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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 450, 1st Street SW, Suite 2500, Calgary, Alberta, T2P 5H1, and having a chief place of business at Suite 1060, 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 450, 1st Street SW, Suite 2500, Calgary, Alberta, T2P 5H1, and having a chief place of business at Suite 1060, 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 1060, 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 1060, 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 1060, 1 Place Alexis Nihon, Montreal, Quebec, H3Z 3B8

- and –

NORTH CALGARY LAND LTD., a legal person, duly constituted under the *Business Corporations Act* (Alberta), having its office at Unit 220, 3016-19th Street NE, Calgary, Alberta, T2E 6Y9 and having a chief place of business at Suite 1060, 1 Place Alexis Nihon, Montreal, Quebec, H3Z 3B8.

Debtors/Petitioners

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

THIRTEENTH 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**") (and later North Calgary Land Ltd.) (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 Honorable 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: 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 (following an amendment to the Initial Order on October 7, 2011), Homco Realty Fund (96) Limited Partnership (following an amendment to the Initial Order on May 31, 2012), Homco Realty Fund (105) Limited Partnership, Homco Realty Fund (121) Limited Partnership, Homco Realty Fund (122) Limited

Partnership, Homco Realty Fund (142) Limited Partnership and Homco Realty Fund (199) Limited Partnership (collectively, the "**Applicant Partnerships**" and, together with the Debtors, the "**HII Parties**").

3. Samson Bélair/Deloitte & Touche Inc. was appointed as monitor (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 favor of the Debtors, which Stay has been extended from time to time by order of the Court. On May 31, 2012, the Court last extended the Stay, up until August 31, 2012 (the "**Stay Period**").

5. Since the Initial Order, the Monitor has filed reports with the Court and served same to the service list from time to time. The Monitor filed twelve such Monitor's reports prior to this thirteenth Monitor's report. A copy of all of the Monitor's reports is 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 under the CCAA.

PURPOSE OF THE THIRTEENTH REPORT

6. This thirteenth report of the Monitor ("**Thirteenth Report**") is intended to provide the Monitor's view on the motion for the approval of a sale process for selected Canadian properties and the retention of a real estate broker. It also provides the Monitor's view on HII's request to have access to an incremental amount of the Restricted Cash.

7. The Thirteenth Report is structured as follows:

   I- The sale process of selected Canadian properties;
   II- Cash funding requirements and access to Restricted Cash; and
   III- Conclusion and recommendations.

TERMS OF REFERENCE

8. In preparing this Thirteenth Report, the Monitor has relied upon audited and unaudited financial information, the HII Parties' records, the amended motion for an Initial Order dated September 9, 2011, subsequent motions filed with the Court (collectively, the "**Debtors' Motions**") and exhibits in support of same, its discussions with management of the HII Parties ("**Management**") and the HII Parties' and the Monitor's legal advisors. While the Monitor has analyzed 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 Thirteenth Report is based on assumptions of Management regarding future events, and actual results achieved will vary from this information and such variations may be material.

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

I- THE SALE PROCESS OF SELECTED CANADIAN PROPERTIES

<u>Sale process</u>

10. As explained in the Eighth Report, HII and the Monitor have identified several potential operational and financial initiatives that could improve profitability and liquidity with a view to generate an increased value for stakeholders in the coming years. Said initiatives include, in regard to the Canadian assets, establishing a development plan or a monetization/disposition process of some of the properties under development or held for sale.

11. After analyzing the Canadian Properties, HII and the Monitor have concluded that the assets being the object of the present report should be marketed through a structured sale process that will involve retaining the services of one or more real estate brokerage firms to assist HII and the Monitor.

12. To identify real estate brokerage firm(s) that should be retained, the Monitor will conduct a short request for proposal process pursuant to which the Monitor will mandate the selected firm(s) to run a sales process for each property with a view to concluding a sale of same of the basis of, *inter alia*, the General Terms and Conditions of Sale appended to the Motion for approval of the sale process presented by HII.

<u>Canadian real estate's assets for sale</u>

13. As indicated, pursuant to the analysis conducted by HII and the Monitor, it was determined that the following assets, directly or indirectly owned by HII, are to be considered non-core assets in the context of HII restructuring and should be sold through a formal sale process:

    i. Homco 52;
    ii. Homco 94;
    iii. Homco 96;
    iv. Homco 121; and
    v. Holman Grand Hotel.

