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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.

– and –

HOMBURG SHARECO INC.

– and –

CHURCHILL ESTATES DEVELOPMENT LTD.

– and –

INVERNESS ESTATES DEVELOPMENT LTD.

– and –

CP DEVELOPMENT LTD.

– and –

NORTH CALGARY LAND LTD.

Debtors/Petitioners

– and –

THE ENTITIES LISTED IN APPENDIX A

Mis-en-cause

– and –

SAMSON BÉLAIR/DELOITTE & TOUCHE INC.

Monitor

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

INTRODUCTION

1. On September 9, 2011, Homburg Invest Inc. (“**HII**”), Homburg ShareCo Inc. (“**ShareCo**”), Churchill Estates Development Ltd. (“**Churchill**”), Inverness Estates Development Ltd. (“**Inverness**”) and CP Development Ltd. (“**CP**”) (and later North Calgary Land Ltd. (“**NCLL**”)) (collectively, the “**Debtors**”) filed and obtained protection from their respective creditors under Sections 4, 5 and 11 of the *Companies’ Creditors Arrangement Act* (the “**CCAA**”) pursuant to an Order rendered by the Superior Court of Quebec (as amended from time to time, the “**Initial Order**”).
2. Pursuant to the Initial Order, the Stay extends to the following limited partnerships which form an integral part of the business of the Debtors: Homco Realty Fund (52) Limited Partnership (“**Homco 52**”), Homco Realty Fund (88) Limited Partnership (“**Homco 88**”), Homco Realty Fund (89) Limited Partnership (“**Homco 89**”), Homco Realty Fund (92) Limited Partnership (“**Homco 92**”), Homco Realty Fund (94) Limited Partnership (“**Homco 94**”) (following an amendment to the Initial Order on October 7, 2011), Homco Realty Fund (96) Limited Partnership (“**Homco 96**”) (following an amendment to the Initial Order on May 31, 2012), Homco Realty Fund (105) Limited Partnership (“**Homco 105**”), Homco Realty Fund (121) Limited Partnership (“**Homco 121**”), Homco Realty Fund (122) Limited Partnership (“**Homco 122**”), Homco Realty Fund (142) Limited Partnership (“**Homco 142**”) and Homco Realty Fund (199) Limited Partnership (“**Homco 199**”) (collectively, the “**Applicant Partnerships**” and, together with the Debtors, the “**HII Parties**”).
3. Samson Bélair/Deloitte & Touche Inc. was appointed as monitor (the “**Monitor**”) under the CCAA.
4. Pursuant to the Initial Order, an initial stay of proceedings (the “**Stay**”) was granted until October 7, 2011 in favor of the Debtors, which Stay has been extended from time to time by order of the Court. On September 14, 2012, the Court last extended the Stay up until October 12, 2012 (the “**Stay Period**”).
5. Since the Initial Order, the Monitor has filed reports with the Court and served same to the Service List from time to time. The Monitor filed fifteen such Monitor’s reports prior to this sixteenth Monitor’s report (the “**Sixteenth Report**”). A copy of all of the Monitor’s reports is available on the Monitor’s website at www.deloitte.com/ca/homburg-invest. The Monitor has also established a toll free number that is referenced on the Monitor’s website so that parties may contact the Monitor if they have questions with respect to the HII Parties’ restructuring under the CCAA.

PURPOSE OF THE SIXTEENTH REPORT

6. This Sixteenth Report is intended to provide an update on the progress of the HII Parties’ restructuring and related steps and confirm the support of the Monitor to the Debtors’ Seventh Motion to Extend the Stay Period. This report also addresses the additional cash funding required by HII, developments from recent meetings with the mortgage lenders, the activities of the HII Parties and the Monitor, since the Fifteenth Report, and, generally, the restructuring process.
7. This Sixteenth Report is structured as follows:
 - I- Restructuring initiatives;
 - II- HII Parties’ operations;
 - III- Debtors’ cash flows from September 2 to September 29, 2012;
 - IV- Activities of the Monitor;
 - V- Extension of the Stay Period; and
 - VI- Conclusion and recommendations.

TERMS OF REFERENCE

8. In preparing this Sixteenth Report, the Monitor has relied upon audited and unaudited financial information, the HII Parties' records, the amended motion for an Initial Order dated September 9, 2011, subsequent motions filed with the Court (collectively, the "**Debtors' Motions**") and exhibits in support of same, its discussions with management of the HII Parties ("**Management**") and the HII Parties' and the Monitor's legal advisors. While the Monitor has analyzed the information, some in draft form, submitted in the limited time available, the Monitor has not performed an audit or otherwise verified such information. Forward looking financial information included in this Sixteenth Report is based on assumptions of Management regarding future events, and actual results achieved will vary from this information and such variations may be material.
9. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars. Capitalized terms not otherwise defined in this Sixteenth Report are as defined in the previous reports of the Monitor and the Debtors' Motions.

I. RESTRUCTURING INITIATIVES

UPDATE OF THE NEGOTIATIONS AND DISCUSSIONS WITH THE MORTGAGE LENDERS

10. Over the past several months, the relevant Homcos or their subsidiaries, the property manager and the Monitor have engaged in discussions and negotiations with the mortgage lenders with a view to enhance the equity value of the real estate properties for the benefit of the HII Group's stakeholders. Discussions and negotiations are currently on-going:
 - i. ABN AMRO Bank N.V. ("**ABN**") is financing three (3) properties, all of which are considered "bad" properties since they are generating negative cash flows and have no equity based on the valuations received. An offer has been received for one (1) of these properties, and while ABN has accepted the sale price, due diligence is ongoing. The potential closing date for this transaction is currently unknown. In addition, CBRE (hired by ABN) plans to conduct a formal sale process for the other two (2) properties in early October. The Monitor will provide further updates as additional information is obtained. HII is now completing its review of the process by which these assets and liabilities of the relevant Homcos will be removed from its structure and balance sheet.
 - ii. Bank of Scotland ("**BOS**") is financing two (2) properties, both of which are considered "good" properties. BOS has requested an independent appraisal for these two (2) properties, as provided by the loan documentation, in the course of its decision process relating to a maturity extension on the loans for these two (2) properties.
 - iii. Euro Hypo AG ("**EuroHypo**") is financing two (2) properties, both of which are considered "bad" properties. The tenant of one of these properties is reviewing its options, which review should be completed by year end. For the other property, one of the tenants exercised a break option pursuant to its lease, which may require a downward rent adjustment to the lease contract. HII is now completing its review of the process by which these assets and liabilities of the relevant Homcos will likely be removed from its structure and balance sheet.
 - iv. FGH Bank N.V. ("**FGH**") is financing four (4) properties under three stand-alone loans, one being for two properties. Two (2) of the properties are considered "good" properties while the other two (2) are considered "bad" properties. The tenant of one of the "good" properties has

