



Samson Bélair/Deloitte &  
Touche Inc.  
1 Place Ville Marie  
Suite 3000  
Montreal QC H3B 4T9  
Canada

Tel.: 514-393-6335  
Fax: 514-390-4103  
www.deloitte.ca

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

SUPERIOR COURT  
Commercial Division

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

**HOMBURG INVEST INC.**, a legal person, duly constituted under the *Business Corporations Act* (Alberta), having its registered office at 3700 Canterra Tower, 400 Third Avenue SW, Calgary, Alberta, T2P 4H2, and having a chief place of business at Suite 1010, 1 Place Alexis Nihon, Montreal, Quebec, H3Z 3B8

– and –

**HOMBURG SHARECO INC.**, a legal person, duly constituted under the *Companies Act* (Nova Scotia), having its head office at 3700 Canterra Tower, 400 Third Avenue SW, Calgary, Alberta, T2P 4H2, and having a chief place of business at Suite 1010, 1 Place Alexis Nihon, Montreal, Quebec, H3Z 3B8

– and –

**CHURCHILL ESTATES DEVELOPMENT LTD.**, a legal person, duly constituted under the *Business Corporations Act* (Alberta), having its head office at Unit 127, 6227-2<sup>nd</sup> Street SE, Calgary, Alberta, T2H 1J5, and having a chief place of business at Suite 1010, 1 Place Alexis Nihon, Montreal, Quebec, H3Z 3B8

– and –

**INVERNESS ESTATES DEVELOPMENT LTD.**, a legal person, duly constituted under the *Business Corporations Act* (Alberta), having its head office at Unit 127, 6227-2<sup>nd</sup> Street SE, Calgary, Alberta, T2H 1J5, and having a chief place of business at Suite 1010, 1 Place Alexis Nihon, Montreal, Quebec, H3Z 3B8

– and –

**CP DEVELOPMENT LTD.**, a legal person, duly constituted under the *Business Corporations Act* (Alberta), having its head office at Unit 127, 6227-2<sup>nd</sup> Street SE, Calgary, Alberta, T2H 1J5, and having a chief place of business at Suite 1010, 1 Place Alexis Nihon, Montreal, Quebec, H3Z 3B8

Debtors/Petitioners

– and –

**THE ENTITIES LISTED IN APPENDIX A**

Mis-en-cause

– and –

**SAMSON BÉLAIR/DELOITTE & TOUCHE INC.**  
(Pierre Laporte, CA, CIRP, person in charge), having a place of business at 1 Place Ville Marie, Suite 3000, Montreal, Quebec, H3B 4T9

Monitor

**FIFTH REPORT TO THE COURT  
SUBMITTED BY SAMSON BÉLAIR/DELOITTE & TOUCHE INC.  
IN ITS CAPACITY AS MONITOR**

*(Companies' Creditors Arrangement Act, R.S.C. 1985, c. C-36, as amended)*

**INTRODUCTION**

1. On September 9, 2011, Homburg Invest Inc. ("**HI**"), Homburg Shareco Inc. ("**Shareco**"), Churchill Estates Development Ltd. ("**Churchill**"), Inverness Estates Development Ltd. ("**Inverness**") and CP Development Ltd. ("**CP**") (collectively, the "**Debtors**" or the "**Companies**") filed and obtained protection from their respective creditors under Sections 4, 5 and 11 of the *Companies' Creditors Arrangement Act* (the "**CCAA**") pursuant to an Order rendered by this Honourable Court (as amended from time to time, the "**Initial Order**").
2. Pursuant to the Initial Order, the Stay extend to the following limited partnerships which form an integral part of the business of the Debtors: Homburg Realty Fund (52) Limited Partnership ("**Partnership (52)**"), Homburg Realty Fund (88) Limited Partnership ("**Partnership (88)**"), Homburg Realty Fund (89) Limited Partnership ("**Partnership (89)**"), Homburg Realty Fund (92) Limited Partnership ("**Partnership (92)**"), Homburg Realty Fund (94) Limited Partnership ("**Partnership (94)**") (following an amendment to the Initial Order on October 7, 2011), Homburg Realty Fund (105) Limited Partnership ("**Partnership (105)**"), Homburg Realty Fund (121) Limited Partnership ("**Partnership (121)**"), Homburg Realty Fund (122) Limited Partnership ("**Partnership (122)**"), Homburg Realty Fund (142) Limited Partnership ("**Partnership (142)**") and Homburg Realty Fund (199) Limited Partnership ("**Partnership (199)**"), (collectively, the "**Applicant Partnerships**") (the Debtors and the Applicant Partnerships being collectively referred to as the "**HI Parties**").
3. Samson Bélair/Deloitte & Touche Inc. ("**Deloitte**") was appointed as monitor to the Debtors (the "**Monitor**") under the CCAA.

4. Pursuant to the Initial Order, an initial stay of proceedings (the “**Stay**”) was granted until October 7, 2011 (the “**First Stay Period Order**”) in favour of the Debtors (the “**Stay Period**”).
5. On September 19, 2011, the Monitor filed its First Report with the Court. The purpose of the First Report was to cover specifically the cash flow statement, in accordance with paragraph 23(1)(b) of the CCAA.
6. On October 5, 2011, the Monitor filed its Second Report with the Court. The purpose of the Second Report was, *inter alia*, to provide an overview of the HII Parties’ corporate structure, operations, assets and liabilities, to describe certain issues affecting the HII Parties and, potentially, their restructuring and to present cash flow statements and forecasts.
7. On October 7, 2011, the Stay was extended until December 9, 2011 pursuant to an Order of the Court (the “**First Stay Period Extension Order**”).
8. On November 4, 2011, the Monitor filed its Third Report with the Court. The purpose of the Third Report was to provide an overview of Homburg’s proposed re-assignment and assignment of certain agreements and the release of HII’s obligations under these agreements.
9. On December 2, 2011, the Monitor filed its Fourth Report with the Court. The purpose of the Fourth Report was, *inter alia*, to provide an update of the HII Parties’ corporate structure, financial information and operations, to describe the HII Parties’ Control Issues (as hereinafter defined), the potential alternatives to resolve same and the decision of HII to opt for the alternative of entering into a purchase agreement with Homburg Canada Inc. (“**HCI**”) and certain of its affiliates (the “**Purchase Agreement**”), and to present cash flow statements and forecasts.
10. On December 8, 2011, the Stay was extended until March 16, 2012 pursuant to an Order of the Court (the “**Second Stay Period Extension Order**”).

#### **PURPOSE OF THE FIFTH REPORT**

11. This fifth report of the Monitor (the “**Fifth Report**”) is intended to provide additional information regarding the Purchase Agreement and to provide an update of the Monitor’s view on the motion for approval of the Purchase Agreement (the “**Approval Motion**”). This Fifth Report describes developments since the Fourth Report and, in particular, the due diligence process conducted by the Monitor as a condition precedent to the closing of the transactions contemplated by the Purchase Agreement. This Fifth Report also provides an overview of the progress in the HII Parties’ restructuring of operations and finances since the Fourth Report.
12. This Fifth Report is structured as follows:
  - I- Financial information;
  - II- HII’s control issues, the Purchase Agreement and the due diligence process;
  - III- The HII Parties’ operations;
  - IV- Developments with the AFM;
  - V- The Debtors’ cash flows since November 20, 2011;
  - VI- Activities of the Monitor; and
  - VII- Conclusion and recommendation.

## TERMS OF REFERENCE

13. In preparing this Fifth Report, the Monitor has relied upon unaudited financial information, the HII Parties' records, the amended motion for an initial order dated September 9, 2011 (the "**Motion for Initial Order**") and subsequent motions filed with the Court (collectively, the "**Debtors' Motions**") and exhibits in support of same, and its discussions with management of the HII Parties (the "**Management**") and the HII Parties' and the Monitor's legal advisors. While the Monitor has analysed the information, some in draft form, submitted in the limited time available, the Monitor has not performed an audit or otherwise verified such information. Forward looking financial information included in this Fifth Report is based on assumptions of Management regarding future events, and actual results achieved may vary from this information and such variations may be material.
14. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars. Capitalized terms not otherwise defined in this Fifth Report are as defined in the First Report, the Second Report, the Third Report, the Fourth Report, the Debtors' Motions and the Purchase Agreement.
15. A copy of this Fifth Report and further reports of the Monitor will be made available on the Monitor's website at [www.deloitte.com/ca/homburg-invest](http://www.deloitte.com/ca/homburg-invest). The Monitor has also established a toll free number that is referenced on the Monitor's website so that parties may contact the Monitor if they have questions with respect to the HII Parties' restructuring or the CCAA.

## I- FINANCIAL INFORMATION

16. This section was prepared following certain questions and remarks made during the hearing of December 8, 2011, and seeks to elaborate on the consolidated financial results of HII for the period ended September 30, 2011 and disclosed in November 2011.
17. As indicated in the Fourth Report, on a consolidated basis, HII's net loss was approximately \$70 million in the three-month period ended September 30, 2011.
18. The table below illustrates the consolidated results of HII for the three-month and nine-month periods ended September 30, 2011:

HII and its affiliates Consolidated Statements of Income and Loss (C\$000)	Three Months ended September 30, 2011 Unaudited	Three Months ended September 30, 2010 Unaudited	Nine Months ended September 30, 2011 Unaudited	Nine Months ended September 30, 2010 Unaudited
Total revenues	37,324	29,986	106,459	107,375
Gross income from operations	26,099	20,500	77,534	74,922
Net income (loss) from continuing operations	(70,475)	1,329	(115,471)	8,038
Net income (loss)	(70,043)	61	(114,662)	(94,806)

19. As indicated in the Second Report, HII and its affiliates' principal assets are investment properties, investment properties under development, other investments (the Canmarc REIT units) and other assets held for sale.

20. The table below illustrates the consolidated statements of cash flows of HII and its affiliates as of September 30, 2011, compared to September 30, 2010.

HII and its affiliates Consolidated Statements of Cash flows (C\$000)	Three Months ended September 30, 2011 Unaudited	Three Months ended September 30, 2010 Unaudited
<b>Operating activities</b>		
Net income (loss) from continuing operations	(70,475)	1,329
Items not affecting cash	65,759	(6,628)
	(4,716)	(5,299)
Change in non-cash working capital and other	23,937	(665)
Net cash (used in) from continuing operations	19,221	(5,964)
Net cash (used in) from discontinuing operations	(331)	(6,130)
	<b>18,890</b>	<b>(12,094)</b>
<b>Investing activities</b>		
Net cash (used in) from investing activities	<b>26,342</b>	<b>(2,355)</b>
<b>Financing activities</b>		
Net cash (used in) from financing activities	<b>(8,608)</b>	<b>31,144</b>
Increase in cash	36,624	16,695
Cash beginning of period	10,149	18,351
Cash end of period	<u>46,773</u>	<u>35,046</u>

21. Please refer to Appendix B for more specific details regarding the items not affecting cash, the change in non-cash working capital, the investing activities and the financing activities indicated in the above table.
22. As illustrated above, HII did not operate profitably during the quarter ended September 30, 2011 and incurred a net loss from continuing operations of \$70 million for this three-month period. As shown in Appendix B, the net loss was mainly generated by variations in the fair market value of investment properties, a loss on derivative instruments, the amortization of financing fees, a loss from an associate (Canmarc REIT) and the accelerated accretion of the Capital Securities A debentures. However, these elements did not translate in a loss in liquidity as most of them did not have any cash impact on the operations of HII. As indicated above, there has been a cash increase of \$37 million during the three months ended on September 30, 2011. Excluding the cash generated by the sale of the Canmarc REIT units (approximately \$33 million), HII's cash has increased by about \$3 million during the three months ended September 30, 2011.

## II- HII'S CONTROL ISSUES, THE PURCHASE AGREEMENT AND THE DUE DILIGENCE PROCESS

### *THE CONTROL ISSUES*

23. Paragraphs 38 to 67 of the Second Report and paragraphs 92 to 94 of the Fourth Report describe the control issues resulting from the corporate and management structures of HII (the “**Control Issues**”), which Control Issues result notably from the fact that Homburg L.P. Management Incorporated (the “**General Partner**” or “**HLPM**”), an entity indirectly controlled by Richard Homburg through HCI, is the general partner of virtually all of the limited partnerships which form part of HII’s business and of which HII is the limited partner (the “**Partnerships**”).
24. After a careful evaluation of the potential alternatives available to HII to address the Control Issues and following the due diligence conducted since the execution of the Purchase Agreement, the Monitor remains of the view that the Purchase Agreement constitutes the better alternative under the circumstances to rapidly and effectively address the Control Issues and accelerate HII’s restructuring for a number of reasons, including those set forth in paragraph 127 of the Fourth Report and in this Fifth Report.

### *KEY ELEMENTS OF THE PURCHASE AGREEMENT*

#### Object of the Purchase Agreement

25. As described in paragraphs 112 and 113 of the Fourth Report, HII, in collaboration with the Monitor, engaged in negotiations with HCI and its affiliates (the “**HCI Group**”) with a view to arriving at a global agreement which would completely resolve the Control Issues as well as other pending disputes and claims among the HCI Group and HII and its affiliates (the “**HII Group**”).
26. On November 17, 2011, the parties entered into the Purchase Agreement which is more fully described in paragraphs 114 to 117 of the Fourth Report.
27. In summary, the Purchase Agreement addresses the Control Issues by providing for (i) the purchase by the HII Group of most of the property management business formerly conducted by the HCI Group (the “**Purchased Business**”) and substantially all the assets relating to same (the “**Purchased Assets**”); (ii) the granting of a number of alternative options in favour of the HII Group relating to the General Partner and title to HII’s real estate assets (the “**Options**”); and (iii) clear enforceable agreements and undertakings by the HCI Group to immediately and fully cooperate with the HII Group and the Monitor and any other person as the context may require.
28. The Purchase Agreement also provides for the settlement and release of the \$27.3 million Termination Claim (as defined hereunder) which is pending against the HII Group and of intercompany accounts allegedly in the approximate amount of \$14.2 million owed by the HII Group to the HCI Group (the “**Homburg Payables**”).

