending period:	10-Sep-11	17-Sep-11	24-Sep-11	1-Oct-11	8-Oct-11	15-Oct-11	22-Oct-11	29-Oct-11	5-Nov-11	12-Nov-11	19-Nov-11	26-Nov-11	3-Dec-11	10-Dec-11	
Days in week	1	7	7	7	7	7	7	7	7	7	7	7	7	7	
Cash flow by item															
SOURCES															
REIT Distributions	-	-	697,764	-	-	-	697,764	-	-	-	697,764	-	-	-	
REIT Unit Sale Proceeds	-	34,500,000	-	-	-	-	-	-	-	-	-	-	-	-	
GST remitted	-	-	-	-	-	70,805	-	-	-	143,305	-	-	-	55,805	
Hotel receipts	22,407	23,807	25,207	26,607	20,307	21,357	22,407	23,457	24,507	25,557	26,607	27,657	28,707	29,757	
Total sources	22,407	34,523,807	722,971	26,607	20,307	92,162	720,171	23,457	24,507	168,862	724,371	27,657	28,707	85,562	
USES															
Commissions	-	1,587,000	-	-	-	-	-	-	-	-	-	-	-	-	
Payroll	-	70,000	-	70,000	-	70,000	-	70,000	-	70,000	-	70,000	-	70,000	
Rent Exp	-	35,000	-	-	35,000	-	-	-	35,000	-	-	-	35,000	-	
Head lease obligation	-	167,031	-	-	167,031	-	-	-	167,031	-	-	-	167,031	-	
Professional fees	250,000	250,000	250,000	250,000	200,000	200,000	200,000	200,000	150,000	150,000	150,000	150,000	150,000	150,000	
Insurance	-	-	-	18,000	-	-	-	18,000	-	-	-	18,000	-	-	
Office & Admin	-	-	-	20,000	-	-	-	20,000	-	-	-	20,000	-	-	
Director fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
KERP	-	-	-	-	-	-	-	200,000	-	-	-	-	-	-	
Capital tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Jamieson Obligation	-	-	-	-	1,600,000	-	-	-	-	-	-	-	-	-	
Corporate bond principal repayment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Corporate bond interest payment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Junior subordinate debt principal repayment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Junior subordinate debt interest payment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
HCSA interest payment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
GST remitted	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Hotel disbursements	-	15,018	-	16,138	-	14,038	-	14,878	-	15,718	-	16,558	-	17,398	
Payroll	-	-	-	-	1,470	-	-	-	1,313	-	-	-	1,565	-	
Management fee	-	-	-	17,695	-	-	-	17,695	-	-	-	17,695	-	-	
Property and Other Taxes	-	-	-	2,000	-	-	-	2,000	-	-	-	2,000	-	-	
Insurance	-	-	-	16,667	-	-	-	16,667	-	-	-	16,667	-	-	
G&A	-	-	-	250,000	-	-	-	250,000	-	-	-	250,000	-	-	
Construction costs	-	-	1,600,000	-	-	-	-	-	-	-	-	-	-	-	
Construction costs - held cheques	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Mortgage principal & interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total Hotel disbursements	-	15,018	1,600,000	302,499	1,470	14,038	-	301,239	1,313	15,718	-	302,919	1,565	17,398	
Total Uses	250,000	2,124,049	1,850,000	660,499	2,003,501	284,038	200,000	809,239	353,344	235,718	150,000	560,919	353,596	237,398	
Opening cash balance (HSBC)	(14,805,990)	(15,033,583)	17,366,175	16,239,146	15,605,254	13,622,059	13,430,183	13,950,354	13,164,572	12,835,735	12,768,879	13,343,250	12,809,988	12,485,099	
Net Cash Contribution / (Use)	(227,593)	32,399,758	(1,127,029)	(633,892)	(1,983,195)	(191,876)	520,171	(785,782)	(328,837)	(66,856)	574,371	(533,262)	(324,889)	(151,836)	
Ending cash balance	(15,033,583)	17,366,175	16,239,146	15,605,254	13,622,059	13,430,183	13,950,354	13,164,572	12,835,735	12,768,879	13,343,250	12,809,988	12,485,099	12,333,263	
HSBC line of credit	-	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	
Total availability	(15,033,583)	22,366,175	21,239,146	20,605,254	18,622,059	18,430,183	18,950,354	18,164,572	17,835,735	17,768,879	18,343,250	17,809,988	17,485,099	17,333,263	
DELOITTE ADJUSTMENTS															
Weekly funding of CP deficit with HII surplus	-	(10,500)	(55,500)	-	(254,000)	(10,500)	-	(3,000)	(262,500)	(10,500)	-	(3,000)	(252,000)	-	
Cumulate funding of CP deficits with HII surplus	-	(10,500)	(66,000)	(66,000)	(320,000)	(330,500)	(330,500)	(333,500)	(596,000)	(606,500)	(606,500)	(609,500)	(861,500)	(861,500)	
PEI cash receipt	1,500,000	-	-	-	-	-	-	-	-	-	-	-	-	-	
Cumulate PEI cash receipt	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	
Adjusted HII cash balance (following Deloitte cumulative adjustments)	(13,533,583)	23,855,675	22,673,146	22,039,254	19,802,059	19,599,683	20,119,854	19,331,072	18,739,735	18,662,379	19,236,750	18,700,488	18,123,599	17,971,763	

