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

PURPOSE OF THE SUPPLEMENTAL REPORT

1. In this Seventh Supplemental Report of the Monitor (the "**Seventh Supplemental Report**"), a budget to actual cash flow analysis will be presented for the two-month period of August and September 2012 (the "**Seventh Supplemental Period**"), with commentary for the HII Group on a consolidated basis, as well as by geographic region, including Canada, the Netherlands, Germany, USA and the Baltics.

TERMS OF REFERENCE

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

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

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

OVERVIEW OF SEVENTH SUPPLEMENTAL REPORT

5. For the Seventh Supplemental Report, the individual cash flow forecasts and actual results for the two-month period of August and September 2012 were combined by geographic region and then consolidated for budget to actual cash flow purposes. Please note that a foreign exchange impact exists as a result of varying source currencies being used in each applicable geographic region.

HII GROUP CONSOLIDATED BUDGET TO ACTUAL CASH FLOW ANALYSIS

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

Budget to Actual Cash Flow Summary
August and September 2012
HII Group Consolidated

(C$000)	For the 2-month period of August and September 2012 Actual	Budget	Variance
Cash Inflow			
Rent	23,780	24,863	(1,083)
Other receipts	9,419	288	9,131
Proceeds of sale	1,603	1,802	(199)
Total Cash Inflow	**34,802**	**26,953**	**7,849**
Cash Outflow			
Payroll	572	494	(78)
Taxes	3,237	4,789	1,552
Mortgage principal and interest	13,695	16,530	2,835
Operating expenses	3,989	4,108	119
Professional fees	9,312	12,353	3,041
Capital expenditures	427	2,148	1,721
Other expenditures	5,142	515	(4,627)
Total Cash Outflow	**36,374**	**40,937**	**4,563**
Net Cash Flow	**(1,572)**	**(13,984)**	**12,412**
Opening Cash Balance	111,555	111,555	-
Add: Net Cash Flow	(1,572)	(13,984)	(12,412)
Add: Intercompany FX (loss)/gain	-	-	-
Add: Exchange rate gain/(loss)	(1,156)	-	1,156
Add: Other geographic transactions	384	-	(384)
Add: FX Impact and Other Transactions	(773)	-	773
Ending Cash Balance	**109,210**	**97,571**	**(11,639)**
Cash Balance per Bank	**109,210**		

HII Group consolidated budget to actual cash flow commentary

7. Total cash inflows for HII Group were $34,802K for the period noted, while total cash outflows were $36,374K, which resulted in a negative net cash flow of $1,572K compared to a negative budgeted net cash flow of $13,984K.

Opening cash balances

8. The opening cash balances for each region as at August 1, 2012 reflect the allocated balances reflected in the Sixth Supplemental Report prior to applying the impact of foreign exchange and other transactions. As such, the HII Group consolidated opening cash balance will differ from the Sixth Supplemental Report's ending cash by the amount allocated to foreign exchange and other transactions listed in the Sixth Supplemental Report.

9. In order to provide a direct comparison, actual and budgeted transactions for each region have been converted at the relevant closing exchange rate as at September 30, 2012.

10. As a result of the negative net cash flows of $1,572K and after taking into consideration a cumulative foreign exchange impact and other transactions of negative $773K, which was not allocated regionally as at September 30, 2012, the opening cash balance of $111,555K as at August 1, 2012 decreased to $109,210K as at September 30, 2012.

11. The other receipts' favorable variance of $9,131K and the other expenditures' unfavorable variance of $4,627K were generated primarily as a result of frequent cash management transactions initiated from the operating bank accounts to interest-earning cash management bank accounts.