### Purchase Price

29. The consideration for the purchase of the Purchased Business, the Purchased Assets, the Options and for the settlement of the Termination Claim and the Homburg Payables is equal to \$21,058,700.45 (the “**Purchase Price**”), consisting of:
- i. A cash payment in the amount of \$10.5 million plus the amount of any receivable owing by HII under the European Agreement (as defined in the Purchase Agreement) as at the date of the closing (the “**Cash Payment**”). The Cash Payment would be paid in three equal instalments of \$3.5 million. The first instalment at closing, the second instalment 60 days following the date of the closing and the third instalment 120 days after the date of the closing, or on such earlier date on which the Monitor confirms that the HII Group has exercised all the Options;
  - ii. \$7,408,904.00, to be satisfied by the irrevocable renouncement to and waiver (“**Note Renouncement and Waiver**”) by HII of all rights to the payment of a demand promissory note (the “**Resolution Note**”) dated October 19, 2010 owed to HII by Resolution Real Estate Limited (“**Resolution**”). The Note Renouncement and Waiver would be executed and delivered at the date of the closing of the Purchase Agreement; and
  - iii. \$3,149,796.45, to be satisfied by the transfer and assignment of all right, title and interest (“**Condominiums Transfer and Assignment**”) in a condominium located in Calgary, Alberta (“**Calgary Condo**”) valued, as per HII, at approximately \$2.6 million and a condominium located in Charlottetown, Prince Edward Island (“**PEI Condo**”) valued, as per HII, at approximately \$0.6 million (the Calgary Condo and the PEI Condo being collectively the “**Condominiums**”), free and clear of any CCAA charges. The Condominiums Transfer and Assignment would occur at the expiry of the Stay Period.
30. In the event that the Monitor concludes that the fair market value of the assets which are the subject of the Resolution Note and/or the Condominiums exceed the amounts described in subparagraphs 29(ii) and (iii), HII shall have the option, in its sole discretion exercisable at any time prior to the relevant time of payment, of making a cash payment in the same amount in lieu thereof.
31. In the event that HII proceeds with a cash payment in lieu of transferring either or both of the Condominiums, HCI shall have the right to acquire either or both of the Condominiums, as applicable, from HII at its agreed fair market value.

### Indemnification and Releases

32. As described in the Fourth Report, pursuant to the Purchase Agreement, the HCI Group and the HII Group have agreed to indemnify each other for, *inter alia*, the indemnifying party’s non-fulfilment or breach of any covenant or agreement and documents or representations contained in the Purchase Agreement.
33. As described in the Fourth Report, pursuant to the Purchase Agreement, the HCI Group and the HII group have also agreed to grant each other certain releases more fully described in paragraphs 122 and 123 of the Fourth Report (the “**Releases**”). The Releases do not include a release or discharge of a released party in respect of a claim based on fraud, gross negligence, breach of trust, breach of fiduciary duty, failure to have acted honestly and in good faith, any preferences, transfers at

undervalue and other reviewable transactions under sections 95 to 101 of the *Bankruptcy and Insolvency Act* (Canada), paulian actions, fraudulent conveyances and preferences, under any provincial legislation, and misappropriations.

#### The Conditions Precedent and Due Diligence

34. The closing of the transactions contemplated by the Purchase Agreement is subject to the satisfaction of a number of conditions, including in particular satisfactory due diligence by HII and the Monitor. These conditions precedent include satisfactory due diligence by HII and the Monitor, a settlement with the Trustees and the delivery of a release from SNS Interim Finance B.V. (“**SNS Finance**”) and its affiliates (the “**SNS Group**”), as these conditions precedent are more fully described in Article 10 of the Purchase Agreement.
35. The subject matter of this Fifth Report is namely to report on the Monitor’s findings following its due diligence.

#### ***CONDITIONS PRECEDENT TO THE CLOSING OF THE TRANSACTIONS CONTEMPLATED BY THE PURCHASE AGREEMENT***

##### Due Diligence

36. As a condition precedent to the closing of the transactions contemplated by the Purchase Agreement, the HII Group and the Monitor must be satisfied with their due diligence, which has now been completed.
37. The due diligence process included a review of the following matters:
  - i. The Purchased Business and the Purchased Assets;
  - ii. The Termination Claim;
  - iii. The Homburg Payables;
  - iv. The Resolution Note;
  - v. The Condominiums; and
  - vi. The potential tax consequences relating to the consummation of the transactions contemplated by the Purchase Agreement.
38. The Monitor has been conducting its due diligence in respect of the above-listed matters since the end of November 2011 and has obtained the collaboration of HII and HCI in this process. The following subsections summarise the results of the due diligence conducted by the Monitor on each of the above-listed matters.
39. The due diligence investigations mainly consisted of requesting information, analysing said information and holding discussions with Management and with HII’s and the Monitor’s counsels regarding this information and the analysis made.



40. The Monitor's due diligence work does not constitute an audit in accordance with Canadian Generally Accepted Auditing Standards, nor does it constitute an examination of a forecast in accordance with standards established by the Canadian Institute of Chartered Accountants. Therefore, the Monitor, in regard of this specific due diligence, does not express any opinion on (i) the financial information of the Company as of any date or for any period, or (ii) any financial data or other information, including any forecasts or projections or other forward-looking information, included or referred to in this Fifth Report.
41. The Monitor's procedures and inquiries did not necessarily include all matters relating to the affairs of the HII Group and the HCI Group that might be pertinent or necessary to another party's evaluation of the proposed transaction. Accordingly, the Monitor makes no representation as to the sufficiency of the procedures and inquiries for another party's purposes. Additionally, the Monitor has not made, nor has any obligations to make, any updates to this information subsequent to the date of this Fifth Report.
42. The analysis of the Monitor made in the course of its due diligence investigations and findings required that certain reasonable hypotheses be made in order to support the analysis and conclusions being made. This Fifth Report, as well as any and all work made in relation to it and in the course of the due diligence investigations, including any hypotheses made, shall in no circumstances constitute admissions in law or in fact of the Monitor's position on the various issues being the object of this Fifth Report and are under reserve of, and without prejudice to, any and all rights, remedies and recourses.
- a) The Purchased Business and the Purchased Assets*
43. Due diligence investigations have been performed on the Purchased Business and the Purchased Assets. Such due diligence investigations on the Purchased Business and the Purchased Assets did not reveal any material adverse information regarding the Purchased Business and the Purchased Assets.
44. The conclusion drawn from such due diligence investigations is that the acquisition of the Purchased Business would result in substantial savings for the HII Group. For the purpose of the due diligence, the Monitor proceeded with an appraisal of the value of Homburg BVs (as defined in the Purchase Agreement), namely the asset manager and property manager for the assets located in the Netherlands and in Germany which represent, by far, the most important portion of the value of the Purchased Business. The approximate value of the Homburg BVs is between approximately \$7.9 and \$9.2 million.
- b) The Termination Claim*
45. The "**Termination Claim**" relates to the claim filed by certain members of the HCI Group following the termination of the master property and asset management agreement dated May 28, 2009 (the "**Master Agreement**") between, on the one hand, HCI and certain entities of the HCI Group and, on the other hand, HII and most entities of the HII Group, including the Partnerships through HLPM as their general partner (collectively, the "**HII Group Owners**"). The Termination Claim is further described in paragraphs 59 to 66 of the Second Report and in paragraphs 40 to 44 of the Fourth Report.

46. Prior to the Initial Order, on or about August 29, 2011, HCI, HLPF and other entities of the HCI Group filed an action against the HII Group Owners – including HII, Churchill, Inverness, CP and the 10 Applicant Partnerships, namely all the HII Parties except Shareco (the “**Filing HII Group Owners**”), as well as 50 Partnerships who are not Applicant Partnerships under the CCAA proceedings and 14 other HII affiliates who are not part of the CCAA proceedings (the “**Non-Filing HII Group Owners**”) – in the Supreme Court of Nova Scotia, claiming termination fees of \$27.3 million under the Master Agreement.
47. In the context of its due diligence, the Monitor has obtained an opinion from external legal counsel with respect to the Termination Claim. Based on such legal opinion, it appears that, subject to certain assumptions and limitations, HII and all of the Owners are exposed to the risks inherent to all litigation including, in particular, the litigation risk related to the dependence upon, amongst other things, the court’s findings regarding the specific factual circumstances at the origin of the Termination Claim.
48. One significant aspect relating to the Termination Claim is that most of the respondents to same are Non-Filing Owners such that the Termination Claim against them cannot be dealt with in the context of the CCAA. Hence, the litigation risk attached to the Termination Claim against these Non-Filing Owners would not, in principle, be mitigated by the possibility to compromise same in a plan of arrangement.
49. The Monitor, along with HII, conducted an analysis to determine the quantum of the Termination Claim, based on the formula provided in the Master Agreement to calculate the early termination fees. Subject to certain assumptions and limitations, and assuming that the Termination Claim is successful, the quantum of the Termination Claim is estimated, depending on different possible interpretations of the relevant provisions of the Master Agreement relating to the early termination fees payable, between approximately \$4.7 and \$5.7 million against the Filing Owners and between approximately \$18.1 and \$21.6 million against the Non-Filing Owners.

*c) The Homburg Payables*

50. The Monitor performed its due diligence investigations in respect of the outstanding payables purportedly owed to the HCI Group by the HII Group, which are listed in Schedule D-13 of the Purchase Agreement and which are to be settled pursuant to the Purchase Agreement. Although the HCI Group indicated that such payables amounted to \$14.2 million, the Monitor has concluded, following its due diligence investigations, that only an amount between \$11.7 and \$12.8 million would constitute actual accounts payable by the HII Group to the HCI Group.
51. All such outstanding payables are owed by the Debtors and would typically be compromised in a plan of arrangement under the CCAA. Thus, the actual benefit for the HII Parties with regard to the Homburg Payables is the renunciation by the HCI Group to file a claim in the context of a plan of arrangement and to receive a dividend in relation thereto.

*d) The Resolution Note*

52. On November 1, 2005, Homco Realty Fund (140) Limited Partnership (now Homburg SNS Property Finance Limited Partnership) (“**SNS LP**”) was formed as a limited partnership in accordance with the *Limited Partnerships Act* (Nova Scotia) pursuant to a limited partnership agreement between HLPF, as general partner, and Homburg Realty Funds Incorporated, as limited partner. On or about

May 28, 2006, the SNS LP units of Homburg Realty Funds Incorporated were redeemed and ultimately the sole limited partners of SNS LP became HII and SNSPF Invest Canada Inc. (at the time, Bouwfunds Invest Canada Inc.) (“**SNS Invest**”), each holding 50% of the outstanding units of SNS LP. On June 25, 2008, HLP, HII and SNS Invest entered into an Amended and Restated Agreement of Limited Partnership of SNS LP (the “**SNS LP Agreement**”).

53. SNS LP was formed for the purpose of investing in commercial real property through a limited partnership of which SNS LP is either the sole limited partner or one of the limited partners with one or more third parties as the other limited partners (an “**Investment**”). SNS LP has made three Investments, which can be summarised as follows :
- i. SNS LP is a limited partner of Viger Limited Partnership (“**Viger LP**”), a limited partnership formed pursuant to a limited partnership agreement dated May 18, 2006 among 4348931 Canada Inc., as general partner (now Viger L.P. Management Inc., of which 66⅔% is owned by HCI and the remaining 33⅓% indirectly owned by Telemedia Ventures Inc. (“**TVI**”)), and SNS LP and TVI, as limited partners with 66⅔% and 33⅓% interests, respectively. Viger LP was formed for the purpose of acquiring, operating, preserving, improving and developing the property at 700, 800, 810 and 830 Saint-Antoine Street East, in Montreal, also known as “Chateau Viger” (the “**Viger Project**”). The Viger Project is financed by a loan (the “**Viger Loan**”) provided by SNS Finance, an affiliate of SNS Invest, to Viger LP in an amount of \$28,600,000 (advanced in two tranches of \$21,400,000 and \$7,200,000, respectively) pursuant to a loan agreement dated September 12, 2006, as amended on August 25, 2008 (the “**Viger Loan Agreement**”).
  - ii. SNS LP is a limited partner of 333 Sherbrooke Street East, L.P. (“**Sherbrooke LP**”), a limited partnership existing pursuant to an Amended and Restated Limited Partnership Agreement dated December 4, 2006 amongst 9129-8190 Québec Inc., as general partner (now 333 Sherbrooke Québec Inc., of which 66⅔% is owned by HCI and the remaining 33⅓% indirectly owned by TVI), and SNS LP and Les Investissements F.P. S.E.C. as limited partners with 66⅔% and 33⅓% interests, respectively. Sherbrooke LP was formed for the purpose of acquiring, operating, preserving, improving and developing the residential condominium project at 333 Sherbrooke Street East, in Montreal, also known as “Le 333 Sherbrooke” (the “**Sherbrooke Project**”). The Sherbrooke Project is financed by loans (the “**Sherbrooke Loan**”) provided by SNS Finance to Sherbrooke LP (\$29,750,000 as an initial loan, \$68,779,581 as a second stage loan and \$6,000,000 as a further bridge loan), pursuant to a loan agreement dated December 4, 2006, as amended on October 15, 2007 and August 11, 2009 (the “**Sherbrooke Loan Agreement**”).
  - iii. SNS LP is a limited partner of Chestermere Land Development LP (“**Chestermere LP**”, and, collectively with Viger LP and Sherbrooke LP, the “**Project LPs**”), a limited partnership existing pursuant to an Amended and Restated Limited Partnership Agreement dated June 25, 2008 amongst Homburg Centron LP Management Inc. (of which 66⅔% is owned by HCI and the remaining 33⅓% indirectly owned by Centron Construction Corporation), as general partner, and SNS LP and Centron MV Corporation, as limited partners with 66⅔% and 33⅓% interests, respectively. Chestermere LP was formed for the purpose of acquiring, operating, preserving, improving and developing a certain property located in Chestermere, Alberta (the “**Chestermere Project**” and, collectively with the Viger Project and the Sherbrooke Project, the “**Projects**”). The Chestermere Project is financed by a loan (the “**Chestermere Loan**”) provided by SNS Finance to Chestermere

LP in an amount of \$88,400,000 (including a “junior loan” in an amount of \$20,800,000 and a “senior loan” in an amount of \$67,600,000) pursuant to a loan agreement dated June 25, 2008 (the “**Chestermere Loan Agreement**”).