14. HII and the Monitor are continuing their analysis of the remaining Canadian Properties, including the assets held by Homco 88 (known as Kai Towers), to determine their optimal use in the context of this restructuring. HII anticipates to have completed this analysis by the end of August 2012.

<u>Homco 52 ("**Homburg Springs East**")</u>

15. Homburg Springs East owns approximately 146 acres of land for development in Rocky View County, Alberta. Homburg Springs East is located at 17300 6th Street North East. The property is located on the outskirts of Calgary and is adjacent to West Balzac. The land is not located in an area serviced by the municipality and is far removed from underground utilities. Homburg Springs East is mainly zoned for residential development and no improvements have been made to these lands**.**

16. The land is the primary asset in Homburg Springs East.

17. Homco 52 has guaranteed the obligations of Shareco under the Homburg Mortgage Bond Series 4 ("**Mortgage Bond 4**") pursuant to a Second Supplemental Indenture dated November 30, 2004

entered into by Shareco and Stichting Homburg Mortgage Bond. As collateral security therefor, Homco 52 granted a mortgage to Stichting Homburg Mortgage Bond over Homburg Springs East. The Mortgage Bond 4 filed total claims of about $29M against Shareco through the Claim Process. HII and the Monitor will review these claims in due course.

Homco 94 (“**Homburg Springs West**”)

18. Homburg Springs West owns approximately 140 acres of land for development in Rocky View County, Alberta. Homburg Springs is located at 17400 Centre Street North East. The property is located on the outskirts of Calgary and is adjacent to West Balzac. The land is not located in an area serviced by the municipality and is far removed from underground utilities. Homburg Springs West is mainly zoned for residential development and no improvements have been made to said land**.**

19. The land is the primary asset of Homburg Springs West.

North Calgary Land Ltd. (“**NCLL**”)

20. NCLL owns 219 acres of which 150 acres is developable and is approved for subdivision. The land is situated between the cities of Calgary and Airdrie, north of Cross Iron Mills retail center in the community of Balzac/Rocky View, and at the intersection of the QEII Highway and Highway 566.

21. The land and the associated water units are the primary assets of NCLL.

Homco 121 (“**Henderson Farm**”)

22. Henderson Farm owns 38.34 acres of developable land in the municipal district of Rocky View, Alberta. This is adjacent to the NCLL land.

23. The land is the primary asset of Henderson Farm.

Holman Grand Hotel

24. HII owns and operates the Holman Grand Hotel, a boutique hotel located in Charlottetown, Prince Edward Island.

25. The Holman Grand Hotel is located at 123 Grafton Street, Charlottetown, PEI and is situated on land subject to a ground lease dated May 25, 2010 (the “**Ground Lease**”). HII leased the land on which the hotel is built from Dyne Holdings Ltd., a subsidiary of CANMARC Real Estate Investment Trust (formerly Homburg Canada Real Estate Investment Trust).

26. The Holman Grand Hotel welcomed its first guests in August 2011 and is managed by HII at a net operational loss.

II- CASH FUNDING REQUIREMENTS AND ACCESS TO RESTRICTED CASH

27. HII, with the assistance of the Monitor, conducted an analysis of the Debtors and other HII Group entities' cash flows to evaluate, based on new or updated information, the cash requirement for the 8-week period ending August 31, 2012. This analysis, as further explained, was necessary due to changes in the non-petitioner cash flows since the Tenth Report, which directly reduced the cash flow of HII that funds the ongoing restructuring process.

28. The table below provides an overview of the estimated cash funding requirements of HII as at July 1, 2012 for the period ending August 31, 2012:

Homburg Invest Inc. ($C000) Revised required funding Analysis performed as at June 30, 2012		
Projected HII cash requirement for the period from June 3 to August 31, 2012 presented in the Tenth Report		11,000,000
Adjustments to Petitioners cash flows for June 2012		
HII	Non CCAA professional fees incurred but not budgeted	530,000
HII	HHUS June distribution lower than budgeted	250,000
HII	PEI hotel June revenus lower than budgeted	130,000
Inverness	Underbudgeted proceeds of sale	269,000
		1,179,000
Adjustments to non petitioners cash flows for June, July and August 2012		
Canada	Budgeted sales for Castello, Homco 122 and Homco 144 which did not transpire in this period	2,540,000
Germany	Surpluses in German Homcos unaccessible to HII and unrecoverable expenses paid by HII	270,000
Netherlands	FGH negative homcos cut-off moved from June 1 to July 1 following negotiation with FGH	208,000
Netherlands	Homco 120 mortgage payment made on June 1, but not budgeted	560,000
Netherlands	Surpluses in Dutch Homcos unaccessible to HII and unrecoverable expenses paid by HII	357,000
		3,935,000
Adjusted projected HII cash requirement for the period from June 3 to August 31, 2012		16,114,000
Additional funding required from the Restricted Cash		**5,114,000**

