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C A N A D A
PROVINCE OF QUEBEC
DISTRICT OF QUEBEC
COURT. No.: 500-11-041305-117

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

Debtors/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

SEVENTH 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 "**Debtors**") filed and obtained protection from their respective creditors under Sections 4, 5 and 11 of the *Companies' Creditors Arrangement Act* (the "**CCAA**") pursuant to an Order rendered by this Honourable Court (as amended from time to time, the "**Initial Order**").

2. Pursuant to the Initial Order, the Stay extend to the following limited partnerships which form an integral part of the business of the Debtors: Homburg Realty Fund (52) Limited Partnership ("**Partnership (52)**"), Homburg Realty Fund (88) Limited Partnership ("**Partnership (88)**"), Homburg Realty Fund (89) Limited Partnership ("**Partnership (89)**"), Homburg Realty Fund (92) Limited Partnership ("**Partnership (92)**"), Homburg Realty Fund (94) Limited Partnership ("**Partnership (94)**") (following an amendment to the Initial Order on October 7, 2011), Homburg Realty Fund (105) Limited Partnership ("**Partnership (105)**"), Homburg Realty Fund (121) Limited Partnership ("**Partnership (121)**"), Homburg Realty Fund (122) Limited Partnership ("**Partnership (122)**"), Homburg Realty Fund (142) Limited Partnership ("**Partnership (142)**") and Homburg Realty Fund (199) Limited Partnership ("**Partnership (199)**"), (collectively, the "**Applicant Partnerships**") (the Debtors and the Applicant Partnerships being collectively referred to as the "**HII Parties**").

3. Samson Bélair/Deloitte & Touche Inc. ("**Deloitte**") was appointed as monitor to the Debtors (the "**Monitor**") under the CCAA.

4. Pursuant to the Initial Order, an initial stay of proceedings (the "**Stay**") was granted until October 7, 2011 in favour of the Debtors (the "**Stay Period**").

5. On September 19, 2011, the Monitor filed its First Report with the Court. The purpose of the First Report was to cover specifically the cash flow statement, in accordance with paragraph 23(1)(b) of the CCAA.

6. On October 5, 2011, the Monitor filed its Second Report with the Court. The purpose of the Second Report was, *inter alia*, to provide an overview of the HII Parties' corporate structure, operations, assets and liabilities, to describe certain issues affecting the HII Parties and, potentially, their restructuring and to present cash flow statements and forecasts.

7. On October 7, 2011, the Stay Period was extended until December 9, 2011 pursuant to an Order of the Court (the "**First Stay Period Extension Order**").

8. On November 4, 2011, the Monitor filed its Third Report with the Court. The purpose of the Third Report was to provide an overview of Homburg's proposed re-assignment and assignment of certain agreements and the release of HII's obligations under these agreements.

9. On December 2, 2011, the Monitor filed its Fourth Report with the Court. The purpose of the Fourth Report was, *inter alia*, to provide an update of the HII Parties' corporate structure, financial information and operations, to describe the HII Parties' Control Issues (as defined in the Fourth Report), the potential alternatives to resolve same and the decision of HII to opt for the alternative of entering into a purchase agreement (the "**Purchase Agreement**") with Homburg Canada Inc. and certain of its affiliates (the "**HCI Group**"), and to present cash flow statements and forecasts.

10. On December 8, 2011, the Stay Period was extended until March 16, 2012 pursuant to an Order of the Court (the "**Second Stay Period Extension Order**").

11. On January 10, 2012, the Monitor filed its Fifth Report with the Court. The purpose of the Fifth Report was to provide additional information regarding the Purchase Agreement and to provide an update of the Monitor's view on the motion to approve same. The Fifth Report described the developments since the Fourth Report and, in particular, the due diligence process conducted by the Monitor as a condition precedent to the closing of the transactions contemplated by the Purchase Agreement. The Fifth Report also provided an overview of the progress in the HII Parties' restructuring of operations and finances since the Fourth Report.

12. On January 19, 2012, the Monitor filed its Sixth Report with the Court. The purpose of the Sixth Report was to provide the Monitor's view on the motion for approval of the sale of the units held indirectly by HII in the capital of Canmarc REIT.

PURPOSE OF THE SEVENTH REPORT

13. This seventh report of the Monitor (the "**Seventh Report**") is intended to provide an update on the progress of HII Parties' restructuring and related steps, as ordered by the Court in the Second Stay Period Extension Order.

14. This Seventh Report is structured as follows:

I- Financial information;
II- Sale of the Canmarc REIT Units;
III- Developments relating to the closing of the Purchase Agreement with the HCI Group;
IV- HII Parties' operations;
V- Developments with the AFM;
VI- Virtual Data Room;
VII- Debtors operations since December 24, 2011;
VIII- Activities of the Monitor;
IX- Conclusion.

TERMS OF REFERENCE

15. In preparing this Seventh Report, the Monitor has relied upon unaudited financial information, the HII Parties' records, the amended motion for an initial order dated September 9, 2011 and subsequent motions filed with the Court (collectively, the "**Debtors' Motions**") and exhibits in support of same, and its discussions with management of the HII Parties ("**Management**") and the HII Parties' and the Monitor's legal advisors. While the Monitor has analysed the information, some in draft form, submitted in the limited time available, the Monitor has not performed an audit or otherwise verified such information. Forward looking financial information included in this Seventh Report is based on assumptions of Management regarding future events, and actual results achieved may vary from this information and such variations may be material.

16. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars. Capitalized terms not otherwise defined in this Seventh Report are as defined in the First Report, the Second Report, the Third Report, the Fourth Report, the Fifth Report, the Sixth Report, the Debtors' Motions and the Purchase Agreement.

17. A copy of this Seventh Report and further reports of the Monitor will be made available on the Monitor's website at www.deloitte.com/ca/homburg-invest. The Monitor has also established a toll free number that is referenced on the Monitor's website so that parties may contact the Monitor if they have questions with respect to the HII Parties' restructuring or the CCAA.

I- FINANCIAL INFORMATION

18. The 2012 cash flow projections of all HII-related entities (the "**HII Group**") are in the final stage of preparation and will posted shortly in the virtual data room (the "**Data Room**").

19. The one-year and three-year financial model of the HII Group are being prepared in parallel to the 2012 cash flow projections. However, the completion of the financial model remains dependent on the completion of the 2012 cash flow projections. Therefore, the financial model will be made available on the Data Room shortly after the 2012 cash flow projections are finalized.

II- SALE OF THE CANMARC REIT UNITS

20. On November 28, 2011, Cominar Real Estate Investment Trust ("**Cominar REIT**") launched an unsolicited bid (the "**Cominar Bid**") to acquire all of the issued and outstanding units of Canmarc REIT for a per unit consideration of $15.30 in cash or 0.7 unit of Cominar REIT, subject to certain limitations.

21. With the approval of the Monitor, HII engaged RBC Dominion Securities Inc. ("**RBC**") to assist the Company to assess its options and to analyse any potential bid for the Canmarc REIT Units.

22. HII owned indirectly, through Partnership (199), 8,813,866 units of Canmarc REIT (the "**Canmarc REIT Units**"). 1,300,000 of the Canmarc REIT Units were pledged (the "**Pledged Units**").

23. On January 12, 2012, Cominar REIT announced that the Cominar Bid was extended to January 27, 2012.

24. On January 16, 2012, Cominar REIT and Canmarc REIT jointly announced that they had entered into a support agreement (the "**Support Agreement**") for the acquisition by Cominar REIT of all the issued and outstanding units of Canmarc REIT and that the consideration under the Cominar Bid was increased to a per unit consideration of $16.50 in cash or 0.7607 unit of Cominar REIT, subject to certain limitations (the "**Amended Cominar Bid**").

25. The Amended Cominar Bid was open for acceptance until 3:00 p.m. (Toronto time) on January 27, 2012.

26. On January 17, 2012, Canmarc REIT issued a Notice of Change to Trustees' Circular recommending the acceptance of the Amended Cominar Bid, and which outlines *inter alia* the process that led to the Amended Cominar Bid and the decision of Canmarc REIT to enter into the Support Agreement.

27. On January 18, 2012, RBC provided HII with its report relating to the Amended Cominar Bid, which, based on available information, included, without limitation, a NAV (net asset value) analysis of Canmarc REIT, an AFFO accretion analysis of the acquisition by Cominar REIT of Canmarc REIT, a precedent transaction analysis as well as a public comparable analysis. The report also reviewed the alternatives to the Cominar Bid, and concluded that the Amended Cominar Bid was within the range of the values derived from the aforementioned analyses.

28. On January 19, 2012, HII's board of directors authorised HII to dispose of the Canmarc REIT Units by tendering them in the Amended Cominar Bid or by otherwise selling them for a cash consideration of no less than $16.50 per unit.

