

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

SUPERIOR COURT
Commercial Division

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

HOMBURG INVEST INC.

– and –

HOMBURG SHARECO INC.

– and –

CHURCHILL ESTATES DEVELOPMENT LTD.

– and –

CP DEVELOPMENT LTD.

– and –

NORTH CALGARY LAND LTD.

– and –

HOMBURG MANAGEMENT (CANADA) INC.

Debtors/Petitioners

– and –

THE ENTITIES LISTED IN APPENDIX A

Mises-en-cause

– and –

SAMSON BÉLAÏR/DELOITTE & TOUCHE INC.

Monitor

**THIRTY-FIRST REPORT TO THE COURT
SUBMITTED BY SAMSON BÉLAÏR/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. (“**NCLL**”) and Homburg Management (Canada) Inc. (“**HMCI**”), following amendments to the Initial Order (collectively, the “**Debtors**”) filed and obtained protection from their respective creditors under the *Companies’ Creditors Arrangement Act* (the “**CCAA**”) pursuant to an Order rendered by the Superior Court of Quebec (as amended and extended from time to time, the “**Initial Order**”). On September 30, 2013, the Court discontinued the Stay in respect of Inverness, which has since filed an assignment in bankruptcy.
2. Pursuant to the Initial Order, the Stay extends to the following limited partnerships which form an integral part of the business of the Debtors: Homco Realty Fund (52) Limited Partnership (“**Homco 52**”), Homco Realty Fund (61) Limited Partnership (“**Homco 61**”), Homco Realty Fund (83) Limited Partnership (“**Homco 83**”) (following an amendment to the Initial Order on April 26, 2013), Homco Realty Fund (88) Limited Partnership (“**Homco 88**”), Homco Realty Fund (89) Limited Partnership (“**Homco 89**”), Homco Realty Fund (92) Limited Partnership (“**Homco 92**”), Homco Realty Fund (94) Limited Partnership (“**Homco 94**”) (following an amendment to the Initial Order on October 7, 2011), Homco Realty Fund (96) Limited Partnership (“**Homco 96**”) (following an amendment to the Initial Order on May 31, 2012), Homco Realty Fund (105) Limited Partnership (“**Homco 105**”), Homco Realty Fund (121) Limited Partnership (“**Homco 121**”), Homco Realty Fund (122) Limited Partnership (“**Homco 122**”), Homco Realty Fund (142) Limited Partnership (“**Homco 142**”), Homco Realty Fund (190) Limited Partnership (“**Homco 190**”) and Homco Realty Fund (191) Limited Partnership (“**Homco 191**”) (following an amendment to the Initial Order on December 14, 2012 in the case of both Homco 190 and Homco 191), Homco Realty Fund (199) Limited Partnership (“**Homco 199**”) and Castello Development Ltd. (“**Castello**”) (following an amendment to the Initial Order on February 6, 2013 in the case of both Homco 61 and Castello) (collectively, the “**Applicant Partnerships**”) and, together with the Debtors, excluding Homco 122 and Inverness, the “**HII Parties**”). On July 11, 2013 the Court discontinued the Stay in respect of Homco 122, which has since been dissolved.
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 HII Parties, which Stay has been extended from time to time by order of the Court. On December 2, 2013, the Court last extended the Stay up until January 17, 2014 (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 thirty such Monitor’s reports (as well as some supplemental reports) prior to this thirty-first Monitor’s report (the “**Thirty-First Report**”). Copies of all of the Monitor’s reports are 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 THIRTY-FIRST REPORT

6. This Thirty-First Report is intended to provide an update on the progress of the HII Parties’ restructuring and related steps and confirm the support of the Monitor to the Debtors’ Motion for an extension of the Stay Period. In addition, this Thirty-First Report provides an update on the

conditions precedent pertaining to the implementation of the HII/Shareco Plan and the Homco 61 Plan approved by the Court on June 5, 2013 (collectively, the “**Plans**”). This report also addresses HII’s cash position, the status of the restructuring initiatives, provides an update on the implementation of the Plans and, generally, the restructuring process.

7. This Thirty-First Report is structured as follows:

- I- Restructuring Initiatives;
- II- Updates on HHUS Cash and proceedings with HCI;
- III- Updates on Implementation of the Plans;
- IV- Debtors’ Cash Flows;
- V- Activities of the Monitor;
- VI- Extension of the Stay Period; and
- VII- Conclusions and Recommendations.

TERMS OF REFERENCE

8. In preparing this Thirty-First 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 all 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 Thirty-First 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 Thirty-First Report are as defined in the previous reports of the Monitor and the Debtors’ Motions.

I. RESTRUCTURING INITIATIVES

UPDATE OF THE NEGOTIATIONS AND DISCUSSIONS WITH THE MORTGAGE LENDERS

Lenders of Core Properties

10. As mentioned in previous reports, the HII Group has entered into the necessary agreements with the lenders of the non-core assets, namely Bank of Scotland, Skandinaviska Enskilda Banken AB (“**SEB**”), HSH Nordbank AG (“**HSH**”), Falcon Private Bank Ltd. (“**Falcon**”) and NIB Capital Bank N.V. (“**NIBC**”), to proceed with the transfer of the core properties to Geneba pursuant to and in accordance with the Plans under conditions that are considered as the most financially sound for Geneba.
11. However, certain said agreements, namely with SEB, HSH and Falcon, provided that implementations of the Plans had to occur before the end of 2013. As the Plan Implementation Date has not yet been confirmed, the HII Group has sought and obtained from HSH and Falcon, a further extension of this delay.
12. As mentioned in previous report, key agreements between the HII Group and SEB were executed in late November 2013. Under these agreements the Plan Implementation date had to occur before December 31, 2013. Due to the delay of the Plan Implementation date, the HII Group

communicated with SEB in order to get a further extension. SEB has not yet confirmed in writing the extension of the December 31 deadline to close the transaction pertaining to the amended financing and leasing agreements. For the time being, SEB only confirmed that immediately prior to PID, all documents would have to be updated and reapproved by SEB's senior management at the head office and in the three Baltic's state.

Lenders of Non-Core Properties

13. Subject to the following, there has not been any material change in the status of the discussions and negotiations regarding the lenders of non-core properties since the Thirtieth Report.
14. HSBC has been kept informed on a regular basis on the ongoing sale process of these non-core Canadian properties.
15. The relevant updates concerning the discussions and negotiations with the lenders of the non-core properties are as follows:
 - i. Hatfield Philips (acting as Agent to the Noteholders) was informed that Homco 98 and HII (98) GP Inc. have filed for bankruptcy on December 18, 2013.
 - ii. HSBC's loan of the property owned by Homco 88 ("**Kai Property**") has been fully reimbursed.

SALE PROCESS OF NON-CORE PROPERTIES

Canadian Properties

16. The HII Group continues to actively market its Canadian properties as provided in previous reports and, subject to the Kai Property, there has not been any change in the status of the sale process of HII non-core Canadian properties since the Thirtieth Report.
17. With respect to the Kai Property:
 - i. As described in the Twenty-Ninth Report, the sale of the Kai Property was approved by court order dated November 18, 2013 (the "**Kai Vesting Order**").
 - ii. The sale the Kai Property closed on December 19, 2013, as expected. The purchase price of \$30.0M (plus nominal adjustments) was paid by the purchaser, in trust, pending the confirmation of the registration of the sale at the Alberta land registry.
 - iii. On or about January 9, 2014, following the confirmation of the registration of the sale at the Alberta land registry and in conformity with the Kai Vesting Order, the sales proceeds were used to pay the commission to the real estate broker and to fully reimburse HSBC's secured loan.
 - iv. The balance of approximately \$23.6M is currently being held in trust by the Monitor. This balance will first serve to reimburse certain advances made by HII which are secured by a Court ordered charge against the Kai Property, up to an amount of \$385K, as further described in the Twenty-Eighth Report.
 - v. The remaining balance of approximately \$23.2M will remain available to be distributed to the secured creditors, namely the holders of the Series 7 Bonds and/or the lien claimants

(presuming, at this stage, that their liens are valid), in accordance with their respective rank. To the extent the holders of the Series 7 Bonds rank ahead of the lienholders, there will be no distribution available to the lienholders.

US Properties

18. As of the date of this Thirty-First Report, Homburg Holding (U.S.) Inc. (“**HHUS**”), a subsidiary of HII, still owns four (4) of the twelve (12) US real estate assets which have been marketed by CBRE since early February 2013.
19. Since the Twenty-Ninth Report the property located at 4718 Cotton Belt Drive, in San Antonio, Texas closed on December 23, 2013 and the net proceeds of approximately \$190.8K USD have been received by HHUS.
20. A purchase and sale agreement regarding the remaining four (4) Colorado Springs properties, respectively located on East Pikes Road (555, 557 and 559) and on Van Teylingen Drive is currently being negotiated with a prospective buyer.
21. The process relating to the non-core properties and any pending issues relating thereto has no impact on the timing of the implementation of the Plans.