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

CANADA CONSOLIDATED BUDGET TO ACTUAL CASH FLOW ANALYSIS

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

Budget to Actual Cash Flow Summary
August and September 2012
Canada

(C$000)	For the 2-month period of August and September 2012		
	Actual	Budget	Variance
Cash Inflow			
Rent and Hotel receipts	788	579	209
Other receipts	1,370	288	1,082
Proceeds of sale	446	1,802	(1,356)
Total Cash Inflow	**2,604**	**2,669**	**(65)**
Cash Outflow			
Payroll	567	494	(73)
Taxes	159	180	21
Mortgage principal and interest	-	200	200
Operating expenses	1,089	1,653	564
Professional fees	9,260	12,252	2,992
Capital expenditures	150	5	(145)
Other expenditures	5	491	486
Total Cash Outflow	**11,230**	**15,275**	**4,045**
Net Cash Flow	**(8,626)**	**(12,606)**	**3,980**
Opening Cash Balance	108,106	108,106	-
Add: Net Cash Flow	(8,626)	(12,606)	3,980
Ending Cash Balance	**99,480**	**95,500**	**3,980**

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

14. Total cash inflows for Canada were $2,604K during the Seventh Supplemental Period, while total cash outflows were $11,230K, which resulted in a negative net cash flow of $8,626K compared to a negative budgeted net cash flow of $12,606K.

15. As a result of the negative net cash flow of $12,606K, the opening cash balance of $108,106K at August 1, 2012 decreased to $99,480K as at September 30, 2012.

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

Inflows

17. Rent and Hotel receipts of $788K were received compared to a budgeted amount of $579K resulting in a favorable variance of $209K. The favorable variance is mainly due to higher Hotel occupancy than expected.

18. Other receipts of $1,370K were received compared to a budgeted amount of $288K resulting in a favorable variance of $1,082K. The favorable variance is due to unbudgeted corporate income tax refunds.

19. Proceeds of sale of $446K were received compared to budgeted receipts of $1,802K, resulting in an unfavorable variance of $1,356K. This unfavorable variance is mainly attributed to the budgeted sale of mortgage free condos in Churchill which did not materialize.

Outflows

20. Mortgage principal and interest were nil compared to a budgeted amount of $200K, which resulted in a favorable variance of $200K. As noted in previous reports of the Monitor, condo unit sale proceeds are remitted directly to the associated lender and the associated mortgage principal and commissions are not paid from HII's bank accounts. This results in a permanent favorable variance when compared to the budgeted amounts.

21. Operating expenses were $1,089K compared to a budgeted amount of $1,653K resulting in a favorable variance of $564K. The favorable variance of $564K is mainly due to timing.

22. Professional fees were $9,260K, compared to a budgeted amount of $12,252K, which resulted in a favorable variance of $2,992K. This favorable variance is mainly due to timing as payments of professional fees in arrears were remitted in the subsequent months of 2012.

23. Other expenditures were $5K, compared to a budgeted amount of $491K resulting in a favorable variance of $486K. This favorable variance is mainly due to timing as the expenses were incurred in a later period.

THE NETHERLANDS CONSOLIDATED BUDGET TO ACTUAL CASH FLOW ANALYSIS

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

Budget to Actual Cash Flow Summary
August and September 2012
The Netherlands

(C$000)	For the 2-month period of August and September 2012		
	Actual	Budget	Variance
Cash Inflow			
Rent	5,160	5,513	(353)
Other receipts	165	-	165
Proceeds of sale	-	-	-
Total Cash Inflow	**5,325**	**5,513**	**(188)**
Cash Outflow			
Payroll	-	-	-
Taxes	206	856	650
Mortgage principal and interest	2,506	2,843	337
Operating expenses	592	644	52
Professional fees	(5)	-	5
Capital expenditures	-	982	982
Other expenditures	1	-	(1)
Total Cash Outflow	**3,300**	**5,325**	**2,025**
Net Cash Flow	**2,025**	**188**	**1,837**
Opening Cash Balance	(2,227)	(2,227)	-
Add: Net Cash Flow	2,025	188	1,837
Ending Cash Balance	**(202)**	**(2,039)**	**1,837**

Conversion rate used (Opening balance) 1.2331 as at 07/31/2012
Conversion rate used: Closing 1.2646 as at 09/30/2012
Source: Bank of Canada

Mortgage debt

As indicated in Appendix C of the Seventh Monitor's Report, during the month of November 2011, a mortgage debt of €14,250K for Homco 76 matured and as of the date of this Seventh Supplemental Period had not been renewed. The outstanding debt has been applied to Homco 76's operating account, placing the account further into overdraft. At December 31, 2012, the company filed for bankruptcy.