- made an offer to purchase the property and the sales documentation is currently being prepared. Given that this transaction involves a mis-en-cause, the sale will be subject to Court's and Monitor's approval. For two (2) of the properties, lease extensions are under negotiation. With respect to the last property, two (2) parties have indicated their interest in acquiring it. FGH has agreed to a standstill agreement for the loan relating to the "bad" properties, up and until October 31, 2012.
- v. HSH Nordbank AG ("**HSH**") is financing four (4) properties held by Coët B.V., a subsidiary of Homco 70, under a single loan. HSH has recently offered to extend the financing for these four (4) "good" properties for two (2) years, until October 28, 2014, and HII is currently reviewing the extension terms proposed by HSH. As mentioned in the previous report, HII and the Monitor initiated negotiations with the Trustee of Series 5 Bondholders with a view to agree on the terms to compromise the secured portion of their claims. An agreement was recently reached with the Trustees in this regard, which is subject to the Bondholders' approval and ultimately, the approval of the unsecured creditors and the Court in respect of the Plan.
- vi. SNS Property Finance B.V. ("**SNS**") is financing 13 properties. HII met with SNS in early October to discuss various alternative courses of action to deal with these properties. These thirteen (13) properties are now all considered "bad" properties. HII is currently preparing a formal proposal to SNS relating to rightsizing the loans for the thirteen (6) properties, in attempts to make them "good" properties and accordingly, HII has ordered independent valuations for these properties. Discussions are ongoing with SNS.
- vii. NIB Capital Bank N.V. ("**NIBC**") is financing one (1) property held by Valbonne Real Estate 2 B.V., a subsidiary of Homco 69. NIBC and HII have recently discussed different options to refinance the loan and potentially extend its maturity date, but have yet to agree on acceptable terms for both parties. HII shall seek a compromise of the secured portion of the claims of the Series 5 Bondholders, as outlined in (v) above.
- viii. Noteholders, acting through the agent Hatfield Phillips ("**Hatfield**"), are financing one (1) property. This property is currently considered as a "bad" property. HII recently met with Hatfield to discuss alternative solutions for the temporary negative cash-flow caused by the departure of a tenant, with a view to preserving value for HII.
- ix. As described in the Fourteenth Report, Falcon Private Bank Ltd ("**Falcon**") agreed to extend the maturity of the loan to Valbonne Real Estate 5 B.V., a subsidiary of Homco 110, to the end of February 2013. HII continues to seek a new refinancing of the Campeon property with a view to reimbursing the loan to Falcon.
- x. Skandinaviska Enskilda Banken AB ("**SEB**") is financing 53 properties in the Baltics (under a single loan for the 53 properties). Meetings between the Monitor, Management, representatives of the Baltic GP and SEB were recently held in Sweden and progress was made by the parties on a potential extension of the current loan and leases. HII and SEB have agreed to meet in the coming weeks. It was agreed between the parties that discussions and negotiations need to be finalized at the latest by mid-November, otherwise HII has advised it will need to take other steps regarding its portfolio in the Baltic countries. HII is currently reviewing its options in this regard.

- xi. HSBC Bank Canada (“**HSBC**”) is financing five (5) properties in Canada: “**Henderson Farms**” (Homco 121), Kai Mortensen Towers (“**Kai**”) (Homco 88), “**Cristal Towers**” (Homco 105), “**Points North**” (NCLL) and “**Centron Park**” (CP). HSBC has been kept informed on a regular basis on the sale process of selected Canadian properties which are considered by HII as non-core assets. The sale process of these assets is more fully detail in the next section of this Sixteenth Report.

THE SALE PROCESS OF SELECTED CANADIAN PROPERTIES

11. Homco 94 and the Monitor have retained CBRE Limited (“**CBRE**”) to conduct the sale process for Homburg Springs West. The list price has been set at \$13.5 million.
12. NCLL and the Monitor have retained Colliers International (“**Colliers**”) to conduct the sale process for Points North. The list price has been set at \$32 million.
13. Homco 52 and the Monitor are in the process of retaining CBRE to conduct the sale process for Homburg Springs East, setting the list price at \$14 million. Homco 52, the Monitor and CBRE are currently finalizing the listing agreement. The listing agreement will be executed conditional upon obtaining Series 4 Mortgage Bondholders’ approval to assume the carrying costs and the costs related to the sale process, which costs would, subject to the approval of the Court, be advanced by HII and secured by a prior ranking charge on the Homburg Springs East property. The listing agreement is expected to be executed shortly.
14. Homco 88 and the Monitor are in the process of retaining CBRE to conduct the sale process for Kai. The list price will be set at \$39.8 million. Homco 88, the Monitor and CBRE are currently finalizing the listing agreement, which will be executed upon obtaining the approval of HSBC and the Series 7 Mortgage Bondholders’ to assume the carrying cost and the costs related to the sale process, which costs would, subject to the approval of the Court, be advanced by HII and secured by a prior ranking charge on the Kai property. The listing agreement is expected to be executed shortly.
15. Homco 105 and the Monitor are in the process of retaining CBRE to conduct the sale process for Cristal Towers. The list price is set at \$8.5 million. Homco 105, the Monitor and CBRE are presently finalizing the listing agreement. The listing agreement is expected to be executed shortly.
16. Homco 121 and the Monitor have identified Colliers as the broker to market and sell Henderson Farms. Homco 121, the Monitor and Colliers are still in discussions regarding the list price and the marketing of the property. HSBC will continue to be kept informed of the particular challenges relating to this property and potential alternatives.
17. Centron Park is a campus-style office development which will ultimately comprise seven multi-tenant office buildings of differing sizes. CP and the Monitor are still considering all options for obtaining the highest possible value from this property. They should be in a position to conclude in the coming weeks.

18. HII is still in the process of discussing possible divestiture options for the Holman Grand Hotel (the “**Hotel**”) with Cominar REIT and the PEI Century Fund. Cominar REIT is now involved in those discussions since it ultimately controls the landlord, Dyne Holdings Limited, following the purchase of all the outstanding units of the Canmarc REIT. The parties are attempting to find alternative sources of financing in order to bridge the ongoing cash shortfall of the Hotel as HII will cease funding the projected cash flow deficits that will be generated by the operations of the Hotel in the short term.

THE SALE PROCESS OF US PROPERTIES (OTHER THAN THOSE BEING THE OBJECT OF THE PROPOSED CEDAR TRANSACTION)

19. HII has hired CBRE to market certain properties included in HHUS’s asset portfolio described in Appendix D of the Monitor’s Second Report which includes properties located in: San Antonio, Texas; Sugarland, Texas; Colorado Springs, Colorado; and Hurst, Texas. CBRE is in the process of finalizing an updated valuation of these properties. The sales process should be initiated soon.
20. However, CBRE has already received a pre-emptive offer on the entire HHUS asset portfolio and CBRE is now providing this interested party with due diligence materials as requested.
21. The Monitor will continue to review the HHUS sale process and will report on material developments to the Court.

BONDHOLDERS’ MEETINGS IN THE NETHERLANDS

22. Meetings of the Series 4 Mortgage Bondholders, the Series 5 Mortgage Bondholders and the Series 7 Mortgage Bondholders will take place in the Netherlands on October 24 and October 25, 2012. At said meetings, the relevant bondholders will be asked to vote in favour of a resolution seeking to authorize the Trustees to enter into the Supplemental Indentures which will provide for the terms pursuant to which the Mortgage Bondholders’ secured portions of their claims will be compromised.
23. At the meetings of the Series 4 Mortgage Bondholders and the Series 7 Mortgage Bondholders, the bondholders will be asked to ratify the sale processes initiated by HII in connection with the relevant mortgaged properties, namely respectively Homburg Springs East (Homco 52) and Kai (Homco 88). Given the absence of value for the unsecured creditors, it is also provided that all costs and expenses related to the sale process and the carrying of these properties from September 1, 2012 shall be paid out of the sale proceeds. To the extent the Series 4 Mortgage Bondholders and the Series 7 Mortgage Bondholders vote in favour of the resolutions, HII will advance such costs and expenses and will seek an order from this Honourable Court to secure the reimbursement of same. This charge shall rank ahead of any recovery to the respective bondholder groups.
24. With respect to Series 5 Mortgage Bondholders, HII’s units in Homco 69 and Homco 70 have been pledged as collateral security in favour of the Series 5 Mortgage Bondholders (the “**Bond 5 Security**”). HII and the Monitor have determined that it would be desirable for HII to retain its interest in the properties held indirectly by Homco 69 and Homco 70, which are located in Germany and the Netherlands (the “**Bond 5 Properties**”).
25. Valuations of the Bond 5 Properties were obtained by the Monitor on behalf of HII and the Trustees from two independent valuers. These valuations formed the basis of an offer by HII to Series 5 Mortgage Bondholders for the redemption of the Bond 5 Security, the whole as will be reflected in a Supplemental Indenture and Circular.

26. In the event that the Series 5 Mortgage Bondholders vote in favour of the resolution to approve the Supplemental Indenture, the Trustees will be authorized to release the Bond 5 Security upon receipt of cash proceeds of €2,25M payable upon Plan implementation (the “**Bond 5 Security Lump Sum Cash Payment**”), as well as receipt of an unsecured corporate guarantee from HII or its successor to guarantee that the aggregate consideration received by the Series 5 Mortgage Bondholders – namely the Bond 5 Security Lump Sum Cash Payment and the dividend payable, in cash or equity, for their unsecured deficiency claim – total at least 50% of their total claims as determined pursuant to the Claims Process Order and the Plan.
27. The Trustees are recommending that the Series 4, 5 and 7 Mortgage Bondholders vote in favour of the resolutions being tabled at the upcoming meetings.
28. An information meeting will also take place for Series 6 Mortgage Bondholders. At the current time, as there appears to be no value in their collateral, no vote is required.