29. On January 20, 2012, the Court authorized and approved the transaction and conveyance of the Canmarc REIT Units through a tender thereof to the Amended Cominar Bid or otherwise for a cash consideration of no less than $16.50 per unit.

30. On January 23, 2012, HII sold 500,000 units of Canmarc REIT in the open market for a cash consideration of $16.51 per unit, net of commission.

31. On January 24, 2012, HII sold 500,000 additional units of Canmarc REIT in the open market for a cash consideration of $16.51 per unit, net of commission.

32. On January 27, 2012, HII tendered the balance of the Canmarc REIT Units (7,813,866 units) to the Amended Cominar Bid for a cash consideration of $16.50 per unit.

33. The following table presents the net proceeds resulting from the sale of the Canmarc REIT units:

REIT Unit proceeds reconciliation ($C)		Proceeds	Units		Net price
January 26, 2012. receipts from TD, net of TD commission	$	8,255,000	500,000	$	16.51
January 31, 2012 receipts from TD, no commission was charged	$	57,978,789	3,513,866	$	16.50
January 31, 2012 receipts from HSBC, no commission was charged	$	49,500,000	3,000,000	$	16.50
February 1, 2012 receipts from RBC, net of RBC commission	$	8,255,000	500,000	$	16.51
REIT unit proceeds held in trust with Osler (Note 1)	$	21,450,000	1,300,000	$	16.50
Total REIT units proceeds to receive, net of commissions	**$**	**145,438,789**	**8,813,866**		**16.50-16.51**

Note 1: The amount to be left in the Osler in trust account following the pro rata payment of the RBC advisory fee is $21,315,126.

34. As indicated in the motion for authorization of sale and for vesting order, HII is entitled to have access to an amount up to $10,000K of the net proceeds for the purposes of funding the liquidity requirements of the HII Group during the restructuring process. As of the date of this Seventh Report, the $10,000K has not been utilised by HII.

III- DEVELOPMENTS RELATING TO THE CLOSING OF THE PURCHASE AGREEMENT WITH THE HCI GROUP

35. On January 12, 2012, the Court rendered a Judgment approving the Purchase Agreement between the HII Group and the HCI Group.

36. Since then, HII, along with the Monitor and their Dutch and German counsels, have continued the analysis relating to the most tax-efficient manner to exercise of the options contemplated by the Purchase Agreement.

37. The closing of the Purchase Agreement has been postponed after the contemplated closing date of January 30, 2012 while this analysis has proceeded. On February 17, 2012, namely on the date of this Seventh Report, the closing of the Purchase Agreement occurred.

38. In the meantime, the HCI Group has continued to collaborate with the HII Parties in the context of the restructuring, as contemplated by the Purchase Agreement.

IV- HII PARTIES' OPERATIONS

CEDAR PROPERTIES IN THE UNITED STATES

39. HII, through one of its subsidiaries Homburg Holding (U.S.) ("**HHUS**"), holds nine limited partnerships (9 shopping centers) in a joint venture with Cedar Shopping Centers Inc. ("**Cedar**").

40. On February 15, 2011, prior to the CCAA proceedings, HII announced its intention to dissolve the joint venture and consequently sell the related assets.

41. Since July 2011, HHUS has been engaged in an auction process in order to identify a buyer interested in these assets. HHUS retained the services of investment bankers, TD Securities Inc., and CBRE Inc., who engaged in an extensive marketing and auction process with regards to the assets in order to attract the best possible offer and maximize the return of HII.

42. Following the results of the auction process, HHUS is currently negotiating with a potential buyer and its lenders in order to complete the sale of these assets.

43. The Monitor has been provided with the relevant information relating to the solicitation and auction process and is currently completing its review of same.

CONDOMINIUM PROJECTS OF CHURCHILL AND INVERNESS

<u>Order dismissing Romspen Motion and Motion for Leave to Appeal</u>

44. On January 23, 2012, the Court dismissed the motion presented by a secured creditor Romspen Investment Corporation's ("**Romspen**") (the "**Romspen Motion**") seeking a lift of the stay of proceedings against Churchill and Inverness for the purpose of commencing foreclosure proceedings against the mortgaged condominium units of the Inverness and Churchill's projects (the "**Mortgaged Condominiums**"), notably given the absence of evidence of a material prejudice to Romspen and the fact that the lifting of the stay would be prejudicial to Churchill's and Inverness' restructuring (the "**Romspen Judgment**").

45. On February 13, 2012, Romspen filed a Motion for Leave to Appeal the Romspen Judgment which is scheduled to be heard by the Court of Appeal of Quebec on March 1st, 2012.

<u>Sales of Mortgaged Condominiums since the Initial Order</u>

46. Romspen had filed appraisals of the Mortgaged Condominiums (the "**Appraisals**") in support of the Romspen Motion, which provide for an aggregate liquidation value of the Mortgaged Condominiums and an individual and aggregate market value of the Mortgaged Condominiums. Both of these Appraisals are, in the aggregate, significantly higher than the amount of Churchill's and Inverness' indebtedness towards Romspen.

47. Appendix D to the Fifth Report demonstrates that, since the Initial Order, eight (8) Mortgaged Condominiums were sold by the Debtors, namely two (2) by Churchill and six (6) by Inverness and the net sale proceeds of these sales were remitted to Romspen as partial reimbursement of their loans. In the aggregate, for the units included in the Appraisals, the sales were made at a slightly lower price than the market value.

48. Since the Fifth Report, there have been no new sales of condominium units of the Inverness or Churchill's condominium projects. However, thirteen (13) purchase agreements were signed for the condominiums of the Inverness and Churchill projects, and HII anticipates completing these sales in the near future.

<u>Inverness bulk sale offer</u>

49. As indicated in the Fifth Report, on December 20, 2011, North American Realty Corp., which was hired to sell the Inverness project's condominiums, presented a bulk purchase proposal with respect to 20 of the Inverness project's condominiums by a purchasing group composed of private individual investors (the "**Bulk Purchase Proposal**"). The Bulk Purchase Proposal provides for four weekly closings of five condominiums each to occur between February 17 and March 9, 2012.

50. On February 7, 2012, the same purchasing group submitted an extended letter of intent (the "**Letter of Intent**") to Inverness for the purchase of all of the 37 unsold remaining units. The Letter of Intent provides for eight consecutive weekly closing of five condominiums (2 for the last week) to commence approximately 14 days following the satisfaction of the conditions precedent provided in

the Letter of Intent. Management of HII has requested a formal offer to purchase from the purchasing group which, as of the time of this report, has yet to be received.

51. The Debtors and the Monitor are currently analysing the different alternatives available with regards to the Inverness Project, which were identified as follows:

    i. Status quo: Reject both the Bulk Purchase Proposal and the Letter of Intent and to continue trying to sell all of the unsold remaining units through North American Realty Corp.;

    ii. Accept the Bulk Purchase Proposal for the sale of 20 of the Inverness Project condominiums and continue trying to sell the 17 unsold remaining units through North American Realty Corp.; or

    iii. Accept the formal purchase offer (to be received) which will include all of the conditions indicated in the Letter of Intent for the sale of all of the 37 unsold remaining units.

52. Any proceeds from the sale of the Inverness Mortgage Condominiums (either from the individual sale of units by North American Realty or from the bulk sales of units described above) would have to be first applied against the Romspen loan to Inverness and then applied against the Romspen loan to Churchill (since the loans are cross-collateralized).

53. Should the Debtors and the Monitor come the conclusion that the best alternative with regards to the Inverness project is to accept either the Bulk Purchase Proposal or the Letter of Intent received from the purchasing group, prior to proceeding with either of the proposed transactions, the Debtors and the Monitor would first discuss the selected alternative with Romspen as well as seek the prior authorization of the Court.

LEASE OBLIGATIONS IN CANOXY PLACE

54. As indicated in the Fifth Report, on December 22, 2011, a motion was filed by Statoil Canada Ltd. (“**Statoil**”) seeking leave to appeal Judgment on Re-Assignment and Assignment of Agreements and Releases of Obligations rendered by the Court on December 5, 2011, which is executory notwithstanding appeal. This motion was initially scheduled for presentation on January 25, 2012, but has now been rescheduled by the Court of Appeal of Quebec to March 1st, 2012.

55. The issues discussed in the Fifth Report relating to the claim of The Cadillac Fairview Corporation Limited for outstanding rent due for the period up to and including December 5, 2011 and the funds held by Avison Young Real Estate Alberta Inc. remain pending until the hearing of Statoil’s Motion for leave to appeal and will addressed after said hearing.