The Netherlands consolidated budget to actual cash flow commentary

25. Total cash inflows for the Netherlands were $5,325K for the Seventh Supplemental Period, while total cash outflows were $3,300K, which resulted in a positive net cash flow of $2,025K compared to a budgeted positive net cash flow of $188K.

26. As a result of the positive net cash flow of $2,025K, the opening deficit balance of $2,227K at August 1, 2012 decreased to a deficit of $202K as at September 30, 2012.

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

Inflows

28. Rent of $5,160K was received compared to a budgeted amount of $5,513K, resulting in a negative variance of $353K during the Seventh Supplemental Period. The unfavorable variance of $353K is primarily due to timing, as rent was budgeted to be received in regular monthly installments while certain tenants pay rent on a quarterly basis in accordance with their lease agreements.

29. Other receipts of $165K were received compared to budgeted other receipts of nil, resulting in a positive variance of $165K. The other receipts consist mainly of a temporary transfer in order to cover for a mortgage payment, which was reimbursed to HII in November 2012.

Outflows

30. Mortgage principal and interest charges totaling $2,506K were incurred, compared to $2,843K budgeted for the same period, resulting in a favorable variance of $337K. The favorable variance of $337K is mainly due to timing and a reduction in the variable interest rate in Europe.

31. Capital expenditures were nil compared to a budgeted amount of $982K, resulting in a favorable variance of $982K. The favorable variance is mainly attributable to timing as capital projects were in progress; however capital expenditures were not paid during the Seventh Supplemental Period. This variance represents a timing difference as these expenditures will be incurred in future periods.

GERMANY CONSOLIDATED BUDGET TO ACTUAL CASH FLOW ANALYSIS

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

Budget to Actual Cash Flow Summary
August and September 2012
Germany

(C$000)	For the 2-month period of August and September 2012		
	Actual	Budget	Variance
Cash Inflow			
Rent	10,172	15,304	(5,132)
Other receipts	7,884	-	7,884
Proceeds of sale	-	-	-
Total Cash Inflow	**18,056**	**15,304**	**2,752**
Cash Outflow			
Payroll	-	-	-
Taxes	1,626	2,501	875
Mortgage principal and interest	9,820	12,180	2,360
Operating expenses	210	503	293
Professional fees	3	8	5
Capital expenditures	-	317	317
Other expenditures	4,639	24	(4,615)
Total Cash Outflow	**16,298**	**15,533**	**(765)**
Net Cash Flow	**1,758**	**(229)**	**1,987**
Opening Cash Balance	1,491	1,491	-
Add: Net Cash Flow	1,758	(229)	1,987
Ending Cash Balance	**3,249**	**1,262**	**1,987**

Conversion rate used (Opening balance) 1.2331 as at 07/31/2012
Coversion rate used: Closing 1.2646 as at 09/30/2012
Source: Bank of Canada

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

<u>Mortgage debt</u>

34. As discussed in the Fourth Supplemental Report, one of the lenders of Homco 110 requested that excess cash received in the operating account be applied against its mortgage debt balance. As at September 30, 2012, the net balance is € (31,000)K.

Germany consolidated budget to actual cash flow commentary

35. Total cash inflows for Germany were $18,056K for the Seventh Supplemental Period, while total cash outflows were $16,298K, which resulted in a positive net cash flow of $1,758K compared to a budgeted net cash flow of negative $229K.

36. As a result of the positive net cash flow of $1,758K, the opening cash balance of $1,491K at August 1, 2012 increased to $3,249K as at September 30, 2012.

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

Inflows

38. Rent of $10,172K was received compared to a budgeted amount of $15,304K, resulting in a negative variance of $5,132K during the Seventh Supplemental Period. The variance is mainly due to timing as the rent receipts for Homco 110 are budgeted on a quarterly basis whereas rent receipts are received on a monthly basis.

