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

PURPOSE OF THE SUPPLEMENTAL REPORT

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

TERMS OF REFERENCE

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

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

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

OVERVIEW OF EIGHTH SUPPLEMENTAL REPORT

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

HII GROUP CONSOLIDATED BUDGET TO ACTUAL CASH FLOW ANALYSIS

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

Budget to Actual Cash Flow Summary
October and November 2012
HII Group Consolidated

(C$000)	For the 2-month period of October and November 2012		
	Actual	Budget	Variance
Cash Inflow			
Rent	19,265	12,933	6,332
Other receipts	26,382	771	25,611
Proceeds of sale	24,409	1,073	23,336
Total Cash Inflow	**70,056**	**14,777**	**55,279**
Cash Outflow			
Payroll	673	642	(31)
Taxes	3,125	1,051	(2,074)
Mortgage principal and interest	7,601	10,405	2,804
Operating expenses	3,924	3,524	(400)
Professional fees	7,959	8,643	684
Capital expenditures	241	167	(74)
Other expenditures	34,872	305	(34,567)
Total Cash Outflow	**58,395**	**24,737**	**(33,658)**
Net Cash Flow	**11,661**	**(9,960)**	**21,621**
Opening Cash Balance	109,983	109,983	-
Add: Net Cash Flow	11,661	(9,960)	21,621
Add: FX Impact and Other Transactions	(906)	-	(906)
Ending Cash Balance	**120,738**	**100,023**	**20,715**
Cash Balance per Bank	**120,738**		

<u>HII Group consolidated budget to actual cash flow commentary</u>

7. Total cash inflows for HII Group were $70,056K for the period noted, while total cash outflows were $58,395K, which resulted in a positive net cash flow of $11,661K compared to a negative budgeted net cash flow of $9,960K.

<u>Opening cash balances</u>

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

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

10. As a result of the positive net cash flows of $11,661K and after taking into consideration a cumulative foreign exchange impact and other transactions of negative $906K, which was not allocated regionally as at November 30, 2012, the opening cash balance of $109,983K as at October 1, 2012 increased to $120,738K as at November 30, 2012.

11. The proceeds of sale' favorable variance of $23,336K is mainly attributable to an unbudgeted sale of the Cedar properties. The funds were collected by HHUS in the USA region and were subsequently transferred to HII in the Canadian region. As such, the HII Group's variances in other receipts and other expenditures are mainly associated to the transfers of cash between HHUS and the Canadian region.

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

CANADA CONSOLIDATED BUDGET TO ACTUAL CASH FLOW ANALYSIS

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

Budget to Actual Cash Flow Summary
October and November 2012
Canada

(C$000)	For the 2-month period of October and November 2012		
	Actual	Budget	Variance
Cash Inflow			
Rent and Hotel receipts	394	253	141
Other receipts	25,179	771	24,408
Proceeds of sale	494	1,073	(579)
Total Cash Inflow	**26,067**	**2,097**	**23,970**
Cash Outflow			
Payroll	671	642	(29)
Taxes	161	73	(88)
Mortgage principal and interest	-	-	-
Operating expenses	640	1,227	587
Professional fees	7,892	8,607	715
Capital expenditures	-	5	5
Other expenditures	655	285	(370)
Total Cash Outflow	**10,019**	**10,839**	**820**
Net Cash Flow	**16,048**	**(8,742)**	**24,790**
Opening Cash Balance	99,480	99,480	-
Add: Net Cash Flow	16,048	(8,742)	24,790
Ending Cash Balance	**115,528**	**90,738**	**24,790**

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

14. Total cash inflows for Canada were $26,067K during the Eighth Supplemental Period, while total cash outflows were $10,019K, which resulted in a positive net cash flow of $16,048K compared to a negative budgeted net cash flow of $8,742K.

15. As a result of the positive net cash flow of $16,048K, the opening cash balance of $99,480K at October 1, 2012 increased to $115,528K as at November 30, 2012.

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

Inflows

17. Rent and Hotel receipts of $394K were received compared to a budgeted amount of $253K resulting in a favorable variance of $141K. The favorable variance is mainly due to higher Hotel occupancy than expected.

18. Other receipts of $25,179K were received compared to a budgeted amount of $771K resulting in a favorable variance of $24,408K. The favorable variance is mainly due to the unbudgeted Cedar Transaction as mentioned in paragraph 20 of the Seventeenth Monitor's Report and under budgeted sales taxes reimbursements.

19. Proceeds of sale of $494K were received compared to budgeted receipts of $1,073K, resulting in an unfavorable variance of $579K. This unfavorable variance is mainly attributed to the budgeted sale of mortgage free condos in Churchill which did not materialize.