Table B (cont.)

NOTES AND REPRESENTATIONS TO THE CASH FLOW STATEMENT

NOTE A – PURPOSE AND WARNINGS

The cash flow projections have been prepared solely for the purpose of the CCAA proceedings. Consequently, readers are cautioned that it may not be appropriate for other purposes.

Since the cash flow projections are based on assumptions regarding future event, actual results will vary from the information presented, and the variations may be material.

NOTE B – DEFINITIONS

(1) CASH FLOW STATEMENT

A statement indicating, on a weekly basis, the projected cash flow of HII as defined in section 2(1) of the Act based on probable and hypothetical assumptions that reflect HII's planned course of action for the period covered.

(2) HYPOTHETICAL ASSUMPTIONS

Meaning assumptions with respect to a set of economic conditions or courses of action which are not necessarily the most probable in HII's judgment, but are consistent with the purpose of the Cash Flow Statement.

(3) PROBABLE ASSUMPTIONS

Meaning assumptions that:

- (i) HII's cash flow reflects the most probable set of economic conditions and planned courses of action, **Suitably Supported**, that are consistent with the plans of HII; and
- (ii) Provide a reasonable basis for the Cash Flow Statement.

(4) SUITABLY SUPPORTED

Meaning that the assumptions are based on either one or more of the following factors:

- (i) The past performance of HII;
- (ii) The performance of other industry/market participants engaged in similar activities as HII;
- (iii) Feasibility studies;
- (iv) Marketing studies; or
- (v) Any other reliable source of information that provides objective corroboration of the reasonableness of the Assumptions.

The extent of detailed information supporting each assumption, and an assessment as to the reasonableness of each assumption, will vary according to circumstances and will be influenced by factors such as the significance of the assumption and the availability and quality of the supporting information.