POTENTIAL BANKRUPTCY OF CERTAIN HII GROUP ENTITIES AND EXTENSION OF ADMINISTRATION CHARGE

29. Management and the Monitor have identified 15 Homcos holding, directly or indirectly, properties generating negative cash flows or having no equity for HII based on the evaluations received. As exposed in previous Monitor’s Reports and above, since June 1st, 2012 (or July 1st, 2012 in one case) when HII ceased funding any shortfall in relation to these “bad” properties, these Homcos, along with the Monitor, have had discussions and negotiations with their respective mortgage lenders in order to see if loan agreements could be entered into providing for “rightsizing” and extension of the loans as well as modifications of certain covenants.
30. In the absence of satisfactory agreements with the respective mortgage lenders, it is in HII’s stakeholders’ best interest that these HII Group entities and their assets and liabilities be removed from the corporate structure of the HII Group post-emergence. HII and the Monitor are continuing to review all options available to achieve such objective, and it may be that the preferable avenue is a voluntary assignment into bankruptcy of the Homcos, and maybe of their Dutch (BV) or German (GmbH) subsidiaries in cases where the properties are held through subsidiaries.
31. Should any bankruptcies materialize, it is anticipated that Deloitte may also act as trustee in bankruptcy for the relevant entities (the “**Trustee in bankruptcy**”). Accordingly, the Seventh Motion to Extend the Stay Period requests an amendment to the Initial Order such that the coverage of the Administration Charge (as defined in the Initial Order) be extended to the professional fees, disbursements and other obligations of the Trustee in bankruptcy and its legal counsel. No increase in the aggregate amount of the Administration Charge is being requested at this time. The Monitor supports the extension of the coverage of the Administration Charge as it is in the best interest of the stakeholders to remove, prior to emergence, the assets and liabilities of the HII Group entities holding “bad” properties.

II. HII PARTIES' OPERATIONS

UPDATE ON SALES TAX ISSUES WITH THE CANADA REVENUE AGENCY ("CRA")

32. CRA continues to withhold a reserve assessment of \$686K and a claim filed as part of the Claims Process for \$2,914K related to interest and penalties, as well as Part XIII taxes, for a total withholding of approximately \$3,600K. HII is in the process of appealing the Part XIII assessment, and the \$686K assessment.
33. Subsequent to the reporting period, HII received the July 2012 HST refund in the amount of \$302.3K.

UPDATE ON THE PROPOSED CEDAR TRANSACTION

34. As noted in previous Monitor's reports, Cedar and HHUS agreed to sell certain properties directly to the buyers as part of the Direct Purchase Offer dated April 20, 2012.
35. The timing for the proposed closing of this transaction has now been set to mid-October 2012. There are still some issues pending regarding servicer approvals and parties do expect to resolve these shortly. Although all the final closing adjustments have yet to be provided, as described in the Tenth Report the transaction is expected to yield an amount of approximately \$24M. A holdback of \$1.5M will be held in escrow for a period of one-year from the closing date.
36. As there is no set date confirmed for the closing, and given that delays could further occur with servicer approvals or the transfer of funds from HHUS to HII, the sales proceeds are not part of HII's cash flow forecasts.
37. The Monitor will continue to inform the creditors and the Court of any new developments as they arise.

III. DEBTORS' CASH FLOWS FROM SEPTEMBER 2 TO SEPTEMBER 29, 2012

38. The purpose of this section is as follows:
 - i. Provide budget to actual analysis highlights by Debtor for the period from September 2 to September 29, 2012; and
 - ii. Provide commentary on the variances by Debtor.

OVERVIEW

39. The following table provides an overview of the allocated opening cash balances, the allocated cash closing balances, and the cash variations by Debtor for the period from September 2 to September 29, 2012:

Cash variation for the period from September 2 to September 29, 2012 (C\$000)						
Petitioner	Opening cash balance	Total variation in cash balance	Closing cash balance	Funding between HII and its non-Petitioners	Funding between HII and its Petitioners	Adjusted closing cash balance
Homburg Invest Inc.	7,094	(4,892)	2,202	(68)	(39)	2,095
Homburg ShareCo Inc.	39	-	39	-	-	39
Churchill Estates Development Ltd.	780	368	1,148	-	-	1,148
Inverness Estates Development Ltd.	-	(39)	(39)	-	39	-
CP Development Ltd.	623	(54)	569	-	-	569
North Calgary Land Ltd.	-	-	-	-	-	-
Total	<u>8,536</u>	<u>(4,617)</u>	<u>3,919</u>	<u>(68)</u>	<u>-</u>	<u>3,851</u>

40. For the budget to actual cash flow forecast analysis of HII, ShareCo, Churchill, Inverness, CP and NCLL for the period from September 2 to September 29, 2012, and commentary in respect of the analysis performed, please refer to Appendix B.
41. 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, between September 30 and October 4, 2012:
- i. Receipt of \$302.3K for the July HST refund;
 - ii. Receipt of \$504K related to the sale of a unit in Churchill which closed in September 2012; and
 - iii. Payment of €491.4K related to the capital expenditures for the Coët Properties (previously authorized by the Court).
42. 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

43. Total cash inflows for HII were \$3,512.3K for the period noted, while total cash outflows were \$8,404.1K, which resulted in a negative net cash variation of \$4,891.8K compared to a budgeted negative net cash variation of \$10,294.3K. This positive variance of \$5,402.5K is mainly due to timing, the favorable variance from the payment of lower than budgeted professional fees and the unbudgeted receipt of \$3.0M in restricted funds approved by the Court at the last extension hearing.

ShareCo

44. For the period noted, total cash inflows and total cash outflows for ShareCo were nil, as was budgeted.

Churchill

45. For the period noted, total cash inflows for Churchill were \$417.0K and total cash outflows were \$49.4K, which resulted in a positive net cash variation of \$367.6K compared to a budgeted positive net cash variation of \$938.1K. The negative variance of \$570.5K is related to the sale of a Churchill condo which occurred in September, for which the sale proceeds occurred in early October 2012.

Inverness

46. For the period noted, total cash inflows for Inverness were nil, and total cash outflows were \$39.4K, which resulted in a negative net cash variation of \$39.4K compared to a budgeted net cash variation of nil. The negative variance of \$39.4K is related to the payment of non-budgeted professional fees incurred following the close of the Inverness Transaction.

CP

47. For the period noted, total cash inflows for CP were \$2.3K and total cash outflows were \$56.3K, which resulted in a negative net cash variation of \$54.0K compared to a budgeted negative net cash variation of \$500.0K. The favorable timing variance of \$446.0K is mainly due to timing.

NCLL

48. For the period noted, total cash inflows and total cash outflows for NCLL were nil, as was budgeted.

IV. ACTIVITIES OF THE MONITOR

49. This section summarizes other activities of the Monitor which are not expressly addressed in the previous sections of this Sixteenth Report.

CASH FLOW MONITORING

50. On a weekly basis, the Monitor continues to analyze the Debtors' cash flows. As previously indicated in this Sixteenth Report, a budget to actual cash flow forecast analysis of the Debtors, for the period from September 2 to September 29, 2012, has been prepared together with commentary of cash variances, as presented in Appendix B.
51. As part of this process, the Monitor, on a daily basis, also analyzes cash inflows and cash outflows from all of the HII Parties' bank accounts.
52. In accordance with the Initial Order, any disbursements for services rendered to the HII Parties prior or subsequent to the date of the Initial Order were presented to the Monitor for review.

CASH FLOW MONITORING OF THE HII GROUP

53. On a monthly basis, budget to actual cash flow forecast analyses of the HII Group have been prepared. The objective of these analyses is to monitor the cash flows which transact through the HII Group since any excess should ultimately be distributed back to HII.
54. In accordance with the Initial Order, the Monitor assisted Management in its analysis of disbursements to be made pertaining to the HII Group.