Outflows

20. Taxes were $161K compared to a budgeted amount of $73K, resulting in an unfavorable variance of $88K. The unfavorable variance of $88K is mainly due to timing.

21. Operating expenses were $640K compared to a budgeted amount of $1,227K resulting in a favorable variance of $587K. The favorable variance of $587K is mainly due to timing.

22. Professional fees were $7,892K, compared to a budgeted amount of $8,607K, which resulted in a favorable variance of $715K. This favorable variance is mainly due to timing as payments of professional fees in arrears were remitted in December.

23. Other expenditures were $655K, compared to a budgeted amount of $285K resulting in an unfavorable variance of $370K. This favorable variance is mainly due to timing as the expenses were incurred in an earlier period.

THE NETHERLANDS CONSOLIDATED BUDGET TO ACTUAL CASH FLOW ANALYSIS

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

Budget to Actual Cash Flow Summary
October and November 2012
The Netherlands

(C$000)	For the 2-month period of October and November 2012		
	Actual	Budget	Variance
Cash Inflow			
Rent	5,960	4,114	1,846
Other receipts	556	-	556
Proceeds of sale	-	-	-
Total Cash Inflow	**6,516**	**4,114**	**2,402**
Cash Outflow			
Payroll	-	-	-
Taxes	994	494	(500)
Mortgage principal and interest	1,788	5,055	3,267
Operating expenses	1,393	549	(844)
Professional fees	21	-	(21)
Capital expenditures	-	-	-
Other expenditures	6	-	(6)
Total Cash Outflow	**4,202**	**6,098**	**1,896**
Net Cash Flow	**2,314**	**(1,984)**	**4,298**
Opening Cash Balance	(202)	(202)	-
Add: Net Cash Flow	2,314	(1,984)	4,298
Ending Cash Balance	**2,112**	**(2,186)**	**4,298**

Conversion rate used (Opening balance) 1.2646 as at 09/30/2012
Conversion rate used: Closing 1.2921 as at 11/30/2012
Source: Bank of Canada

Mortgage debt

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

The Netherlands consolidated budget to actual cash flow commentary

25. Total cash inflows for the Netherlands were $6,516K for the Eighth Supplemental Period, while total cash outflows were $4,202K, which resulted in a positive net cash flow of $2,314K compared to a budgeted negative net cash flow of $1,984K.

26. As a result of the positive net cash flow of $2,314K, the opening deficit balance of $202K at October 1, 2012 decreased to a surplus of $2,112K as at November 30, 2012.

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

Inflows

28. Rent of $5,960K was received compared to a budgeted amount of $4,114K, resulting in a positive variance of $1,846K during the Eighth Supplemental Period. The favorable variance of $1,846K is primarily due to timing, as rent was budgeted to be received in regular monthly installments while certain tenants pay rent on a quarterly basis in accordance with their lease agreements.

29. Other receipts of $556K were received compared to budgeted other receipts of nil, resulting in a positive variance of $556K. The other receipts consist mainly of transfers for payment of unbudgeted management fees. During the Eighth Supplemental Period, Management paid management fees in arrears and, as such, the amount is larger than the normal monthly management fee.

Outflows

30. Taxes were $994K compared to a budgeted amount of $494K, resulting in an unfavorable variance of $500K. The unfavorable variance of $500K is mainly due to timing.

31. Mortgage principal and interest charges totaling $1,788K were incurred, compared to $5,055K budgeted for the same period, resulting in a favorable variance of $3,267K. The favorable variance of $3,267K is mainly due to timing as some Homcos with negative cash flows delayed payments of principal and interest during the Eighth Supplemental Period.

32. Operating expenses were $1,393K compared to a budgeted amount of $549K, resulting in an unfavorable variance of $844K. The unfavorable variance is mainly attributable to payments of unbudgeted management fees and timing.

GERMANY CONSOLIDATED BUDGET TO ACTUAL CASH FLOW ANALYSIS

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

Budget to Actual Cash Flow Summary
October and November 2012
Germany

(C$000)	For the 2-month period of October and November 2012		
	Actual	Budget	Variance
Cash Inflow			
Rent	10,375	2,179	8,196
Other receipts	647	-	647
Proceeds of sale	-	-	-
Total Cash Inflow	**11,022**	**2,179**	**8,843**
Cash Outflow			
Payroll	-	-	-
Taxes	1,514	176	(1,338)
Mortgage principal and interest	2,284	1,787	(497)
Operating expenses	258	169	(89)
Professional fees	-	-	-
Capital expenditures	94	162	68
Other expenditures	8,506	20	(8,486)
Total Cash Outflow	**12,656**	**2,314**	**(10,342)**
Net Cash Flow	**(1,634)**	**(135)**	**(1,499)**
Opening Cash Balance	3,249	3,249	-
Add: Net Cash Flow	(1,634)	(135)	(1,499)
Ending Cash Balance	**1,615**	**3,114**	**(1,499)**

Conversion rate used (Opening balance) 1.2646 as at 09/30/2012
Coversion rate used: Closing 1.2921 as at 11/30/2012
Source: Bank of Canada

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

Mortgage debt

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

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

36. Total cash inflows for Germany were $11,022K for the Eighth Supplemental Period, while total cash outflows were $12,656K, which resulted in a negative net cash flow of $1,634K compared to a budgeted net cash flow of negative $135K.