NOTE C – ASSUMPTIONS

Assumptions	Source	Probable Assumption	Hypothetical Assumption
<u>Opening cash balance</u>	Based on current bank balances	X	
<u>Exchange rates</u>	All cash flows are in Canadian dollars		X
<u>Forecast cash receipts</u>			
REIT distribution	Distributions for 8,813,866 Homburg REIT Canada units at \$0.95/year, paid monthly	X	
REIT unit sales proceeds	Sale of 3,000,000 Homburg Canada REIT units at \$11.50	X	
GST remitted	Based on the previous months taxable disbursements and the applicable tax rates. Payable on the second week of each month.	X	
Hotel receipts	Assumes occupancy of 15 rooms per night in the first week of September, increasing at one room per week to a maximum of 27 rooms by the week ending December 10, 2011. Revenue per room is assumed to be \$200/night in September, \$150/night in October, November and December.		X
<u>Forecast cash disbursements</u>			
Commissions	4% commission on the sale of the Homburg Canada REIT units	X	
Payroll	Based on previous payroll expenses	X	
Rent expense	Rent at the Akerly Blvd. location	X	
Head lease obligation	This lease obligation is related to an agreement between Homburg Invest Inc. and Homburg Canada REIT for which Homburg Invest Inc. has the obligation to pay a lease to Homburg Canada REIT associated to the Homburg financial building and CN building. REIT units have been pledge relating to this Head Lease.	X	
Professional fees	Deloitte, McCarthy Tétrault, Osler and Ernst & Young (auditors)		X
Insurance	D&O insurance	X	
Office & admin	Bank fees, travel and telephone	X	
Director fees	Expenses occurred post December 10, 2011	X	

Assumptions	Source	Probable Assumption	Hypothetical Assumption
KERP	Next payment is on October 31, 2011	X	
Capital tax	Based on previous years' tax		X
Jameison obligation	This obligation is related to an agreement between Homburg Invest Inc. and Jamieson Place for which Homburg Invest Inc. is required to pay the difference between the lease obligation and the amount of the sub-lease. This contract will be cancelled following the filing; however, the amount related to the first 30 days after the filing will be paid.	X	
Corporate bond principal payment	Amount stayed by proceedings	X	
Corporate bond interest payment	Amount stayed by proceedings	X	
Junior subordinate debt principal payment	Amount stayed by proceedings	X	
Junior subordinate debt interest payment	Amount stayed by proceedings	X	
HCSA interest payment	Amount stayed by proceedings	X	
GST remitted	N/A due to stay of proceedings	X	
<u>Hotel disbursements</u>			
Payroll	Based on previous payroll expenses	X	
Management fee	1.5% of hotel revenues		X
Property and other taxes	Based on previous property and other tax expenses	X	
Insurance	Based on previous insurance expenses	X	
G&A	Based on previous G&A expenses	X	
Construction costs	Construction is still ongoing		X
Construction costs – held cheques	The amount of \$1,600,000 relates to cheques which have been prepared but have not yet been released. These amounts are payable to trade suppliers who will be required for the completion of the construction of the hotel.	X	

Assumptions	Source	Probable Assumption	Hypothetical Assumption
Mortgage principal & interest	Amount stayed by proceedings	X	

APPENDIX C

Homburg ShareCo Inc. Cash Flow Statement															
Number of weeks	13	0	1	2	3	4	5	6	7	8	9	10	11	12	13
Start Dates	Friday, September 09, 2011														
Beginning period:	9-Sep-11	10-Sep-11	17-Sep-11	24-Sep-11	1-Oct-11	8-Oct-11	15-Oct-11	22-Oct-11	29-Oct-11	5-Nov-11	12-Nov-11	19-Nov-11	26-Nov-11	3-Dec-11	
Ending period:	10-Sep-11	17-Sep-11	24-Sep-11	1-Oct-11	8-Oct-11	15-Oct-11	22-Oct-11	29-Oct-11	5-Nov-11	12-Nov-11	19-Nov-11	26-Nov-11	3-Dec-11	10-Dec-11	
Days in week	1	7	7	7	7	7	7	7	7	7	7	7	7	7	7
Cash flow by item															
SOURCES															
Mortgage bond issuance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total mortgage bond issuance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
USES															
Interest payments - mortgage bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total interest payments - mortgage bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Repayment of Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total repayment of bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Uses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Opening cash balance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Cash Contribution / (Use)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ending cash balance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Note: This entity hold four series of asset backed mortgage bonds. The mortgage bonds are seven year bonds issued in series and secured by a first or second charge over specific assets and a corporate guarantee. The table below contains specific details of each mortgage bond, including the assets each is secured against. The following accounts are associated to Homburg ShareCo Inc. The cash movements in this company are already included in the Homburg Invest Inc. cash flow.