II. UPDATES ON HHUS CASH AND PROCEEDINGS WITH HCI

22. As mentioned in the Thirtieth Report, the HII Group, following the issuance of the Sixteenth Extension, discovered that a significant portion of the cash expected to be received from HHUS, namely approximately \$2.6M USD (the “**Diverted Funds**”) was not available as it had been diverted from the property manager for HHUS, namely Homburg Realty Services (U.S.) Inc. (“**HRS**”) concurrently to the period of the filing of the Twenty-ninth Report and the granting of the Sixteenth Extension.
23. As mentioned in the Thirtieth Report, litigation relating to diversion of HII funds and involving Homburg International Limited, Homburg Realty Services (U.S.) Inc. and certain related entities (collectively, the “**HCI Group**”) was commenced in Nova Scotia and Barbados. Since the Thirtieth Report, the HCI Group has also instituted proceedings in Colorado.

The Nova Scotia Proceedings

24. On December 9, 2013, the Honourable Justice Moir of the Nova Scotia Court granted HII’s *ex-parte* motion ordering the HCI Group (i) not to remove from Nova Scotia or dispose of the value of their assets in Nova Scotia and (ii) not to diminish or otherwise dispose of the value of their assets wherever they may be situated, up to a value of \$2.895M (the “**Mareva Order**”). Following the issuance of the *Mareva Order*, HCI Group contested same through submission filed in the Nova Scotia Court record.
25. On December 31st, 2013, following the hearing of the contestation filed by the HCI Group, the Honourable Justice Glen G. McDougall of the Nova Scotia Court dismissed HCI Group’s contestation and maintained the *Mareva Order*.

The Barbados Proceedings

26. After learning that the Diverted Funds had been transferred to Barbados, the HII Group pursued further action in order to protect the Diverted Funds.

27. More specifically, on December 13, 2013, HII served a Notice of Application against RBC and RBC Royal Bank of Canada (Barbados) Limited before the Supreme Court of Barbados in the High Court of Justice (the “**Barbados Court**”) seeking an order that RBC disclosed to HII information with respect to the funds transferred to RBC in Barbados. Following the hearing of said application, the Barbados Court issued an order for disclosure of the identity of the holder of the Barbados account.
28. On December 17, 2013, RBC confirmed to HII that \$2.6M USD had been transferred out of the HCI Group’s bank account and was currently held in the account of Uni-Insurance Inc. (“**Uni-Insurance**”) a related party to the HCI Group and Richard Homburg, at RBC.
29. On December 20, 2013, HII filed a Notice of Application against Uni-Insurance before the Barbados Court seeking an order that Uni-Insurance be refrained from removing its assets up to \$2.6M USD from the jurisdiction which order was granted on the same day (the “**Freezing Order**”).
30. On January 6, 2014, Uni-Insurance filed an application seeking the discharge of the Freezing Order obtained on December 20, 2013 and disputing jurisdiction which was heard on January 9, 2014. Following said hearing, the Barbados Court ordered that the Freezing Order continue until the application be heard and set the hearing of same on February 26 and 28, 2014.

The Colorado Proceedings

31. On December 20, 2013, the HCI Group filed a complaint for declaratory judgment against HHUS before the Colorado Court seeking a declaration that the Diverted Funds were owed by HHUS and properly paid to the US manager as well as damages for alleged breach of contract with respect to the termination of the alleged management agreement.
32. All the above proceedings constitute a significant distraction considering the critical stage of HII restructuring and is negatively impacting, both financially and otherwise, the due course of HII restructuring.
33. The Monitor is assisting HII in the context of the proceedings that have been instituted with respect to the recovery of the Diverted Funds in Nova Scotia, Barbados and Colorado.

III. UPDATES ON IMPLEMENTATION OF THE PLANS

34. The conditions precedent to the implementation of the Plans (the “**Conditions Precedent**”) are summarized in Appendix B to the Twenty-Third Report, and are found at length at Section 14.4 of the HII/Shareco Plan. A comprehensive summary of the status of each Conditions Precedent was presented in the Twenty-Ninth Report. Since then, the HII Group and the Monitor along with their respective Dutch and Canadian advisors have continued to actively work towards the implementation of the Plans. Below is a list of the Conditions Precedent that remains outstanding at this date and the developments with respect thereto that have occurred since the Thirtieth Report.
 - a) Material consents, declarations, rulings, certificates or approvals of or by any Governmental Authority as may be considered necessary by HII, Shareco and the Monitor in respect of the Plan Transactions:
 - (i) Issuance of a licence by the AFM to Newco: On December 16, 2013, the HII Group

received questions from the Dutch central Bank (the “DCB”) which were addressed the next day. On December 17, 2013, the Monitor, together with representatives of Geneba and their respective counsel, met with representatives of the AFM to further answer any questions the AFM had with regard to Geneba’s licence application. The HII Group was subsequently advised by the AFM that it would not issue a licence to Geneba prior to the end of 2013. The AFM has subsequently requested further clarification on certain issues which it had previously raised. The HII Group, Geneba and their respective advisors provided the required information to the AFM on January 13, 2014. On January 14, 2014, the DCB also verbally confirmed that it has no further questions for Geneba, however, they did express certain concerns relating to the depository. As of the date of this report all outstanding questions were answered and all requested supporting documentation was provided to the AFM.

This Condition Precedent has NOT been met.

- (ii) Granting of necessary consents of the Core Business Creditors relating to the transfer of the Core Business Assets to Newco or the Newco Subsidiaries as applicable: As described in section I of this Thirty-First Report, satisfactory credit agreements or consents from the Core Business Creditors, namely Falcon, HSH, Bank of Scotland, and NIBC, were obtained, which generally remain only subject to the timing of the Plan Implementation Date and the delivery of certain payments provided under the Plan. Once the Plan Implementation date is set consent will be need to be sought by SEB.

Subject to obtaining, for a second time, the required consent from SEB, due to the delay in the issuance of the AFM licence, this Condition Precedent is ready to be met.

35. As highlighted above, the only important Conditions Precedent to be met are the consent from SEB and the issuance of the AFM licence. As stated in previous Monitor’s Reports, continued delay with respect to the issuance of the licence could have a material impact on the implementation of the new financing arrangements with respect to the core properties or potentially, the implementation of the transaction with Catalyst.
36. As indicated in previous Monitor’s Reports and at the Creditors’ Meetings, the timing of the cash distributions under the Plans (other than the Cash-Out Pool funded by Catalyst) is subject to certain conditions which are not directly under the control of HII, Shareco and the Monitor, including in particular the necessity to obtain relevant certificates of discharge from the Canadian tax authorities. In order to avoid delays in the distribution of the Cash Pool and Asset Realization Cash Pool, as part of the ongoing discussions with CRA, the tax advisors to the HII Group and the Monitor are also discussing issues regarding of the granting of said certificate.

IV. DEBTORS’ CASH FLOWS FROM NOVEMBER 19, 2013 to JANUARY 6, 2014

37. The purpose of this section is as follows:
- i. Provide budget to actual analysis highlights by Debtor for the period from November 19, 2013 to January 6, 2014 ; and
 - ii. Provide explanations or comments on the variances by Debtor.

OVERVIEW

38. The following table provides an overview of the allocated opening cash balances, the allocated closing cash balances, and the cash variations by Debtor for the period from November 19, 2013 to January 6, 2014:

Cash variation for the period from November 19, 2013 to January 6, 2014 (C\$000)						
Petitioner	Opening cash balance	Total variation in cash balance	Surplus (funding) between HII and its Petitioners	Surplus (funding) between HII and its Non-Petitioners	Adjusted closing cash balance	
Homburg Invest Inc.	4,239	(2,315)	(4)	(64)	1,856	
Homburg Shareco Inc.	39	-	-	-	39	
Churchill Estates Development Ltd.	817	(5)	-	-	812	
CP Development Ltd.	(720)	-	-	-	(720)	
North Calgary Land Ltd.	-	(4)	4	-	-	
HMCI	-	-	-	-	-	
Total	4,375	(2,324)	-	(64)	1,987	

39. For the budget to actual cash flow forecast analysis of HII, Shareco, Churchill, CP, NCLL and HMCI for the period from November 19, 2013 to January 6, 2014, and commentary in respect of the analysis performed, please refer to Appendix B of this Thirty-First Report.

40. 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.