NOTIFYING AND REPORTING DUTIES PERFORMED BY THE MONITOR

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

UPDATE ON CLAIMS PROCESS

56. As elaborated in previous Monitor reports, the Monitor received 233 claims representing a total of \$2,066,727,037 (the “**Total Claims Filed with the Monitor**”).
57. The Total Claims Filed with the Monitor include “intercompany claims” filed by related parties (the “**Intercompany Claims**”) as well as “duplicates” of claims filed against several HII Parties, or pertaining to the same underlying debt but filed by different claimants (the “**Duplicate Claims**”).
58. The treatment of the Intercompany Claims and the Duplicate Claims is currently being analyzed by the Monitor and HII and their respective legal counsel.
59. As of the date of this Sixteenth Report, HII and the Monitor, assisted by their respective legal counsel, have completed the review of most claims received.
60. Certain draft notices of revision or disallowance prepared by the Monitor and its legal counsel are currently under revision by HII and its legal counsel and they should be served shortly to the creditors. The Monitor is planning to issue other notices of disallowance, and several proofs of claims still require further analysis.
61. As at this stage, even though the claims process analysis remains to be completed, the Monitor estimates that, excluding the Intercompany Claims and the Duplicate Claims, the aggregate amount of accepted claims filed against the HII Parties should total approximately \$900M.

REVIEW OF SECURITY AND CREDITORS’ RIGHTS

62. In the course of the claims process, the Monitor has mandated its counsel to review the secured claims filed against the HII Parties and confirm the validity and opposability of the alleged security.
63. In the course of this exercise, the Monitor’s counsel has confirmed to the Monitor the validity and opposability of a number of alleged securities and this review is expected to be completed shortly. The Monitor’s counsel is also reviewing certain alleged trusts over properties of the HII Parties. Pursuant to the Claims Process Order, the Monitor will advise any creditors whose alleged security or trust would be considered invalid or not opposable.
64. Since the beginning of the claims process, the Monitor has been responding to claimants or potential claimants’ questions on the claims process and its implications.

V. EXTENSION OF THE STAY PERIOD

OVERVIEW

65. Pursuant to the Sixth Extension Order, the Stay Period was extended until October 12, 2012.
66. The HII Parties notified the Monitor of their intention to request a seventh extension of the Stay Period until December 14, 2012. This extension would allow the HII Parties to continue reviewing, and in certain cases negotiating the claims submitted in the context of the Claims Process, negotiating with the mortgage lenders, further the analysis of the corporate structure and tax issues relating to the Plan of arrangement, prepare the upcoming bondholders meetings, conduct the sale process of certain assets and continue to stabilize HII Parties’ operations. As well, the extension

will allow the HII Parties to develop a viable plan (or plans) of arrangement under the CCAA, subject namely to the outcome of the negotiation with certain mortgage lenders.

67. It is the Monitor's opinion that it is necessary to provide the HII Parties with a seventh extension to the Stay Period in order to ensure that the HII Parties continue to evaluate the different restructuring options available to them for the benefit of their stakeholders and to develop and file their plan (or plans) of arrangement. The Monitor considers the HII Parties' restructuring process to be progressing well; however, more time is required in order to complete said restructuring.

EXTENDED 9-WEEK CASH FLOW FORECASTS

68. Management has provided the Monitor with new cash flow forecasts for the seventh extension of the Stay Period. Management has adjusted the projected cash flows for the Debtors to December 14, 2012, corresponding to the end of the seventh extension to the Stay Period ("**Seventh Extension Period**").
69. The extended 9-week cash flow forecasts for HII, ShareCo, Churchill, Inverness, CP and NCLL, as well as additional commentary identifying the primary assumptions, are attached as Appendix C.
70. Presented in the table below is a summary of the cash variations for each of the Debtors:

Extension - 9-week period ending December 14, 2012							
October 13, 2012							
(C\$000)	Forecasted opening cash balance (Appendix C)	Payments in transit	Subtotal	Forecasted variation for the 9-week period (Appendix C)	Funding between HII and its non-Petitioners	December 14, 2012 Forecasted closing cash balance	
Homburg Invest Inc.	(979)	(929)	(1,908)	(8,873)	(82)	(10,863)	
ShareCo Inc.	39	-	39	-	-	39	
Churchill Estates Development Ltd.	1,629	-	1,629	555	-	2,184	
Inverness Estates Development Ltd.	-	-	-	-	-	-	
CP Development Ltd.	559	-	559	(20)	-	539	
NCLL	-	-	-	-	-	-	
Total	1,248	(929)	319	(8,338)	(82)	(8,101)	
Adjustments to account for intra-period timing of receipts and disbursements as presented in the cash requirement table							-
Adjusted total as presented in the cash requirement table							(8,101)

HII

71. Forecasted cash inflows for the period are \$1,013.3K and forecasted cash outflows for the period are \$9,886.7K, resulting in a net outflow of \$8,873.4K. This net outflow mainly results from minimal cash inflows and important restructuring related outflows, composed primarily of professional fees and funding of Coët Properties activities. HII's cash receipts will primarily be composed of receipts from the Holman Grand Hotel and other VAT refunds.
72. A VAT refund for the month of July 2012 was received on October 1, 2012. VAT refunds for August and September 2012 are expected to be received in November and December 2012.
73. The payroll figures included in the cash flow forecast reflect the latest increases in salary, as well as the payment of a quarterly bonus in November 2012.
74. Professional fees in conjunction with the restructuring of the HII Group are included in HII's projected cash flow and are based on the historical figures experienced and revised to reflect the estimated fees going forward.

75. Other expenditures are composed of funding to the Coët Properties which was introduced in the Ninth Report in order to pay for a portion of the required capital expenditures. In addition, management forecasts additional bank fee payments during this period.
76. As noted in the Fifteenth Report, HII continues to incur costs related to the ground lease pertaining to the Holman Grand Hotel in PEI.
77. As of the date of this Sixteenth Report, all expenses incurred to date and going forward have been or will be paid out of the funds available to HII.

ShareCo

78. The Monitor does not anticipate any cash inflows or outflows pertaining to ShareCo for the Seventh Extension Period.
79. At the time of this Sixteenth Report, there is nothing that would lead the Monitor to believe that ShareCo will need additional financing to meet current obligations during the Seventh Extension Period.

Churchill

80. Forecasted cash inflows for the period are \$646K and forecasted cash outflows for the period are \$90K, resulting in a net inflow of \$556K. This favorable variance is a result of condo sales proceeds exceeding condo fees incurred as well as office and administrative costs and property taxes remitted.
81. As of the date of this Sixteenth Report, all expenses going forward will be paid out of Churchill's working capital.
82. At the time of this Sixteenth Report, there is nothing that would lead the Monitor to believe that Churchill will need additional financing to meet current obligations during the Seventh Extension Period.

Inverness

83. The Monitor does not anticipate any cash inflows or outflows pertaining to Inverness for the Seventh Extension Period. This is a result of the completion of the Inverness Transaction in June 2012.
84. Even though the Inverness cash flow does not provide for any inflows or outflows during the period, it is to be noted that an amount of approximately \$3.6M is owed by Churchill to Inverness following the Inverness Transaction, which resulted in Inverness paying the full balance of Churchill's cross-collateralized mortgage. The reimbursement to Inverness will be made in due time.

CP

85. Forecasted cash inflows for the period are \$1,000K and forecasted cash outflows for the period are \$1,020K, resulting in a net outflow of \$20K.

86. Cash inflows will be generated by funds in escrow to be received following the incurrence of construction costs required to complete CP's obligation associated with the pre-filing sale of three of the CP properties.
87. As of the date of this Sixteenth Report, all expenses going forward will be paid out of funds available to CP.
88. At the time of this Sixteenth Report, there is nothing that would lead the Monitor to believe that CP will need additional financing to meet current obligations during the Seventh Extension Period.

NCLL

89. The Monitor does not anticipate any cash inflows or outflows pertaining to NCLL for the Seventh Extension Period.
90. At the time of this Sixteenth Report, there is nothing that would lead the Monitor to believe that NCLL will need additional financing to meet current obligations during the Seventh Extension Period.