093-045204-001
093-045204-270
421-002957-101

Bond series	Principal (000s EUR)	Interest %	Interest payment dates	Issuance date	Maturity	Security provided
HMB 4	20,010	7.50%	June 30 and December 31	11/30/2003	11/30/2011	H52
HMB 5	20,010	7.50%	June 30 and December 31	12/31/2003	12/31/2011	H53 and H94 and units of H68, H69 and H70
HMB 6	31,230	7.50%	June 30 and December 31	6/30/2004	6/30/2012	H72, H73, H74, H76, H84, H85, H86 and H88
HMB 7	31,230	7.25%	June 30 and December 31	6/30/2004	6/30/2012	H62, H67 and H88

Table B (cont.)

NOTES AND REPRESENTATIONS TO THE CASH FLOW STATEMENT

NOTE A – PURPOSE AND WARNINGS

The cash flow projections have been prepared solely for the purpose of the CCAA proceedings. Consequently, readers are cautioned that it may not be appropriate for other purposes.

Since the cash flow projections are based on assumptions regarding future event, actual results will vary from the information presented, and the variations may be material.

NOTE B – DEFINITIONS

(1) CASH FLOW STATEMENT

A statement indicating, on a weekly basis, the projected cash flow of Shareco, as defined in section 2(1) of the Act based on probable and hypothetical assumptions that reflect Shareco's planned course of action for the period covered.

(2) HYPOTHETICAL ASSUMPTIONS

Meaning assumptions with respect to a set of economic conditions or courses of action which are not necessarily the most probable in Shareco's judgment, but are consistent with the purpose of the Cash Flow Statement.

(3) PROBABLE ASSUMPTIONS

Meaning assumptions that:

- (i) Shareco's cash flow reflects the most probable set of economic conditions and planned courses of action, **Suitably Supported**, that are consistent with the plans of Shareco; and
- (ii) Provide a reasonable basis for the Cash Flow Statement.

(4) SUITABLY SUPPORTED

Meaning that the assumptions are based on either one or more of the following factors:

- (i) The past performance of Shareco;
- (ii) The performance of other industry/market participants engaged in similar activities as Shareco;
- (iii) Feasibility studies;
- (iv) Marketing studies; or
- (v) Any other reliable source of information that provides objective corroboration of the reasonableness of the Assumptions.

The extent of detailed information supporting each assumption, and an assessment as to the reasonableness of each assumption, will vary according to circumstances and will be influenced by factors such as the significance of the assumption and the availability and quality of the supporting information.

NOTE C – ASSUMPTIONS

Assumptions	Source	Probable Assumption	Hypothetical Assumption
<u>General cash flow assumptions</u>	This entity holds four series of asset-backed mortgage bonds. The mortgage bonds are 7-year bonds issued in series and secured by a first or second charge over specific assets and a corporate guarantee. As the debt is entirely affected by the Stay Period, there will not be any cash inflow or outflow in Shareco for the thirteen (13) weeks from September 9 to December 10, 2011.	X	