HII

41. Total cash inflows for HII were \$2,930.7K for the period noted, while total cash outflows were \$5,246.3K, which resulted in a negative net cash variation of \$2,315.6K compared to a budgeted negative net cash variation of \$2,841.0K. This positive variance of \$525.4K is mainly due to the unbudgeted receipt of GST/HST refunds of \$340.1K as well as the timing of the disbursements of professional fees, in that \$1,760.6K of budgeted professional fee expenses were not paid during the 7-week period from November 19, 2013 to January 6, 2014. This positive variance was partially offset by the receipt of only \$2,585K from restricted cash, compared to the budgeted receipt of \$4,145K from HHUS.

Shareco

42. For the period noted, total cash inflows were nil as budgeted, and total cash outflows for Shareco were \$0.1K compared to budgeted cash outflows of nil.

Churchill

43. For the period noted, total cash inflows for Churchill were \$4.3K and total cash outflows were \$8.8K, which resulted in a negative net cash variation of \$4.5K compared to a budgeted negative net cash variation of \$5.8K. The positive variance of \$1.3K is mainly due the unbudgeted sale of a parking stall for \$4.3K offset by \$2.5K of unbudgeted property tax and \$0.7K of professional fees.

CP

44. For the period noted, total cash inflows for CP were \$0.1K compared to a budgeted amount of nil and total cash outflows for CP were nil, as was budgeted.

NCLL

45. For the period noted, total cash inflows for NCLL were nil and total cash outflows were \$3.9K, which resulted in a negative net cash variation of \$3.9K compared to a budgeted net cash variation of nil. The negative variance of \$3.9K is mainly due to the payment of unbudgeted professional fees of \$3.8K.

HMCI

46. For the period noted, total cash inflows and outflows were nil compared to a budgeted cash inflow amount of \$33.2K, resulting in an unfavorable variance of \$33.2K. This negative variance is mainly due to timing as an amount of \$33.2K had been inadvertently received into HII and has yet to be transferred to HMCI.

Cash budgeting

47. Since the Twenty-Ninth Report, the HII Group, with the support of the Monitor, has continued to perform budget to actual analysis for the Debtors on a weekly basis.
48. As reported in the past, the cash balance presented in the weekly budget to actual analysis is based on an approximate allocated cash method.
49. The Monitor will continue to provide Supplemental Reports that reconcile the overall cash inflows, cash outflows, opening and closing bank balances for all bank accounts of the HII Group by geographic location.
50. The table below provides the estimated cash balance analysis as at January 17, 2014:

Homburg Invest Inc.

Estimated cash balance for the period ending January 17, 2014

(all amounts stated in CAD)	Amount
ACTUAL PETITIONERS OPENING CASH BALANCE AS AT January 7, 2014	A 1,987,371
<u>Forecasted cash inflows/(outflows) - January 7 to January 17, 2014</u>	
Net cash inflow/(outflow) - Debtors	
Net cash inflow/(outflow) - HII	(1,275,600)
Net cash inflow/(outflow) - Shareco	-
Net cash inflow/(outflow) - Churchill	-
Net cash inflow/(outflow) - CP	-
Net cash inflow/(outflow) - NCLL	-
Net cash inflow/(outflow) - HMCI	-
Total net cash inflow/(outflow) - Debtors	B (1,275,600)
Net cash inflow/(outflow) - Canadian entities excluding Debtors	C (11,639)
<u>Payments in transit</u>	
HII - Wires in transit as at January 6, 2014	-
HII - Estimated outstanding cheques as at January 6, 2014	(82,152)
Less: Total payments in transit	D (82,152)
TOTAL NET CASH INFLOWS/(OUTFLOWS) - JANUARY 7 TO JANUARY 17, 2014	E=B+C+D (1,369,391)
ESTIMATED ENDING CASH BALANCE AS AT JANUARY 17, 2014, BEFORE OTHER ADJUSTMENTS	F=A+E 617,980
Net adjustment for disbursements/(receipts) not expected to occur from January 7 to January 17, 2014	G -
ESTIMATED ENDING CASH BALANCE AS AT JANUARY 17, 2014, AFTER OTHER ADJUSTMENTS	H =F+G 617,980

V. ACTIVITIES OF THE MONITOR

51. This section summarizes other activities of the Monitor which are not specifically addressed in the previous sections.

CASH FLOW MONITORING

52. On a weekly basis, the Monitor has continued to analyze the Debtors' cash flows. As previously indicated in this Thirty-First Report, a budget to actual cash flow analysis of the Debtors, for the period from November 19, 2013 to January 6, 2014 has been prepared together with commentary of cash variances, as presented in Appendix B of this Thirty-First Report.
53. As part of this process, the Monitor, on a daily basis, has also analyzed cash inflows and cash outflows from all of the HII Parties' bank accounts.
54. 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 review.

CASH FLOW MONITORING OF THE HII GROUP

55. 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. These reports, referred to as supplemental reports, have been posted to the Monitor's website and sent to the HII Group service list.
56. In accordance with the Initial Order, the Monitor has assisted Management in its analysis of disbursements to be made pertaining to the HII Group.

NOTIFYING AND REPORTING DUTIES PERFORMED BY THE MONITOR

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

UPDATE ON CLAIMS PROCESS

General

58. As elaborated in previous Monitor's Reports, the Monitor finally received more than 250 proofs of claim.
59. Since the Twenty-Ninth Report, the following developments have occurred with respect to the claims process:
- i. DEGI Homburg Harris LP ("**DEGI**"), the Monitor, and HII executed a complete, full and final mutual release, discharge and transaction on October 31, 2013.
 - ii. Counsel for the Taberna noteholders, Stichting Homburg Bonds, HII and the Monitor have been working on the preparation of a joint declaration of readiness which is expected to be filed shortly in order to fix a hearing date on the Motion for Directions regarding the Taberna Claim.
 - iii. The Hearing for the Motions in appeal of certain proofs of claim in connection with fees and expenses incurred by Stichting Homburg Bonds and the related Motion for the payment of the Fees and Expenses was rescheduled to be heard in the first week of February 2014.
 - iv. Homco 88 and distribution of the proceeds of sale of the Kai Property: A Motion for Directions was expected to be served by the lien claimants before the end of 2013 in order for the CCAA Court to decide upon the priority between the holders of the Series 7 Bonds and the lien claimants. Unless such a motion is served shortly by the parties that have a direct interest in this issue, the Monitor may submit its own Motion for directions.

VI. EXTENSION OF THE STAY PERIOD

OVERVIEW

60. Pursuant to the Sixteenth Extension Order, the Stay Period was extended until January 17, 2014.
61. The HII Parties notified the Monitor of their intention to request a seventeenth extension of the Stay Period until February 7, 2014 (the "**Seventeenth Extension Period**"). This extension will allow, amongst other things, to:
- i. Work toward meeting the only remaining Condition Precedent to the implementation of the Plans, with a view to complete the implementation of the Plans;
 - ii. Advance the sale process of the non-core assets;
 - iii. Participate in the final stages of the claims process conducted by the Monitor; and

- iv. Communicate frequently with key stakeholders and regulators.
62. In the Monitor's opinion, it is in the best interests of the stakeholders to provide the HII Parties with the Seventeenth Extension Period in order to ensure that the HII Parties continue their progress towards the implementation of the Plans. The Monitor considers that the HII Parties' restructuring process is progressing well; however, more time is required in order to complete said restructuring and eventually emerge from CCAA.

EXTENDED 3-WEEK CASH FLOW FORECASTS

63. The Debtors provided the Monitor with new cash flow forecasts for the Seventeenth Extension Period, adjusting the projected cash flows for the period ending on February 7, 2014, namely the end of the Seventeenth Extension Period.
64. The extended 3-week cash flow forecasts for HII, Shareco, Churchill, CP, NCLL and HMCI, as well as additional commentary identifying the primary assumptions, are attached as Appendix C.
65. Presented in the table below is a summary of the forecasted cash variations for each of the Debtors:

Extension - 3-week period ending February 7, 2014					
(C\$000)	Forecasted opening cash balance as at January 18, 2014 (Appendix C)	Forecasted cash variation for the 3-week period (Appendix C)	Funding between HII and its non-Petitioners	Adjustment for intercompany funding	Forecasted closing cash balance as at February 7, 2014
Homburg Invest Inc.	486	(3,726)	(21)	-	(3,261)
Shareco Inc.	39	-	-	-	39
Churchill Estates Development Ltd.	812	(4)	-	-	808
CP Development Ltd.	(720)	-	-	-	(720)
NCLL	-	-	-	-	-
HMCI	-	33	-	-	33
Total	617	(3,697)	(21)	-	(3,101)

HII

66. Other receipts represent a portion of the transfer from HHUS, which was previously scheduled to be received during the Sixteenth Extension Period. The original amount budgeted to be received was \$4.1M during the Sixteenth Extension Period. However, approximately \$2.6M of those funds was diverted by the property manager as described in the Thirtieth Report. A request to the Court was made, and granted, to have access from the Restricted Funds to an amount equivalent to the Diverted Funds. The remaining funds held in HHUS of \$1,560K, are expected to be transferred from HHUS to HII during week 123. Other receipts also includes the receipt of the Homco 88 recharge of \$385K in week 124 following the closing of the sale of Homco 88's asset, the property referred to as Kai (further discussed in paragraph 12).
67. Professional fees in conjunction with the restructuring of the HII Group are estimated to be \$550K a week, with an additional amount in week 124 of \$1,625.7K to reduce the accrual amount of professional fees outstanding.
68. Other expenditures of \$93.7K in week 124 represents a transfer to HMCI for \$33.2K for funds inadvertently received by HII and the expected Geneba recharge cost of €41.2K (approximately \$60.5K). The amount of \$587.1K in week 125, represents funding of €400K related to the Baltic properties.
69. As of the date of this Thirty-First Report, all expenses incurred to date and going forward during the Seventeenth Extension Period have been or will be paid out of the funds available to HII.