39. 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 expenditure line items. As a result of this form of cash management, other receipts of $7,884K and other expenditures of $4,639K mainly consist of cash transfers to/from term deposits. These investments are classified as cash inflows when they mature and the balances are remitted back to Homco 110.

Outflows

40. Taxes of $1,626K were paid compared to a budgeted amount of $2,501K, resulting in a favorable timing variance of $875K. The favorable variance is attributable to certain VAT payments which were budgeted but not paid during the Seventh Supplemental Period.

41. Combined mortgage principal and interest payments of $9,820K were made, compared to a budgeted amount of $12,180K, resulting in a favorable variance of $2,360K. The variance is due to timing as the Coët Properties are in the process of renewing the mortgage. Until renewed, only interest payments are to be made. Principal payments will resume upon mortgage renewal.

42. Operating expenses were $210K compared to a budgeted amount of $503K, resulting in a favorable timing variance of $293K.

43. Capital expenditures were nil compared to a budgeted amount of $317K, resulting in a favorable variance of $317K. The favorable variance is mainly attributable to timing, as there were many capital projects underway in the spring and summer; however, payments for services rendered were not made in the Seventh Supplemental Period.

USA CONSOLIDATED BUDGET TO ACTUAL CASH FLOW ANALYSIS

44. The following table presents the consolidated budget to actual cash flow analysis properties for the Seventh Supplemental Period for the USA:

Budget to Actual Cash Flow Summary
August and September 2012
USA

(C$000)	For the 2-month period of August and September 2012		
	Actual	Budget	Variance
Cash Inflow			
Rent	3,133	2,948	185
Other receipts	-	-	-
Proceeds of sale	-	-	-
Total Cash Inflow	**3,133**	**2,948**	**185**
Cash Outflow			
Payroll	5	-	(5)
Taxes	1,205	1,252	47
Mortgage principal and interest	1,369	1,307	(62)
Operating expenses	1,242	510	(732)
Professional fees	12	15	3
Capital expenditures	-	-	-
Other expenditures	-	-	-
Total Cash Outflow	**3,833**	**3,084**	**(749)**
Net Cash Flow	**(700)**	**(136)**	**(564)**
Opening Cash Balance	2,528	2,528	-
Add: Net Cash Flow	(700)	(136)	(564)
Ending Cash Balance	**1,828**	**2,392**	**(564)**

Conversion rate used : Opening 1.0014 as at 07/31/2012
Coversion rate used: Closing 0.9837 as at 09/30/2012
Source: Bank of Canada

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

45. The USA consolidated budget to actual cash flow analysis includes both Cedar and HHUS properties. HII's 80% ownership in the Cedar properties, held through a joint venture, represents a significant portion of the USA cash flows. For the purposes of the USA consolidated budget to actual cash flow analysis and commentary contained within, no adjustment was made to the budgeted cash flows, or actual cash balances, to reflect HII's 80% ownership – the cash flow budgets and actuals shown in the table above include the cash flows of Cedar as a whole.

46. Total cash inflows for the USA properties were $3,133K for the period noted, while total cash outflows were $3,833K, which resulted in a negative net cash flow of $700K compared to a budgeted negative net cash flow of $136K.

47. As a result of the negative net cash flow of $700K, the opening cash balance of $2,528K as of August 1, 2012 decreased to $1,828K as at September 30, 2012.

48. From the First Supplemental Report to the Seventh Supplemental Report, it was disclosed that HII made frequent transfers between operating bank accounts and an interest-earning cash management account. These cash management movements were captured in the other receipts and other expenses line items. For the Seventh Supplemental Report, these inter-account cash transfers have been excluded to better represent the actual cash position and net cash flow for the USA. As one will note, there are no other receipts or other disbursements recorded during the Seventh Supplemental Period. The Monitor intends to continue to reflect the USA properties cash flows on a similar basis going forward.

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

Inflows

50. Rent of $3,133K was received compared to a budgeted amount of $2,948K, resulting in a favorable variance of $185K. The favorable variance is mainly due to timing, as rent was budgeted to be received in regular monthly installments when, in fact, certain tenants pay rent on a bi-monthly or quarterly basis in accordance with their lease agreements.