APPENDIX D

Churchill Estates Development Ltd.
Cash Flow Statement

Number of weeks	13	0	1	2	3	4	5	6	7	8	9	10	11	12	13
Start Date:	Friday, September 09, 2011														
Beginning period:	9-Sep-11	10-Sep-11	17-Sep-11	24-Sep-11	1-Oct-11	8-Oct-11	15-Oct-11	22-Oct-11	29-Oct-11	5-Nov-11	12-Nov-11	19-Nov-11	26-Nov-11	3-Dec-11	
Ending period:	10-Sep-11	17-Sep-11	24-Sep-11	1-Oct-11	8-Oct-11	15-Oct-11	22-Oct-11	29-Oct-11	5-Nov-11	12-Nov-11	19-Nov-11	26-Nov-11	3-Dec-11	10-Dec-11	
Days in week	1	7	7	7	7	7	7	7	7	7	7	7	7	7	7
Cash flow by item															
SOURCES															
Condo Sales Proceeds	-	814,285	-	-	-	-	-	-	-	500,000	-	-	-	-	-
Total Condo Sales Proceeds	-	814,285	-	-	-	-	-	-	-	500,000	-	-	-	-	-
GST collected	-	40,714	-	-	-	-	-	-	-	25,000	-	-	-	-	-
Total GST collected	-	40,714	-	-	-	-	-	-	-	25,000	-	-	-	-	-
GST ITC refund	-	-	-	-	-	-	-	-	-	-	1,215	-	-	-	-
Total GST ITC refund	-	-	-	-	-	-	-	-	-	-	1,215	-	-	-	-
Total sources	-	854,999	-	-	-	-	-	-	-	525,000	1,215	-	-	-	-
USES															
Commissions	-	40,714	-	-	-	-	-	-	-	25,000	-	-	-	-	-
Advertising	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
R&M	-	-	-	3,000	-	-	-	3,000	-	-	-	3,000	-	-	-
Total commissions, advertising and R&M	-	40,714	-	3,000	-	-	-	3,000	-	25,000	-	3,000	-	-	-
Property tax	18,000	-	-	-	17,750	-	-	-	17,750	-	-	-	17,500	-	-
Total property tax	18,000	-	-	-	17,750	-	-	-	17,750	-	-	-	17,500	-	-
Professional fees	-	1,000	-	1,000	-	-	-	1,000	-	1,000	-	1,000	-	-	-
Total professional fees	-	1,000	-	1,000	-	-	-	1,000	-	1,000	-	1,000	-	-	-
Insurance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total insurance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mortgage principal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mortgage interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total mortgage payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office & Admin	-	-	-	1,000	-	-	-	1,000	-	-	-	1,000	-	-	-
Total Office & Admin	-	-	-	1,000	-	-	-	1,000	-	-	-	1,000	-	-	-
Condo Fees	20,000	-	-	-	19,300	-	-	-	19,300	-	-	-	-	18,800	-
Total Condo Fees	20,000	-	-	-	19,300	-	-	-	19,300	-	-	-	-	18,800	-
GST remitted	-	-	-	-	-	37,379	-	-	-	-	-	-	-	-	22,485
Total GST remitted	-	-	-	-	-	37,379	-	-	-	-	-	-	-	-	22,485
Total Uses	38,000	41,714	-	5,000	37,050	37,379	-	5,000	37,050	26,000	-	5,000	36,300	22,485	-
Opening cash balance	(648,000)	(686,000)	127,285	127,285	122,285	85,235	47,856	47,856	42,856	5,806	504,806	506,021	501,021	464,721	
Net Cash Contribution / (Use)	(38,000)	813,285	-	(5,000)	(37,050)	(37,379)	-	(5,000)	(37,050)	499,000	1,215	(5,000)	(36,300)	(22,485)	
Ending cash balance	(686,000)	127,285	127,285	122,285	85,235	47,856	47,856	42,856	5,806	504,806	506,021	501,021	464,721	442,236	

Table B (cont.)

NOTES AND REPRESENTATIONS TO THE CASH FLOW STATEMENT

NOTE A – PURPOSE AND WARNINGS

The cash flow projections have been prepared solely for the purpose of the CCAA proceedings. Consequently, readers are cautioned that it may not be appropriate for other purposes.

Since the cash flow projections are based on assumptions regarding future event, actual results will vary from the information presented, and the variations may be material.

NOTE B – DEFINITIONS

(1) CASH FLOW STATEMENT

A statement indicating, on a weekly basis, the projected cash flow of Churchill as defined in section 2(1) of the Act based on probable and hypothetical assumptions that reflect Churchill's planned course of action for the period covered.

(2) HYPOTHETICAL ASSUMPTIONS

Meaning assumptions with respect to a set of economic conditions or courses of action which are not necessarily the most probable in Churchill's judgment, but are consistent with the purpose of the Cash Flow Statement.

(3) PROBABLE ASSUMPTIONS

Meaning assumptions that:

- (i) Churchill's cash flow reflects the most probable set of economic conditions and planned courses of action, **Suitably Supported**, that are consistent with the plans of Churchill; and
- (ii) Provide a reasonable basis for the Cash Flow Statement.