Shareco

70. The Monitor does not anticipate any cash inflows or outflows pertaining to Shareco for the Seventeenth Extension Period.
71. At the time of this Thirty-First Report, there is nothing that would lead the Monitor to believe that Shareco will need additional financing to meet current obligations during the Seventeenth Extension Period.

Churchill

72. Forecasted cash inflows for the period are nil and forecasted cash outflows for the period are \$4.7K, resulting in a net cash outflow of \$4.7K. This forecasted net cash outflow results from the anticipated payment of condominium fees on the remaining assets in Churchill, as well as the corresponding property taxes.
73. At the time of this Thirty-First Report, there is nothing that would lead the Monitor to believe that Churchill will need additional financing to meet current obligations during the Seventeenth Extension Period.

CP

74. The Monitor does not anticipate any cash inflows or outflows pertaining to CP during the Seventeenth Extension Period.
75. At the time of this Thirty-First Report, there is nothing that would lead the Monitor to believe that CP will need additional financing to meet current obligations during the Seventeenth Extension Period.

NCLL

76. The Monitor does not anticipate any cash inflows or outflows pertaining to NCLL during the Seventeenth Extension Period.
77. At the time of this Thirty-First Report, there is nothing that would lead the Monitor to believe that NCLL will need additional financing to meet current obligations during the Seventeenth Extension Period.

HMCI

78. Forecasted cash inflows for the period are \$33.2K, which represents a transfer from HII for funds inadvertently received by HII. The Monitor does not anticipate any cash outflows pertaining to HMCI during the Seventeenth Extension Period.
79. At the time of this Thirty-First Report, nothing would lead the Monitor to believe that HMCI will need additional financing to meet current obligations during the Seventeenth Extension Period.

CASH POSITION AND USE OF RESTRICTED CASH

Restricted Cash

80. Pursuant to the Thirtieth Report, additional funding of \$2,585K was requested from Restricted Cash during the Sixteenth Extension Period. For reference purposes, the table presented below provides a breakdown of the Restricted Cash requests since the start of the proceedings. The restricted cash balance as at January 7, 2014 has decreased from the time of the Thirtieth Report as a result of the additional funding of \$2,585K.

Summary of Restricted Cash Requests (C\$000)			
Monitor's Report		Date	Amount Requested
Sixth Monitor's Report	Proceeds from Cominar sale	31-Jan-12	145,439
Transfer to Osler Trust Account	Funds sent to Osler's trust account (note 1)	1-Feb-12	(21,450)
RBC Securities	Commission	9-Feb-12	(915)
Net funds available from Cominar sale proceeds			A
			123,074
Monitor's Seventh Report	Request from Restricted Cash	17-Feb-12	(10,000)
Monitor's Ninth Report	Request from Restricted Cash	10-Apr-12	(6,000)
Monitor's Tenth Report	Request from Restricted Cash	29-May-12	(11,000)
Monitor's Thirteenth Report	Request from Restricted Cash	17-Jul-12	(5,200)
Monitor's Fifteenth Report	Request from Restricted Cash	11-Sep-12	(3,000)
Monitor's Sixteenth Report	Request from Restricted Cash	4-Oct-12	(8,100)
Monitor's Twenty-Sixth Report	Request from Restricted Cash	26-Aug-13	(4,950)
Monitor's Twenty-Seventh Report	Request from Restricted Cash	30-Sep-13	(6,800)
Monitor's Thirtieth Report	Request from Restricted Cash	19-Dec-13	(2,585)
Total requests from Restricted Cash			B
			(57,635)
Interest on Restricted Cash	Cumulative interest received		C
			1,786
Ending balance of Restricted Cash as at January 6, 2014			=A+B+C
			67,225

Note 1: The majority of these funds have been released in accordance with the Cominar Global Settlement. An amount of approximately \$2.5M remains held in trust with Osler and, as provided by the HII/Shareco Plan, the "Cominar Claim" is an "Unaffected Claim" that will be paid out of said trust funds if it materializes.

Analysis of HII's cash funding requirements and results

81. HII, with the assistance of the Monitor, conducted an analysis of the HII Group entities' cash flows to evaluate the cash position of the HII Group for the proposed extension to the Stay Period ending on February 7, 2014.

82. The table below provides an overview of the estimated cash position of HII as at February 7, 2014:

Number of weeks presented: 3 weeks		January 18 to February 7, 2014 (3-week period)
Homburg Invest Inc		Forecast
Estimated cash requirement as at February 7, 2014 (all amounts stated in CAD)		
Estimated opening cash balance as at January 18, 2014	A	617,980
Less amounts unavailable for HII's use:		
Other Petitioner's current cash balance	B	(131,600)
Net cash flow by Debtor - January 18 to February 7, 2014		
Net cash inflow/(outflow) - HII	C	(3,726,512)
Net cash flow by other Canadian entities - January 18 to February 7, 2014		
Net cash inflow/(outflow) - Others Canada	D	(21,313)
ESTIMATED AVAILABLE SURPLUS (DEFICIT) CASH FROM JANUARY 18 TO FEBRUARY 7, 2014	E=A+B+C+D	(3,261,445)

83. The opening forecasted cash balance as at January 17, 2014 only includes the bank accounts controlled by the Debtors. European euros and American dollars accounts have been converted to Canadian dollars at the foreign exchange rate as at January 6, 2014.
84. As noted above, for the period ending February 7, 2014, it is forecasted that the Petitioners will have a cash deficit of \$3,261,445. This amount is calculated based on the net cash flow variations as indicated in the table above. For additional information regarding the Debtors forecasted cash inflows and outflows to February 7, 2014, please refer to Appendix C of this Thirty-First Report. Please note that the analysis does not account for timing variances that may have occurred prior to the extended period. The amount of such variances cannot be estimated as the information to complete the analysis, such as bank statements for the months of January and February for the HII Group entities, are not yet available to Management and the Monitor.
85. The cash balances held by the other Petitioners are not available for use by HII during the proposed Seventeenth Extension Period. Accordingly, an amount of \$131,600 is being deducted from the estimated cash balance. The net amount of these adjustments results in an estimated overall cash deficit of HII of \$3,261,445 at February 7, 2014, which will consist in a timing difference if this Court grants HII access to restricted funds.
86. The Monitor is of the view that HII should be allowed to use an incremental amount of \$3,300,000 from the Restricted Cash in order to accomplish the various steps that are required to advance the restructuring of the HII Group until the expiry of the proposed Seventeenth Extension Period.

VII. CONCLUSIONS AND RECOMMENDATIONS

87. It is the Monitor's view that the HII Parties have acted in good faith and with due diligence in accordance with the Initial Order.
88. It is the Monitor's opinion that, for the reasons further elaborated in this Thirty-First Report:
- i. the Seventeenth Extension (up to February 7, 2014) should be granted to the HII Parties allowing them to continue to provide information requested by the AFM with the eventual goal to meet the only remaining Condition Precedent, obtaining the AFM licence and advance towards the implementation of the Plans; and
 - ii. the use of the Restricted Cash for an incremental amount of \$3.3M should be authorized.

The Monitor respectfully submits this Thirty-First Report to the Court.

DATED AT MONTREAL, this 16th day of January, 2014.