CASH FUNDING REQUIREMENT AND ACCESS TO RESTRICTED CASH

Restricted Cash

91. Pursuant to the Fifteenth Report, additional funding of \$3,000K was requested from Restricted Cash during the Sixth Extension Period. For reference purposes, the table included in the Fifteenth Report is presented below and provides a breakdown of the Restricted Cash requests since the start of the proceedings. The restricted cash balance as at October 2, 2012 has decreased from the time of the Fifteenth Report as a result of the additional funding of \$3,000K.

Summary of Restricted Cash Requests (C\$000)			
Monitor's Report		Date	Amount Requested
Sixth Monitor's Report	Proceeds from Cominar sale	31-Jan-12	145,439
Transfer to Osler Trust Account	Funds sent to Osler's trust account (note 1)	1-Feb-12	(21,450)
RBC Securities	Commission	9-Feb-12	(915)
Net funds available from Cominar sale proceeds		A	123,074
Seventh Monitor's Report	Request from Restricted Cash	17-Feb-12	(10,000)
Ninth Monitor's Report	Request from Restricted Cash	10-Apr-12	(6,000)
Tenth Monitor's Report	Request from Restricted Cash	29-May-12	(11,000)
Thirteenth Monitor's Report	Request from Restricted Cash	17-Jul-12	(5,200)
Fifteenth Monitor's Report	Request from Restricted Cash	11-Sep-12	(3,000)
Total requests from Restricted Cash		B	(35,200)
Interest on Restricted Cash	Cumulative interest received	C	724
Ending balance of Restricted Cash as at October 2, 2012		=A+B+C	88,598

Note 1: Subject to the Monitor's Motion for Directions in relation to security granted to Canmarc REIT

92. The funds held in the Osler's trust account could be released to HII as a result of a judgment on the Monitor's Motion for directions in relation to Canmarc security, or as a result of the negotiations with the Cominar REIT or a final determination of the quantum of certain of the claims made by its related parties.

CASH BUDGETING AND MONITORING

93. Since the Fifteenth Report, the Monitor has continued to perform budget to actual analysis for the six Debtors on a weekly basis.
94. As previously discussed, the cash balance presented in the weekly budget to actual analysis is based on an allocated cash method that is approximate due to timing and which does not equal the actual cash contained in the Debtors' bank accounts.
95. The Monitor will continue to provide Supplemental Reports that reconcile the overall cash inflows, cash outflows, opening and closing bank balances for all bank accounts of the HII Group by geographic location.
96. It is important to note that the GP Accounts are not included in the analysis below.
97. The table below provides the estimated cash balance analysis as at October 13, 2012:

(all amounts stated in CAD)	Amount
ACTUAL OPENING CASH BALANCE AS AT SEPTEMBER 29, 2012	A 3,850,894
<u>Forecasted cash inflows(outflows) - September 29 to October 13, 2012</u>	
Net cash inflow(outflow) - Debtors	
Net cash inflow(outflow) - HII	(3,045,982)
Net cash inflow(outflow) - ShareCo	-
Net cash inflow(outflow) - Churchill	481,083
Net cash inflow(outflow) - Inverness	-
Net cash inflow(outflow) - CP	(10,000)
Net cash inflow(outflow) - NCLL	-
Total net cash inflow(outflow) - Debtors	B (2,574,899)
Net cash inflow(outflow) - Canadian entities excluding Debtors	C (28,174)
<u>Payments in transit</u>	
HII - Wires in transit as at September 29, 2012	(697,000)
HII - Estimated outstanding cheques as at September 29, 2012	(173,580)
Holman - Estimated outstanding cheques as at September 29, 2012	(58,362)
Less: Total payments in transit	D (928,942)
TOTAL NET CASH INFLOWS/(OUTFLOWS) - SEPTEMBER 29 to OCTOBER 13, 2012	E=B+C+D (3,532,015)
ESTIMATED ENDING CASH BALANCE AS AT OCTOBER 13, 2012, BEFORE OTHER ADJUSTMENTS	F=A+E 318,879
Net adjustment for disbursements/(receipts) not expected to occur from September 29 to October 13, 2012	G -
ESTIMATED ENDING CASH BALANCE AS AT OCTOBER 13, 2012, AFTER OTHER ADJUSTMENTS	H =F+G 318,879

Analysis of HII's cash funding requirements and results

98. HII, with the assistance of the Monitor, conducted an analysis of the HII Group entities' cash flows to evaluate the cash position of the HII Group for the proposed extension to the Stay Period ending December 14, 2012.
99. The table below provides an overview of the estimated cash position of HII as at December 15, 2012:

Number of weeks presented: 9 weeks		October 14 to December 15, 2012 (9-week period)
(all amounts stated in CAD)		Forecast
Estimated opening cash balance as at October 14, 2012	A	318,879
Net cash flow by Debtor - October 14 to December 15, 2012		
Net cash inflow/(outflow) - HII		(8,873,449)
Net cash inflow/(outflow) - ShareCo		-
Net cash inflow/(outflow) - Churchill		555,383
Net cash inflow/(outflow) - Inverness		-
Net cash inflow/(outflow) - CP		(20,000)
Net cash inflow/(outflow) - NCLL		-
Net cash inflow/(outflow) - Debtors	B	(8,338,066)
Net cash flow by other Canadian entities - October 14 to December 15, 2012		
Net cash inflow/(outflow) - Others Canada		(81,465)
Net cash inflow/(outflow) - HII Group excluding Debtors	C	(81,465)
ESTIMATED TOTAL CASH INFLOW/(OUTFLOW) - ALL ENTITIES	D=B+C	(8,419,531)
ESTIMATED Surplus (Deficit) CASH for October 14 to December 15, 2012	E=A+D	(8,100,652)

100. The opening forecasted cash balance as at October 14, 2012 only includes the bank accounts controlled by the Debtors. European Euro and American dollar accounts have been converted to Canadian dollars at the foreign exchange rate as at September 30, 2012.
101. For the period ending December 15, 2012, it is forecasted that HII will have a cash deficit of \$8,100,652. This amount is calculated based on the net cash flow variations as indicated in the table above. As indicated, the cash shortfall primarily pertains to HII. For additional information regarding the Debtors forecasted cash inflows and outflows to December 15, 2012, please refer to Appendix C of this Fifteenth Report. Please note that the analysis does not account for timing variances that may have occurred prior to the extended period. The amount of such variances cannot be estimated as the information to complete the analysis, such as bank statements for the month of October 2012 for the HII Group entities, is not available to Management and the Monitor. This analysis also does not account for any possible cash inflow as a result of the Cedar transaction, nor for any release of the funds held in Osler's trust account.
102. The Monitor is of the view that HII should be allowed to use an incremental amount of \$8.1M from the Restricted Cash in order to accomplish the various steps that are required to advance the restructuring of the HII Group until the expiry of the proposed Seventh Extension.

VI. CONCLUSIONS AND RECOMMENDATIONS

103. It is the Monitor's view that the HII Parties have acted in good faith and with due diligence in accordance with the Initial Order.
104. It is the Monitor's opinion that, for the reasons further elaborated in this Sixteenth Report:
- i. An extension of the Stay Period to December 14, 2012 should be granted to ensure that the HII Parties are able to implement certain essential restructuring initiatives and develop and file a viable plan (or plans) of arrangement with their creditors;
 - ii. The use of the Restricted Cash for an incremental amount of \$8.1M should be authorized.

- iii. An extension of the coverage of the Administration Charge should be granted as it is in the best interest of the stakeholders to remove, prior to emergence, the assets and liabilities of the HII Group entities holding “bad” properties.

105. Based on discussions with Management and general supervision of the affairs of the HII Parties, it is the Monitor’s opinion that the HII Parties have acted and continue to act in good faith and with due diligence, and that they will likely be able to make material progress towards developing and filing a plan (or plans) of arrangement prior to the end of the sought Seventh Extension.

The Monitor respectfully submits this Sixteenth Report to the Court.

DATED AT MONTREAL, this 6th day of October, 2012.