FUNDING OF THE FEES AND EXPENSES OF THE TRUSTEES AND OF THE TABERNA NOTEHOLDERS

56. As indicated in the Fifth Report, on December 29, 2011, the trustees (Stichtings) representing the holders of the Mortgage Bonds, the Corporate Bonds and the Capital Securities A (the “**Trustees**”) filed an Amended Motion for the Payment of Fees, Disbursements and Expenses of the Indenture Trustees and the Indenture Trustees’ Advisors and Related Relief (the “**Trustees’ Amended Motion for Fees**”) seeking the funding of the Trustees’ reasonable fees and expenses and providing that any

amounts so funded shall constitute advances made by the Debtors to the Trustees, the aggregate of which shall become immediately due and payable immediately prior to any distribution to HII's creditors, in each case, subject to applicable rights of set-off/compensation.

57. On February 15, 2012, the Court rendered a judgment granting, in part, the Trustees' Amended Motion for Fees. The conclusions of said judgment were slightly different from the conclusions of the Trustees' Amended Motion for Fees after discussions between the counsel of the Trustees, the Debtors and the Monitor in order to clarify the interpretation of the Settlement Agreement between the Trustees and the Debtors dated December 3, 2011.

58. On January 19, 2012, the Taberna Noteholders filed a motion seeking similar conclusions as the Trustees' Amended Motion for Fees for the benefit of the Taberna Noteholders. This motion is expected to be heard in April 2012.

V- DEVELOPMENTS WITH THE AFM

59. The hearing of HII's Objection to the Revocation Decision has been scheduled to proceed on February 23, 2012 and the presence of the Monitor and its Dutch counsel at this hearing has been authorized.

VI- VIRTUAL DATA ROOM

60. HII, in collaboration with the Monitor, has created the Data Room which includes all of the relevant information and documents regarding each of the assets of the HII group.

61. Since the beginning of January, subject to the prior execution of a non-disclosure agreement, HII has granted access to the Data Room to every creditor who has requested access. So far, a total of 16 representatives of several creditor groups, namely the Trustees (Stichtings) representing the holders of the Mortgage Bonds, the Corporate Bonds and the Capital Securities as well as the Taberna Noteholders, have requested and obtained access to this Data Room. By getting access to the Data Room, these creditors have access to information relating to the fair market value of the HII Group's assets and to some other financial information related to said assets.

62. As indicated previously in this report, the 2012 cash flow projections of the HII Group are in the final stage of preparation and will also, shortly, be made available in the Data Room.

VII- DEBTORS' OPERATIONS SINCE DECEMBER 24, 2011

63. The purpose of this section is as follows:

    i. Provide budget to actual analysis highlights by Debtor for the period from December 25, 2011 to January 28, 2012; and

    ii. Provide commentary on the variances by Debtor.

<u>Overview</u>

64. The following table provides an overview of the allocated opening cash balances, the allocated cash closing balances, and the cash variations by Debtor for the period from December 25, 2011 to January 28, 2012.

Cash variation for the period of December 25,2011 to January 28, 2012 ($C000)					
Petitioner	Opening cash balance	Total variation in cash balance	Closing cash balance	Funding by HII	Adjusted closing cash balance
Homburg Invest Inc.	15,560.9	6,137.3	21,698.2	(144.9)	21,553.3
Homburg Shareco inc.	807.9	(768.8)	39.1	-	39.1
Churchill Estate Development Ltd.	(42.9)	(23.6)	(66.5)	66.5	-
Inverness Estate Development Ltd.	(47.3)	(31.1)	(78.4)	78.4	-
CP Development Ltd.	55.5	(1.7)	53.8	-	53.8

65. For the budget to actual cash flow forecast analysis of HII, ShareCo, Churchill, Inverness, and CP for the period from December 25, 2011 to January 28, 2012, and commentary in respect of the analysis performed, please refer to Appendix B.

66. As of the date of this report, all appropriate and approved post-filing expenses were paid, and will continue to be paid, in the normal course out of the respective entity's working capital.

<u>HII</u>

67. Total cash inflows for HII were $9,922K for the period noted, while total cash outflows were $3,785K, which resulted in a positive net cash variation of $6,137K compared to a budgeted negative net cash variation of $1,202K.

68. The following significant transactions, excluding the normal receipts and disbursements arising from operations, have occurred subsequent to the last day of the budget to actual analysis, between January 29, 2012 and February 17, 2012:

    i. A receipt of approximately $238K has been received which is related to the REIT distribution payment for December 2012. Following the sale of the REIT Units associated to the Amended Cominar Bid, the last REIT distribution to REIT unit holders is the December 2011 distribution which is typically received towards the end of January 2012.

    ii. As described in paragraph 33, multiple receipts totalling approximately $145,439K have been received in relation to the sale of the REIT Units associated to the Amended Cominar Bid.

    Out of the REIT Unit sale proceeds, $21,450K has been given to the Custodian (Osler) to hold as the Pledged Units Pools.

    iii. Professional fees paid include 1,256K to Deloitte for services rendered under the CCAA proceedings.

<u>ShareCo</u>

69. For the period noted, total cash inflows for ShareCo were nil and total cash outflows were $769K, which resulted in a negative net cash variation of $769K compared to a budgeted net cash variation of nil.

70. There have been no receipts and disbursements pertaining to ShareCo, except for cash transfers that have been made between the bank accounts of HII and ShareCo, as Management occasionally uses the ShareCo European account as a holding account for HII's European transactions.

Churchill

71. For the period noted, total cash inflows for Churchill were $6K and total cash outflows were $29K, which resulted in a negative net cash variation of $23K compared to a budgeted negative net cash variation of $51K.

72. The following significant transactions, excluding the normal receipts and disbursements arising from operations, have occurred subsequent to the last day of the budget to actual analysis, between January 29, 2012 and February 17, 2012:

    i. On February 3, 2012 an amount of $514K was received relating to the sale of a condo in Churchill. The full amount, after standard closing costs, was remitted to Churchill as there is no mortgage payment required in relation to the sale of this unit.

Inverness

73. For the period noted, total cash inflows for Inverness were nil, and total cash outflows were $31K, which resulted in a negative net cash variation of $31K compared to a budgeted negative net cash variation of $32K.

CP

74. For the period noted, total cash inflows for CP were nil and total cash outflows were $2K, which resulted in a negative net cash variation of $2K compared to a budgeted positive net cash variation of $8K.

VIII- ACTIVITIES OF THE MONITOR

Cash flow monitoring

75. The Monitor, on a weekly basis, continues to review the Debtors' cash flows submitted with the Fourth Report issued on December 2, 2011. As indicated previously in this Seventh Report, a budget to actual cash flow forecast analysis of the Debtors for the period of December 25, 2011 to January 28, 2012 have been prepared together with commentary of possible cash variances, as presented in Appendix B.

76. As part of this process, the Monitor, on a daily basis, also analyses cash inflows and cash outflows from all the HII Parties' bank accounts.

77. In accordance with the Initial Order, any disbursements for services rendered to the HII Parties prior or subsequent to the date of the Initial Order were presented to the Monitor for approval.

Cash flows for the HII Group

78. As indicated in the Fourth report, budgets on an entity by entity basis have been prepared by Management. The Monitor has validated these cash flows.

79. On a monthly basis, budget to actual cash flow forecast analyses of the HII Group have been prepared. The objective of these analyses is to monitor the cash flows which transact through the HII Group since any excess should ultimately be distributed back to HII.

80. In Appendix C, a supplemental report prepared by the Monitor is included. This report summarizes the monthly cash flow variances for November and December 2011 for the HII Group.

81. Also, in accordance with the Initial Order, the Monitor assisted Management during its analysis of the disbursements to be made pertaining to the HII Group.

<u>Notifying and reporting duties performed by the Monitor</u>

82. Within five (5) business days, the Monitor made available on its website all public information and documentation related to the HII Parties' restructuring process.

<u>Documentation relating to assets</u>

83. As indicated in the Fifth Report, the Monitor is assisting HII in gathering the relevant documentation and analysing the financial situation of each entity and each property included in the HII Group. The gathering and analysis of said documentation has permitted the preparation of the fact sheets which constitute a very useful decision-making tool in the context of the HII Parties' restructuring process. The Monitor and Management have continued in gathering financial and operational information for each of the HII Group properties. Several discussions and meetings are ongoing regarding the profitability of each said properties and their potential in a future restructured portfolio. Although the analysis has yet to be completed, the objective is to categorize each of the HII Group properties in order to determine the strategy for each said properties.

84. As indicated above, the Monitor is also currently performing a complete review of the Cedar transaction. As of the date of this Seventh Report, the Monitor is not in a position to share its conclusions regarding this anticipated transaction as some analyses still needs to be performed. In due time, the Monitor will advise the Court of the results of its analyses and its recommendation regarding this potential transaction.