54. Please refer to Appendix C for charts setting out the corporate structure in respect of each of the Projects immediately prior to October 19, 2010 when the RRE Purchase Agreement (as defined hereunder) was entered into.
55. On October 19, 2010, a purchase agreement (the “**RRE Purchase Agreement**”) was entered into between HII, as Vendor, and Resolution Real Estate Ltd. (“**RRE**”), as purchaser, whereby HII sold to RRE all of its units in SNS LP, which comprised of 7,900,055 class A units (the “**SNS LP Units**”).
56. The RRE Purchase Agreement provides that the purchase price of the SNS LP Units shall be the fair market value of same as at October 19, 2010 and shall be paid by the issuance of the Resolution Note. The RRE Purchase Agreement also provides that any post-closing price adjustment to take into consideration such fair market value shall be concluded by March 31, 2011. The Resolution Note resulted from the sale of the SNS LP Units by HII to RRE.
57. The Resolution Note was initially for an amount of \$12,395,136.50. However, the amount of the Resolution Note was reduced to \$7,408,904 (the “**Adjusted Units Purchase Price**”), reflecting the evaluation of the fair market value of the SNS LP Units as at October 19, 2010 following updated evaluations obtained by the parties, as provided by the RRE Purchase Agreement, and this was reflected in HII’s financial statements.
58. As part of its due diligence investigations, the Monitor sought (i) to establish whether the Adjusted Units Purchase Price was an adequate estimate of the fair market value of the SNS LP Units as at October 19, 2010, and (ii) to estimate the current value of the Resolution Note (or risk related to its collectability) considering that the Purchase Price payable under the Purchase Agreement is to be satisfied in part by the forgiveness of the Resolution Note.
59. More specifically, the Monitor proceeded with the following steps:
  - i. Obtain appraisals for each of the three main assets of SNS LP, namely its interests in the Chestermere Project, the Viger Project and the Sherbrooke Project;
  - ii. Review and analysis of the Chestermere Loan Agreement, the Viger Loan Agreement and the Sherbrooke Loan Agreement and related documentation;
  - iii. Obtain supporting information from HII regarding other assets and liabilities of SNS LP; and
  - iv. Assess the equity of SNS LP in order to assess the actual value of the Resolution Note.
60. This analysis leads to the conclusion that the fair market value of the SNS LP Units, as at October 19, 2010, was approximately \$1 million, which confirms that the Adjusted Units Purchase Price was not below fair market value, being in fact significantly above the fair market value based on evaluations obtained from independent appraisers for the purpose of the due diligence investigations.

61. This analysis has further confirmed that the current equity of SNS LP in the Chestermere Project and the Sherbrooke Project is negative (respectively negative \$37.1 million and negative \$4.7 million), whereas SNS LP's equity in the Viger Project is estimated at approximately \$110,000. Thus, it appears that Resolution's sole assets, namely the SNS LP Units constituting 50% of the outstanding units of SNS LP, have an approximate value of \$55,000 and thus that the Resolution Note's value for the HII Group as the beneficiary of said note should it realize upon it, would be \$55,000 excluding the costs of realization.
62. This evaluation of the Resolution Note has a material impact on the appreciation of the consideration paid by HII pursuant to the Purchase Agreement as one may consider that the actual value of the Purchase Price is approximately \$14 million rather than approximately \$21 million.

*e) The Condominiums*

63. In November 2005, Richard Homburg signed a purchase agreement to purchase the Calgary Condo for an amount of \$2,365,770. However, the transaction was never finalized and HII currently remains the sole owner of the Calgary Condo. The Monitor recently learned that the Calgary Condo would have been put for sale by HII's agent at the request of HCI, and that the list price would have been \$5,000,000. HII advised the Monitor that it requested the agent to remove the listing of the Calgary Condo and that it considered the list price to be considerably above market value. The Monitor proceeded to obtain a determination of the fair market value of the Calgary Condo and mandated an independent appraiser to proceed with an evaluation of the Calgary Condo. According to the evaluation report obtained by the Monitor, the market value of the Calgary Condo is estimated at \$2,800,000 (before estimated selling costs of approximately \$100,000).
64. In June 2010, Richmar LP Management and Homco 83 worked on a purchase agreement to purchase the PEI Condo for an amount of \$732,735. The transaction was never finalized and HII remains the sole owner of the PEI Condo. The Monitor proceeded to obtain a determination of the fair market value of the PEI Condo and mandated an independent appraiser to proceed with an evaluation of the PEI Condo. According to the evaluation report obtained by the Monitor, the market value of the PEI Condo is estimated between \$650,000 and \$750,000 (before estimated selling costs of approximately \$35,000).
65. The total estimated fair market value of the Condominiums is thus between \$3,450,000 and \$3,550,000 (before estimated selling costs of approximately \$135,000), namely slightly above the value of \$3,149,796.45 attributed in the Purchase Agreement. HII, along with the Monitor, is considering its options in these circumstances (in light of clause 3.1 of the Purchase Agreement). In light of Schedule C of the Purchase Agreement, a decision in this regard will only need to be taken at the expiry of the Stay Period.

*f) The potential tax consequences relating to the consummation of the transactions contemplated by the Purchased Agreement*

66. The potential and litigation consequences relating to addressing the Control Issues through the implementation of the Motion to Amend Certain Limited Partnership Agreements and for Ancillary Relief (as amended) (the "**GP Motion**") served to the Service List on November 10, 2011 and the exercise of the Options pursuant to the Purchase Agreement were considered.

67. HII's and the Monitor's Dutch and German tax counsels' ongoing work and analysis confirmed the complexities surrounding the potential tax consequences of addressing the Control Issues. An outright transfer of the shares in the General Partner or the transfer of the General Partner's assets, which would in both cases entail a direct or indirect transfer of the registered ownership of the relevant real estate assets, which is a potential outcome related to the GP Motion, would cause taxable transfers for both Dutch and German real estate transfer tax purposes. The Monitor understands that these potential tax consequences are material. On the basis of valuations of the relevant properties provided by HII, the potential tax consequences for the HII Group could be from approximately \$15.4 million (€1.7 million) to approximately as high as \$52.4 million (€39.7 million). This variation namely depends on the history of certain transactions relating to the HII Group's properties, on the interpretation of certain transfer deeds pertaining to said transactions and on the position that may be adopted by the tax authorities in the jurisdictions where the relevant real estate properties are situated and to eliminate an immediate tax payment triggered by the replacement of the General Partner as part of the resolution of the Control Issues.
68. HII and the Monitor have received advice from their respective Dutch and German tax counsel that the entering into of the Purchase Agreement, in itself, would not have any adverse tax consequences for HII or the relevant Partnerships, thus preserving HII's ability to efficiently deal with the eventual tax consequences relating to the real estate assets not currently held in its name or in the name of the relevant Partnerships in due course and in the manner of its choice as part of the restructuring.
69. Although the exercise of the Options under the Purchase Agreement and the implementation of the GP Motion would both require careful consideration of the tax implications of the manner in which the Control Issues are addressed, the Monitor believes that the granting of the Options to HII provides for significant benefits compared to the implementation of the GP Motion. These benefits include the flexibility for HII to determine the timing and manner of the exercise of the Options as well as securing the cooperation by HLPM, HCI and its other affiliates. It is difficult to predict the outcome of the GP Motion and the exact terms of any order that could be rendered in connection therewith. Accordingly, the Options provided in the Purchase Agreement provide the best alternative for dealing with and addressing any potential adverse tax consequences in the circumstances.

#### The Settlement Agreement with the Trustees

70. As indicated in paragraphs 105 to 107 of the Second Report:
- i. The HII Parties' first and second largest groups of creditors are the holders of Corporate Bonds and the Mortgage Bonds (collectively the "**Bonds**"); and
  - ii. The Corporate Bonds and Mortgage Bonds were issued by HII pursuant to the terms of the Trust Indentures, entered into between HII and, respectively, Stichting Homburg Bonds and Stichting Homburg Mortgage Bonds. The foregoing entities and Stichting Homburg Capital Securities (which is the trustee under the trust indenture pursuant to which Capital Securities A debentures were issued) are hereinafter collectively referred to as the "**Trustees**".
71. On December 3, 2011, HII and related entities entered into a settlement agreement with the Trustees (the "**Settlement Agreement**") which provides, *inter alia*, for (i) the appointment of an additional independent member to the HII board of directors, which member will be nominated by the Trustees; (ii) the agreement to postpone *sine die* and eventually voluntarily withdraw certain motions filed

before this Court; (iii) the funding of certain fees and expenses of the Trustees as further described in the following paragraph; and (iv) arrangements and undertakings to provide the Trustees with information in connection with HII's restructuring and generally mutual covenants to cooperate in connection with same.

72. The Settlement Agreement provides that HII shall consent to the Trustee's previously filed motion for funding which shall be amended so as to (i) limit the funding obligation to the reasonable fees and expenses of the Trustees and their legal and financial advisors as of and from the date of the Settlement Agreement in connection with HII's CCAA proceedings; (ii) remove the requirement for the Administrative Charge (as defined in the Initial Order); and (iii) provide that any amounts so funded shall constitute advances made by HII to the Trustees, the aggregate of which shall become immediately due and payable immediately prior to any distribution to HII's creditors, in each case, subject to applicable rights of set-off/compensation.
73. On December 29, 2011, the Trustees filed an Amended Motion for the Payment of Fees, Disbursements and Expenses of the Indenture Trustees and the Indenture Trustees' Advisors and Related Relief (the "**Trustees' Amended Motion for Fees**"). The Monitor supports the conclusions of the Trustees' Amended Motion for Fees in respect of the funding of the Trustees' fees.

#### The SNS Group Release

##### *Background*

74. One of the conditions precedent in favour of the HII Group under the Purchase Agreement is that the HII Group shall have entered into a settlement agreement with the SNS Group whereby the HII Group shall be released from any and all indebtedness owed to the SNS Group in connection with the Projects. Thus far, the SNS Group has required that, as a condition to providing such release, it receive an equivalent release from the HII Group.
75. As part of the due diligence conducted by the Monitor in the context of the Purchase Agreement, the Monitor has sought to determine whether in fact and to what extent the HII Group is indebted to the SNS Group in connection with the Projects. Paragraphs 76 to 79 below describe the potential sources of liability, or absence thereof, identified by the Monitor.

##### *Capital Calls*

76. The capital call provision of the SNS LP Agreement provides a potential source of indebtedness of HII to SNS Invest. Pursuant to the SNS LP Agreement, each limited partner shall, in order to fund investments approved by a Major Partnership Decision (as defined in the SNS LP Agreement), make contributions to the capital of SNS LP by contributing in instalments when and as called by the general partner (a "**Capital Call Notice**"), upon at least 10 business days' notice. Pursuant to the SNS LP Agreement, if a limited partner fails to make a capital contribution required by a Capital Call Notice, the other limited partner may advance all or part of such capital contribution to SNS LP, which contribution shall be deemed to be a default loan to the defaulting limited partner. HCI has confirmed that, as at the date of the RRE Purchase Agreement, HII was not in default of making any capital contributions under the SNS LP Agreement.

*HII Guarantees*

77. HII is not a party to the Viger Loan Agreement, the Sherbrooke Loan Agreement or the Chestermere Loan Agreement and is not a guarantor of the obligations of the Project LPs under those agreements. However, HII executed confirmation letters in favour of SNS Finance (the “**Confirmations**”) pursuant to which HII agreed, *inter alia*, to use its best efforts to ensure that HCI complies in all respects with its obligations under two Interest Cost Overrun Guarantees provided by HCI in connection with each of the Viger Loan and the Sherbrooke Loan dated September 12, 2006 and December 4, 2006, respectively (the “**Interest Cost Overrun Guarantees**”). Pursuant to the Interest Cost Overrun Guarantees, HCI guarantees in favour of SNS Finance, on a solidary basis with TVI and SNS Invest, the payment of all interest not paid or payable, as well as interest on such interest and compound interest which Viger LP or Sherbrooke LP is obligated to pay under the Viger Loan or the Sherbrooke Loan, as applicable. As of November 1, 2011, approximately \$1.43 million of outstanding interest payments were due under the Viger Loan and \$4.7 million of outstanding interest payments were due under the Sherbrooke Loan. The due diligence investigations did not reveal any evidence of similar guarantees, confirmations, or other sources of potential liability of the HII Group in connection with the Chestermere Project.
78. Pursuant to a settlement agreement dated October 26, 2011 between, among others, HCI and SNS Property Finance B.V., HCI is released by, *inter alia*, SNS Finance from liability in connection with the Sherbrooke Loan and the Viger Loan, subject to the satisfaction of certain conditions precedent, which have not yet been satisfied. These conditions include the payment by HCI of certain settlement payments for amounts outstanding under guarantees provided by HCI, including the Interest Cost Overrun Guarantees, and payment to SNS Finance of an aggregate of \$60 million received from the sale of the Viger Project and the Sherbrooke Project (collectively, the “**Release Conditions**”). If the Release Conditions are indeed met, HCI’s obligations under the Interest Cost Overrun Guarantees would be released, which would cause HII’s obligations under the Confirmations, if any, to cease to exist.
79. Other than the Confirmations, the due diligence review undertaken by the Monitor did not reveal any evidence of potential outstanding obligations owing by HII to the SNS Group. Given that HII is not the parent of HCI and does not otherwise have control over HCI, it is unclear what, if any, concrete obligations the Confirmations impose upon HII and, at the very least, said obligations would be very limited. In any case, HII’s obligations under the Confirmations will likely cease to exist to the extent that HCI satisfies the Release Conditions under the Settlement Agreement (which HCI expects to occur by early February).
80. In light of the foregoing and based on the available information, considering that the SNS Group has indicated that a release of the HII Group would be conditional upon the SNS Group receiving an equivalent release from the HII Group and that it is unclear whether HII has any potential claims or remedies against the SNS Group which would so be released, the Monitor is of the view that the HII Group should not grant the requested release to SNS Group. Accordingly and if necessary, the HII Group should not seek a release from the SNS Group and should waive such condition to closing under the Purchase Agreement.