Outflows

51. Operating expenses of $1,242K were paid compared to a budgeted amount of $510K, resulting in an unfavorable variance of $732K. This unfavorable variance is due to the payment of additional unbudgeted expenses by HHUS and Cedar. With respect to HHUS, approximately $171K of leasing commissions, and other unbudgeted operating expenses of approximately $100K pertaining primarily to building repairs and maintenance at two HHUS properties, were incurred. With respect to the Cedar properties, operating expenses of approximately $475K, composed primarily of management fees, insurance, and other miscellaneous operating expenses, were incurred in September 2012. Payment of these expenses was accelerated into September 2012 as a result of the pending close of the proposed Cedar transaction in October 2012.

THE BALTICS CONSOLIDATED BUDGET TO ACTUAL CASH FLOW ANALYSIS

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

Cash Flow Summary
August and September 2012
Baltics

(C$000) Baltics	For the 2-month period of August and September 2012 Actual	Budget	Variance
Cash Inflow			
Rent	4,527	519	4,008
Other receipts	-	-	-
Proceeds of sale	1,157	-	1,157
Total Cash Inflow	**5,684**	**519**	**5,165**
Cash Outflow			
Operating expenses	856	798	(58)
Loan & Swap Interest	-	-	-
Mortgage Principal	-	-	-
Asset management fee	-	-	-
Professional fees	42	78	36
VAT payments	41	-	(41)
Capital expenditures	277	844	567
Other expenditures	497	-	(497)
Total Cash Outflow	**1,713**	**1,720**	**7**
Net Cash Flow	**3,971**	**(1,201)**	**5,172**
Opening Cash Balance	1,657	1,657	-
Add: Net Cash Flow	3,971	(1,201)	5,172
Ending Cash Balance	**5,628**	**456**	**5,172**

Conversion rate used (Opening balance) 1.2331 as at 07/31/2012
Conversion rate used (Closing balance) 1.2646 as at 09/30/2012
Source: Bank of Canada

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

53. Total cash inflows for the Baltics were $5,684K for the Seventh Supplemental Period, while total cash outflows were $1,713K, which resulted in a positive net cash flow of $3,971K compared to a budgeted negative net cash flow of $1,201K.

54. As a result of the positive net cash flow of $3,971K, the opening cash balance of $1,657K at August 1, 2012 increased to $5,628K as at September 30, 2012.

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

Inflows

56. Rent receipts were $4,527K compared to budgeted rent receipts of $519K resulting in a favorable timing variance of $4,008K. SEB has paid rent on the last day of the month instead of the first day of the following month.

57. Other receipts were $1,157K compared to a budgeted amount of nil, resulting in a favorable timing variance of $1,157K. The favorable variance of $1,157K is due to timing, as the proceeds of sale of the one of the Baltic property was originally budgeted in July but was received in August.

Outflows

58. Operating expenditures of $856K were paid compared to a budgeted amount of $798K, resulting in an unfavorable variance of $58K. The unfavorable variance is mainly due to timing.

59. Professional fees of $42K were paid compared to a budgeted amount of 78K, resulting in a favorable variance of $36K. The favorable variance is mainly due to timing.

60. VAT payments of $41K were paid compared to a budgeted amount of nil resulting in an unfavorable variance of $41K. This unfavorable variance in mainly due to changes in Latvia’s regulations which now require HII to pay VAT on capital expenditures directly to the Latvian government rather than to the vendor.

61. Capital expenditures of $277K were paid compared to a budgeted amount of $844K, resulting in a favorable variance of $567K. The favorable variance is mainly due to timing since all significant 2012 capital expenditure disbursements are budgeted for payment in September 2012. However, actual disbursements for capital expenditures are spread out over several months.

62. Other expenditures were $497K compared to a budgeted amount of nil, which resulted in an unfavorable variance of $497K. The favorable variance is mainly due to disbursements assumed by the Baltic's operations to restructure SEB portfolio.