Pierre Laporte, CPA, 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 (61) LIMITED PARTNERSHIP
HOMCO REALTY FUND (83) 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 (96) LIMITED PARTNERSHIP
HOMCO REALTY FUND (105) LIMITED PARTNERSHIP
HOMCO REALTY FUND (121) LIMITED PARTNERSHIP
HOMCO REALTY FUND (142) LIMITED PARTNERSHIP
HOMCO REALTY FUND (190) LIMITED PARTNERSHIP
HOMCO REALTY FUND (191) LIMITED PARTNERSHIP
HOMCO REALTY FUND (199) LIMITED PARTNERSHIP
CASTELLO DEVELOPMENT LTD.

APPENDIX B

The following is the budget to actual cash flow analysis for HII for the period noted:

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

	For the 7-week period of		
	November 19, 2013 to January 6, 2014		
	Actual	Budget	Variance
Cash inflows			
REIT distributions	-	-	-
REIT unit sale proceeds	-	-	-
GST/HST received	340.1	-	340.1
Intercompany receipts (Petitioners and Mis-en-cause)	-	-	-
Other receipts	2,590.6	4,145.0	(1,554.4)
Total cash inflows	2,930.7	4,145.0	(1,214.3)
Cash outflows			
Payroll	243.0	340.0	97.0
Rent expense	20.0	50.0	30.0
Restructuring related professional fees	4,243.2	6,003.8	1,760.6
Insurance	-	-	-
Office & admin	73.8	105.0	31.2
Director fees	-	-	-
KERP	-	-	-
CP obligation	-	-	-
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)	-	-	-
Hotel insurance	-	-	-
Other expenditures	666.3	487.2	(179.1)
Total cash outflows	5,246.3	6,986.0	1,739.7
Opening cash balance	4,239.5	4,239.5	-
Variation in cash balance	(2,315.6)	(2,841.0)	525.4
Exchange rate (Gain / Loss)	-	-	-
Ending cash balance	1,923.9	1,398.5	525.4
Surplus (funding) between HII and its non-Petitioners	(64.2)	-	(64.2)
Surplus (funding) between HII and its Petitioners	(3.9)	-	(3.9)
Adjusted ending cash balance	1,855.8	1,398.5	457.3

HII budget to actual commentary

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

Ending cash balance

- In addition to the ending cash balance presented of \$1,855.8K, please note that \$1,620.2K is currently held in the Monitor's trust accounts as at January 6, 2014. This amount represents funds reserved for the KERP as indicated in paragraphs 10 to 13 of the Fourteenth Report, amounts received which are related to the Canoxy Place Subtenants and accumulated interests.

Inflows

- GST/HST received was \$340.1K compared to a budgeted amount of nil, resulting in a favorable variance of \$340.1K. The favorable variance is due to the receipt of unbudgeted GST/HST refunds from the CRA.
- Other receipts were \$2,590.6K compared to a budgeted amount of \$4,145.0K, resulting in an unfavorable variance of \$1,554.4K. This is mainly due to the fact that HII did not receive the budgeted transfer of \$4,145.0K from HHUS. As noted in the Thirtieth Report an amount of \$2,585K, held by HHUS, was diverted by the property manager before HHUS transferred the funds to HII, as had been budgeted. As such, HII requested, and was granted by the court, access to the equivalent of the diverted amount from the Restricted Cash held by HII, and HII received these funds on December 19, 2013. The remaining amount held by HHUS of approximately \$1,560K is expected to be transferred from HHUS to HII during the Seventeenth Extension Period.

Outflows

- Payroll expense was \$243.0K compared to a budgeted amount of \$340.0K, resulting in a favorable variance of \$97.0K. The favorable variance is mainly due to timing.
- Rent expense for the period was \$20.0K compared to a budgeted amount of \$50.0K resulting in a favorable variance of \$30.0K. This favorable variance is mainly due to timing.
- Restructuring related professional fees were \$4,243.2K compared to a budgeted amount of \$6,003.8K, resulting in a favorable variance of \$1,760.6K. This favorable variance is mainly due to timing.
- Office and administrative expenditures were \$73.8K compared to a budgeted amount of \$105.0K, resulting in a favorable variance of \$31.2K. This favorable variance is mainly due to over-budgeting of the office and administrative expenses.
- Other expenditures were \$666.3K compared to a budgeted amount of \$487.2K resulting in an unfavorable variance of \$179.1K. The unfavorable variance is mainly due to the unbudgeted payment of \$167.2K for the renewal of the annual licensing fee for HII's accounting software.

- In accordance with the Court Order dated February 17, 2012, the payment of fees, disbursements and expenses of the Trustees of the Stichting Homburg Bonds and Stichting Homburg Capital Securities A (collectively, “**Stichting**”) and their legal and financial advisors incurred since December 3, 2011 are to be advanced by HII. The following table presents a summary of the actual fees advanced to Stichting since the Court Order was implemented, which will be offset against any dividend payable to Stichting from HII:

Stichting Homburg invoice list			
Invoice	Date Range	Amount Per Invoice	Amount in \$
INVOICE nr 3.2012	Dec. 5, 2011 - Dec. 31, 2011	\$ 239,128	\$ 239,128
INVOICE nr 4.2012	Jan 1, 2012 - Jan. 31, 2012	\$ 265,486	\$ 265,486
INVOICE nr 5.2012	Feb 1, 2012 - Feb. 29, 2012	\$ 248,270	\$ 248,270
INVOICE nr 6.2012	Mar 1, 2012 - Mar 31, 2012	\$ 235,752	\$ 235,752
INVOICE nr 7.2012	Mar 1, 2012 - Mar 31, 2012	\$ 13,612	\$ 13,612
INVOICE nr 8.2012	Apr 1, 2012 - Apr 30, 2012	\$ 245,167	\$ 245,167
INVOICE nr 9.2012	Apr 1, 2012 - Apr 30, 2012	€ 53,536	\$ 69,281
INVOICE nr 10.2012	May 1, 2012- May 31, 2012	\$ 218,794	\$ 218,794
INVOICE nr 11.2012	May 1, 2012- May 31, 2012	€ 45,058	\$ 56,445
INVOICE nr 12.2012	June 1, 2012- June 30, 2012	\$ 261,074	\$ 261,074
INVOICE nr 13.2012	June 1, 2012- June 30, 2012	€ 1,712	\$ 2,112
INVOICE nr 15.2012	July 1, 2012 - July 31, 2012	\$ 273,252	\$ 273,252
INVOICE nr 16.2012	July 1, 2012 - July 31, 2012	€ 19	\$ 23
INVOICE nr 17.2012	Aug 1, 2012 - Aug 31, 2012	\$ 226,459	\$ 226,459
INVOICE nr 19.2012	Sept 1, 2012 - Sept 30, 2012	\$ 296,400	\$ 296,400
INVOICE nr 21.2012	Oct 1, 2012 - Oct 31, 2012	\$ 567,214	\$ 567,214
INVOICE nr 23.2012	Nov 1, 2012 - Nov 30, 2012	\$ 515,486	\$ 515,486
INVOICE nr 25.2012	Dec 1, 2012 - Dec 31, 2012	\$ 357,005	\$ 357,005
INVOICE nr 26.2013	Jan 1, 2013 - Jan 31, 2013	\$ 444,643	\$ 444,643
INVOICE nr 28.2013	Feb 1, 2013 - Feb 28, 2013	\$ 702,612	\$ 702,612
INVOICE nr 30.2013	Mar 1, 2013 - Mar 31, 2013	\$ 538,339	\$ 538,339
INVOICE nr 32.2013	Apr 1, 2013 - Apr 30, 2013	\$ 604,713	\$ 604,713
INVOICE nr 34.2013	May 1, 2013 - May 31, 2013	\$ 593,466	\$ 593,466
INVOICE nr 36.2013	June 1, 2013 - June 30, 2013	\$ 249,762	\$ 249,762
INVOICE nr 38.2013	July 1, 2013 - July 31, 2013	\$ 185,942	\$ 185,942
INVOICE nr 40.2013	Aug 1, 2013 - Aug 31, 2013	\$ 271,064	\$ 271,064
INVOICE nr 42.2013	Sept 1, 2013 - Sept 30, 2013	\$ 279,299	\$ 279,299
INVOICE nr 44.2013	Oct 1, 2013 - Oct 31, 2013	\$ 219,944	\$ 219,944
INVOICE nr 46.2013	Nov 1, 2013 - Nov 30, 2013	\$ 181,046	\$ 181,046
VAT Refund ¹	Invoices 3, 4 & 5	€ (70,352)	\$ (86,667)
VAT Refund ¹	Invoices 6, 8 & 10	€ (59,975)	\$ (74,993)
VAT Refund ²	Invoices 7, 9 & 11	€ (13,800)	\$ (17,256)
VAT Refund ¹	Invoices 12, 15 & 17	€ (54,455)	\$ (70,536)
VAT Refund ²	Invoices 13 & 16	€ (3)	\$ (4)
VAT Refund ²	Invoices 19 & 21	€ (73,072)	\$ (98,969)
VAT Refund ³	Invoices 23 & 25	€ (40,046)	\$ (54,238)
VAT Refund ⁴	Invoices 21, 23, 25, 26 & 28	€ (120,803)	\$ (161,115)
VAT Refund ⁵	Invoices 30, 32, 34 & 36	€ (127,837)	\$ (176,338)
VAT Refund ⁶	Invoices 36, 38 & 40	€ (58,686)	\$ (82,583)
Total (Converted on date paid)			\$ 7,539,091
Note 1: VAT refunds were received for Invoices 3, 4, 5, 6, 8, 10, 12, 15 and 17 as no EU VAT was applicable.			
Note 2: Invoices 7, 9, 11, 13, 16, 19 and 21 were revised as some of the fees charged were not related specifically to the settlement agreement. The fees excluded were related to services rendered at the request of HII in relation with bondholders meetings.			
Note 3: A portion of the VAT refunds were received for Invoices 23 & 25.			
Note 4: Additional portions of VAT refunds for Invoices 21, 23 and 25 were received. In addition, VAT refunds were received related to Invoices 26 & 28.			
Note 5: VAT refunds for Invoices 30, 32, 34 and 36 were received.			
Note 6: The remaining VAT refund for Invoice 36 was received, as well as VAT refunds for Invoices 38 and 40.			