**SUMMARY OF THE DUE DILIGENCE CONCLUSIONS REGARDING THE QUANTITATIVE ELEMENTS TAKEN INTO CONSIDERATION IN THE MONITOR'S ANALYSIS**

81. The following table summarises the due diligence conclusions regarding the value of the considerations obtained by the HII Group under the Purchase Agreement and of the potential implicit savings of the proposed transaction, in comparison to the considerations given by the HII Group under the Purchase Agreement:

Summary of proposed transaction (CAD)			
Low and high potential scenarios	Low	High	
<b>Value obtained by the HII Group:</b>			
Forgiveness of account payable to Vendors - HII Parties	1,171,824	6,409,121	Note 1
Forgiveness of claim from HCI (termination fee) - Non-Filing HII Group Owners	9,071,430	10,800,852	Note 2
Forgiveness of claim from HCI (termination fee) - Filing HII Group Owners	237,291	1,435,556	Note 2
Acquisition of Homburg BVs / Opportunity cost	7,915,800	9,235,100	Note 3
Fiscal impact (sales and income tax impacts) of transaction	<u>(411,000)</u>	<u>(149,500)</u>	Note 4
	<b>17,985,345</b>	<b>27,731,129</b>	
<b>Plus: Implicit savings of transaction</b>			
Adjustment to estimated value of condominiums (Alberta and P.E.I.)	(261,204)	(166,204)	Note 5
Potential fiscal impact of other alternatives	<u>7,720,874</u>	<u>26,204,036</u>	Note 6
	<b>25,445,015</b>	<b>53,768,961</b>	
<b>Compensation given to the HCI Group:</b>			
Cash	10,500,000	10,500,000	Note 7
Forgiveness of Resolution Note	7,408,904	7,408,904	Note 7
Condominiums (Calgary Condo and PEI Condo)	<u>3,149,796</u>	<u>3,149,796</u>	Note 7
	<b>21,058,700</b>	<b>21,058,700</b>	
<b>Minus: Implicit adjustment to the compensation</b>			
Adjustment to the estimated value of Resolution Note	<u>7,350,975</u>	<u>7,350,975</u>	Note 8
<b>Adjusted compensation given to the HCI Group</b>	<b><u>13,707,725</u></b>	<b><u>13,707,725</u></b>	
<b>Value obtained (net of compensation given)</b>	<b><u>11,737,290</u></b>	<b><u>40,061,236</u></b>	

Note 1

As per the analysis of the intercompany accounts payable between the HII Group and the HCI Group. The low scenario provides for an estimated value of the Homburg Payables of \$11.7 million and an estimated eventual distribution/dividend to creditors of \$0.10 on the dollar. The high scenario provides for an estimated value of the Homburg Payables of \$12.8 million and an estimated eventual distribution/dividend to creditors of \$0.50 on the dollar. The difference between the estimated values of the Homburg Payables (\$11.7 million and \$12.8 million) is due to certain amounts claimed by the HCI Group that are subject to ongoing negotiations. **These estimated values shall in no circumstances be considered as an admission or an acknowledgment of the liability of the HII Group regarding the Homburg Payables.**

Note 2

As per detailed analysis and calculations of the quantum of the Termination Claim using the formula provided by the Master Agreement. All the scenarios assume a probability of 50% of the HII Group Owners being liable for damages with regard to the Termination Claim and, as such, the quantum of the Termination Claim was reduced by 50% in all scenarios to take the litigation risk into account. As for the Non-Filing HII Group Owners, the quantum of the Termination Claim against them is, in the aggregate, between \$18.1 million (low scenario) and \$21.6 million (high scenario), which amounts are then reduced by 50% to take the litigation risk into account. As for the Filing HII Group Owners, the quantum of the Termination Claim against them is, in the aggregate, between \$4.7 million (low scenario) and \$5.7 million (high scenario). These amounts are then reduced (i) by 50% to take the litigation risk into account and (ii) to take into account an estimated eventual distribution/dividend to creditors of \$0.10 on the dollar (low scenario) or \$0.50 on the dollar (high scenario). This table summarizes the calculations made:

	<u>Low</u>	<u>High</u>
Non-filing HII Group Owners	\$18.1M * 50%	\$21.6M * 50%
Filing HII Group Owners	\$4.7M * 50% * 10¢	\$5.7M * 50% * 50¢

**These estimated values shall in no circumstances be considered as an admission or an acknowledgment of the liability of the HII Group Owners with respect to the Termination Claim.**

Note 3

Represent the estimated fair market value (defined as the highest price, expressed in terms of money or money's worth, obtainable in an open and unrestricted market between informed and prudent parties, acting at arm's length and under no compulsion to transact) of Homburg BVs, namely the asset manager and property manager for the assets located in the Netherlands and in Germany which represent, by far, the most important portion of the value of the Purchased Business.. Homburg BVs' estimated fair market value assumes that the property and asset management contract for the HII Group's properties is continued. The value of the Purchased Business is mainly constituted of the value of Homburg BVs. The estimated net present value in Euros was converted using the December 30, 2011 exchange rate of \$1.3193 for €1.00.

Note 4

Represent adjustments associated to a potential fiscal impact that could be triggered by the anticipated transaction, which would result from the cancelation of several accounts payable. As these accounts payable are essentially related to the HII Parties, the potential fiscal impact would be compromised by an eventual plan and subject to a dividend. The low scenario assumes an eventual distribution/dividend to creditors of \$0.10 on the dollar, whereas the high scenario assumes an eventual distribution/dividend to creditors of \$0.50 on the dollar. **These estimated values shall in no circumstances be considered as an admission or an acknowledgment of the liability of the HII Group for any fiscal impact regarding the proposed transaction.**

Note 5

Represent adjustments to the value of the Condominiums considered in the Purchase Agreement in order to properly reflect the estimated actual values of the Condominiums (net of estimated selling costs) as per the third party appraisal reports dated December 20, 2011 and December 22, 2011, respectively. The low scenario includes estimated fair market values of \$2.7 million for the Calgary Condo and of \$0.7 million for the PEI

*Condo. The high scenario includes estimated fair market values of \$2.7 million for the Calgary Condo and of \$0.6 million for the PEI Condo. Since the estimated fair market value of the Condominiums is higher than the attributed value under the Purchase Agreement, the HII Group would be entitled to pay the \$3.1 million consideration in cash rather than selling the Condominiums to the HCI Group. Should the HII Group decide to pay the \$3.1 million in cash, the HCI Group could then decide to obtain the Condominiums, in exchange for an additional cash consideration to the HII Group. The estimated value of this element of the transaction is therefore to the HII Group's and the HCI Group's respective decisions in this respect and, as the case may be, to negotiations between the parties.*

Note 6

*The proposed transaction would allow the HII Group to gain specific rights with regard to the various HII Group properties and the transaction would not trigger any tax payable with regard to the German and Dutch real estate taxes. Should HII use other alternatives in order to gain such specific rights on its properties, there could be a fiscal impact (of German and Dutch real estate taxes) which was estimated between \$15.4 million (low scenario) and \$52.4 million (high scenario). However, should the HII Parties succeed in obtaining an order with all the conclusions sought by the GP Motion and that the foreign tax jurisdictions do not act against such order, the HII Group could be able to gain the specific rights on the various HII Group properties without having to incur such estimated tax impacts. The above scenarios therefore assumed a 50% probability that the HII Parties would be successful in obtaining an order with all the conclusions sought by the GP Motion and that the foreign tax jurisdictions would not act against such order, and thus that no tax liability would be triggered. The amounts in Euros were converted using the December 30, 2011 exchange rate of \$1.3193 for €1.00.*

Note 7

*As per the Purchase Agreement.*

Note 8

*Represent adjustments to the value of the Resolution Note in order to properly reflect the estimated actual fair market value of the assets of RRE available to satisfy the Resolution Note in the context of an eventual realization of the Resolution Note. **This estimated value shall in no circumstances be held against HII in the context of an eventual realization of the Resolution Note or otherwise.***

**OTHER QUALITATIVE ELEMENTS TAKEN INTO CONSIDERATION IN THE MONITOR'S ANALYSIS**

82. In addition to the tangible and quantifiable benefits relating to the Purchase Agreement and their correlation to the quantum of the Purchase Price, a number of other more "qualitative" elements were also considered by the Monitor in the process of understanding and evaluating the merits of supporting the execution of the Purchase Agreement.
83. In particular, the Monitor is of the view that some value must reasonably be attributed to certain elements such as the short delay within which the Purchase Agreement allows to address the Control Issues, the fact that it can be implemented without particular risks or uncertainties, the flexibility relating to the Options and the elimination of the immediate tax payment triggered by the replacement of the General Partner, the benefit it provides by containing enforceable undertakings from the HCI Group to fully cooperate with the HII Group and the Monitor, and the benefits of acquiring the Purchased Business and the resulting control over the Purchased Assets and underlying records and information.
84. The Monitor understands that certain of the Control Issues could ultimately be addressed, at least in part, through the GP Motion. However, as in any litigious matter, the outcome of the GP Motion remains uncertain, particularly as same involves unprecedented legal issues. In addition, the

replacement of the General Partner would ultimately need to be implemented in multiple jurisdictions at significant time and costs and with no guarantee of the future cooperation of HLPM, which the Monitor believes to be of significant importance in the circumstances. The Monitor is concerned that the timing, cost and implementation risks associated with the GP Motion, given the particular circumstances and dynamics of this matter, could have a material adverse impact on HII's ability to conduct its restructuring process diligently and prepare a plan of arrangement and compromise in a timely manner.

**RECOMMENDATION OF THE MONITOR REGARDING THE PURCHASE AGREEMENT**

85. After analysing the different options that could allow the HII Group to address the Control Issues and all other issues described above, the HII Group, with the consent of the Monitor, entered into the Purchase Agreement as the HII Group believes that the transactions contemplated by the Purchase Agreement are, subject to satisfaction of all conditions precedent including satisfactory due diligence, in the best interest of all stakeholders as it constitutes a global and complete settlement of the Control Issues which will allow the HII Parties to fully devote their efforts and attention to the restructuring process. More specifically, the approval of the Purchase Agreement would:
- i. Allow the HII Group to protect its interest in the Partnerships and other relevant entities and their assets through the acquisition of the Purchased Business, the Purchased Assets and the Options, and to settle and obtain a release from most claims of the HCI Group against the HCI Group, including in particular the claims relating to the Homburg Payables and the Disputes (including the Termination Claim as defined in the Purchase Agreement), the whole at a consideration that is considered fair and reasonable in the circumstances;
  - ii. Allow the HII Group to structure the acquisition of the Purchased Business and the Purchased Assets to ensure that the limited partnership attributes are effectively maintained, including the limited liability of HII as limited partner;
  - iii. Provide HII with maximum flexibility and discretion in the exercise of the Options with a view to acquiring appropriate control of the General Partners and other relevant entities and any assets of the Partnerships held directly or indirectly by them, the whole without triggering any immediate adverse tax consequence for the HII Group;
  - iv. Secure the cooperation of the HCI Group and facilitate the diligent pursuit of the HII Parties' restructuring efforts with a view to submitting a plan of arrangement and compromise to the affected creditors in due course;
  - v. Allow HII, in the context of HII's Objection to the Revocation Decision (as defined hereunder), to address the AFM's concerns with respect to Richard Homburg's control and effectively remove HII and its assets from any alleged third party control;
  - vi. Remove any risks, delays and costs inherent to any litigation relating to the issues addressed above including the GP Motion; and
  - vii. Preserve all recourses and claims against the HCI Group in respect of any claim based on fraud, gross negligence, breach of trust, breach of fiduciary duty, failure to have acted honestly and in good faith, any preferences, transfers at undervalue and other reviewable

transactions under sections 95 to 101 of the *Bankruptcy and Insolvency Act* (Canada), paulian actions, fraudulent conveyances and preferences, under any provincial legislation, and misappropriations, to the extent that any such claim exists.

86. Based on the foregoing and the other considerations outlined above and in paragraph 127 of the Fourth Report, the Monitor is of the view that, in the context of HII's particular and unique circumstances, the overall benefits of the Purchase Agreement will facilitate a more expeditious restructuring in the best interests of HII's stakeholders and outweigh the costs relating thereto. It is the Monitor's recommendation that the Purchase Agreement should be approved and that the Approval Motion should therefore be granted by the Court.

### **III- HII PARTIES' OPERATIONS**

#### ***LEASE OBLIGATIONS: CANOXY PLACE***

##### Judgment on Re-Assignment and Assignment of Agreements and Release of Obligations

87. On December 5, 2011, the Court rendered the Judgment on Re-Assignment and Assignment of Agreements and Releases of Obligations (the "**Canoxy Judgment**") granting the Canoxy Motion and confirming, *inter alia*, the release of HII of its obligations under the Canoxy Head Lease, the Assignment and the Canoxy Subleases, subject to the right of parties, as the case may be, to file a proof of claim for any resulting losses, which provable claims, as the case may be, shall be treated in an eventual claims process in this CCAA restructuring process and subject to an arrangement or compromise under the CCAA. The Canoxy Judgment is executory notwithstanding appeal.
88. On December 22, 2011, Statoil filed with the Quebec Court of Appeal a motion for leave to appeal seeking the permission to appeal from the Canoxy Judgment. This motion is scheduled for presentation on January 25, 2012.

##### Rent – Head Lease and Assignment

89. HII paid the rent owed for the period from September 9, 2011 to October 30, 2011 (being the date at which the disclaimers of the Canoxy Head Lease and Assignment were to take effect) to Cadillac. HII was thereafter made aware of the fact that Statoil had already paid to Cadillac the rent owed for the full month of September.
90. In light of the fact that the Assignment was disclaimed with effect as of October 30, 2011 and considering the Canoxy Judgment which confirms the release of HII of its obligations under the Canoxy Head Lease and the Assignment and declares that Statoil is liable to remedy all monetary defaults under the latter agreements, HII is of the view that it has no further obligation to pay any rent owed pursuant to said agreements (subject to the right of the parties, as the case may be, to file a proof of claim in the CCAA restructuring process).
91. On or around December 21, 2011, Statoil would have paid to Cadillac, under protest, the rent owed under the Canoxy Head Lease for the period from December 6, 2011 to December 31, 2011 and the balance of the assignment fee of \$1.5 million claimed by Cadillac pursuant to the Assignment. It appears that Statoil would have set off from said payment the rent it had paid for the period from September 9, 2011 to September 30, 2011.

92. On December 29, 2012, Statoil advised all interested parties that the rent owed from the month of January 2012 would be paid by Statoil, under protest.
93. On December 29, 2012, Cadillac sent an email to the Monitor, HII, Statoil and the Canoxy Subtenants requiring payment of the rent owed under the Canoxy Head Lease for the outstanding rent due for the period up to and including December 5, 2011, presumably the period from October 31, 2011 to December 5, 2011.