Pierre Laporte, CPA, CA, CIRP
President

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

APPENDIX A

THE ENTITIES Mis-en-Cause

HOMCO REALTY FUND (52) LIMITED PARTNERSHIP
HOMCO REALTY FUND (88) LIMITED PARTNERSHIP
HOMCO REALTY FUND (89) LIMITED PARTNERSHIP
HOMCO REALTY FUND (92) LIMITED PARTNERSHIP
HOMCO REALTY FUND (94) LIMITED PARTNERSHIP
HOMCO REALTY FUND (96) LIMITED PARTNERSHIP
HOMCO REALTY FUND (105) LIMITED PARTNERSHIP
HOMCO REALTY FUND (121) LIMITED PARTNERSHIP
HOMCO REALTY FUND (122) LIMITED PARTNERSHIP
HOMCO REALTY FUND (142) LIMITED PARTNERSHIP
HOMCO REALTY FUND (199) LIMITED PARTNERSHIP

APPENDIX B

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

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

	For the 4-week period of September 2 to September 29, 2012		
	Actual	Budget	Variance
Cash inflows			
REIT distributions	-	-	-
REIT unit sale proceeds	-	-	-
GST/HST received	-	-	-
Intercompany receipts (Petitioners and Mis-en-cause)	-	-	-
Other receipts	3,213.9	195.0	3,018.9
	<u>3,213.9</u>	<u>195.0</u>	<u>3,018.9</u>
Hotel related receipts			
Hotel revenue	298.4	140.0	158.4
Total cash inflows	<u>3,512.3</u>	<u>335.0</u>	<u>3,177.3</u>
Cash outflows			
Payroll	99.9	214.2	114.3
Rent expense	-	25.0	25.0
Restructuring related professional fees	7,477.6	8,878.0	1,400.4
Insurance	-	17.0	17.0
Office & admin	56.0	250.0	194.0
Director fees	56.5	55.0	(1.5)
KERP	438.4	438.4	-
CP obligation	-	-	-
Corporate bond principal repayment	-	-	-
Corporate bond interest payment	-	-	-
Junior subordinate debt principal repayment	-	-	-
Junior subordinate debt interest payment	-	-	-
HCSA interest payment	-	-	-
GST/HST paid	-	-	-
Intercompany disbursements (Petitioners and Mis-en-cause)	-	-	-
Other expenditures	12.1	491.4	479.3
	<u>8,140.5</u>	<u>10,369.0</u>	<u>2,228.5</u>
Hotel disbursements			
Payroll	33.0	60.0	27.0
Management fee	-	4.0	4.0
PEI obligation	16.3	16.3	-
Property and other taxes	33.8	-	(33.8)
General operating expenses	180.5	180.0	(0.5)
Construction costs and held cheques	-	-	-
Mortgage principal & interest	-	-	-
Total hotel disbursements	<u>263.6</u>	<u>260.3</u>	<u>(3.3)</u>
Total cash outflows	<u>8,404.1</u>	<u>10,629.3</u>	<u>2,225.2</u>
Opening cash balance	7,093.5	7,093.5	-
Variation in cash balance	(4,891.8)	(10,294.3)	5,402.5
Exchange rate (Gain / Loss)	-	-	-
Ending cash balance	<u>2,201.7</u>	<u>(3,200.8)</u>	<u>5,402.5</u>
Funding between HII and its non-Petitioners	(67.4)	-	(67.4)
Funding between HII and its Petitioners	(39.4)	-	(39.4)
Adjusted ending cash balance	<u>2,094.9</u>	<u>(3,200.8)</u>	<u>5,295.7</u>

HII budget to actual commentary

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

Ending cash balance

- In addition to the adjusted cash balance presented of \$2,094.9K, please note that \$1,736.1K is currently held in the Monitor's trust account as at September 29, 2012. This amount represents funds reserved for the KERP as indicated in paragraphs 10 to 13 of the Fourteenth Report and amounts received which are related to the Canoxy Place Subtenants.

Inflows

- Other receipts were \$3,213.9K, compared to a budgeted amount of \$195.0K, which resulted in a favorable variance of \$3,018.9K. The favorable variance is due to an unbudgeted transfer of \$3.0M in restricted funds approved by the Court (as indicated in the Monitor's Sixteenth Report).
- Hotel revenues were \$298.4K compared to a budgeted amount of \$140.0K, resulting in a favorable variance of \$158.4K. The favorable variance is due to higher than expected occupancy during the period noted.

Outflows

- Payroll was \$99.9K compared to a budgeted amount of \$214.2K, resulting in a favorable variance of \$114.3K. This favorable variance is due to timing.
- Rent expense was nil compared to a budgeted amount of \$25.0K, resulting in a favorable variance of \$25.0K. This favorable variance is due to timing.
- Professional fees were \$7,477.6K compared to a budgeted amount of \$8,878.0K, resulting in a favorable variance of \$1,400.4K. This favorable variance is due to timing. Professional fees prior to mid-September were paid during the first 2 weeks of the month while professional fees for the last two weeks of September have not been paid yet.
- In accordance with the Court Order dated February 17, 2012, the payment of fees, disbursements and expenses of the Trustees of the Stichting Homburg Bonds and Stichting Homburg Capital Securities A (collectively, "**Stichting**") and their legal and financial advisors incurred since December 3, 2011 are to be advanced by HII. The following table presents a summary of the actual fees advanced to Stichting since the Court Order was implemented:

Stichting Homburg invoice list			
Invoice	Date Range	Amount Per	
		Invoice	Amount in \$
INVOICE nr 3.2012	Dec. 5, 2011 - Dec. 31, 2011	\$ 239,128	\$ 239,128
INVOICE nr 4.2012	Jan 1, 2012 - Jan. 31, 2012	\$ 265,486	\$ 265,486
INVOICE nr 5.2012	Feb 1, 2012 - Feb. 29, 2012	\$ 248,270	\$ 248,270
INVOICE nr 6.2012	Mar 1, 2012 - Mar 31, 2012	\$ 235,752	\$ 235,752
INVOICE nr 7.2012	Mar 1, 2012 - Mar 31, 2012	\$ 13,612	\$ 13,612
INVOICE nr 8.2012	Apr 1, 2012 - Apr 30, 2012	\$ 245,167	\$ 245,167
INVOICE nr 9.2012	Apr 1, 2012 - Apr 30, 2012	€ 53,536	\$ 69,281
INVOICE nr 10.2012	May 1, 2012- May 31, 2012	\$ 218,794	\$ 218,794
INVOICE nr 11.2012	May 1, 2012- May 31, 2012	€ 45,058	\$ 56,445
INVOICE nr 12.2012	June 1, 2012- June 30, 2012	\$ 261,074	\$ 261,074
INVOICE nr 13.2012	June 1, 2012- June 30, 2012	€ 1,712	\$ 2,112
INVOICE nr 15.2012	July 1, 2012 - July 31, 2012	\$ 273,252	\$ 273,252
INVOICE nr 16.2012	July 1, 2012 - July 31, 2012	€ 14,013	\$ 17,502
INVOICE nr 17.2012	Aug 1, 2012 - Aug 31, 2012	\$ 226,459	\$ 226,459
INVOICE nr 18.2012	Aug 1, 2012 - Aug 31, 2012	€ 14,000	\$ 17,704
VAT Refund	Invoices 3, 4 & 5	€ (70,352)	\$ (86,667)
VAT Refund	Invoices 6, 8 & 10	€ (59,795)	\$ (74,768)
VAT Refund	Invoices 7,9 & 11	€ (13,800)	\$ (17,256)
Total (Converted on date paid)			\$ 2,211,347

Note 1: Invoices 3, 4, 5, 6, 8, 10, 7, 9, 11 and 14 were revised as some of the fees charged were not related specifically to the settlement agreement. The fees excluded were related to services rendered at the request of HII in relation with bondholders meetings.