<u>Active participation in the decision-making process relating to the resolution of the Control Issues</u>

85. The Monitor and its counsels have actively participated and continue to participate in the ongoing decision-making process relating to the resolution of the Control Issues including, in particular, the closing of the Purchase Agreement and the exercise of the options provided therein.

<u>Communications with certain creditors or claimants</u>

86. Since the Initial Order, some alleged creditors of the HII Parties have instituted proceedings against the latter or their assets. The Monitor has sent notices of the Stay to the claimants and filed said notices in the respective court records. The following table presents a list of the notices of the Stay that has been sent by the Monitor since the Initial Order:

Plaintiff(s)	Defendant(s)	Date of claim	Amount of claim $	Court	Court number	Date of Stay Notice
2967-6822 Québec Inc. (Contract Partners of North America)	Dyne Holdings Ltd and Homburg Invest Inc.	21/12/2011	39,929	Supreme Court of Prince Edward Island (General Section)	S1-GS-24578	07/02/2012
Vipond Fire Protection (Division of Vipond Inc.)	Dyne Holdings Ltd and Homburg Invest Inc.	05/01/2012	116,041	Supreme Court of Prince Edward Island (General Section)	S1-GS-24591	07/02/2012
James C Johnson Associates Inc.	Dyne Holdings Ltd and Homburg Invest Inc.	22/12/2011	79,909	Supreme Court of Prince Edward Island (General Section)	S1-GS-24582	07/02/2012
Fitzgerald & Snow (2010) Ltd./Precision Mechanical Inc./J & S Sheet Metal Ltd.	Dyne Holdings Ltd and Homburg Invest Inc.	21/12/2011	1,672,939	Supreme Court of Prince Edward Island (General Section)	S1-GS-24577	07/02/2012
C & T Reinforcing Steel Co. (Alberta) Ltd	Homburg L.P. Management Incorporated in its capacity as a general partenr of Homburg Realty Fund (88) Ltd. Partnership	04/01/2012	1,072,888	Court of Queen's Bench of Alberta	1201-00063	25/01/2012
Island Lightning Rod Co. Ltd.	Dyne Holdings Ltd and Homburg Invest Inc. and DBA Solar Electric Inc.	05/12/2011	23,521	Supreme Court of Prince Edward Island (General Section)	S1-GS-24538	23/12/2011
WM & M (1993) Ltd.	Dyne Holdings Ltd and Homburg Invest Inc.	05/12/2011	27,355	Supreme Court of Prince Edward Island (General Section)	S1-GS-24537	23/12/2011
Dramis Network Cabling (N.S.) Ltd	Dyne Holdings Ltd and Homburg Invest Inc.	28/11/2011	67,202	Supreme Court of Prince Edward Island (General Section)	S1-GS-24525	12/12/2011
Homburg Canada Inc. Homburg Realty Services (US) Inc., Homburg Services Group (Europe) B.V., Stollburgh Capital B.V., Homburg Real Estate Services B.V. and Homburg L.P. Management Inc.	HOMBURG INVEST INC., CHURCHILL ESTATES DEVELOPMENT LTD., INVERNESS ESTATES DEVELOPMENT LTD., CP DEVELOPMENT LTD, HOMBURG SHARECO INC, HOMBURG REALTY FUND (92) LIMITED PARTNERSHIP, HOMBURG REALTY FUND (199) LIMITED PARTNERSHIP, HOMBURG REALTY FUND (52) LIMITED PARTNERSHIP, HOMBURG REALTY FUND (53) LIMITED PARTNERSHIP, HOMBURG REALTY FUND (88) LIMITED PARTNERSHIP, HOMBURG REALTY FUND (89) LIMITED PARTNERSHIP, HOMBURG REALTY FUND (105) LIMITED PARTNERSHIP, HOMBURG REALTY FUND (121) LIMITED PARTNERSHIP, HOMBURG REALTY FUND (122) LIMITED PARTNERSHIP, HOMBURG REALTY FUND (142) LIMITED PARTNERSHIP, AS WELL AS OTHER ENTITIES PART OF THE HII GROUP.	29/08/2011	27,343,930	Supreme Court of Nova Scotia	354620	23/09/2011

87. Certain other claimants have communicated with the Monitor to ensure that they will get notification of any claims process in the course of the CCAA proceedings. These claimants were added to the Service List.

IX- CONCLUSION

88. It is the Monitor's view that HII has acted in accordance with the Initial Order and related Orders of the Court.

89. Based on discussions with HII's representatives, it is the Monitor's opinion that HII has acted and continues to act in good faith and with due diligence.

90. The Monitor respectfully submits this Seventh Report to the Court.

DATED AT MONTREAL, this 17th day of February 2012.

Pierre Laporte, CA, CIRP
President

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

APPENDICES

APPENDIX A

THE ENTITIES Mis en Cause

HOMCO REALTY FUND (52) LIMITED PARTNERSHIP
HOMCO REALTY FUND (88) LIMITED PARTNERSHIP
HOMCO REALTY FUND (89) LIMITED PARTNERSHIP
HOMCO REALTY FUND (92) LIMITED PARTNERSHIP
HOMCO REALTY FUND (94) 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

APPENDIX B

The following is the budget to actual cash flow analysis for HII for the period of December 25, 2011 to January 28, 2012 (the "Period"):

Homburg Invest Inc.
Budget to Actual Cash Flow
Unaudited - Based on discussions with the company's Management
(C$000)

	For the five-week period of December 25, 2011 to January 28, 2012		
	Actual	Budget	Variance
Cash inflows			
REIT distributions	817.7	698.0	119.7
REIT unit sale proceeds	8,255.0	-	8,255.0
Jamieson sublease receipts	-	-	-
GST/HST received	-	500.0	(500.0)
Intercompany receipts (Petitioners and Mis-en-cause)	768.8	-	768.8
Other receipts	53.8	-	53.8
	9,895.3	1,198.0	8,697.3
Hotel related receipts			
Hotel revenue	26.8	135.0	(108.2)
Hotel construction draw	-	-	-
Total cash inflows	**9,922.1**	**1,333.0**	**8,589.1**
Cash outflows			
Commissions	-	-	-
Payroll	122.6	225.0	102.4
Rent expense	18.1	20.0	1.9
Professional fees	3,081.2	1,700.0	(1,381.2)
Insurance	17.1	17.0	(0.1)
Office & admin	140.3	75.0	(65.3)
Director fees	-	140.0	140.0
KERP	-	-	-
Capital tax	-	-	-
Jamieson obligation	-	-	-
Canoxy obligation	-	-	-
PEI obligation	87.8	81.2	(6.6)
Montreal obligation	70.7	70.7	-
CP obligation	85.7	81.0	(4.7)
Corporate bond principal repayment	-	-	-
Corporate bond interest payment	-	-	-
Junior subordinate debt principal repayment	-	-	-
Junior subordinate debt interest payment	-	-	-
HCSA interest payment	-	-	-
GST/HST paid	-	-	-
Intercompany disbursements (Petitioners and Mis-en-cause)	-	-	-
	3,623.5	2,409.9	(1,213.6)
Hotel disbursements			
Payroll	39.8	75.0	35.2
Management fee	-	-	-
Property and other taxes	47.2	-	(47.2)
Insurance	1.8	-	(1.8)
General operating expenses	61.2	50.0	(11.2)
Construction costs and held cheques	11.3	-	(11.3)
Mortgage principal & interest	-	-	-
Total hotel disbursements	161.3	125.0	(36.3)
Total cash outflows	**3,784.8**	**2,534.9**	**(1,249.9)**
Opening cash balance	**15,560.9**	**15,560.9**	**-**
Variation in cash balance	**6,137.3**	**(1,201.9)**	**7,339.2**
Exchange rate (Gain / Loss)	-	-	-
Ending cash balance	**21,698.2**	**14,359.0**	**7,339.2**
Funding from HII	**(144.9)**	**(172.8)**	**27.9**
Adjusted cash balance	**21,553.3**	**14,186.2**	**7,367.1**

HII budget to actual commentary

The Monitor's comments on HII's total cash inflow and outflow variances during the Period are as follows:

Opening cash balance

- As indicated in paragraph 34 of Appendix H of the Fourth Report, budgeted and actual financial information related to Homco 110 was unavailable at the time, hence no cash movements initiated by Homco 110 were allocated to HII. During the Period, the Monitor was provided with support to classify a transfer of $4,040.1K (€3,000.0K at 1.3467) which represents the quarterly distribution from Homco 110. The money was previously received on November 2, 2011; however, insufficient information surrounding the banking records of H110 prevented the Monitor from allocating this cash amongst the Homburg Parties. Consequently, the opening balance of HII has been adjusted by $4,040.1K to reflect this transaction.

- The opening cash balance has also been adjusted by $(305)K (€219K at 1.3941) following discussions with Management where the Monitor has been made aware of the misallocation of a transfer to Homco 76 from HII.