#### Rent – Subleases

94. As indicated in paragraph 59 of the Second Report, the parties agreed that, until the order on the Canoxy Motion is final and executory, or until further order of the Court, any amount payable by the Canoxy Subtenants under the Canoxy Subleases would be paid to the Monitor, who would hold it in trust for the benefit of Statoil, HII or Cadillac as the case may be.
95. On November 30 and December 1, 2011, the Monitor received an aggregate amount of \$35,267.09 from two Canoxy Subtenants, representing the rent payable by them for the period from November 27, 2011 to December 31, 2011.
96. On December 27, 2011, the Monitor advised the Canoxy Subtenants, as well as Statoil and Cadillac, (i) that the rent owed by the Canoxy Subtenants for the period of January 2012 and ongoing should be paid to Statoil as the sublandlord under the Canoxy Subleases in accordance with the Canoxy Judgment, (ii) that the portion of the amounts received by the Monitor in trust pertaining to the period from December 6 to December 31, 2011 would be distributed to Statoil as the latter paid the rent to Cadillac for the same period, and (iii) that the portion of the amounts received by the Monitor in trust pertaining to the period from November 27, 2011 to December 5, 2011 would be remitted to Cadillac in reduction of the rent for this period as the rent for said period was not paid by Statoil.

#### Funds held by Avison Young

97. As described in paragraphs 60 to 62 of the Fourth Report, Avison Young Real Estate Alberta Inc. (“**Avison Young**”) has acted as broker for HII in the context of the subleasing of the Canoxy Leased Premises and the Jamieson Place leased premises (another location where HII had initially entered into a head lease and subsequently into assignment and subleases, which were all disclaimed as at October 30, 2011, as further described in the Second Report and in the Fourth Report) and, in such capacity, has received certain payments by the subtenants of both Canoxy Place and Jamieson Place and is holding same since the Initial Order. Avison Young agreed that no such sum would be disbursed until the information and documentation pertaining to these funds would be received and analysed by the Monitor to determine how these should be treated.
98. On December 21, 2011, the Monitor received certain information and documentation pertaining to the funds held by Avison Young.
99. The information received reveals that:
  - i. Avison Young was hired by HII to act as broker to sublease the Jamieson Place leased premises pursuant to an agreement dated November 19, 2009 and to sublease the Canoxy Leased Premises pursuant to an agreement dated October 12, 2010;

- ii. The agreements provide, *inter alia*, that the commissions payable for any sublease successfully transacted may be deducted from the deposit monies held in trust by Avison Young and that the commissions are payable in two steps, namely 50% upon signing of any sublease and 50% on the date set forth for occupancy by the subtenant in said sublease;
  - iii. Since the date of the Initial Order, Avison Young has been holding deposits received from subtenants totalling \$231,408.27, namely \$140,270.55 from subtenants of Canoxy Place leased premises and \$91,137.72 from subtenants of Jamieson Place leased premises. These amounts exclude the commissions payable to Avison Young and to co-brokers (i.e., brokers of subtenants) which would have been compensated prior to the Initial Order against the amounts received from the subtenants;
  - iv. As of the date of the Initial Order, the outstanding commissions still being owed to Avison Young (and the co-brokers) according to Avison Young's pretensions would total \$213,206.92 (inclusive of taxes), namely \$150,234.95 in respect of Canoxy Place and \$62,971.97 in respect of Jamieson Place. These amounts of outstanding commissions would include a total amount owed to co-brokers of \$78,978.38, namely \$36,140.25 in respect of Canoxy Place and \$42,838.13 in respect of Jamieson Place.
100. On December 29, 2011, counsel acting on behalf of five Canoxy Subtenants wrote to the interested parties taking the position that the monies held in trust by Avison Young should be applied towards rent owed by the Canoxy Subtenants.
101. The non disturbance agreements between HII, Statoil and the Canoxy Subtenants and the Canoxy Subleases also include certain provisions on the monies paid by the Canoxy Subtenants as deposits or prepaid rent.
102. The Monitor, along with HII, is currently analysing the rights of HII and the other interested parties with respect to the amounts held by Avison Young and plans to present its conclusions to the interested parties in mid-January 2012 for appropriate measures to be taken.

### ***CONDOMINIUM PROJECTS OF CHURCHILL AND INVERNESS***

#### Churchill Project

103. Churchill is a wholly owned subsidiary of HII.
104. Churchill's assets consist of a condominium project located in Calgary, Alberta, which was developed in 2008 (the "**Churchill Project**"). The Churchill Project consists of 40 luxury condominiums, 17 of which remain unsold (including one of the Condominiums being the object of the Purchase Agreement).
105. In November 2010, in order to stimulate sales which have been virtually non-existent in 2009 and 2010 due to the poor real estate market, Churchill retained the services of Sotheby's, a premier full-service luxury real estate broker, as exclusive broker to sell the Churchill Project condominiums.

106. Since Sotheby's has been hired, Churchill has worked in collaboration with Sotheby's in implementing a new marketing plan and in reviewing its sale strategy, such that seven condominiums were sold.
107. In order to further accelerate sales, HII's plan is to offer a slight reduction of the prices of the 17 remaining Churchill Project condominiums.
108. Churchill is meeting its post-filing obligations relating to the condominium fees payable with respect to the unsold units, now being at a number of 17.

#### Inverness Project

109. Inverness is a wholly owned subsidiary of HII.
110. Inverness' assets consist primarily of a condominium project located in Grand Prairie, Alberta, which was completed in September 2009 (the "**Inverness Project**"). The Inverness Project consists of 85 luxury condominiums, 40 of which remain unsold.
111. In September 2009, North American Realty Corp. was hired to sell the Inverness Project condominiums. In the following year, 21 units were sold and, over the last 15 months, 24 units were sold, which translates into an average sales rate of 1.6 units per month. Likewise Churchill, the two-bedroom units are selling at a faster rate than the one-bedroom units.
112. On December 20, 2011, North American Realty Corp. presented a bulk purchase proposal for the purchase of 20 Inverness Project condominiums by a purchasing group composed of private individual investors (the "**Bulk Purchase Proposal**"). The Bulk Purchase Proposal provides for four weekly closings of five condominiums each to occur between February 17 and March 9, 2012.
113. The Debtors and the Monitor are currently analysing the Bulk Purchase Proposal.

#### Indebtedness of Churchill and Inverness towards Romspen Investment Corporation ("**Romspen**")

114. On December 5, 2011, Romspen served a motion (dated December 1, 2011) to lift the stay of proceeding against Churchill and Inverness for the purpose of commencing mortgage foreclosure proceedings against the property mortgaged in their favour (the "**Romspen Motion**").
115. Romspen is a lender of Churchill and Inverness and holds security over certain of the Churchill Project and the Inverness Project condominiums (collectively, the "**Mortgaged Condominiums**").
116. Every time a Mortgaged Condominium is sold by Churchill or Inverness, the net sales proceeds are remitted to Romspen in reduction of Churchill's or Inverness' outstanding indebtedness.
117. According to the Romspen Motion, Romspen made a secured loan in an amount of \$10.5 million on or about December 8, 2009 (the "**Churchill Loan**"). The Churchill Loan carries interest at a rate of 9.75% per annum, calculated and compounded monthly.
118. The Romspen Motion alleges that the amount owed by Churchill to Romspen under the Churchill Loan is \$7,010,006 as of November 16, 2011. The indebtedness of Churchill towards Romspen was further reduced by \$531,531 since November 16, 2011 as Churchill sold one Churchill Project



condominium during the period from November 20, 2011 to December 24, 2011 and remitted to Romspen the net proceeds of said sale (as indicated in Appendix D).

119. According to the Romspen Motion, Romspen made a secured loan in an amount of \$8.9 million on or about December 8, 2009 (the “**Inverness Loan**” and, collectively with the Churchill Loan, the “**Romspen Loans**”). The Inverness Loan carries interest at a rate of 12.50% per annum, calculated and compounded monthly.
120. The Romspen Motion alleges that the balance owed by Inverness to Romspen under the Inverness Loan is \$2,606,696 as of November 16, 2011. The indebtedness of Inverness towards Romspen was further reduced by \$573,581 since November 16, 2011 as Inverness sold three Inverness Project condominiums during the period from November 20, 2011 to December 24, 2011 and remitted to Romspen the net proceeds of said sales (as indicated in Appendix D).
121. As stated in the Romspen Motion, the appraised fair market and forced sale values of the Mortgaged Condominiums substantially exceed the amounts owed by Churchill and Inverness. The Debtors agree with this assertion.
122. Since the Romspen Loans were made, Romspen has received the net sales proceeds of each sale of a Mortgaged Condominium has occurred, which has resulted in the aggregate reduction of amounts owed under the Romspen Loans by approximately \$10.9 million (including the net sale proceeds remitted since November 16, 2011) in a period of approximately two years despite high carrying interest rates. The risk of a shortfall for Romspen is thus limited, especially in light of the fact that the Mortgaged Condominiums have been sold at a constant rate over at least the past year and in light of the ongoing discussions relating to the Bulk Purchase Proposal.
123. On December 22, 2011, the Debtors’ counsel and Romspen’s representative and counsel, as well as the Monitor and its counsel, participated in a conference call in order to present the Debtors’ views and plans with respect to the Mortgaged Condominiums and to see whether an agreement could be reached to avoid a hearing on the Romspen Motion.
124. Romspen’s conditions to suspend or withdraw the Romspen Motion included that the Debtors (i) pay the ongoing instalments under the Romspen Loans, in capital and interest, when due (or alternatively to pay “occupation rent”), (ii) pay any renewal fees which may become payable under the Romspen Loans, (iii) pay when due all taxes relating to the Mortgaged Condominiums, and (iv) pay when due all condominium fees relating to the Mortgaged Condominiums (which fees are currently being paid by the Debtors as mentioned above).
125. Also on December 22, 2011, the Debtors’ counsel, with the approval of the Monitor, advised Romspen’s counsel that these conditions were not acceptable to the Debtors and that a hearing on the Romspen Motion would thus be necessary.
126. In the context where (i) Romspen’s own evaluations confirm that there is substantial equity in the Mortgaged Condominiums which will allow, in all likelihood, the full reimbursement of the Romspen Loans and surpluses for the benefit of the Debtors’ creditors, and (ii) the Mortgaged Condominiums are being sold at a constant pace during the last year and thus that the amounts owed to Romspen under the Romspen Loans are constantly reduced, the Monitor considers that the Romspen Motion is premature and the conclusions sought therein would be to the detriment of the Debtors’ creditors.

### **COMINAR'S BID FOR CANMARC REIT UNITS**

127. On November 28, 2011, Cominar Real Estate Investment Trust ("**Cominar REIT**") launched an unsolicited bid (the "**Cominar Bid**") to acquire all of the issued and outstanding units of Canmarc Real Estate Investment Trust ("**Canmarc REIT**") for a per unit consideration of \$15.30 in cash or 0.7 unit of Cominar REIT.
128. HII owns indirectly 8,813,866 units of Canmarc REIT.
129. On December 6, 2011, Canmarc REIT announced that it had adopted a new unitholder rights plan in addition to Canmarc REIT's existing rights plan dated May 25, 2010. This new rights plan effectively prevents Cominar from accumulating more units.
130. On December 13, 2011, Canmarc REIT announced that its board of trustees unanimously recommended the rejection of the Cominar Bid and that unitholders should not tender their units.
131. The Cominar Bid expires at 5:00 p.m. (Toronto time) on January 12, 2012.
132. HII, along with the Monitor, continues to assess its options with respect to the Cominar Bid.
133. HII, with the approval of the Monitor, shall be retaining a financial advisor to advise it in connection with its investment in Canmarc REIT.
134. On January 5, 2012, Canmarc REIT, announced that the Bureau de décision et de révision (Québec) will hold a hearing on January 19, 2012 in response to an application made by Cominar for an order to cease trade Canmarc REIT's unitholder rights plans.

### **KERP**

135. As elaborated at paragraphs 72 to 75 of the Fourth Report, the KERP Payments were to be processed based on amended documents that provide a breakdown of the total aggregate amount which could eventually be paid under the KERP.
136. On December 8, 2011, following the representations of the parties and the absence of any objection, the Court substituted Exhibit P-16 filed under seal in support of the Motion for an Initial Order with the KERP documents which should originally have been filed as Exhibit P-16.
137. The amounts provided by the KERP are, for the most part, funded by amounts already deposited in the Monitor's trust account. The table below illustrates the aggregate amounts of KERP Payments, the funding of same and the actual disbursements that have been made by the Monitor in relation to the KERP:

KERP - Deloitte Trust account	
Aggregate approved KERP amounts	1,993,750
Deposit in Deloitte trust account	1,987,750
Payment - distribution #1	182,500
Payment - adjustments following approval by the Court of amended documents	46,000
Ending balance - Deloitte trust account	1,759,250

Note: The difference on aggregate approved KERP and Deposit in trust account, of \$6,000 should be covered by the interest generated on amounts held.

#### IV- DEVELOPMENTS WITH THE AFM SINCE THE FOURTH REPORT

138. As mentioned in the Fourth Report, the Monitor was informed that by a decision (the “**Revocation Decision**”) of November 23, 2011, the Netherlands Authority for the Financial Markets (the “**AFM**”) has revoked HII’s license.
139. The Monitor understands that HII filed an objection against the Revocation Decision (“**HII’s Objection to the Revocation Decision**”) on January 4, 2012, and the Monitor supports this process in order to leave all of HII’s restructuring alternatives open, the whole in the best interests of HII’s stakeholders. The Monitor has also submitted on January 4, 2012 its own Objection on the Revocation Decision (“**Monitor’s Objection to the Revocation Decision**”), albeit that the Monitor may (again) not be granted standing by the AFM as an “interested party” before a decision by a court has been made on the Monitor’s standing under Dutch law. For these reasons, the Monitor has filed a formal objection requesting the opportunity to further complete its objection with all relevant arguments, after the AFM has decided to grant standing to the Monitor to the Revocation Decision.
140. Prior to the Monitor’s Objection to the Revocation Decision and in addition to the statement of objection against the decision of the AFM not to grant standing to the Monitor in intervening the Revocation Decision (the “**Intervention Opinion**”) (as further described in paragraphs 80 to 85 of the Fourth Report), the Monitor sent a letter to the AFM on November 30, 2011 indicating that the Revocation Decision does not include an assessment of the position of the Monitor, contrary to the statement made by the AFM on October 5, 2011. The Monitor further indicated that the formal position of the AFM not to grant the Monitor its own standing, independent from HII, seems contrary to the AFM’s demands made through their Canadian counsel to resolve the Control Issues. In this letter, the Monitor further asked the AFM to decide on its statement of objection to the Intervention Opinion with regard to filing a separate Monitor’s Objection to the Revocation Decision as soon as possible, in any case before the deadline for the filing of an objection against the Revocation Decision.
141. On this latter issue, the AFM sent a letter to the Monitor dated December 15, 2011, in which the AFM rejected the Monitor’s objection against the Intervention Opinion. In the Intervention Opinion, the AFM held that the Monitor is not an “interested party” as required under Dutch law because, essentially, the Monitor does not have an independent and direct interest (independent from the interests of HII and its stakeholders) in respect of a revocation of HII’s license and therefore has no legal standing in respect of decisions concerning that license. In its letter of December 15, 2011, the AFM rejected the Monitor’s objection to the Intervention Opinion on the basis of formal and technical arguments without addressing the merits of the Monitor’s objection, stating that the Intervention Opinion was not an appealable decision.