Shareco Inc.

The following is the budget to actual cash flow analysis for Shareco for the period noted:

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

	For the 7-week period of November 19, 2013 to January 6, 2014		
	Actual	Budget	Variance
Cash inflows	-	-	-
Total cash inflows	-	-	-
Cash outflows	0.1	-	(0.1)
Total cash outflows	0.1	-	(0.1)
Opening cash balance	39.1	39.1	-
Variation in cash balance	(0.1)	-	(0.1)
Exchange rate (Gain / Loss)	-	-	-
Ending cash balance	39.0	39.1	(0.1)

Shareco budget to actual commentary

The Monitor's comments on Shareco's total cash inflow and outflow variances during the period noted are as follows:

Inflows-Outflows

- No significant transactions occurred during the period in Shareco.

Churchill

The following is the budget to actual cash flow analysis for Churchill for the period noted:

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

	For the 7-week period of November 19, 2013 to January 6, 2014		
	Actual	Budget	Variance
Cash inflows	4.3	-	4.3
Total cash inflows	<u>4.3</u>	<u>-</u>	<u>4.3</u>
Cash outflows			
Commissions	-	-	-
Advertising	-	-	-
R&M	-	-	-
Property tax	2.5	-	(2.5)
Professional fees	0.7	-	(0.7)
Insurance	0.2	-	(0.2)
Mortgage principal	-	-	-
Mortgage interest	-	-	-
Office & admin	-	-	-
Condo fees	5.4	5.8	0.4
GST remitted	-	-	-
Other expenditure	-	-	-
	<u>8.8</u>	<u>5.8</u>	<u>(3.0)</u>
Opening cash balance	816.9	816.9	-
Variation in cash balance	(4.5)	(5.8)	1.3
Exchange rate (Gain / Loss)	-	-	-
Ending cash balance	<u>812.4</u>	<u>811.1</u>	<u>1.3</u>

Churchill budget to actual commentary

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

Inflows-Outflows

- Cash inflows were \$4.3K compared to a budgeted amount of nil, resulting in a favorable variance of \$4.3K. This favorable variance is mainly due to an unbudgeted sale of a parking stall.
- Cash outflows were \$8.8K compared to a budgeted amount of \$5.8K resulting in an unfavorable variance of \$3.0K. This unfavorable variance mainly relates to the payment of \$2.5K of unbudgeted property taxes and \$0.7K of professional fees related to the sale of the parking stall.

CP

The following is the budget to actual cash flow analysis for CP for the period noted:

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

	For the 7-week period of November 19, 2013 to January 6, 2014		
	Actual	Budget	Variance
Cash inflows	0.1	-	0.1
Total cash inflows	<u>0.1</u>	<u>-</u>	<u>0.1</u>
Cash outflows	-	-	-
Total cash outflows	<u>-</u>	<u>-</u>	<u>-</u>
Opening cash balance	(719.9)	(719.9)	-
Variation in cash balance	0.1	-	0.1
Exchange rate (Gain / Loss)	-	-	-
Ending cash balance	<u>(719.8)</u>	<u>(719.9)</u>	<u>0.1</u>

CP budget to actual commentary

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

Ending cash balance

- In addition to the funded ending cash balance presented of \$719.8K, please note that \$10,874.2K is currently held in the Monitor's trust accounts as at January 6, 2014. This amount represents the net proceeds of the CP sale and accumulated interest.

Inflows-Outflows

- No significant transactions occurred during the period relating to CP

North Calgary Land Ltd.

The following is the budget to actual cash flow analysis for North Calgary Land Ltd. for the period noted:

North Calgary Land Ltd.
Budget to Actual Cash Flow
Unaudited - Based on discussions with the company's Management
(C\$000)

	For the 7-week period of		
	November 19, 2013 to January 6, 2014		
	Actual	Budget	Variance
Cash inflows			
GST/HST received	-	-	-
Other receipts	-	-	-
Total cash inflows	<u>-</u>	<u>-</u>	<u>-</u>
Cash outflows			
Professional fees	3.8	-	(3.8)
Property tax	-	-	-
Insurance	-	-	-
Office & administrative	0.1	-	(0.1)
GST/HST paid	-	-	-
Other expenditures	-	-	-
Total cash outflows	<u>3.9</u>	<u>-</u>	<u>(3.9)</u>
Funded opening cash balance	-	-	-
Variation in cash balance	(3.9)	-	(3.9)
Exchange rate (Gain / Loss)	-	-	-
Ending cash balance	<u>(3.9)</u>	<u>-</u>	<u>(3.9)</u>
Funding from HII	<u>3.9</u>	<u>-</u>	<u>(3.9)</u>
Funded ending cash balance	<u>-</u>	<u>-</u>	<u>-</u>

NCLL budget to actual commentary

The Monitor's comments on NCLL's total cash inflow and outflow variances during the period noted are as follows:

Inflows-Outflows

- Cash outflows for the period were \$3.9K compared to a budgeted amount of nil resulting in an unfavorable variance of \$3.9K. This unfavorable variance mainly relates to the payment of unbudgeted professional fees of \$3.8K.

HMCI

The following is the budget to actual cash flow analysis for HMCI for the period noted:

HMCI
Budget to Actual Cash Flow
Unaudited - Based on discussions with the company's Management
(C\$000)

	For the 7-week period of		
	November 19, 2013 to January 6, 2014		
	Actual	Budget	Variance
Cash inflows			
Other receipts	-	33.2	(33.2)
Total cash inflows	<u>-</u>	<u>33.2</u>	<u>(33.2)</u>
Cash outflows			
Other expenditures	-	-	-
Total cash outflows	<u>-</u>	<u>-</u>	<u>-</u>
Opening cash balance	-	-	-
Variation in cash balance	-	33.2	(33.2)
Exchange rate (Gain / Loss)	-	-	-
Ending cash balance	<u>-</u>	<u>33.2</u>	<u>(33.2)</u>

HMCI budget to actual commentary

The Monitor's comments on HMCI's total cash inflow and outflow variances during the period noted are as follows:

Inflows-Outflows

- Cash inflows for the period were nil compared to a budgeted amount of \$33.2K resulting in an unfavorable variance of \$33.2K. This unfavorable variance is due to timing as the budgeted other receipts of \$33.2K represents an amount that was inadvertently received into HII and which needs to be transferred to HMCI. The transfer will be completed during the Seventeenth Extension Period.

APPENDIX C

III Extended 3-week cash flow forecast (\$C)

Updated as of January 7, 2014

Homburg Invest Inc.