Ending cash balance

- As previously indicated in Appendix D of the Fifth Report, in addition to the ending cash balance presented of $17,818.1K, please note that $1,795.6K is currently held in the Monitor's trust account as at January 28, 2012. This amount represents funds reserved for the KERP and as indicated in paragraphs 94 to 96 of the Fifth report, amounts received related to the Canoxy Place Subtenants.

Inflows

- Cash inflows from REIT distributions experienced a favorable permanent variance of $119.7K. Following the sale of the REIT Units, no additional REIT distributions are to be received by HII except for the remaining December REIT distributions of $237.5K also described in paragraph 67i of this report.

- The favorable variance of $8,255.0K in REIT Units sale proceeds was the result of Management and the Board's decision to sell a portion of HII's REIT Units on the open market. This decision was made since the unit price listed on the open market was trading at a higher value compared to the unit price presented in the Amended Cominar Bid.

- GST/HST received experienced an unfavorable variance of $500.0K due to the CRA's withholding of GST/HST receivables since September 1, 2011. Discussions with the CRA are currently underway.

- A favorable variance of $768.8K (€300.0K and €287.6 at 1.3084) was the result of intercompany transfers from the ShareCo European account to the HII Euro Account. As previously mentioned in the Fourth Report, Management occasionally uses the ShareCo European account as a holding account for various HII European transactions.

- Other receipts experienced a favorable variance of $53.8K as a result of rent received from the Hotel restaurant of $24.4K, a distribution received from MediArena of $20.8K (€15.8K at 1.3149) and interest earned on the HII Account.

- Hotel revenue experienced an unfavorable variance of $108.2K due to lower than expected hotel room rentals during the Period.

Outflows

- HII payroll expenditures experienced a favorable variance of $102.4K as a result of Management funding the ADP payroll account earlier than budgeted, for the payroll scheduled to be disbursed over the holiday period.

- An unfavorable variance of $1,381.2K for professional fees was incurred during the Period. As previously communicated, additional professional fees in excess of the budgeted amount continue to be incurred as a result of the Company's and the Monitor's legal counsel, and professionals spending significant amounts of time on numerous material issues during the CCAA filing, such as the procedures, discussions and due diligence surrounding the Purchase Agreement, and professional services associated to the Cominar Offer and the sale of the REIT Units.

- Office and administrative expenditures experienced an unfavorable variance of $65.3K, due to the disbursement of $98.1K (€74.2K at 1.3215) for listing fees of the AFM for the period of 2011, and other miscellaneous expenditures of $42.7K. Without the extraordinary payment to the AFM, a favorable variance of $32.3K would have been experienced.

- Directors' fees experienced a favorable variance of $140.0K. The favorable variance is due to timing as these expenditures were paid prior to the holiday season.

- Payroll expenditures for the Hotel experienced a favorable variance of $35.2K as a result of Management funding the ADP payroll account earlier than budgeted for the payroll scheduled to be disbursed over the holiday period.

- Property and other taxes for the Hotel experienced an unfavorable variance of $47.2K due to payment of provincial sales tax (PST) of $37.0K and a tourism levy of $10.2K, which were not included in the budget.

- General operating expenditures at the Hotel had an unfavorable variance of $11.2K during the period. The unfavorable variance is due to the payment of necessary expenditures at the Hotel requested by Management and reviewed by the Monitor.

- Construction costs and cheques held at the Hotel had an unfavorable variance of $11.3K as a result of construction work approved by Management and reviewed by the Monitor subsequent to the CCAA filing. The revised Hotel budget for the Fourth Report did not include the required additional construction work to complete the Hotel resulting in the unfavorable variance. Management and the Monitor are currently reviewing the expected future construction costs related to the Hotel and will amend future cash flow forecasts if warranted.

ShareCo Inc.

The following is the budget to actual cash flow analysis for ShareCo for the period of December 25, 2011 to January 28, 2012 (the "Period"):

Homburg ShareCo Inc.
Budget to Actual Cash Flow
Unaudited - Based on discussions with the company's Management
(C$000)

	For the five-week period of December 25, 2011 to January 28, 2012		
	Actual	Budget	Variance
Cash Inflows			
Mortgage bond issuance	-	-	-
Intercompany transfers (Petionners)	-	-	-
Total cash inflows	**-**	**-**	**-**
Cash Outflows			
Interest payments - mortgage bonds	-	-	-
Repayment of Bonds	-	-	-
Intercompany transfers (Petionners)	768.8	-	(768.8)
Total cash outflows	**768.8**	**-**	**(768.8)**
Opening cash balance	**807.9**	**807.9**	**-**
Variation in cash balance	**(768.8)**	**-**	**(768.8)**
Exchange rate (Gain / Loss)	-	-	-
Ending cash balance	**39.1**	**807.9**	**(768.8)**

ShareCo Inc. budget to actual commentary

The Monitor's comments on ShareCo's total cash inflow and outflow variances during the Period are as follows:

Outflows

- An unfavorable variance of 768.8K (€287.6K and €300K at 1.3084) resulted from intercompany transfers between the ShareCo European account to the HII Euro Account.

Churchill

The following is the budget to actual cash flow analysis for Churchill for the period of December 25, 2011 to January 28, 2012 (the "Period"):

Churchill Estates Development Ltd.
Budget to Actual Cash Flow
Unaudited - Based on discussions with the company's Management
(C$000)

	For the five-week period of December 25, 2011 to January 28, 2012		
	Actual	Budget	Variance
Cash Inflows			
Condo Sales Proceeds	-	-	-
GST collected	-	-	-
GST ITC refund	-	-	-
Rent	5.5	-	5.5
Total cash inflows	**5.5**	**-**	**5.5**
Cash Outflows			
Commissions	-	-	-
Advertising	-	-	-
R&M	0.2	3.0	2.8
Property tax	3.8	6.9	3.1
Professional fees	-	-	-
Insurance	-	-	-
Mortgage principal	-	-	-
Mortgage interest	-	-	-
Office & Admin	-	-	-
Condo Fees	-	18.8	18.8
GST remitted	25.1	22.6	(2.5)
Total cash outflows	**29.1**	**51.3**	**22.2**
Opening cash balance	**(42.9)**	**(42.9)**	**-**
Variation in cash balance	**(23.6)**	**(51.3)**	**27.7**
Exchange rate (Gain / Loss)	-	-	-
Ending cash balance	**(66.5)**	**(94.2)**	**27.7**
Funding from HII	**66.5**	**94.2**	**(27.7)**
Funded ending cash balance	**-**	**-**	**-**

Churchill budget to actual commentary

The Monitor's comments on Churchill's total cash inflow and outflow variances during the Period are as follows:

Inflows

- During the Period, there were no new unit sales.

- Management's decision to rent a vacant unit in Churchill resulted in a favorable Rent cash inflows variance of $5.5K. Management did not originally expect to rent vacant units, thus the budgeted amounts will not reflect rental revenue, which creates a permanent favorable variance.

Outflows

- Condo fees experienced a favorable timing variance of $18.8K.

Inverness

The following is the budget to actual cash flow analysis for Inverness for the period of December 25, 2011 to January 28, 2012 (the "Period"):

Inverness Estates Development Ltd.
Budget to Actual Cash Flow
Unaudited - Based on discussions with the company's Management
(C$000)

	For the five-week period December 25, 2011 to January 28, 2011		
	Actual	Budget	Variance
Cash inflows			
Condo sales proceeds	-	200.0	(200.0)
GST collected	-	10.0	(10.0)
GST ITC refund	-	-	-
Total cash inflows	**-**	**210.0**	**(210.0)**
Cash outflows			
Commissions	-	10.0	10.0
Advertising	-	-	-
R&M	-	3.0	3.0
Property tax	-	-	-
Professional fees	-	1.0	1.0
Insurance	-	-	-
Mortgage principal	-	189.0	189.0
Mortgage interest	-	-	-
Office & admin	-	-	-
Condo fees	14.2	13.0	(1.2)
GST remitted	16.9	26.1	9.2
Total cash outflows	**31.1**	**242.1**	**211.0**
Opening cash balance	**(47.3)**	**(47.3)**	**-**
Variation in cash balance	**(31.1)**	**(32.1)**	**1.0**
Exchange rate (Gain / Loss)	**-**	**-**	**-**
Ending cash balance	**(78.4)**	**(79.4)**	**1.0**
Funding from HII	**78.4**	**79.4**	**(1.0)**
Funded ending cash balance	**-**	**-**	**-**

Inverness budget to actual commentary

The Monitor's comments on Inverness' total cash inflow and outflow variances during the Period are as follows:

Inflows

- During the Period, there were no new unit sales.

Outflows

- No sales occurred during the Period, consequently mortgage, commissions and professional fees experienced favorable variances.