(4) SUITABLY SUPPORTED

Meaning the assumptions are based on either one or more of the following factors:

- (i) The past performance of Churchill;
- (ii) The performance of other industry/market participants engaged in similar activities as Churchill;
- (iii) Feasibility studies;
- (iv) Marketing studies; or
- (v) Any other reliable source of information that provides objective corroboration of the reasonableness of the Assumptions.

The extent of detailed information supporting each assumption, and an assessment as to the reasonableness of each assumption, will vary according to circumstances and will be influenced by factors such as the significance of the assumption and the availability and quality of the supporting information.

NOTE C – ASSUMPTIONS

Assumptions	Source	Probable Assumption	Hypothetical Assumption
<u>Opening cash balance</u>	Based on current bank balances	X	
<u>Exchange rates</u>	All cash flows are in Canadian dollars		X
<u>Forecast cash receipts</u>			
Condo sales proceeds	During the week of September 17, 2011, Churchill Estate Development Ltd. should receive the proceeds of sale of one condominium. A condominium is projected to be sold in November.		X
GST collected	Based on applicable taxes on forecast condo sales		X
GST ITC refund	Based on the previous months' taxable disbursements and the applicable tax rates. Payable on the second week of each month.	X	
<u>Forecast cash disbursements</u>			
Commissions	Commissions are based on 5% of the projected sales		X
Advertising	Advertising expenses are based on previous expenses	X	
R&M	Repairs and maintenance expenses are based on previous expenses	X	
Property tax	Based on previous expenses	X	
Professional fees	Legal and closing costs for sale of property		X
Insurance	Payment required twice a year	X	
Mortgage principal	Amount stayed by proceedings	X	
Mortgage interest	Amount stayed by proceedings	X	
Office & admin	Sales office on site	X	
Condo fees	Condominium fees based on previous expenses	X	
GST remitted	GST paid on expenses listed in this cash flow	X	