- Insurance expense was nil compared to a budgeted amount of \$17.0K, resulting in a favorable variance of \$17.0K. This favorable variance is due to timing.
- Office and administrative expenditures were \$56.0K compared to a budgeted amount of \$250.0K, which resulted in a favorable variance of \$194.0K. This variance is mainly due to timing.
- Other expenditures were \$12.1K compared to a budgeted amount of \$491.4K, which resulted in a favorable variance of \$479.4K. This variance is mainly due to timing, as budgeted capital expenditures relating to Coët Properties have not been incurred during the period. However, these expenditures were paid in early October 2012.
- Payroll at the Hotel was \$33.0K compared to a budgeted amount of \$60.0K, which resulted in a favorable variance of \$27.0K. The favorable variance is mainly due to timing.
- Property and other taxes at the Hotel were \$33.8K compared to a budgeted amount of nil, which resulted in an unfavorable variance of \$33.8K. This amount was budgeted in a prior period.

ShareCo Inc.

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

	For the 4-week period of September 2 to September 29, 2012		
	Actual	Budget	Variance
Cash inflows			
Mortgage bond issuance	-	-	-
Intercompany transfers (Petitioners)	-	-	-
Total cash inflows	<u>-</u>	<u>-</u>	<u>-</u>
Cash outflows			
Interest payments - mortgage bonds	-	-	-
Repayment of Bonds	-	-	-
Intercompany transfers (Petitioners)	-	-	-
Total cash outflows	<u>-</u>	<u>-</u>	<u>-</u>
Opening cash balance	39.1	39.1	-
Variation in cash balance	-	-	-
Exchange rate (Gain / Loss)	-	-	-
Ending cash balance	<u>39.1</u>	<u>39.1</u>	<u>-</u>

ShareCo budget to actual commentary

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

Inflows-Outflows

- No transactions occurred during the period in ShareCo.

Churchill

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

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

	For the 4-week period of		
	September 2 to September 29, 2012		
	Actual	Budget	Variance
Cash inflows			
Condo sales proceeds	396.7	943.2	(546.5)
GST collected	20.3	47.1	(26.8)
GST ITC refund	-	-	-
Rent	-	-	-
Other Receipts	-	-	-
Total cash inflows	417.0	990.3	(573.3)
Cash outflows			
Commissions	12.8	39.6	26.8
Advertising	-	-	-
R&M	2.1	7.9	5.8
Property tax	4.0	2.2	(1.8)
Professional fees	-	2.5	2.5
Insurance	-	-	-
Mortgage principal	-	-	-
Mortgage interest	-	-	-
Office & admin	-	-	-
Condo fees	11.2	-	(11.2)
GST remitted	19.3	-	(19.3)
Total cash outflows	49.4	52.2	2.8
Opening cash balance	780.5	780.5	-
Variation in cash balance	367.6	938.1	(570.5)
Exchange rate (Gain / Loss)	-	-	-
Ending cash balance	1,148.1	1,718.6	(570.5)

Churchill budget to actual commentary

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

Inflows

- Condo sales were \$396.7K during the period compared to a budgeted amount of \$943.2K, which resulted in an unfavorable variance of \$546.5K. The variance of \$546.5K is mainly due to timing as a result of a delay in receiving funds from a condo sale.

Outflows

- Commissions were \$12.8K compared to a budgeted amount of \$39.6K, which resulted in a favorable variance of \$26.8K. The favorable variance of \$26.8K is a result of timing, as a projected condo sale did not close as planned.
- Condo fees were \$11.2K during the period compared to a budgeted amount of nil, which resulted in an unfavorable variance of \$11.2K. The unfavorable variance of \$11.2K is a result of timing.
- GST remitted was \$19.3K during the period compared to a budgeted amount of nil, which resulted in an unfavorable variance of \$19.3K. This GST remittance relates to the sale of a condo that closed in a prior period.

Inverness

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

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

	For the 4-week period of September 2 to September 29, 2012		
	Actual	Budget	Variance
Cash inflows			
Condo sales proceeds	-	-	-
Other receipts	-	-	-
GST collected	-	-	-
GST ITC refund	-	-	-
Total cash inflows	<u>-</u>	<u>-</u>	<u>-</u>
Cash outflows			
Commissions	-	-	-
R&M	-	-	-
Property tax	0.5	-	(0.5)
Professional fees	38.5	-	(38.5)
Insurance	-	-	-
Mortgage principal	-	-	-
Mortgage interest	-	-	-
Office & admin	0.4	-	(0.4)
Condo fees	-	-	-
GST remitted	-	-	-
Other expenditures	-	-	-
Total cash outflows	<u>39.4</u>	<u>-</u>	<u>(39.4)</u>
Funded opening cash balance	-	-	-
Variation in cash balance	(39.4)	-	(39.4)
Exchange rate (Gain / Loss)	-	-	-
Ending cash balance	<u>(39.4)</u>	<u>-</u>	<u>(39.4)</u>
Funding from HII	<u>39.4</u>	<u>-</u>	<u>(39.4)</u>
Funded ending cash balance	<u>-</u>	<u>-</u>	<u>-</u>

Inverness budget to actual commentary

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

Outflows

- Professional fees were \$38.5K compared to a budgeted amount of nil, resulting in an unfavorable variance of \$38.5K. The unfavorable variance of \$38.5K was originally budgeted in HII outflows and relates to legal fees that were paid to Osler for the closing cost related to the Inverness Transaction.

CP

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

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

	For the 4-week period of September 2 to September 29, 2012		
	Actual	Budget	Variance
Cash inflows			
Costs reimbursed from escrow	-	-	-
GST refund from previous months	1.0	-	1.0
Other receipts	1.3	-	1.3
Total cash inflows	2.3	-	2.3
Cash outflows			
Construction costs (1,2&3)	31.1	500.0	468.9
Construction costs (4&5)	2.3	-	(2.3)
Professional fees	5.4	-	(5.4)
Mortgage principal	-	-	-
Mortgage interest	-	-	-
Property tax	-	-	-
Other expenditures	17.5	-	(17.5)
Total cash outflows	56.3	500.0	443.7
Opening cash balance	622.7	622.7	-
Variation in cash balance	(54.0)	(500.0)	446.0
Exchange rate (Gain / Loss)	-	-	-
Ending cash balance	568.7	122.7	446.0

CP budget to actual commentary

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

Outflows

- Construction costs for buildings 1, 2 and 3 were \$31.1K compared to a budgeted amount of \$500K, resulting in a favorable variance of \$468.9K. The favorable timing variance is mainly due to construction costs that were expected to be incurred in the current period, but are now expected to occur in a future period.
- Other expenditures were \$17.5K compared to a budgeted amount of nil, resulting in an unfavorable variance of \$17.5K. The unfavorable variance of \$17.5K relates to renewal fees for the letter of credit.

North Calgary Land Ltd.

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

	North Calgary Land Ltd.		
	Budget to Actual Cash Flow		
	Unaudited - Based on discussions with the company's Management (C\$000)		
	For the 4-week period of September 2 to September 29, 2012		
	Actual	Budget	Variance
Cash inflows			
GST/HST received	-	-	-
Other receipts	-	-	-
Total cash inflows	<u>-</u>	<u>-</u>	<u>-</u>
Cash outflows			
Professional fees	-	-	-
Property tax	-	-	-
Insurance	-	-	-
Office & administrative	-	-	-
GST/HST paid	-	-	-
Other expenditures	-	-	-
Total cash outflows	<u>-</u>	<u>-</u>	<u>-</u>
Funded opening cash balance	-	-	-
Variation in cash balance	-	-	-
Exchange rate (Gain / Loss)	-	-	-
Ending cash balance	<u>-</u>	<u>-</u>	<u>-</u>
Funding from HII	-	-	-
Funded ending cash balance	<u>-</u>	<u>-</u>	<u>-</u>

NCLL budget to actual commentary

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

Inflows-Outflows

- No transactions occurred during the period in North Calgary Land Ltd.

4) HII is discussing possible divestiture options for the Hotel with Cominar and the Province.