CP

The following is the budget to actual cash flow analysis for CP for the period of December 25, 2011 to January 28, 2012 (the "Period"):

CP Development Ltd.
Budget to Actual Cash Flow
Unaudited - Based on discussions with the company's Management
(C$000)

	For the five-week period of December 25, 2011 to January 28, 2012		
	Actual	Budget	Variance
Cash Inflows			
Costs Reimbursed from Escrow	-	950.0	(950.0)
GST refund from previous months	-	65.0	(65.0)
Other receipts	-	-	-
Total cash inflows	**-**	**1,015.0**	**(1,015.0)**
Cash Outflows			
Construction Costs (1,2&3)	-	997.5	997.5
Construction Costs (4&5)	1.7	10.0	8.3
Operating expenses	-	-	-
Professional fees	-	-	-
Mortgage principal	-	-	-
Mortgage interest	-	-	-
GST paid	-	-	-
Total cash outflows	**1.7**	**1,007.5**	**1,005.8**
Opening cash balance	**55.5**	**55.5**	**-**
Variation in cash balance	**(1.7)**	**7.5**	**(9.2)**
Exchange rate (Gain / Loss)	-	-	-
Ending cash balance	**53.8**	**63.0**	**(9.2)**

CP budget to actual commentary

The Monitor's comments on CP's total cash inflow and outflow variances during the Period are as follows:

Inflows

- All cash inflows related to CP originate with the expenditures incurred by CP in previous periods; there were no costs reimbursed from escrow during the period. The majority of expenditures are to be reimbursed net of GST from the funds in escrow. Maintenance and security expenditures are the primary costs that are not reimbursed from escrow.

- GST refund from previous months had an unfavorable timing variance of $65.0K.

Outflows

- Interior construction costs for buildings 1, 2 and 3 have been completed and the company is pursuing tenants to rent the premises before initiating additional work on the building. Some additional exterior work remains; however, work has ceased during the winter months. Additional construction costs will continue to be incurred and reimbursed from escrow, as work resumes in spring 2012.

APPENDIX C

SUPPLEMENTAL REPORT TO THE SEVENTH 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 Supplemental Report to the Seventh Report of the Monitor (the "**Second Supplemental Report**"), the following will be addressed:

   (i) An overview of the cash management processes enacted by Management and the Monitor to provide a complete summary of cash receipts and disbursements for the HII Group, including those entities located in Canada, the Netherlands, Germany, USA and the Baltics; and,

   (ii) Present budget-to-actual analysis for the months of November and December 2011 with commentary for all of the HII Group, consolidated globally, as well as by region, including Canada, the Netherlands, Germany, USA and the Baltics.

TERMS OF REFERENCE

2. In preparing this Second Supplemental Report, the Monitor has relied upon unaudited financial information, the HII Group's records, the Motion for Initial Order, 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 Second Supplemental Report are as defined in the First Report, the Second Report, the Third Report, the Fourth Report, the Supplemental Report, the Fifth Report, the Sixth Report, the Seventh Report, the Motion for Initial Order and further orders issued by the Court.

GLOBAL CASH MANAGEMENT PROCESS

4. As noted in the Supplemental Report, Management provided monthly cash flow forecasts by subsidiary and on a property-by-property basis where possible, for the period from September 2011 to December 2012 to allow for budget to actual analysis to be completed, and to allow the Monitor to gain an understanding of HII's global cash movement.

5. For the Second Supplemental Report, the individual cash flow forecasts and actual results for the two-month period of November and December 2011 ("Second Supplemental Period") were combined by geographic region and then consolidated for budget to actual analysis purposes.

6. Since the subsidiaries located outside of Canada operate with a functional currency other than Canadian dollars, the forecasts and the results per region must be translated into Canadian dollars for the HII Group's global cash flows to be analyzed. A foreign exchange impact is therefore included in the regional and global cash position due to the conversion process. Please note that this foreign exchange impact is

subject to change based on actual foreign currency fluctuations and could have a material impact on the HII Group's cash flows.

7. In the Supplemental Report, it was noted that the monthly cash flow forecasts for the period of November 2011 to December 2012 for Canada, the Netherlands, Germany, USA and the Baltics were in the process of being validated by Management and the Monitor. The validation process of the cash flow forecasts is now complete, and as expected, revisions were made to the draft monthly cash flow forecasts previously presented. As a result, the budget figures included in the analysis within this Supplemental Report represent the validated amounts and may, or may not, reflect the amounts as previously presented. Please note that the validated cash flow forecasts for the period of November 2011 to December 2012 could be revised following the receipt of new or updated information, and as such, the validated cash flow forecasts could be subject to change at a future date.

HII'S CONSOLIDATED GLOBAL BUDGET TO ACTUAL ANALYSIS

8. The following is the global consolidated budget to actual cash flow analysis for the months of November and December 2011 for the HII Group, which consists of Canada, the Netherlands, Germany, the USA and the Baltics:

Cash Flow Summary
November to December 2011
HII Group Consolidated

(C$000)	For the months of November and December		
HII Group Consolidated	**Actual**	**Budget**	**Variance**
Cash Inflow			
Rent	23,040	20,823	2,217
Other receipts	51,460	3,402	48,058
Proceeds of sale	368	2,340	(1,972)
Total Cash Inflow	**74,868**	**26,565**	**48,303**
Cash Outflow			
Payroll	742	577	(165)
Taxes	3,998	2,474	(1,524)
Mortgage principal	11,331	5,512	(5,819)
Mortgage interest	1,047	7,872	6,825
Operating expenses	5,775	3,353	(2,422)
Professional fees	6,564	3,193	(3,371)
Capital expenditures	1,981	1,878	(103)
Other expenditures	38,839	-	(38,839)
Total Cash Outflow	**70,277**	**24,859**	**(45,418)**
Net Cash Flow	**4,591**	**1,706**	**2,885**
Opening Cash Balance	22,832	22,832	-
Add: Net Cash Flow	4,591	1,706	2,885
Add: FX Impact and Other Transactions	(790)	-	(790)
Ending Cash Balance	**26,633**	**24,538**	**2,095**
Cash Balance per Bank	**26,633**		

Opening cash adjustments

9. The November 1, 2011 opening cash balances for Canada, Germany, and as a result, the HII Group Consolidated, have been adjusted from the closing balances presented in the Supplemental Report by a net amount of $3,807K.

(C$000)	Canada	Netherlands	Germany	USA	Baltics	Combined
Closing as at October 31, 2011	15,217	(565)	2,206	1,463	798	19,119
FX Impact and other transactions	-	-	-	-	-	(94)
Adjusted October 31, 2011 Closing cash balance						**19,025**
Adjustment						
1) Homco 110	-	-	4,319	-	-	4,319
2) Reversal	(512)	-	-	-	-	(512)
Opening as at November 1, 2011	**14,705**	**(565)**	**6,525**	**1,463**	**798**	**22,832**

10. The October 31, 2011 closing balance of $15,217K in Canada was adjusted by $(512)K to $14,705K due to an adjustment to the Canadian bank account that pertains to the period presented in the Supplemental Report.

11. As indicated in the Supplemental Report, Homco 110 was not included in both the HII Group consolidated cash flows and the Germany cash flows. For the Second Supplemental Report, Management has provided the Monitor with financial information for Homco 110 in order to perform the budget to actual analysis in this Second Supplemental Report. Accordingly, the opening cash balance was adjusted by $4,319K to reflect the amount of cash held in Homco 110's bank accounts, which were not previously available to the Monitor.

12. The budgeted opening cash balances for each region as at November 1, 2011 have been adjusted to reflect the actual opening balances as at November 1, 2011. As a result, the budgeted opening cash balance as at November 1, 2011 does not agree to the ending cash balance as at October 31, 2011 previously presented in the Supplemental Report.

13. In order to provide a direct comparison, actual and budgeted transactions for each region have been converted at the closing exchange rate as at December 31, 2011.

Global consolidated budget to actual commentary

14. Total cash inflows for HII Group were $74,868K for the period noted, while total cash outflows were $70,277K, which resulted in a positive net cash flow of $4,591K compared to a budgeted net cash flow of $1,706K.

15. As a result of the positive net cash flow of $4,591K, the opening cash balance of $22,832K increased to $26,633K after taking into consideration foreign exchange impact and other transactions of $(790)K, which were not allocated regionally as at December 31, 2011.

16. The other receipts favorable variance of $48,058K and the other expenditures unfavorable variance of $(38,839)K were generated primarily as a result of frequent cash management transactions from the operating bank accounts to interest-earning cash management bank accounts.

17. A detailed explanation of the global cash inflow and outflow variances is presented on a regional basis; therefore, please refer to each of the regional budget to actual variance analyses performed below for additional information.