APPENDIX E

Inverness Estates Development Ltd.
Cash Flow Statement

Number of weeks	13	0	1	2	3	4	5	6	7	8	9	10	11	12	13
Start Dates	Friday, September 09, 2011														
Beginning period:	9-Sep-11	10-Sep-11	17-Sep-11	24-Sep-11	1-Oct-11	8-Oct-11	15-Oct-11	22-Oct-11	29-Oct-11	5-Nov-11	12-Nov-11	19-Nov-11	26-Nov-11	3-Dec-11	
Ending period:	10-Sep-11	17-Sep-11	24-Sep-11	1-Oct-11	8-Oct-11	15-Oct-11	22-Oct-11	29-Oct-11	5-Nov-11	12-Nov-11	19-Nov-11	26-Nov-11	3-Dec-11	10-Dec-11	
Days in week	1	7	7	7	7	7	7	7	7	7	7	7	7	7	7
Cash flow by item															
SOURCES															
Condo Sales Proceeds	-	200,000	-	-	-	200,000	-	-	-	200,000	-	-	-	-	200,000
Total Condo Sales Proceeds	-	200,000	-	-	-	200,000	-	-	-	200,000	-	-	-	-	200,000
GST collected	-	10,000	-	-	-	10,000	-	-	-	10,000	-	-	-	-	10,000
Total GST collected	-	10,000	-	-	-	10,000	-	-	-	10,000	-	-	-	-	10,000
GST ITC refund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total GST ITC refund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total sources	-	210,000	-	-	-	210,000	-	-	-	210,000	-	-	-	-	210,000
USES															
Commissions	-	10,000	-	-	-	10,000	-	-	-	10,000	-	-	-	-	10,000
Advertising	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
R&M	-	-	-	3,000	-	-	-	3,000	-	-	-	-	3,000	-	-
Total commissions, advertising and R&M	-	10,000	-	3,000	-	10,000	-	3,000	-	10,000	-	-	3,000	-	10,000
Property tax	-	-	-	-	-	-	-	-	-	-	56,000	-	-	-	-
Total property tax	-	-	-	-	-	-	-	-	-	-	56,000	-	-	-	-
Professional fees	-	1,000	-	1,000	-	1,000	-	1,000	-	1,000	-	1,000	-	1,000	-
Total professional fees	-	1,000	-	1,000	-	1,000	-	1,000	-	1,000	-	1,000	-	1,000	-
Insurance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total insurance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mortgage principal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mortgage interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total mortgage payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office & Admin	-	-	-	1,000	-	-	-	1,000	-	-	-	-	1,000	-	-
Total Office & Admin	-	-	-	1,000	-	-	-	1,000	-	-	-	-	1,000	-	-
Condo Fees	14,800	-	-	-	14,400	-	-	-	14,000	-	-	-	-	13,600	-
Total Condo Fees	14,800	-	-	-	14,400	-	-	-	14,000	-	-	-	-	13,600	-
GST remitted	-	-	-	-	-	8,460	-	-	-	8,480	-	-	-	-	8,500
Total GST remitted	-	-	-	-	-	8,460	-	-	-	8,480	-	-	-	-	8,500
Total Uses	14,800	11,000	-	5,000	14,400	19,460	-	5,000	14,000	19,480	56,000	5,000	13,600	19,500	
Opening cash balance	(632,163)	(646,963)	(447,963)	(447,963)	(452,963)	(467,363)	(276,823)	(276,823)	(281,823)	(295,823)	(105,303)	(161,303)	(166,303)	(179,903)	
Net Cash Contribution / (Use)	(14,800)	199,000	-	(5,000)	(14,400)	190,540	-	(5,000)	(14,000)	190,520	(56,000)	(5,000)	(13,600)	190,500	
Ending cash balance	(646,963)	(447,963)	(447,963)	(452,963)	(467,363)	(276,823)	(276,823)	(281,823)	(295,823)	(105,303)	(161,303)	(166,303)	(179,903)	10,597	

Table B (cont.)

NOTES AND REPRESENTATIONS TO THE CASH FLOW STATEMENT

NOTE A – PURPOSE AND WARNINGS

The cash flow projections have been prepared solely for the purpose of the CCAA proceedings. Consequently, readers are cautioned that it may not be appropriate for other purposes.

Since the cash flow projections are based on assumptions regarding future event, actual results will vary from the information presented, and the variations may be material.

NOTE B – DEFINITIONS

(1) CASH FLOW STATEMENT

A statement indicating, on a weekly basis, the projected cash flow of Inverness as defined in section 2(1) of the Act based on probable and hypothetical assumptions that reflect Inverness' planned course of action for the period covered.

(2) HYPOTHETICAL ASSUMPTIONS

Meaning assumptions with respect to a set of economic conditions or courses of action which are not necessarily the most probable in Inverness' judgment, but are consistent with the purpose of the Cash Flow Statement.

(3) PROBABLE ASSUMPTIONS

Meaning assumptions that:

- (i) Inverness' cash flow reflects the most probable set of economic conditions and planned courses of action, **Suitably Supported**, that are consistent with the plans of Inverness; and
- (ii) Provide a reasonable basis for the Cash Flow Statement.

(4) SUITABLY SUPPORTED

Meaning that the assumptions are based on either one or more of the following factors:

- (i) The past performance of Inverness;
- (ii) The performance of other industry/market participants engaged in similar activities as Inverness;
- (iii) Feasibility studies;
- (iv) Marketing studies; or
- (v) Any other reliable source of information that provides objective corroboration of the reasonableness of the Assumptions.

The extent of detailed information supporting each assumption, and an assessment as to the reasonableness of each assumption, will vary according to circumstances and will be influenced by factors such as the significance of the assumption and the availability and quality of the supporting information.