Extended cash flow statement from January 18 to February 7, 2014

	29th report AMENDED			31st report			
Number of weeks:	122	123		124	125	126	
Beginning period:	7-Jan-14	14-Jan-14	TOTAL	18-Jan-14	25-Jan-14	1-Feb-14	TOTAL
Ending period:	13-Jan-14	17-Jan-14	2-Week Period	24-Jan-14	31-Jan-14	7-Feb-14	3-Week Period
	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Cash inflows							
GST/HST/VAT received	-	-	-	-	-	-	-
Other receipts	-	1,560,000	1,560,000	385,000	-	-	385,000
Total cash inflows	-	1,560,000	1,560,000	385,000	-	-	385,000
Cash outflows							
Payroll	-	85,000	85,000	-	85,000	-	85,000
Rent expense	-	-	-	-	25,000	-	25,000
Restructuring related professional fees	450,000	2,210,600	2,660,600	2,175,706	550,000	550,000	3,275,706
Insurance	-	-	-	-	-	-	-
Office & administrative	15,000	15,000	30,000	15,000	15,000	15,000	45,000
Director fees	-	60,000	60,000	-	-	-	-
KERP	-	-	-	-	-	-	-
Other expenditures	-	-	-	93,686	587,120	-	680,806
Total cash outflows	465,000	2,370,600	2,835,600	2,284,392	1,262,120	565,000	4,111,512
Opening balance	1,855,771	1,308,619	1,855,771	486,380	(1,413,012)	(2,675,132)	486,380
Payments in transit	(82,152)	-	(82,152)	-	-	-	-
Variation in cash balance (Petitioners)	(465,000)	(810,600)	(1,275,600)	(1,899,392)	(1,262,120)	(565,000)	(3,726,512)
Variation in cash balance (Non-Petitioners)	-	(11,639)	(11,639)	-	-	(21,313)	(21,313)
Exchange rate	-	-	-	-	-	-	-
Adjusted ending cash balance	1,308,619	486,380	486,380	(1,413,012)	(2,675,132)	(3,261,445)	(3,261,445)

Notes:

- 1) The opening cash balance reflects the allocated cash balance as at January 7, 2014. In addition to the opening cash balance presented of \$1,855.8K, please note that \$1,620.2K is currently held in the Monitor's trust accounts as at January 7, 2014. This amount represents funds reserved for the KERP as indicated in paragraphs 10 to 13 of the Fourteenth Report and amounts received which are related to the Canoxy Place Subtenants and accumulated interest.

- 2) Other receipts in week 123 represent the transfer of HHUS's remaining cash of \$1,560K which was originally planned to have been received in week 118. In week 124, the receipt of the Homco 88 funding charge of \$385K is expected, following the closing of the sale of Kai, Homco 88's asset.
- 3) Professional fees in week 123 are composed of the weekly budget of \$450K plus the favorable variance of \$1,760.6K incurred during the 7-week period of November 19, 2013 to January 6, 2014.
- 4) Following a review of the professional fees, the weekly budgeted amount of \$450K was increased to \$550K starting in week 124, to reflect the expected increase in professional work in preparation for the implementation of the Plans and the upcoming first distribution. An amount of \$1,625.7K was added to the budgeted amount of \$550K in week 124, to reduce the accrued balance of professional fees outstanding.
- 5) Director fees were decreased from \$100K to \$60K following a review of the expenses to be incurred.
- 6) Other expenditures represents the \$33.2K inadvertently received by HII on behalf of HMCI, which will be transferred to HMCI in week 124, as well as the payment of Geneba recharge costs of \$60.5K (€41.2K at 1.4678), also in week 124. Funding related to the Baltic properties of \$587.1K (€400K at 1.4678) is expected to take place in week 125.
- 7) Following the Monitor's review of the professional fees accrual analysis, it is estimated that at February 7, 2014, an accrual of \$2.1M for the professional fees will be outstanding and payable. These payables, even though not yet budgeted in HII's cash flow, have been taken into consideration while establishing the estimated recovery rates.

NOTES AND REPRESENTATIONS TO THE CASH FLOW STATEMENT

NOTE A – PURPOSE AND WARNINGS

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

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

NOTE B – DEFINITIONS

CASH FLOW STATEMENT

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

HYPOTHETICAL ASSUMPTIONS

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

PROBABLE ASSUMPTIONS

Meaning assumptions that:

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

SUITABLY SUPPORTED

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

- (i) The past performance of HII;

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

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

ASSUMPTIONS

Assumptions	Source	Probable Assumption	Hypothetical Assumption
<u>Opening cash balance</u>	Based on allocated closing cash balances as at January 6, 2014	X	
<u>Exchange rates</u>	All cash flows are in Canadian dollars		X
<u>Forecast cash receipts</u>			
GST/HST/VAT received	GST/HST/VAT refunds: based on management assessments.	X	
Other receipts	Represents receipts from HHUS and reimbursement of a funding charge.	X	
<u>Forecast cash disbursements</u>			
Payroll	Based on updated reduced payroll	X	
Rent expense	Rent at the Akerley Blvd. and Montreal locations	X	
Restructuring related professional fees	Represents fees of Deloitte, McCarthy Tétrault, Osler, Cohn & Wolfe, Allen & Overy, Clifford Chance, Coady Filliter, National, the Baltics HII lawyers and the Trustees fees	X	
Insurance	Directors and Officers insurance	X	
Office & administrative	Bank fees, travel, telephone, non-CCAA professional fees and other miscellaneous costs	X	
Director fees	Fees payable to Directors and Officers of HII	X	
KERP	Updated KERP amount presented under seal	X	
Other expenditures	Represent the payment of the HMCI transfer, Geneva recharge costs and funding to the Baltics	X	
<u>Ending cash balance</u>	Based on allocated cash transactions	X	

Shareco Extended 3-week cash flow forecast (\$C)

Updated as of January 7, 2014

Homburg ShareCo Inc.

Extended cash flow statement from January 18 to February 7, 2014

	<u>29th report PUBLISHED</u>			<u>31st report</u>			
Number of weeks:	122	123		124	125	126	
Beginning period:	7-Jan-14	14-Jan-14	TOTAL	18-Jan-14	25-Jan-14	1-Feb-14	TOTAL
Ending period:	13-Jan-14	17-Jan-14	2-Week Period	24-Jan-14	31-Jan-14	7-Feb-14	3-Week Period
	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Cash inflows							
Mortgage bond issuance	-	-	-	-	-	-	-
Total cash inflows	-	-	-	-	-	-	-
Cash outflows							
Interest payments - mortgage bonds	-	-	-	-	-	-	-
Repayment of Bonds	-	-	-	-	-	-	-
Total cash outflows	-	-	-	-	-	-	-
Opening cash balance	39,000	39,000	39,000	39,000	39,000	39,000	39,000
Variation in cash balance	-	-	-	-	-	-	-
Exchange rate	-	-	-	-	-	-	-
Ending cash balance	39,000	39,000	39,000	39,000	39,000	39,000	39,000

Notes:

- 1) The opening cash balance reflects the allocated cash balance as at January 7, 2014.

NOTES AND REPRESENTATIONS TO THE CASH FLOW STATEMENT

NOTE A – PURPOSE AND WARNINGS

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

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

NOTE B – DEFINITIONS

CASH FLOW STATEMENT

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

HYPOTHETICAL ASSUMPTIONS

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

PROBABLE ASSUMPTIONS

Meaning assumptions that:

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

SUITABLY SUPPORTED

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

- (i) The past performance of Shareco;

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

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

ASSUMPTIONS

Assumptions	Source	Probable Assumption	Hypothetical Assumption
<u>General cash flow assumptions</u>	<p>This entity holds four series of asset-backed mortgage bonds. The Mortgage Bonds are 7-year bonds issued in series and secured by a first or second charge over specific assets and a corporate guarantee.</p> <p>As the debt is entirely affected by the Stay Period, there will not be any cash inflows or outflows relating to the debt in Shareco for the period noted. Occasionally, certain funds are transferred between HII and Shareco.</p>	X	
<u>Opening cash balance</u>	Based on allocated closing cash balances as at January 6, 2014	X	
<u>Forecast cash receipts</u>	No cash inflows are projected for this period	X	
<u>Forecast cash disbursements</u>	No cash outflows are projected for this period	X	
<u>Ending cash balance</u>	Based on allocated cash transactions	X	

Churchill Extended 3-week cash flow forecast (\$C)

Updated as of January 7, 2014

Churchill Estates Development Ltd.

Extended cash flow statement from January 18 to February 7, 2014

	29th report PUBLISHED			31st report			
Number of weeks	122	123		124	125	126	
Beginning period:	7-Jan-14	14-Jan-14	TOTAL	18-Jan-14	25-Jan-14	1-Feb-14	TOTAL
Ending period:	13-Jan-14	17-Jan-14	2-Week Period	24-Jan-14	31-Jan-14	7-Feb-14	3-Week Period
	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Cash inflows	-	-	-	-	-	-	-
Total cash inflows	-	-	-	-	-	-	-
Cash outflows							
Condo fees	-	-	-	-	2,700	-	2,700
GST remitted	-	-	-	-	-	-	-
Other expenditure	-	-	-	-	2,000	-	2,000
Total cash outflows	-	-	-	-	4,700	-	4,700
Opening cash balance	812,400	812,400	812,400	812,400	812,400	807,700	812,400
Variation in cash balance	-	-	-	-	(4,700)	-	(4,700)
Exchange rate	-	-	-	-	-	-	-
Ending cash balance	812,400	812,400	812,400	812,400	807,700	807,700	807,700

Notes:

- 1) The opening cash balance reflects the allocated cash balance as at January 7, 2014.