37. As a result of the negative net cash flow of $1,634K, the opening cash balance of $3,249K at October 1, 2012 decreased to $1,615K as at November 30, 2012.

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

Inflows

39. Rent of $10,375K was received compared to a budgeted amount of $2,179K, resulting in a positive variance of $8,196K during the Eighth Supplemental Period. The variance is mainly due to timing as the rent receipts for Homco 110 are budgeted on a quarterly basis whereas rent receipts are received on a monthly basis.

40. In order to earn interest income on excess funds contained in Homco 110's operating accounts, cash transfers are regularly made to and from the operating bank accounts into short-term term deposits. These cash movements are captured in the other receipts and other expenditures line items. As a result of this form of cash management, other receipts of $647K and other expenditures of $8,506K mainly consist of cash transfers to/from term deposits. These funds are generally taken from the rent proceeds in order to be invested. These investments are classified as other receipts when they mature and the balances are remitted back to Homco 110.

Outflows

41. Taxes of $1,514K were paid compared to a budgeted amount of $176K, resulting in an unfavorable timing variance of $1,338K. The unfavorable variance is mainly attributable to certain VAT payments which were budgeted in the Seventh Supplemental Period and other timing variances.

42. Combined mortgage principal and interest payments of $2,284K were made, compared to a budgeted amount of $1,787K, resulting in an unfavorable variance of $497K. The variance is mainly due to timing. Principal payments for the Coët Properties were halted during the Seventh Supplemental Period, but have resumed during the Eighth Supplemental Period.

43. Operating expenses were $258K compared to a budgeted amount of $169K, resulting in an unfavorable variance of $89K, mainly due to timing.

USA CONSOLIDATED BUDGET TO ACTUAL CASH FLOW ANALYSIS

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

Budget to Actual Cash Flow Summary
October and November 2012
USA

(C$000)	For the 2-month period of October and November 2012		
	Actual	Budget	Variance
Cash Inflow			
Rent	1,988	1,735	253
Other receipts	-	-	-
Proceeds of sale	23,915	-	23,915
Total Cash Inflow	**25,903**	**1,735**	**24,168**
Cash Outflow			
Payroll	2	-	(2)
Taxes	169	133	(36)
Mortgage principal and interest	649	704	55
Operating expenses	494	399	(95)
Professional fees	19	14	(5)
Capital expenditures	-	-	-
Other expenditures	25,696	-	(25,696)
Total Cash Outflow	**27,029**	**1,250**	**(25,779)**
Net Cash Flow	**(1,126)**	**485**	**(1,611)**
Opening Cash Balance	1,828	1,828	-
Add: Net Cash Flow	(1,126)	485	(1,611)
Ending Cash Balance	**702**	**2,313**	**(1,611)**

Conversion rate used : Opening 0.9837 as at 09/30/2012
Coversion rate used: Closing 0.9932 as at 11/30/2012
Source: Bank of Canada

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

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

46. As discussed in the Seventeenth Report, the Cedar properties were divested as a result of a sale transaction that closed on October 12, 2012 – a date within the 2-month period under analysis. To enable a variance analysis to be completed, the actual financial results and budgeted amounts for the full month of October 2012 have been included; however, the actual results and the budgeted

amounts for the month of November 2012 have been excluded. As a result, the amounts presented represent the results of HHUS and Cedar for the month of October 2012, and the results of only HHUS for November 2012.

47. Total cash inflows for the USA properties were $25,903K for the period noted, while total cash outflows were $27,029K, which resulted in a negative net cash flow of $1,126K compared to a budgeted positive net cash flow of $485K.

48. As a result of the negative net cash flow of $1,126K, the opening cash balance of $1,828K as of October 1, 2012 decreased to $702K as at November 30, 2012.

49. From the First Supplemental Report to the Sixth Supplemental Report, it was disclosed that HII made frequent transfers between operating bank accounts and an interest-earning cash management account. These cash management movements were captured in the other receipts and other expenditures line items. For the Seventh Supplemental Report and Eighth Supplemental Report, these inter-account cash transfers have been excluded to better represent the actual cash position and net cash flow for the USA. The Monitor intends to continue to reflect the USA properties cash flows on a similar basis going forward. Please refer to the sections below for further information regarding the amounts listed as other receipts and other expenses.