NOTE C – ASSUMPTIONS

Assumptions	Source	Probable Assumption	Hypothetical Assumption
<u>Opening cash balance</u>	Based on current bank balances	X	
<u>Exchange rates</u>	All cash flows are in Canadian dollars		X
<u>Forecast cash receipts</u>			
Condo sales proceeds	Based on management's monthly condo sales report		X
GST collected	Based on applicable taxes on forecast condo sales		X
GST ITC refund	No GST ITC refund forecast for Inverness Estates Development Ltd.	X	
<u>Forecast cash disbursements</u>			
Commissions	Based on 5% commissions on condo sales		X
Advertising	Based on previous advertising expenses	X	
R&M	Based on previous R&M expenses	X	
Property tax	Based on previous property expenses	X	
Professional fees	Legal and closing costs for sale of property		X
Insurance	Insurance has been prepaid	X	
Mortgage principal	Amount stayed by proceedings	X	
Mortgage interest	Amount stayed by proceedings	X	
Office & admin	Based on previous office and administrative expenses	X	
Condo fees	Based on previous condominium fees	X	
GST remitted	Based on GST paid on expenses incurred in the period of the cash flow	X	

APPENDIX F

Table B (cont.)

NOTES AND REPRESENTATIONS TO THE CASH FLOW STATEMENT

NOTE A – PURPOSE AND WARNINGS

The cash flow projections have been prepared solely for the purpose of the CCAA proceedings. Consequently, readers are cautioned that it may not be appropriate for other purposes.

Since the cash flow projections are based on assumptions regarding future event, actual results will vary from the information presented, and the variations may be material.

NOTE B – DEFINITIONS

(1) CASH FLOW STATEMENT

A statement indicating, on a weekly basis, the projected cash flow of CP as defined in section 2(1) of the Act based on probable and hypothetical assumptions that reflect CP's planned course of action for the period covered.

(2) HYPOTHETICAL ASSUMPTIONS

Meaning assumptions with respect to a set of economic conditions or courses of action which are not necessarily the most probable in the CP's judgment, but are consistent with the purpose of the Cash Flow Statement.

(3) PROBABLE ASSUMPTIONS

Meaning assumptions that:

- (i) CP's cash flow reflects the most probable set of economic conditions and planned courses of action, **Suitably Supported**, that are consistent with the plans of CP; and
- (ii) Provide a reasonable basis for the Cash Flow Statement.

(4) SUITABLY SUPPORTED

Meaning assumptions are based on either one or more of the following factors:

- (i) The past performance of CP;
- (ii) The performance of other industry/market participants engaged in similar activities as CP;
- (iii) Feasibility studies;
- (iv) Marketing studies; or
- (v) Any other reliable source of information that provides objective corroboration of the reasonableness of the Assumptions.

The extent of detailed information supporting each assumption, and an assessment as to the reasonableness of each assumption, will vary according to circumstances and will be influenced by factors such as the significance of the assumption and the availability and quality of the supporting information.

NOTE C – ASSUMPTIONS

Assumptions	Source	Probable Assumption	Hypothetical Assumption
<u>Opening cash balance</u>	Based on current bank balances	X	
<u>Exchange rates</u>	All cash flows are in Canadian dollars		X
<u>Forecast cash receipts</u>			
Costs reimbursed from escrow	Funds in escrow received from Homburg Canada REIT following the sale of three of the CP Development Ltd. properties. The funds are released from the escrow account once the construction costs have been paid.		X
GST refund from previous month	Based on applicable taxes on forecast expenses		X
<u>Forecast cash disbursements</u>			
Construction costs (1, 2 & 3)	Projected construction cost provided by Cuthbert & Smith (consulting)		X
Construction costs (4 & 5)	Carrying costs for properties 4 & 5 for which construction has been halted (insurance, taxes and maintenance)		X
Head lease	Agreement between CP Development Ltd. and Homburg Canada REIT	X	
Professional fees	No professional fees as per management's assumptions	X	
Mortgage principal	New agreement with HSBC interest only for one year (\$33K a month). Amount stayed	X	
Mortgage interest	New agreement with HSBC interest only for one year (\$33K a month). Amount stayed	X	
GST paid	Based on current months' construction costs and head lease payments	X	