NOTES AND REPRESENTATIONS TO THE CASH FLOW STATEMENT

NOTE A – PURPOSE AND WARNINGS

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

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

NOTE B – DEFINITIONS

CASH FLOW STATEMENT

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

HYPOTHETICAL ASSUMPTIONS

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

PROBABLE ASSUMPTIONS

Meaning assumptions that:

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

SUITABLY SUPPORTED

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

- (i) The past performance of Churchill;

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

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

ASSUMPTIONS

Assumptions	Source	Probable Assumption	Hypothetical Assumption
<u>Opening cash balance</u>	Based on allocated closing cash balances as at January 6, 2014	X	
<u>Exchange rates</u>	All cash flows are in Canadian dollars		X
<u>Forecast cash receipts</u>	No activity has been forecasted during the period	X	
<u>Forecast cash disbursements</u>	No activity has been forecasted during the period	X	
Condo fees	Based on previous activity	X	
GST remitted	No activity has been forecasted during the period	X	
Other expenditures	Represents miscellaneous costs	X	
<u>Closing cash balance</u>	Based on allocated cash transactions	X	

CP Extended 3-week cash flow forecast (\$C)

Updated as of January 7, 2014

CP Development Ltd.

Extended cash flow statement from January 18 to February 7, 2014

	<u>29th report PUBLISHED</u>			<u>31st report</u>			
Number of weeks:	122	123		124	125	126	
Beginning period:	7-Jan-14	14-Jan-14	TOTAL	18-Jan-14	25-Jan-14	1-Feb-14	TOTAL
Ending period:	13-Jan-14	17-Jan-14	2-Week Period	24-Jan-14	31-Jan-14	7-Feb-14	3-Week Period
	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Cash inflows	-	-	-	-	-	-	-
Total cash inflows	-	-	-	-	-	-	-
Cash outflow	-	-	-	-	-	-	-
Total cash outflows	-	-	-	-	-	-	-
Opening cash balance	(719,800)	(719,800)	(719,800)	(719,800)	(719,800)	(719,800)	(719,800)
Adjustment for intercompany funding	-	-	-	-	-	-	-
Variation in cash balance	-	-	-	-	-	-	-
Exchange rate	-	-	-	-	-	-	-
Ending cash balance	(719,800)	(719,800)	(719,800)	(719,800)	(719,800)	(719,800)	(719,800)

Notes:

- 1) The opening cash balance reflects the allocated cash balance as at January 7, 2014. In addition to the opening balance presented of (\$719.8K) please note that \$10,874.2K is currently held in the Monitor's trust account.

NOTES AND REPRESENTATIONS TO THE CASH FLOW STATEMENT

NOTE A – PURPOSE AND WARNINGS

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

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

NOTE B – DEFINITIONS

CASH FLOW STATEMENT

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

HYPOTHETICAL ASSUMPTIONS

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

PROBABLE ASSUMPTIONS

Meaning assumptions that:

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

SUITABLY SUPPORTED

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

- (i) The past performance of CP;

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

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

ASSUMPTIONS

Assumptions	Source	Probable Assumption	Hypothetical Assumption
<u>Opening cash balance</u>	Based on allocated closing cash balances as at January 6, 2014	X	
<u>Exchange rates</u>	All cash flows are in Canadian dollars		X
<u>Forecast cash receipts</u>	CP was sold and no cash inflows are projected for this period	X	
<u>Forecast cash disbursements</u>	CP was sold and no cash outflows are projected for this period	X	
<u>Closing cash balance</u>	Based on allocated cash transactions	X	

NCLL Extended 3-week cash flow forecast (\$C)

Updated as of January 7, 2014

NCLL

Extended cash flow statement from January 18 to February 7, 2014

	29th report PUBLISHED			31st report			
Number of weeks:	84	85		86	87	88	
Beginning period:	7-Jan-14	14-Jan-14	TOTAL	18-Jan-14	25-Jan-14	1-Feb-14	TOTAL
Ending period:	13-Jan-14	17-Jan-14	2-Week Period	24-Jan-14	31-Jan-14	7-Feb-14	3-Week Period
	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Cash inflows							
GST/HST received	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total cash inflows	-	-	-	-	-	-	-
Cash outflows							
Professional fees	-	-	-	-	-	-	-
Property tax	-	-	-	-	-	-	-
Insurance	-	-	-	-	-	-	-
Other expenditures	-	-	-	-	-	-	-
Total cash outflows	-	-	-	-	-	-	-
Opening cash balance	-	-	-	-	-	-	-
Funding from HII							
Variation in cash balance	-	-	-	-	-	-	-
Exchange rate	-	-	-	-	-	-	-
Adjust ending cash balance	-	-	-	-	-	-	-

Notes:

- 1) The opening cash balance reflects the allocated cash balance as at January 7, 2014.

NOTES AND REPRESENTATIONS TO THE CASH FLOW STATEMENT

NOTE A – PURPOSE AND WARNINGS

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

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

NOTE B – DEFINITIONS

CASH FLOW STATEMENT

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

HYPOTHETICAL ASSUMPTIONS

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

PROBABLE ASSUMPTIONS

Meaning assumptions that:

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

SUITABLY SUPPORTED

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

- (i) The past performance of NCLL;
- (ii) The performance of other industry/market participants engaged in similar activities as NCLL;

- (iii) Feasibility studies;
- (iv) Marketing studies; or
- (v) Any other reliable source of information that provides objective corroboration of the reasonableness of the Assumptions.

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

ASSUMPTIONS

Assumptions	Source	Probable Assumption	Hypothetical Assumption
<u>Opening cash balance</u>	Based on allocated closing cash balances as at January 6, 2014	X	
<u>Exchange rates</u>	All cash flows are in Canadian dollars		X
<u>Forecast cash receipts</u>			
GST/HST received	Based on previous GST/HST reimbursements, no activity has been forecasted during the period		X
Other receipts	Other receipts, no activity has been forecasted during the period	X	
<u>Forecast cash disbursements</u>			
Professional fees	Legal and closing costs for sale of property, no activity has been forecasted during the period	X	
Property tax	Property tax is paid in one annual installment, and no activity has been forecasted during the period	X	
Insurance	Insurance has been pre-paid for the year, and no activity has been forecasted during the period	X	
Other expenditures	Other expenditures incurred, and no activity has been forecasted during the period	X	
<u>Ending cash balance</u>	Based on allocated cash transactions	X	

HMCI Extended 3-week cash flow forecast (\$C)

Updated as of January 7, 2014

Homburg Management Canada Inc.

Extended cash flow statement from January 18 to February 7, 2014

	29th report PUBLISHED			31st report			
Number of weeks:	44	45		46	47	48	
Beginning period:	7-Jan-14	14-Jan-14	TOTAL	18-Jan-14	25-Jan-14	1-Feb-14	TOTAL
Ending period:	13-Jan-14	17-Jan-14	2-Week Period	24-Jan-14	31-Jan-14	7-Feb-14	3-Week Period
	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Cash inflows							
Other Receipts	-	-	-	33,210	-	-	33,210
Total cash inflows	-	-	-	33,210	-	-	33,210
Cash outflows							
Other Disbursements	-	-	-	-	-	-	-
Total cash outflows	-	-	-	-	-	-	-
Opening cash balance	-	-	-	-	33,210	33,210	-
Variation in cash balance	-	-	-	33,210	-	-	33,210
Exchange rate	-	-	-	-	-	-	-
Ending cash balance	-	-	-	33,210	33,210	33,210	33,210

Notes:

- 1) The opening cash balance reflects the allocated cash balance as at January 7, 2014.
- 2) The other receipts reflect the receipt of \$33.2K from HII, which HII had inadvertently received.

NOTES AND REPRESENTATIONS TO THE CASH FLOW STATEMENT

NOTE A – PURPOSE AND WARNINGS

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

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

NOTE B – DEFINITIONS

CASH FLOW STATEMENT

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

HYPOTHETICAL ASSUMPTIONS

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

PROBABLE ASSUMPTIONS

Meaning assumptions that:

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

SUITABLY SUPPORTED

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

- (i) The past performance of HMCI;

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

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

ASSUMPTIONS

Assumptions	Source	Probable Assumption	Hypothetical Assumption
<u>Opening cash balance</u>	Based on allocated closing cash balances as at January 6, 2014	X	
<u>Forecast cash receipts</u>	Represents a transfer from HII of money HII received on its behalf	X	
<u>Forecast cash disbursements</u>	No cash outflows are projected for this period	X	
<u>Ending cash balance</u>	Based on allocated cash transactions	X	