142. To safeguard the possibility to address the issue of standing of the Monitor in the procedure regarding the Revocation Decision, the Monitor also intends to appeal the Intervention Opinion before the appropriate administrative court in the Netherlands, as it believes it should have standing with respect to the Revocation Decision.

#### V- THE DEBTORS' CASH FLOWS SINCE NOVEMBER 20, 2011

143. The purpose of this section is as follows:
- i. Provide budget-to-actual highlights by Petitioner for the period from November 20, 2011 to December 24, 2011; and
  - ii. Provide commentary on the variances by Petitioner.

#### Overview

144. The following table provides an overview of the allocated opening balances, the ending allocated closing balances, and the variations by Petitioner for the period from November 20, 2011 to December 24, 2011.

Cash variation for the period of November 20, 2011 to December 24, 2011 (\$C000)					
Petitioner	Opening cash balance	Total variation in cash balance	Closing cash balance	Funding by HII	Adjusted closing cash balance
Homburg Invest Inc.	13,018.6	(1,192.8)	11,825.8	(90.2)	11,735.6
Homburg Shareco inc.	413.4	394.5	807.9	-	807.9
Churchill Estate Development Ltd.	(59.4)	16.5	(42.9)	42.9	-
Inverness Estate Development Ltd.	(33.3)	(14.0)	(47.3)	47.3	-
CP Development Ltd.	(905.4)	960.9	55.5	-	55.5

145. For the budget-to-actual cash flow forecast analysis of HII, Shareco, Churchill, Inverness, and CP for the period from November 20, 2011 to December 24, 2011, and commentary in respect of the analysis performed, please refer to Appendix D.
146. 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

147. Total cash inflows for HII were \$4.38 million for the period noted, while total cash outflows were \$5.573 million, which resulted in a negative net cash variation of \$1.193 million compared to a budgeted negative net cash variation of \$2.408 million.
148. The following significant transactions, excluding the normal receipts and disbursements arising from operations, have occurred subsequent to the last day of the budget to actual analysis, such between December 25, 2011 and January 4, 2011:

- i. Disbursements of \$1,869,400 for various professional fees.

### Shareco

149. As noted in the Second Report, this entity does not have any assets, except for an intercompany receivable, and its liabilities consist of four series of asset-backed mortgage bonds. The interest and principal payments are stayed pursuant to the Initial Order. There have been no receipts and disbursements pertaining to Shareco, except for cash transfers that have been made between the bank accounts of HII and Shareco, as Management occasionally uses the Shareco account as a holding account for HII's European transactions. As expected, there were no other cash inflows or outflows for Shareco for the period from November 20, 2011 and December 24, 2011.
150. For the period noted, total cash inflows for Shareco were \$675,000 and total cash outflows were \$281,000, which resulted in a positive net cash variation of \$395,000 compared to a budgeted net cash variation of nil.

### Churchill

151. For the period noted, total cash inflows for Churchill were \$53,000 and total cash outflows were \$36,000, which resulted in a positive net cash variation of \$17,000 compared to a budgeted negative net cash variation of \$100.

### Inverness

152. For the period noted, total cash inflows for Inverness were nil, and total cash outflows were \$14,000, which resulted in a negative net cash variation of \$14,000 compared to a budgeted negative net cash variation of \$7,000.

### CP

153. For the period noted, total cash inflows for CP were \$1.325 million and total cash outflows were \$364,000, which resulted in a positive net cash variation of \$961,000 compared to a budgeted positive net cash variation of \$212,000.

## **VI- ACTIVITIES OF THE MONITOR**

### Cash flow monitoring

154. The Monitor, on a weekly basis, continues to review the Debtors' cash flows submitted with the Fourth Report issued on December 2, 2011. A budget-to-actual cash flow forecast analysis of HII, Shareco, Churchill, Inverness and CP for the period from November 20, 2011 to December 24, 2011 has been prepared, together with commentary on possible cash variances, and is presented in Appendix D.
155. As part of this process, the Monitor, on a daily basis, also analyses cash inflows and cash outflows from all the HII Group's bank accounts.
156. In accordance with the Initial Order, any disbursements for services rendered to the HII Group prior or subsequent to the date of the Initial Order were presented to, and approved by, the Monitor.

Cash flows for HII-related entities who are not HII Parties being part of the CCAA proceedings

157. Budgets on an entity by entity basis have been prepared by the management of HII. As indicated in the Fourth Report, the Monitor validated these budgets with the appropriate supporting documentation.
158. On a monthly basis, a budget-to-actual cash flow forecast analysis of HII-related entities other than the HII Parties has been prepared. The objective of this analysis is to monitor the cash flows which transact through these entities.
159. On December 9, 2011, a supplemental report prepared by the Monitor, namely Appendix H referred to in paragraphs 142 to 145 of the Fourth report, was filed with the Court and served to the Service List. This report summarized the monthly cash flow variances for September 2011 and October 2011 for these entities. The Monitor is expecting to circulate an updated supplemental report including variances for November 2011 and December 2011 in its report scheduled to be filed in mid-February 2012.
160. In accordance with the Initial Order, the Monitor assisted Management during its analysis of the disbursements to be made pertaining to the HII-related entities other than the HII Parties. As of the date of this Fifth Report, any questionable disbursements were presented to the Monitor.

Notifying and reporting duties performed by the Monitor

161. Within five (5) business days from their receipt, the Monitor has made available on its website all public information and documentation related to the HII Parties' restructuring process.
162. In mid-December 2011, HII, the Monitor and the Trustees recorded a webcast directed at the Bondholders. During this webcast, the participants reviewed and responded to the questions raised by the Bondholders through the website. The webcast was released on December 17, 2011. The webcast was designed to provide the Dutch Bondholders with information about the CCAA process.

Documentation relating to assets

163. The Monitor is assisting HII in gathering the relevant documentation and analysing the financial situation of each entity and each property included in the global corporate structure of HII. The gathering and analysis of said documentation has permitted the preparation of the Fact Sheets (as defined hereunder), which will constitute a very useful decision-making tool in the context of the CCAA restructuring process.

Active participation in the resolution of the Control Issues

164. As indicated in the Fourth Report and above, the Monitor has been actively involved and has assisted HII in its negotiations of both the Purchase Agreement and the Settlement Agreement.
165. Also, as described above, the Monitor has been actively involved in the due diligence process that constitute a condition precedent to the closing of the transactions contemplated by the Purchase Agreement.

Communications with certain creditors or claimants

166. The Monitor and its counsel have had communications from time to time with several creditors, or at least claimants, of HII in order to advise of the effect of the stay of proceedings on their respective claims.
167. Also, at the end of November 2011 and beginning of December 2011, three suppliers of the Holman Grand Hotel (of which HII is the operator and manager as described in paragraph 63 of the Fourth Report) instituted actions relating to alleged claims against HII of respective amounts of \$23,520.55, \$27,354.60 and \$67,201.63 (the “**Holman Grand Actions**”).
168. The Holman Grand Actions are also directed at Dyne Holdings Limited (“**Dyne**”), an affiliate of the Canmarc REIT and the owner of the underlying land on which the Holman Grand Hotel is built based on the information retrieved, and follow the registration of liens under the *Mechanics’ Lien Act* (Prince Edward Island) against the estate of Dyne and of HII regarding the land where the Holman Grand Hotel is located, which registrations were made following the Initial Order and despite the Stay.
169. On December 12 and December 23, 2011, following the institution of the Holman Grand Actions, the Monitor filed in the court records of the Supreme Court of Prince Edward Island notices of the Stay and served same to the parties to the Holman Grand Actions.
170. The plaintiffs to the Holman Grand Actions, although being three different parties, are all represented by the same counsel.

Virtual Data Room

171. In mid-December 2011, the Monitor, in collaboration with HII, completed the structure of a virtual data room (“**Data Room**”) and posted all of the available relevant and appropriate information in said Data Room.
172. The Data Room includes financial statements, appraisals and a summary fact sheet prepared by the Monitor for each entity in the HII corporate structure which directly or indirectly owns property (being 66 entities in total) (the “**Fact Sheets**”). The Fact Sheets summarize information provided by HII concerning the relevant entity, including, but not limited to, (i) certain corporate information such as the identity of the entity’s unitholders or shareholders and, if a limited partnership, the date and parties to the limited partnership agreement, (ii) a general description of the assets held by the entity, (iii) certain financial information such as the entity’s book value and the amount of its indebtedness, (iv) certain terms of any loan agreements to which the entity is party and any related security granted, and (v) whether the entity acts as a guarantor of the indebtedness of another entity in the HII corporate structure or benefits from a guarantee of another entity in the HII corporate structure. The Fact Sheets are in draft form and subject to ongoing review of documentation that HII is in the process of providing in response to follow-up questions arising from the Monitor’s due diligence investigation.
173. On December 18, 2011, the Monitor circulated to the representatives of two creditor groups who made a request to have access to the Data Room, namely the Trustees and two funds acting as managers and being holders of the Taberna Notes, draft confidentiality agreements (the “**Confidentiality Agreements**”) to be executed in order to be granted access to the Data Room. On

or around December 23, 2011, after exchanges of comments on the draft Confidentiality Agreements and discussions between the parties, the parties have agreed to the terms and conditions of the Confidentiality Agreements and the Monitor's counsel then circulated to creditor groups execution versions of the Confidentiality Agreements.

174. On January 3, 2012, the Monitor received an executed copy of a Confidentiality Agreement from the Trustees and the latter were given access to the Data Room.
175. Also on January 3, 2012, the Monitor received an executed copy of a Confidentiality Agreement from Fortress Investment Group LLC, as one of the managers and a holder of the Taberna Notes, and the latter was given access to the Data Room.

#### **VII- CONCLUSION AND RECOMMENDATION**

176. It is the Monitor's view that, for the reasons elaborated in Section III of this Fifth Report, and more particularly at paragraphs 85 and 86 thereof, the Purchase Agreement should be approved and the Approval Motion should be granted by the Court.
177. It is the Monitor's view that HII has acted in accordance with the Initial Order and related Orders of the Court.
178. Based on our discussions with HII's representatives, it is the Monitor's opinion that HII has acted and continues to act in good faith and with due diligence.

The Monitor respectfully submits this Fifth Report to the Court.

DATED AT MONTREAL, this 10<sup>th</sup> day of January 2012.



Pierre Laporte, CA, CIRP  
President

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



# APPENDICES

## **APPENDIX A**

### **THE ENTITIES Mis en Cause**

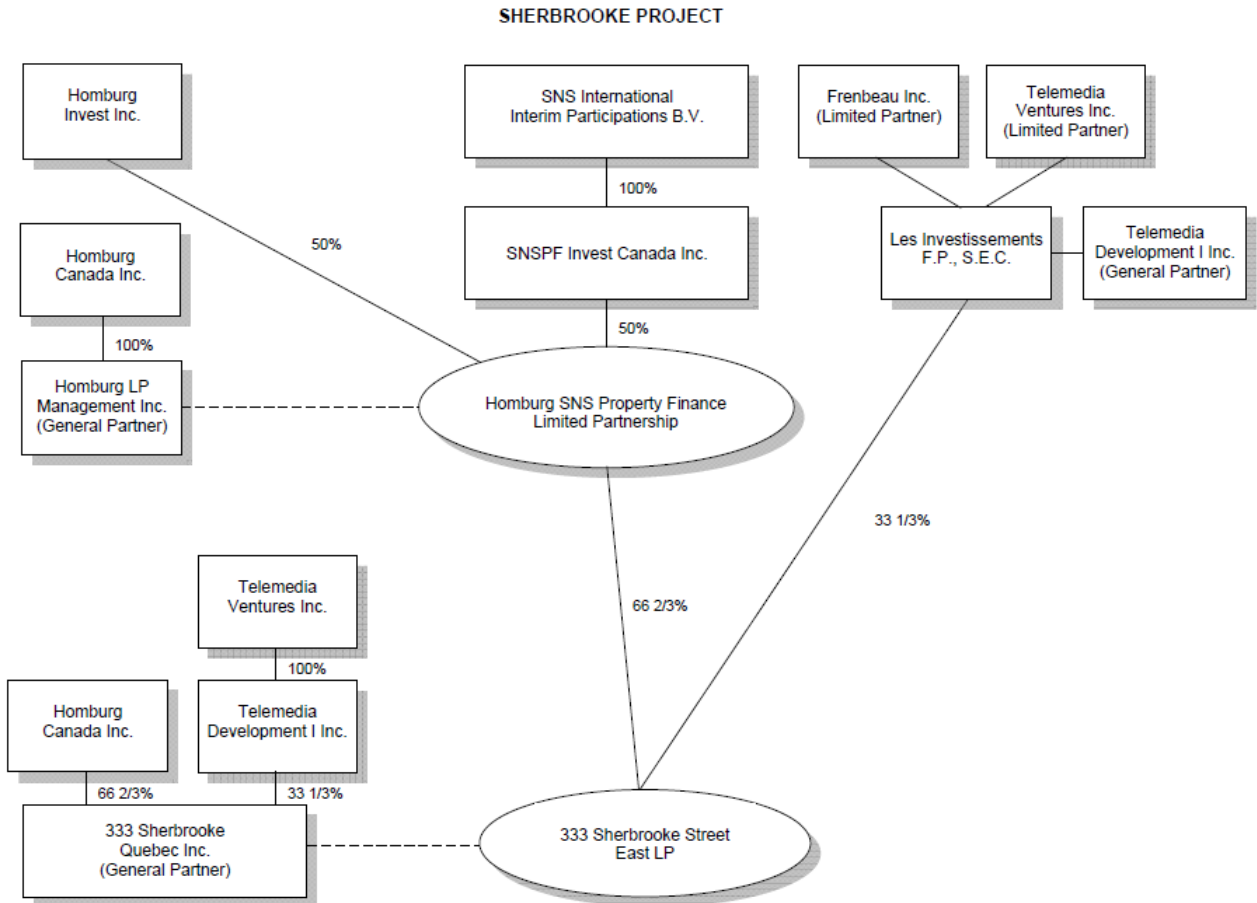
HOMCO REALTY FUND (52) LIMITED PARTNERSHIP  
HOMCO REALTY FUND (88) LIMITED PARTNERSHIP  
HOMCO REALTY FUND (89) LIMITED PARTNERSHIP  
HOMCO REALTY FUND (92) LIMITED PARTNERSHIP  
HOMCO REALTY FUND (94) LIMITED PARTNERSHIP  
HOMCO REALTY FUND (105) LIMITED PARTNERSHIP  
HOMCO REALTY FUND (121) LIMITED PARTNERSHIP  
HOMCO REALTY FUND (122) LIMITED PARTNERSHIP  
HOMCO REALTY FUND (142) LIMITED PARTNERSHIP  
HOMCO REALTY FUND (199) LIMITED PARTNERSHIP