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

Inflows

51. Rent of $1,988K was received compared to a budgeted amount of $1,735K, resulting in a favorable variance of $253K. The favorable variance is mainly due to timing, as rent was budgeted to be received in regular monthly installments when, in fact, certain tenants pay rent on a bi-monthly or quarterly basis in accordance with their lease agreements.

52. Other receipts of $23,915K were received compared to a budgeted amount of nil, resulting in a favorable variance of $23,915K. The favorable permanent variance is due to the receipt of $23,882K as a result of HHUS’ share of the sale of the Cedar properties, and of $33K for tax refunds, insurance refunds, and other nominal miscellaneous receipts.

Outflows

53. Operating expenses of $494K were paid compared to a budgeted amount of $399K, resulting in an unfavorable variance of $95K. This unfavorable variance is primarily due to required repairs of $20K as a result of storm damage, disbursement of tenant inducements and sales commissions of $50K, and other miscellaneous expenses at certain HHUS properties.

54. Other expenditures of $25,696K were disbursed compared to a budgeted amount of nil, resulting in an unfavorable variance of $25,696K. This unfavorable variance is due to the release of the sale proceeds of $23,882K to HII and $1,789K of remaining cash in the nine Cedar properties bank accounts as well as $25K of other miscellaneous expenses.

55. The remaining nominal variances noted for payroll, taxes, mortgage principal, mortgage interest, and professional fees primarily represent timing variances.

THE BALTICS CONSOLIDATED BUDGET TO ACTUAL CASH FLOW ANALYSIS

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

Cash Flow Summary
October and November 2012
Baltics

(C$000) Baltics	For the 2-month period of October and November 2012 Actual	Budget	Variance
Cash Inflow			
Rent	548	4,652	(4,104)
Other receipts	-	-	-
Proceeds of sale	-	-	-
Total Cash Inflow	**548**	**4,652**	**(4,104)**
Cash Outflow			
Operating expenses	946	905	(41)
Loan & Swap Interest	2,236	2,215	(21)
Mortgage Principal	644	644	-
Asset management fee	193	275	82
Professional fees	27	22	(5)
VAT payments	287	175	(112)
Capital expenditures	147	-	(147)
Other expenditures	9	-	(9)
Total Cash Outflow	**4,489**	**4,236**	**(253)**
Net Cash Flow	**(3,941)**	**416**	**(4,357)**
Opening Cash Balance	5,628	5,628	-
Add: Net Cash Flow	(3,941)	416	(4,357)
Ending Cash Balance	**1,687**	**6,044**	**(4,357)**

Conversion rate used (Opening balance) 1.2646 as at 09/30/2012
Conversion rate used (Closing balance) 1.2921 as at 11/30/2012
Source: Bank of Canada

Baltics consolidated budget to actual cash flow commentary

57. Total cash inflows for the Baltics were $548K for the Eighth Supplemental Period, while total cash outflows were $4,489K, which resulted in a negative net cash flow of $3,941K compared to a budgeted positive net cash flow of $416K.

58. As a result of the negative net cash flow of $3,941K, the opening cash balance of $5,628K at October 1, 2012 decreased to $1,687K as at November 30, 2012.

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

Inflows

60. Rent receipts were $548K compared to budgeted rent receipts of $4,652K resulting in an unfavorable variance of $4,104K. The unfavorable variance was primarily due to timing, as a quarterly rent payment from a tenant was received in September, while it was budgeted to be collected in October.

Outflows

61. Asset management fees of $193K were paid compared to a budgeted amount of 275K, resulting in a favorable variance of $82K. The favorable variance is mainly due to changes of rates and fair market value of properties in 2012 (fees being based on fair market value).

62. VAT payments of $287K were paid compared to a budgeted amount of $175K resulting in an unfavorable variance of $112K. This unfavorable variance in mainly due to a VAT payment not originally budgeted incurred in Homburg Baltic (ES) AST Investments UU and to changes in Latvia's regulations which now require HII to pay VAT on capital expenditures directly to the Latvian government rather than to the vendor. Because no capital expenditures were budgeted, no corresponding VAT payments were budget either, as such, it increased the unfavorable variance. The remainder of the variance is due to timing.

63. Capital expenditures of $147K were paid compared to a budgeted amount of nil, resulting in an unfavorable variance of $147K. The unfavorable variance is mainly due to timing since all significant 2012 capital expenditure disbursements were budgeted for payment in September 2012