29. As indicated in paragraph 203 of the Tenth Report, it was forecasted that HII would incur a cash shortfall of approximately $10.9M for the period ending August 31, 2012. To compensate for this shortfall, HII was allowed to use an incremental amount of $11M from the Restricted Cash to fund the various steps required to advance the restructuring of the HII Group until the expiry of the Fourth Extension of the Stay Period.

30. As indicated in the table above, after conducting negotiations with the mortgage lenders of certain HII Group entities holding real estate properties in Europe (the "**Banks**") during the month of June 2012, together with revenues that were below the forecast due to a shortage in sales of condominiums and other assets, it became apparent that HII would require an incremental amount of approximately $5.2M from the Restricted Cash.

31. More specifically, the incremental amount of $5.2M requested can be explained as follows:

    i. $2.5M is due to certain timing differences in the sale of condominiums and other assets, for which the proceeds were budgeted to be distributed to HII during the period ending August 31, 2012. However these proceeds will most likely be realized during the next few months;

ii. The initial funding requirement considered that HII would have access to any excess cash from the Dutch and German assets once operating expenses, capital expenses, interests and debt repayment were paid, as in the past this had always been the case.

However, following the negotiations with the Banks, most of them required restrictions on cash distributions to HII. This has resulted in the freezing of excess cash in certain Homco accounts, for which HII had anticipated unrestricted access in order to fund its ongoing restructuring process;

iii. Another assumption made in the cash flow forecast presented in the Tenth Report was that HII would cease to fund the Dutch and German negative Homcos as of June 1. However, this interruption in the funding of the Homcos with a negative cash flow did not materialize with respect to those financed by FGH Bank due to a miscommunication. The funding cut-off was therefore moved to July 1, 2012;

iv. The net proceeds from the Inverness property was lower than initially forecasted, notably because legal fees claimed by Romspen Investment Corp. had to be paid out of the gross sales proceeds to allow the closing of said sales. Under the circumstances, HII and Inverness reserved all their rights and recourses against Romspen and, along with the Monitor, are reviewing their options in relation to this matter;

v. Due to insolvency law issues in Germany, the June mortgage payment of Homco 120 (Amstelveen), financed by EUROHYPO AG, was paid notwithstanding the forecasted cut-off. This represents an additional reduction of $560K of HII's cash. As in the case of FGH Bank, HII ceased funding Homco 120 as of July 1 2012; and

vi. Certain Canadian and US properties generated less than budgeted cash flows in June 2012.

32. Taking into consideration that the cash shortfall is essentially due to variation in the cash flow of non-petitioners, HII did not amend the petitioners' cash flows as presented in the Tenth Report as these remain valid for the period ending August 31, 2012.

33. The incremental amount of $5.2M requested will be taken into account in future funding requests. As the justifying difference explained in paragraph 31 should be materializing in the next months, it should reduce the future funding requests accordingly.

III- CONCLUSION AND RECOMMENDATIONS

34. It is the Monitor's view that:

i. The HII Parties have acted in good faith and with due diligence in accordance with the Initial Order;

ii. As explained in Section I of this Thirteenth Report, the formal sale process for the selected Canadian properties is in the best interests of all stakeholders and, subject to the General Terms and Conditions of Sale, should therefore be granted by the Court; and

iii. For the reasons elaborated in Section II of this Thirteenth Report, the use of the Restricted Cash for an incremental amount of $5.2M should be authorized.

35. Based on the Monitor's discussions with the HII Parties' representatives, it is the Monitor's opinion that the HII Parties have acted and continue to act in good faith and with due diligence, and will continue to work towards the development of a viable plan of arrangement.

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

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

Pierre Laporte, CPA, CA, CIRP
President

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

APPENDIX A

THE ENTITIES Mis en Cause

HOMCO REALTY FUND (52) LIMITED PARTNERSHIP
HOMCO REALTY FUND (88) LIMITED PARTNERSHIP
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HOMCO REALTY FUND (142) LIMITED PARTNERSHIP
HOMCO REALTY FUND (199) LIMITED PARTNERSHIP