## Appendix B

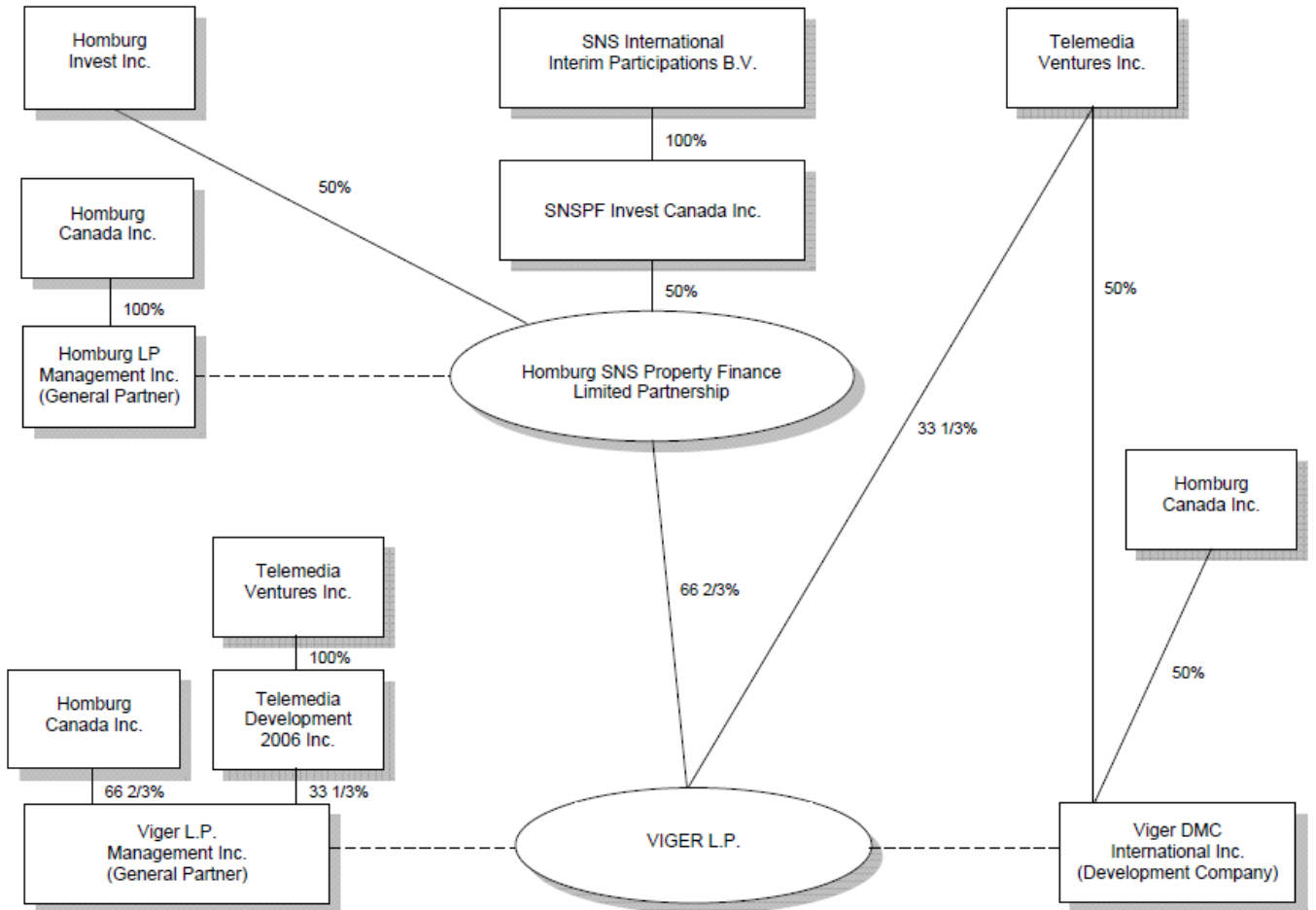
### Homburg Invest Inc Consolidated statement of cash flows Detail of non-cash items and others

HII and its affiliates Detail of Consolidated Statements of Cash flows (C\$000)	Three Months ended September 30, 2011 Unaudited	Three Months ended September 30, 2010 Unaudited
<b><u>Items not affecting cash</u></b>		
Fair market value changes on:		
Investment properties	5,487	(13,512)
Development properties	(4,064)	40
Change in provisions	(811)	(2,816)
Loss in derivative instruments	7,116	3,296
Distribution income from associate	2,569	4,477
Amortization of financing fees	13,644	1,294
Loss (gain) from associate	17,862	(1,518)
Deferred rental loss	67	-
Deferred income taxes	(974)	(8,514)
Stock based compensation	5	27
Fair value change in financial assets	(13,737)	39
Accelerated accretion of HCSA	37,002	-
Foreign exchange (gain) loss	1,583	10,559
	65,749	(6,628)
<b><u>Change in non-cash working capital and other</u></b>		
Receivables and other	2,281	2,295
Construction properties for resale	7,494	(4,073)
Accounts payable and other liabilities	14,162	1,112
	23,937	(666)
<b><u>Net cash (used in) from investing activities</u></b>		
Investment in investment properties	(1,390)	(376)
Decrease unrestricted cash	1,244	5,874
Proceeds of sale of development properties	4,000	-
Proceeds of sale of investments	33,120	-
Investment in development properties	(10,536)	(7,853)
Discounted operations	(96)	-
	26,342	(2,355)
<b><u>Net cash (used in) from financing activities</u></b>		
Increase (decrease) in demand loans	(2,701)	17,585
Increase (decrease) in mortgages payable	(5,061)	4,331
Decrease in related party receivable	144	8,652
Increase in deferred financing charges		598
Repurchase of common shares		(172)
Increase (decrease) in construction fin.	(299)	150
Discontinued operations	(691)	
	(8,608)	31,144

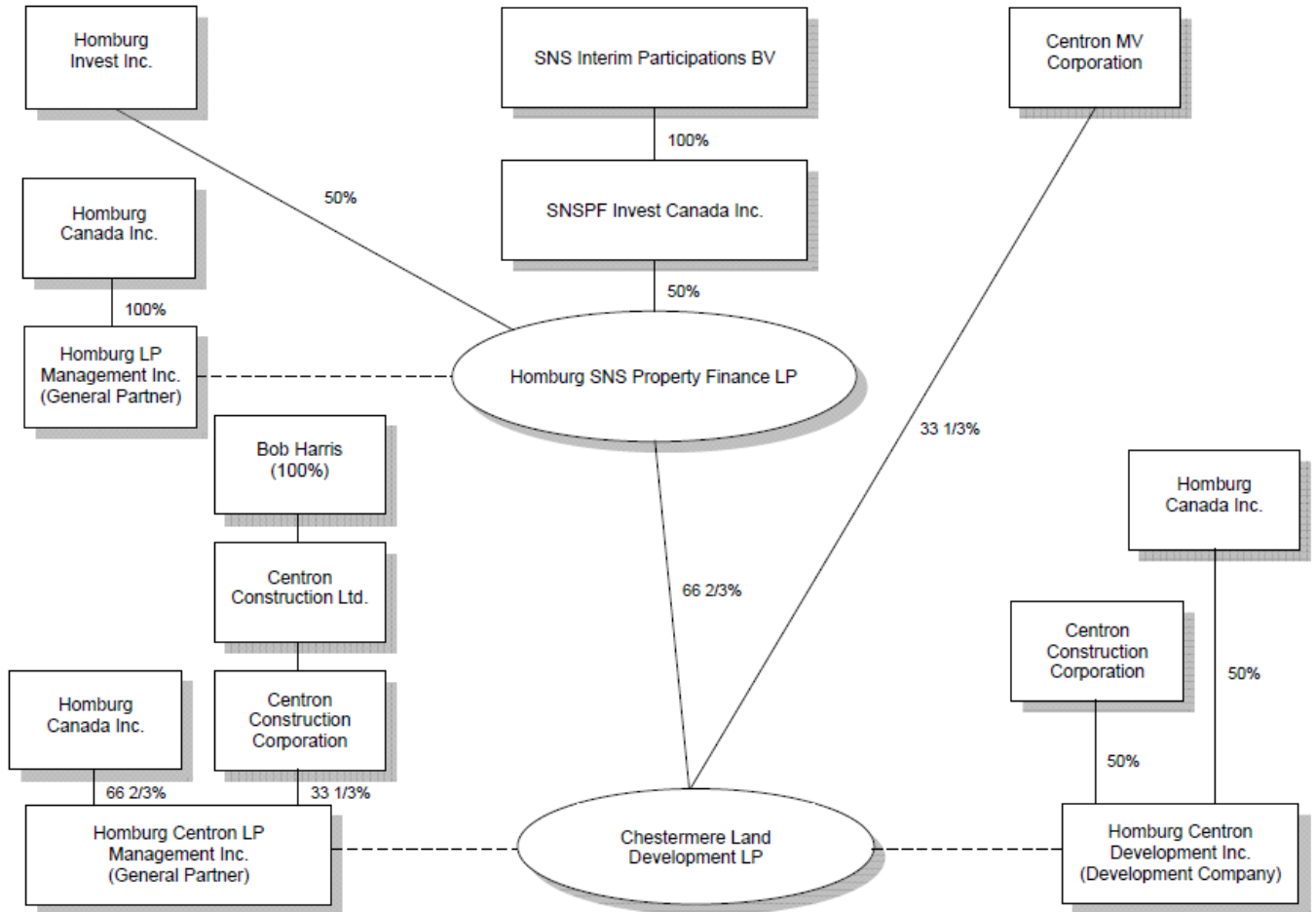
# APPENDIX C



VIGER PROJECT



**CHESTERMERE PROJECT**



## APPENDIX D

### HII

The following is the budget to actual cash flow analysis for HII for the period of November 20, 2011 to December 24, 2011 (the "Period"):

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

	For the five-week period of November 20, 2011 to December 24, 2011		
	Actual	Budget	Variance
<b>Cash Inflows</b>			
REIT distributions	522.2	698.0	(175.8)
REIT unit sale proceeds	3,500.0	-	3,500.0
Jamieson sublease receipts	(32.4)	-	(32.4)
GST/HST received	-	-	-
Intercompany receipts (Petitionners and Mis-en-cause)	280.5	-	280.5
Other receipts	10.0	-	10.0
	<u>4,280.3</u>	<u>698.0</u>	<u>3,582.3</u>
<b>Hotel related receipts</b>			
Hotel revenue	99.9	138.7	(38.8)
Hotel construction draw	-	-	-
<b>Total cash inflows</b>	<u>4,380.2</u>	<u>836.7</u>	<u>3,543.5</u>
<b>Cash outflows</b>			
Commissions	-	-	-
Payroll	270.6	157.5	(113.1)
Rent expense	36.2	20.0	(16.2)
Professional fees	3,526.4	2,400.0	(1,126.4)
Insurance	37.0	18.0	(19.0)
Office & admin	143.6	75.0	(68.6)
Director fees	304.2	175.0	(129.2)
KERP	-	-	-
Capital tax	-	-	-
Jamieson obligation	-	-	-
Canoxy obligation	-	-	-
PEI obligation	87.8	81.2	(6.6)
Montreal obligation	70.7	70.7	-
CP obligation	85.7	81.0	(4.7)
Corporate bond principal repayment	-	-	-
Corporate bond interest payment	-	-	-
Junior subordinate debt principal repayment	-	-	-
Junior subordinate debt interest payment	-	-	-
HCSA interest payment	-	-	-
GST/HST paid	-	-	-
Intercompany disbursements (Petitionners and Mis-en-cause)	675.0	-	(675.0)
	<u>5,237.2</u>	<u>3,078.4</u>	<u>(2,158.8)</u>
<b>Hotel disbursements</b>			
Payroll	64.3	51.7	(12.6)
Management fee	-	-	-
Property and other taxes	43.8	46.7	2.9
Insurance	-	17.5	17.5
General operating expenses	101.2	50.0	(51.2)
Construction costs and held cheques	126.5	-	(126.5)
Mortgage principal & interest	-	-	-
Total hotel disbursements	<u>335.8</u>	<u>165.9</u>	<u>(169.9)</u>
<b>Total cash outflows</b>	<u>5,573.0</u>	<u>3,244.3</u>	<u>(2,328.7)</u>
<b>Opening cash balance</b>	<u>13,018.6</u>	<u>13,018.6</u>	<u>-</u>
Variation in cash balance	(1,192.8)	(2,407.6)	1,214.8
Exchange rate (Gain / Loss)	-	-	-
<b>Ending cash balance</b>	<u>11,825.8</u>	<u>10,611.0</u>	<u>1,214.8</u>
<b>Funding by HII</b>	<u>(90.2)</u>	<u>(99.4)</u>	<u>9.2</u>
<b>Adjusted ending cash balance</b>	<u>11,735.6</u>	<u>10,511.6</u>	<u>1,224.0</u>

### HII budget to actual commentary

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

#### Ending cash balance

- In addition to the ending cash balance presented in the above table, please note that an amount of \$1,794.2K is in the Monitor's trust account as at January 2, 2012.