CANADA CONSOLIDATED CASH FLOWS

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

Cash Flow Summary
November to December 2011
Canada

(C$000) Canada	For the months of November and December Actuals	Budget	Variances
Cash Inflow			
Rent	224	304	(80)
Proceeds of sale	368	2,340	(1,972)
REIT distributions	1,475	1,396	79
REIT unit sale proceeds	3,500	-	3,500
Other receipts	7,962	1,964	5,998
Total Cash Inflow	**13,529**	**6,004**	**7,525**
Cash Outflow			
Payroll	737	577	(160)
Taxes	146	140	(6)
Mortgage principal	89	2,026	1,937
Mortgage interest	-	73	73
Operating expenses	1,365	1,005	(360)
Professional fees	6,300	2,872	(3,428)
Capital expenditures	1,662	1,665	3
Other expenditures	2,692	-	(2,692)
Total Cash Outflow	**12,991**	**8,358**	**(4,633)**
Net Cash Flow	**538**	**(2,354)**	**2,892**
Opening Cash Balance	**14,705**	**14,705**	**-**
Add: Net Cash Flow	**538**	**(2,354)**	**2,892**
Ending Cash Balance	**15,243**	**12,351**	**2,892**

Canada consolidated budget to actual commentary

19. Total cash inflows for Canada were $13,529K for the period noted, while total cash outflows were $12,991K, which resulted in a positive net cash flow of $538K compared to a budgeted negative net cash flow of $2,354K.

20. As a result of the positive net cash flow of $538K, the opening cash balance of 14,705K increased to $15,243K as at December 31, 2011.

21. For this Second Supplemental Report, the Hotel receipts previously disclosed as a separate line item have been included in the other receipts line item.

22. The Monitor's comments on the consolidated cash inflow and outflow variances for Canada for the Second Supplemental Period are as follows:

Inflows

23. Cash receipts from proceeds of sale of $368K were received compared to budgeted receipts of $2,340K, resulting in an unfavorable variance of $1,972K. This unfavorable variance can be attributed to the following:

    i. Three Inverness condo unit sales were budgeted in November and December 2011 whereas four condos units were sold. In all cases, no cash receipts were received from the sale of the units because the lending agreement stipulates the proceeds of sales are to be directly distributed to the associated lender in order to settle the portion of the mortgages outstanding. Accordingly, when the cash is remitted directly to the associated lender, cash does not flow through the bank account creating an unfavorable variance of $600K to the budgeted amounts. The actual sale proceeds were approximately $780K, however $740K was remitted to the lender following transaction costs, GST and the any applicable deposits.

    ii. Two Churchill condo unit sales were budgeted in November and December 2011 whereas one unit was sold. In all cases, no cash receipts were received from the sale of the units because the lending agreement stipulates the proceeds of sales are to be directly distributed to the associated lender in order to settle the portion of the mortgages outstanding. Accordingly, when the cash is remitted directly to the associated lender, cash does not flow through the bank account creating an unfavorable variance of $1,000K to the budgeted amounts. The actual sale proceeds were approximately $535K, however $500K was remitted to the lender following transaction costs, GST and the any applicable deposits.

    iii. Two condo unit sales were budgeted at Lougheed Estates (Homco 122) during the Second Supplemental Period whereas two units were sold. Proceeds received following the payment of transaction costs and mortgages were $237.4K compared to the budgeted amount of $650K resulting in an unfavorable variance of $412.6K. This unfavorable variance is attributed to funds being remitted directly to the lender in order to settle the outstanding mortgages and any transaction costs. In this case any excess equity is remitted directly to Homco 122.

    iv. Homco 144 experienced actual cash receipts of $130.4K compared to budgeted cash receipts of $90K which gave rise to a favorable variance of $40.4K, which is mainly associated to higher than expected sale proceeds from the disposition of two parking spaces.

24. The receipt of REIT Unit sale proceeds generated a favorable timing variance of $3,500K, which was due to the receipt of the remaining funds held in Osler’s trust account pertaining to the Bought Deal. These funds were budgeted to be received in October, but were actually received in November.

25. The positive variance for other receipts of $5,998K is primarily comprised of a $3,958K quarterly payment received from Homco 110. The remaining balance is composed of several cash transfers between ShareCo and HII. As mentioned in previous Monitor’s reports, Management occasionally uses the ShareCo European account as a holding account for various HII European transactions.

Outflows

26. Payroll expenses experienced an unfavorable variance of $160K. The variance of $160K is predominantly attributed to HII and related to timing. HII Management funded the ADP payroll account earlier than budgeted for the payroll scheduled to run over the holiday period resulting in the unfavorable variance.

27. Mortgage principal payments of $89K were disbursed compared to a budgeted amount of $2,026K, which resulted in a favorable variance of $1,937K. This favorable variance is mainly due to the direct payment of mortgage principal and commissions to the lender from the sales proceeds for the condo sales at Churchill and Inverness. As discussed above, when condo unit sale proceeds are remitted directly to the associated lender, the associated mortgage principal and commissions are not made from HII's bank accounts, resulting in a favorable variance in comparison to the amounts budgeted.

28. An unfavorable variance of $3,428K for professional fees was incurred during the Second Supplemental Period as a result of the CCAA filing. As previously communicated, additional professional fees in excess of the budgeted amount continue to be incurred as a result of the Company's and Monitor's legal counsel, and professionals spending significant amounts of time on numerous material issues. In particular, additional time and resources have been incurred with respect to the procedures surrounding the discussions, transactional due diligence for the HCI/HII deal and professional services associated to the Cominar Offer.

29. Other expenditures of $2,692K were incurred compared to budgeted other expenditures of nil, resulting in an unfavorable variance of $2,692K. The majority of this variance pertains to intercompany transfers from HII to ShareCo. Management occasionally uses the ShareCo European account as a holding account for various HII European transactions.

THE NETHERLANDS CONSOLIDATED CASH FLOWS

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

Cash Flow Summary
November to December 2011
Netherlands

(C$000) Netherlands	For the months of November and December Actual	Budget	Variance
Cash Inflow			
Rent	3,030	3,803	(773)
Other receipts	872	-	872
Proceeds of sale	-	-	-
Total Cash Inflow	**3,902**	**3,803**	**99**
Cash Outflow			
Payroll	-	-	-
Taxes	1,337	138	(1,199)
Mortgage principal	3,154	467	(2,687)
Mortgage interest	-	1,366	1,366
Operating expenses	1,475	559	(916)
Professional fees	202	-	(202)
Capital expenditures	-	-	-
Other expenditures	-	-	-
Total Cash Outflow	**6,168**	**2,530**	**(3,638)**
Net Cash Flow	**(2,266)**	**1,273**	**(3,539)**
Opening Cash Balance	(565)	(565)	-
Add: Net Cash Flow	(2,266)	1,273	(3,539)
Ending Cash Balance	**(2,831)**	**708**	**(3,539)**

Conversion rate used (Opening balance) 1.3856 as at 10/31/2011
Conversion rate used (Closing balance) 1.3193 as at 12/31/2011
Source: Bank of Canada

Mortgage debt

31. During the month of November 2011, a mortgage debt of €14,250K for Homco 76 has matured and has not yet been renewed. The outstanding debt has been applied to Homco 76's operating account, placing the account further into overdraft. Management is currently in discussion with the lender of Homco 76, to attempt to rectify this situation. The overdrawn amount is treated as debt and is not included in the closing balance of the Netherlands' cash flows since discussions are pending between Management and the lender. Until an agreement is reached between Management and the lender of Homco 76, all inflows to be applied to the matured loan balance.

The Netherlands consolidated budget to actual commentary

32. Total cash inflows for the Netherlands were $3,902K for the period noted, while total cash outflows were $6,168K, which resulted in a negative net cash flow of $2,266K compared to a budgeted positive net cash flow of $1,273K.

33. As a result of the negative net cash flow of $2,266K, the opening cash balance of $(565)K was reduced to $(2,831)K as at December 31, 2011.

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

Inflows

35. Rent of $3,030K was received compared to a budgeted amount of $3,803K, resulting in a negative timing variance of $773K during the Second Supplemental Period.

36. Other receipts of $872K were received compared to budgeted other receipts of nil, resulting in a positive variance of $872K. The other receipts generally consist of VAT receipts and a transfer from HII, which were not budgeted and will result in a permanent variance.

Outflows

37. Taxes and operating expenses of $1,337K and $1,475K were incurred compared to budgeted amounts of $138K and $559K, respectively. This results in a combined unfavorable timing variance of $2,115K.

38. Mortgage principal and interest charges totaling $3,154K were incurred, compared to $1,833K budgeted for the same period. The unfavorable timing variance of $1,321K is principally attributable to a number of mortgages being paid, which were unpaid during the previous period.