#### Inflows

- Cash inflows from REIT distributions were below the budgeted amount by \$175.8K creating an unfavorable variance. The unfavorable variance was due to timing.
- The receipt of REIT unit sale proceeds generated a favorable variance of \$3,500K, which was due to timing. The timing related variance stems from funds held in a trust account at Osler, which were budgeted to be received in October, but were actually received in November.
- A favorable variance of \$280.5K (€204.6 at 1.3710) was the result of intercompany transfers from the ShareCo European account to HII. As previously mentioned in the Fourth Monitor's Report, Management occasionally uses the ShareCo European account as a holding account for various HII European transactions.
- Other receipts experienced a favorable variance of \$10.0K. The favorable variance is mainly interest earned on the main HII Canadian bank account.
- Hotel revenue experienced an unfavorable variance of \$38.8K. The unfavorable variance of \$38.8K was due to lower than expected sales during the Period.

#### Outflows

- Payroll expenses experienced an unfavorable variance of \$113.1K. The variance of \$113.1K is related to Management funding the ADP payroll account earlier than budgeted for the payroll scheduled to run over the holiday period.
- An unfavorable variance of \$1,126.4K for professional fees was incurred during the Period as a result of the CCAA filing. As previously communicated, additional professional fees in excess of the budgeted amount continue to be incurred as a result of the Company's and Monitor's legal counsel, and professionals spending significant amounts of time on numerous material issues. Essentially, additional time and resources have been incurred with respect to the procedures surrounding the discussions and the due diligence of the HCI/HII deal.
- Office and administrative expenses experienced an unfavorable variance of \$68.6K. The variance of \$68.6K is chiefly related to server maintenance costs of \$38K. The remaining variance is essentially due to the fact that HCI previously administered and paid a significant amount of the office and administrative expenses on HII's behalf. The budgeted numbers were understated due to limited historical financial information available.
- Director's fees experienced an unfavorable variance of \$129.2K. This unfavorable variance is due to timing as fees were disbursed sooner than previously budgeted.



- An intercompany disbursement of \$675.0K, which was not in Management's budget, was incurred during the period resulting in an unfavorable variance of \$675.0K. The disbursement was a transfer of €500.0K (CAD 1.3499) to the ShareCo European account, which Management occasionally uses as a holding account for various HII European transactions.
- Payroll for the Hotel experienced an unfavorable variance of \$12.6K which was the result of Management prefunding the ADP payroll account prior to the holiday period.
- Insurance for the Hotel experienced a favorable variance of \$17.5K which was due to timing. This variance is expected to reverse when the actual payment is made in a future period.
- General operating expenses at the Hotel had an unfavorable variance of \$51.2K during the period. This unfavorable variance was due to the payment of certain necessary expenditures at the hotel as requested by Management and approved by the Monitor.
- Construction costs and cheques held at the Hotel had an unfavorable variance of \$126.5K as a result of construction work approved by Management and the Monitor subsequent to the CCAA filing. The revised Hotel budget for the Fourth Monitor's Report did not include the required additional construction work to complete the Hotel, therefore, resulting in the unfavorable variance. Management and the Monitor are currently reviewing the expected future construction costs related to the Hotel and will amend future cashflow forecasts if warranted.

## ShareCo Inc.

The following is the budget to actual cash flow analysis for ShareCo for the period November 20, 2011 to December 24, 2011:

	Homburg ShareCo Inc. Budget to Actual Cash Flow Unaudited - Based on discussions with the company's Management (C\$000)		
	For the five-week period of November 20 to December 24, 2011		
	Actual	Budget	Variance
<b>Cash Inflows</b>			
Mortgage bond issuance	-	-	-
Intercompany transfers (Petionners)	675.0	-	675.0
<b>Total cash inflows</b>	<b>675.0</b>	<b>-</b>	<b>675.0</b>
<b>Cash Outflows</b>			
Interest payments - mortgage bonds	-	-	-
Repayment of Bonds	-	-	-
Intercompany transfers (Petionners)	280.5	-	(280.5)
<b>Total cash outflows</b>	<b>280.5</b>	<b>-</b>	<b>(280.5)</b>
<b>Opening cash balance</b>	<b>413.4</b>	<b>413.4</b>	<b>-</b>
Variation in cash balance	394.5	-	394.5
Exchange rate (Gain / Loss)	-	-	-
<b>Ending cash balance</b>	<b>807.9</b>	<b>413.4</b>	<b>394.5</b>

### ShareCo Inc. budget to actual commentary

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

#### Inflows

- An intercompany receipt of \$675.0K was experienced during the period, which was not included in Management's budget, resulting in a favorable variance of \$675.0K. The receipt was a transfer of €500.0K (CAD 1.3499) from HII to the ShareCo European account, which Management occasionally uses as a holding account for various HII European transactions.

#### Outflows

- An unfavorable variance of \$280.5K (€204.6 at 1.3710) was the result of intercompany transfers from the ShareCo European account to HII.

## Churchill

The following is the budget to actual cash flow analysis for Churchill for the period of November 20, 2011 to December 24, 2011:

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

	For the five-week period of November 20, 2011 to December 24, 2011		
	Actual	Budget	Variance
<b>Cash Inflows</b>			
Condo Sales Proceeds	-	500.0	(500.0)
GST collected	26.8	25.0	1.8
GST ITC refund	-	4.1	(4.1)
Rent	25.7	-	25.7
<b>Total cash inflows</b>	<b>52.5</b>	<b>529.1</b>	<b>(476.6)</b>
<b>Cash Outflows</b>			
Commissions	-	25.0	25.0
Advertising	-	-	-
R&M	0.3	3.0	2.7
Property tax	6.5	6.9	0.4
Professional fees	-	1.0	1.0
Insurance	-	-	-
Mortgage principal	-	474.0	474.0
Mortgage interest	-	-	-
Office & Admin	2.6	-	(2.6)
Condo Fees	26.6	19.3	(7.3)
GST remitted	-	-	-
<b>Total cash outflows</b>	<b>36.0</b>	<b>529.2</b>	<b>493.2</b>
<b>Opening cash balance</b>	<b>(59.4)</b>	<b>(59.4)</b>	<b>-</b>
Variation in cash balance	16.5	(0.1)	16.6
Exchange rate (Gain / Loss)	-	-	-
<b>Ending cash balance</b>	<b>(42.9)</b>	<b>(59.5)</b>	<b>16.6</b>
<b>Funding from HII</b>	<b>42.9</b>	<b>59.5</b>	<b>(16.6)</b>
<b>Funded ending cash balance</b>	<b>-</b>	<b>-</b>	<b>-</b>

### Churchill budget to actual commentary

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

#### Inflows

- During the Period, one unit was sold; however, no proceeds of the sale were received as the gross sales proceeds from the Churchill units, which have been financed, are reduced by the sales related expenses and the net balance is applied to the outstanding loan obligation. Once the loan obligation related to the project is retired, all remaining net proceeds from sales will flow to Churchill directly.
- Management's decision to rent a vacant unit in Churchill resulted in a favorable Rent revenue variance of \$25.7K. Management did not originally expect to rent vacant units, thus the budgeted amounts will not reflect rental revenue, which creates a permanent favorable variance. For the Period, the favorable variance consist of a security deposit of \$5.5K, prorated revenue for the first month (September) of \$3.7K and rent for October to December of \$5.5K monthly.

- The following table displays the amounts that have been remitted to the mortgage lender since September 9, 2011:

Churchill Estates Development Ltd. Post-filing Condo Sales (\$C000)							
Sale	Cash closing date	Sale price (1)	GST	Deposit (2)	Other expenses (condo fees, legal fees) (3)	Proceeds received in trust account on sale	Amount remitted to mortgage lender (4) (1)-(2)-(3)=(4)
1	20-Sep-11	814.3	40.7	(25.0)	(23.2)	806.8	766.0
2	TBD (Note 1)	525.5	-	(84.3)	(6.7)	434.5	-
3	24-Nov-11	535.0	26.8	(50.0)	14.5	526.2	499.5
<b>Total</b>		<b>1,874.8</b>	<b>67.5</b>	<b>(159.3)</b>	<b>(15.5)</b>	<b>1,767.5</b>	<b>1,265.5</b>

Note 1 - As previously discussed in the Fourth Monitor's Report, the cash closing of this sale is delayed until certain GST issues are resolved. No mortgage debt is associated with the unit as such no payments will be remitted to the secured lender with respect to this sale.

## Outflows

- As stated above, the receipts from the sales proceeds of a Churchill condo unit sold during the Period was financed. This resulted in the net sales proceeds being remitted to the lender.
- In the event of a sale, the gross sales proceeds from the Churchill units, which have been financed, are reduced by the sales related expenses and the net balance is applied to the outstanding loan obligation. Once the loan obligation related to the project is retired, Churchill will incur the related sales expenses and the net proceeds will flow to Churchill directly, consequently favorable mortgage, commission and professional fee variances were experienced on a budget to actual basis.
- Condo fees experience an unfavorable variance of \$7.3K. The unfavorable variance is due to payments made for prefilling condo fees which were made in order to protect the value of the asset and to ease the sales process of units in inventory.

## Inverness

The following is the budget to actual cash flow analysis for Inverness for the period November 20, 2011 to December 24, 2011:

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

	For the five-week period of November 20, 2011 to December 24, 2011		
	Actual	Budget	Variance
<b>Cash inflows</b>			
Condo sales proceeds	-	200.0	(200.0)
GST collected	-	10.0	(10.0)
GST ITC refund	-	-	-
<b>Total cash inflows</b>	<b>-</b>	<b>210.0</b>	<b>(210.0)</b>
<b>Cash outflows</b>			
Commissions	-	10.0	10.0
Advertising	-	-	-
R&M	-	3.0	3.0
Property tax	-	-	-
Professional fees	-	1.0	1.0
Insurance	-	-	-
Mortgage principal	-	189.0	189.0
Mortgage interest	-	-	-
Office & admin	-	-	-
Condo fees	14.0	13.6	(0.4)
GST remitted	-	-	-
<b>Total cash outflows</b>	<b>14.0</b>	<b>216.6</b>	<b>202.6</b>
<b>Opening cash balance</b>	<b>(33.3)</b>	<b>(33.3)</b>	<b>-</b>
Variation in cash balance	(14.0)	(6.6)	(7.4)
Exchange rate (Gain / Loss)	-	-	-
<b>Ending cash balance</b>	<b>(47.3)</b>	<b>(39.9)</b>	<b>(7.4)</b>
<b>Funding from HII</b>	<b>47.3</b>	<b>39.9</b>	<b>7.4</b>
<b>Funded ending cash balance</b>	<b>-</b>	<b>-</b>	<b>-</b>

### Inverness budget to actual commentary

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

#### Inflows

- During the Period, three units were sold; however, no proceeds of the sales were received since the gross sales proceeds from the Inverness units, which are financed, are reduced by the sales related expenses and the net balance is applied to the outstanding loan obligation. Once the loan obligation related to the project is retired, all remaining net proceeds from sales will flow to Inverness directly.
- The following table displays the amounts that have been remitted to the mortgage lender since September 9, 2011:

Inverness Estates Development Ltd. Post-filing Condo Sales (\$C000)						
Sale	Cash closing date	Sale price	GST (Net of rebates)	Deposit	Other expenses (condo fees, legal fees)	Proceeds received in trust account on sale
1	11-Oct-11	157.0	5.0	(1.0)	(10.2)	150.8
2	31-Oct-11	214.3	6.9	(5.0)	(8.4)	207.7
3	3-Nov-11	187.1	6.0	(5.0)	(7.4)	180.7
4	25-Nov-11	210.3	6.7	(5.0)	(8.6)	203.4
5	1-Dec-11	161.3	5.2	(5.0)	(18.6)	142.8
6	16-Dec-11	220.0	7.0	(10.0)	(3.2)	212.9
<b>Total</b>		<b>1,149.9</b>	<b>36.8</b>	<b>(31.0)</b>	<b>(56.5)</b>	<b>1,098.3</b>

## Outflows

- As stated above, the sales proceeds from the Inverness units sold during the Period were financed. All proceeds were therefore remitted to the lender.
- In the event of a sale, the gross sales proceeds from the Inverness units, which have been financed, are reduced by the sales related expenses and the net balance is applied to the outstanding loan obligation. Once the loan obligation related to the project is retired, Inverness will incur the related sales expenses and the net proceeds will flow to Inverness directly, consequently favorable mortgage, commission and professional fee variances were experienced on a budget to actual basis.

## CP

The following is the budget to actual cash flow analysis for CP for the period November 20, 2011 to December 24, 2011:

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

	For the five-week period of November 20, 2011 to December 24, 2011		
	Actual	Budget	Variance
<b>Cash Inflows</b>			
Costs Reimbursed from Escrow	1,325.0	900.0	425.0
GST refund from previous months	-	46.5	(46.5)
Other receipts	-	-	-
<b>Total cash inflows</b>	<b>1,325.0</b>	<b>946.5</b>	<b>378.5</b>
<b>Cash Outflows</b>			
Construction Costs (1,2&3)	364.1	735.0	370.9
Construction Costs (4&5)	-	-	-
Operating expenses	-	-	-
Professional fees	-	-	-
Mortgage principal	-	-	-
Mortgage interest	-	-	-
GST paid	-	-	-
<b>Total cash outflows</b>	<b>364.1</b>	<b>735.0</b>	<b>370.9</b>
<b>Opening cash balance</b>	<b>(905.4)</b>	<b>(905.4)</b>	<b>-</b>
Variation in cash balance	<b>960.9</b>	<b>211.5</b>	<b>749.4</b>
Exchange rate (Gain / Loss)	-	-	-
<b>Ending cash balance</b>	<b>55.5</b>	<b>(693.9)</b>	<b>749.4</b>

### CP budget to actual commentary

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

#### Inflows

- All cash inflows related to CP originate with the expenses incurred by CP in previous periods. The majority of the dollars spent are to be reimbursed net of GST from the funds in escrow. Maintenance and security expenses are the primary costs that would not be reimbursed from escrow. The favorable variance on costs reimbursed from escrow is driven from the fact that the budgeted numbers have been allocated on a straight line basis and the actuals are paid as incurred.
- GST refund from previous months had an unfavorable variance of \$46.5K and is due to timing.

#### Outflows

- Construction costs for buildings 1, 2 and 3 were under budget, resulting in a favorable variance of \$370.9K when compared to the actual expenses. As noted, these construction costs are reimbursed from escrow to HII net of GST.