GERMANY CONSOLIDATED CASH FLOWS

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

Cash Flow Summary
November to December 2011
Germany

(C$000) Germany	For the months of November and December Actual	Budget	Variance
Cash Inflow			
Rent	10,838	13,015	(2,177)
Other receipts	14,083	-	14,083
Proceeds of sale	-	-	-
Total Cash Inflow	**24,921**	**13,015**	**11,906**
Cash Outflow			
Payroll	-	-	-
Taxes	2,013	2,007	(6)
Mortgage principal	7,415	2,346	(5,069)
Mortgage interest	-	5,386	5,386
Operating expenses	1,029	94	(935)
Professional fees	56	303	247
Capital expenditures	232	66	(166)
Other expenditures	14,151	-	(14,151)
Total Cash Outflow	**24,896**	**10,202**	**(14,694)**
Net Cash Flow	**25**	**2,813**	**(2,788)**
Opening Cash Balance	6,524	6,524	-
Add: Net Cash Flow	25	2,813	(2,788)
Ending Cash Balance	**6,549**	**9,337**	**(2,788)**

Conversion rate used (Opening balance) 1.3856 as at 10/31/2011
Conversion rate used (Closing balance) 1.3193 as at 12/31/2011
Source: Bank of Canada

40. The German budget to actual analysis is composed of all German properties. HII’s ownership in Homco 110 is 93%. For the purposes of the German consolidated budget to actual analysis and commentary contained within, no adjustment was made to the budgeted cash flows, or actual cash balances, to reflect HII’s 93% ownership since the cash flow budgets and actuals take into account the cash flows of Homco 110 as a whole.

<u>Mortgage debt</u>

41. During the month of December 2011 mortgage debt of €41,000K for Homco 110 has matured.The Homco 110 loan matures for the entire amount every three months and consequently, is applied to Homco 110’s operating account before being renewed. As per the Monitor’s discussions with Management, this renewal is normally performed on the same day. This has not been the case for the month of December, which has placed the operating account in overdraft. Since the renewal is to occur in early January, the Monitor is not including the balance of the matured loan in the closing balance of the Germany cash flows. Based on this information, all inflows and outflows relating to Homco 110 are not applied to the matured loan balance.

Germany consolidated budget to actual commentary

42. Total cash inflows for Germany were $24,921K for the period noted, while total cash outflows were $24,896K, which resulted in a net cash flow of $25K compared to a budgeted net cash flow of $2,813K.

43. As a result of the positive net cash flow of $25K, the opening cash balance of $6,524K was increased to $6,549K.

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

Inflows

45. Rent of $10,838K was received compared to a budgeted amount of $13,015K, resulting in a negative variance of $2,177K during the Second Supplemental Period. The variance is mainly due to timing as rent receipts were budgeted on a quarterly basis, where in fact, they are received on a monthly basis.

46. 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 expenses line items. As a result of this form of cash management, other receipts of $14,083K mainly consist of cash transfers received from matured term deposits. These other receipts are offset by other expenses in the amount of $14,151K.

Outflows

47. Mortgage principal and interest payments of $7,415K were made compared to a budgeted amount of $7,732K, resulting in a negative variance of $317K. The variance is primarily explained by timing.

48. Operating expenses and professional fees of $1,029K and $56K were incurred compared to budgeted amounts of $94K and $303K respectively, resulting in a combined unfavorable variance of $688K. These variances are primarily in Homco 110 and are due to amounts which have not been budgeted for in the Second Supplemental Period.

USA CONSOLIDATED CASH FLOWS

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

Cash Flow Summary
November to December 2011
USA

(C$000) USA	For the months of November and December Actual	Budget	Variance
Cash Inflow			
Rent	3,791	3,111	680
Other receipts	21,816	-	21,816
Proceeds of sale	-	-	-
Total Cash Inflow	**25,607**	**3,111**	**22,496**
Cash Outflow			
Payroll	5	-	(5)
Taxes	210	189	(21)
Mortgage principal	277	277	-
Mortgage interest	1,047	1,047	-
Operating expenses	698	651	(47)
Professional fees	6	13	7
Capital expenditures	-	19	19
Other expenses	21,897	-	(21,897)
Total Cash Outflow	**24,140**	**2,196**	**(21,944)**
Net Cash Flow	**1,467**	**915**	**552**
Opening Cash Balance	1,463	1,463	-
Add: Net Cash Flow	1,467	915	552
Ending Cash Balance	**2,930**	**2,378**	**552**

Conversion rate used (Opening balance) 0.9935 as at 10/30/2011
Conversion rate used (Closing balance) 1.0170 as at 12/31/2011
Source: Bank of Canada

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

50. As previously noted in the Supplemental Report, the USA budget to actual analysis is composed of both Cedar and HHUS properties. HII's ownership through a joint venture in the Cedar properties, which represents a significant portion of the USA cash flows, equals 80%. For the purposes of the USA consolidated budget to actual analysis and commentary contained within, no adjustment was made to the budgeted cash flows, or actual cash balances, to reflect HII's 80% ownership since the cash flow budgets and actuals take into account the cash flows of Cedar as a whole.

51. Total cash inflows for the USA were $25,607K for the period noted, while total cash outflows were $24,140K, which resulted in a positive net cash flow of $1,467K compared to a budgeted positive net cash flow of $915K.

52. As a result of the positive net cash flow of $1,467K, the opening cash balance of $1,463K increased to $2,930K as at December 31, 2011.

53. The Monitor’s comments on the consolidated cash inflow and outflow variances for the USA for the Second Supplemental Period are as follows:

Inflows

54. In order to earn interest income on excess funds contained in HHUS’s operating accounts, frequent cash transfers are regularly made to and from the operating bank accounts to an interest-earning cash management bank account. These cash movements are captured in the other receipts and other expenses line items. As a result of this form of cash management, other receipts of $21,816K represent the vast majority of cash transfers received from the cash management account. These other receipts are offset by other expenses in the amount of $21,897K. The negative net variance of $81K represents a timing variance resulting from HHUS’s cash management practices.

55. Rent of $3,791K was received compared to a budgeted amount of $3,111K, resulting in a favorable variance of $680K. The majority of this favorable variance is due to timing as additional expenditures were billed and recovered from tenants during the Second Supplemental Period. Also, certain rent payments pertaining to the month of January 2012 were made in advance in December 2012 due to office closures during the holiday season.

Outflows

56. The negative variance of $21,897K attributed to other expenditures has been explained in the Inflows section of the USA budget to actual commentary.

57. Cash outflows, excluding other expenditures of $21,897K, totaled $2,243K compared to budgeted cash outflows of $2,196K excluding other expenditures, resulting in a nominal negative cash flow timing variance of $47K.

THE BALTICS CONSOLIDATED CASH FLOWS

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

Cash Flow Summary
November to December 2011
Baltics

(C$000) Baltics	For the months of November and December Actual	Budget	Variance
Cash Inflow			
Rent	5,157	590	4,567
Other receipts	1,752	42	1,710
Proceeds of sale	-	-	-
Total Cash Inflow	**6,909**	**632**	**6,277**
Cash Outflow			
Operating expenses	1,066	1,044	(22)
Loan interest & swap	396	396	-
Mortgage	-	-	-
Asset management fee	142	-	(142)
Professional fees	-	5	5
VAT payment	292	-	(292)
Capital expenditures	87	128	41
Other expenditures	99	-	(99)
Total Cash Outflow	**2,082**	**1,573**	**(509)**
Net Cash Flow	**4,827**	**(941)**	**5,768**
Opening Cash Balance	798	798	-
Add: Net Cash Flow	4,827	(941)	5,768
Ending Cash Balance	**5,625**	**(143)**	**5,768**

Conversion rate used (Opening balance) 1.3856 as at 10/31/2011
Conversion rate used (Closing balance) 1.3193 as at 12/31/2011
Source: Bank of Canada

Inflows

59. Rent revenues were $5,157K compared to budgeted rent revenues of $590K resulting in a favorable variance of $4,567K. The favorable variance was mainly due to SEB Bank who paid in advance the quarterly payment which was due on January 1st.

60. Other receipts were $1,752K compared to a budgeted amount of $42K resulting in a favorable variance of $1,710K.The favorable variance mainly resulted from an out-of-court settlement with Talling Group due to the early termination of their lease.

Outflows

61. Asset management fees were $142K compared to a budget of nil, resulting in an unfavorable variance of $142K. The unfavorable variance is due to timing, as amounts were budgeted on a quarterly basis where in fact, are paid on a monthly basis.

62. VAT payments were $292K compared to a budgeted VAT payment of nil resulting in an unfavorable variance of $292K. The higher than budgeted VAT payment resulted in an unfavorable timing variance of $292K as these VAT payments were expected to be made in January 2012.