NOTES AND REPRESENTATIONS TO THE CASH FLOW STATEMENT

NOTE A – PURPOSE AND WARNINGS

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

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

NOTE B – DEFINITIONS

(1) CASH FLOW STATEMENT

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

(2) HYPOTHETICAL ASSUMPTIONS

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

(3) PROBABLE ASSUMPTIONS

Meaning assumptions that:

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

(4) SUITABLY SUPPORTED

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

- (i) The past performance of HII;

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

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

ASSUMPTIONS

Assumptions	Source	Probable Assumption	Hypothetical Assumption
<u>Opening cash balance</u>	Based on allocated cash balances as at September 30, 2012	X	
<u>Exchange rates</u>	All cash flows are in Canadian dollars		X
<u>Forecast cash receipts</u>			
GST/HST/VAT received	VAT refunds are expected to be received during weeks 58 to 66		X
Other receipts	Other disbursements, no activity have been forecasted during the period	X	
Hotel revenue	Based on forecasts provided by Management established based on the number of room bookings		X
External Hotel Funding	Cominar and/or PEI should fund the hotel operations during weeks 59 to 66		X
<u>Forecast cash disbursements</u>			
Payroll	Based on previous payroll expenses plus incentive compensation and salary increases	X	
Rent expense	Rent at the Akerley Blvd. and Montreal locations	X	
Restructuring related professional fees	Essentially Deloitte, McCarthy Tétrault, Osler, Cohn & Wolfe, Allen & Overy, Clifford Chance, Coady Filliter, National, The Baltics HII lawyers and the Trustees fees	X	
Insurance	Directors and Officers insurance	X	
Office & administrative	Bank fees, travel, telephone, non-CCAA professional fees and other miscellaneous costs	X	
Director fees	Fees payable to Directors and Officers of HII	X	
KERP	Updated KERP amount presented under seal	X	
Other expenditures	Funding of Coët Properties in order to pay for a portion of the required CAPEX investment as presented in the Ninth Monitor's Report, license fee for the IT system Yardi for the period of November 1,		X

Assumptions	Source	Probable Assumption	Hypothetical Assumption
	2012 to November 30, 2013 and bank fees		
<u>Hotel disbursements</u>			
Payroll	Based on Management's assumptions related to occupancy and required staff	X	
Management fee	The Hotel management fee	X	
PEI obligation	Lease obligations related to the ground lease of the Holman Grand Hotel	X	
Property and other taxes	Based on previous property and other tax expenses	X	
General operating expenses	Based on previous G&A expenses		X
Construction costs	Remaining construction is currently halted	X	
Mortgage principal & interest	Amount stayed by proceedings	X	
<u>Ending cash balance</u>	Based on allocated cash transactions		X

ShareCo Extended 9-week cash flow forecast (\$C)

Updated as of September 30, 2012

15th report PUBLISHED				16th report										
Number of weeks:	11	56	57		58	59	60	61	62	63	64	65	66	
Beginning period:	30-Sep-12	30-Sep-12	7-Oct-12	TOTAL	14-Oct-12	21-Oct-12	28-Oct-12	4-Nov-12	11-Nov-12	18-Nov-12	25-Nov-12	2-Dec-12	9-Dec-12	TOTAL
Ending period:		6-Oct-12	13-Oct-12	2-Week Period	20-Oct-12	27-Oct-12	3-Nov-12	10-Nov-12	17-Nov-12	24-Nov-12	1-Dec-12	8-Dec-12	15-Dec-12	9-Week Period
		Forecast	Forecast		Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Cash inflows														
Mortgage bond issuance		-	-	-	-	-	-	-	-	-	-	-	-	-
Total cash inflows		-	-	-	-	-	-	-	-	-	-	-	-	-
Cash outflows														
Interest payments - mortgage bonds		-	-	-	-	-	-	-	-	-	-	-	-	-
Repayment of Bonds		-	-	-	-	-	-	-	-	-	-	-	-	-
Total cash outflows		-	-	-	-	-	-	-	-	-	-	-	-	-
Opening cash balance		39,100	39,100	39,100	39,100	39,100	39,100	39,100	39,100	39,100	39,100	39,100	39,100	39,100
Variation in cash balance		-	-	-	-	-	-	-	-	-	-	-	-	-
Exchange rate		-	-	-	-	-	-	-	-	-	-	-	-	-
Ending cash balance		39,100	39,100	39,100	39,100	39,100	39,100	39,100	39,100	39,100	39,100	39,100	39,100	39,100

Notes:

- 1) The opening cash balance reflects the allocated cash balance as at September 30, 2012.

NOTES AND REPRESENTATIONS TO THE CASH FLOW STATEMENT

NOTE A – PURPOSE AND WARNINGS

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

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

NOTE B – DEFINITIONS

CASH FLOW STATEMENT

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

HYPOTHETICAL ASSUMPTIONS

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

PROBABLE ASSUMPTIONS

Meaning assumptions that:

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

SUITABLY SUPPORTED

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

- (i) The past performance of ShareCo;

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

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

ASSUMPTIONS

Assumptions	Source	Probable Assumption	Hypothetical Assumption
<u>General cash flow assumptions</u>	<p>This entity holds four series of asset-backed mortgage bonds. The mortgage bonds are 7-year bonds issued in series and secured by a first or second charge over specific assets and a corporate guarantee.</p> <p>As the debt is entirely affected by the Stay Period, there will not be any cash inflows or outflows relating to the debt in ShareCo for the 9-week period from October 14 to December 15, 2012. Occasionally, certain funds are transferred between HII and ShareCo.</p>	X	
<u>Opening cash balance</u>	Based on allocated closing cash balances as at September 30, 2012	X	
<u>Ending cash balance</u>	Based on allocated cash transactions		X

Churchill Extended 9-week cash flow forecast (\$C)

Updated as of September 30, 2012

15th report AMENDED				16th report										
Number of weeks	11	56	57	TOTAL	58	59	60	61	62	63	64	65	66	TOTAL
Beginning period:	30-Sep-12	30-Sep-12	7-Oct-12	TOTAL	14-Oct-12	21-Oct-12	28-Oct-12	4-Nov-12	11-Nov-12	18-Nov-12	25-Nov-12	2-Dec-12	9-Dec-12	TOTAL
Ending period:		6-Oct-12	13-Oct-12	2-Week Period	20-Oct-12	27-Oct-12	3-Nov-12	10-Nov-12	17-Nov-12	24-Nov-12	1-Dec-12	8-Dec-12	15-Dec-12	9-Week Period
		Forecast	Forecast		Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	
Cash inflows														
Condo sales proceeds		535,000	-	535,000	-	-	615,000	-	-	-	-	-	-	615,000
GST collected		-	-	-	-	-	30,750	-	-	-	-	-	-	30,750
GST ITC refund		-	-	-	-	-	-	-	-	-	-	-	-	-
Other receipts		-	-	-	-	-	-	-	-	-	-	-	-	-
Total cash inflows		535,000	-	535,000	-	-	645,750	-	-	-	-	-	-	645,750
Cash outflows														
Commissions		27,379	-	27,379	-	-	30,750	-	-	-	-	-	-	30,750
R&M		2,000	-	2,000	-	-	2,000	-	-	-	2,000	-	-	4,000
Property tax		6,000	-	6,000	-	-	5,100	-	-	-	4,200	-	-	9,300
Professional fees		3,288	-	3,288	-	-	-	-	-	-	-	-	-	-
Insurance		250	-	250	-	-	250	-	-	-	250	-	-	500
Office & admin		-	-	-	-	-	-	-	-	-	-	-	-	-
Condo fees		15,000	-	15,000	-	-	8,809	-	-	-	7,795	-	-	16,604
GST remitted		-	-	-	-	-	-	-	-	29,213	-	-	-	29,213
Total cash outflows		53,917	-	53,917	-	-	46,909	-	-	29,213	14,245	-	-	90,367
Opening cash balance		1,148,100	1,629,183	1,148,100	1,629,183	1,629,183	1,629,183	2,228,024	2,228,024	2,228,024	2,198,811	2,184,566	2,184,566	1,629,183
Variation in cash balance		481,083	-	481,083	-	-	598,841	-	-	(29,213)	(14,245)	-	-	555,383
Exchange rate		-	-	-	-	-	-	-	-	-	-	-	-	-
Ending cash balance		1,629,183	1,629,183	1,629,183	1,629,183	1,629,183	2,228,024	2,228,024	2,228,024	2,198,811	2,184,566	2,184,566	2,184,566	2,184,566

Notes:

- 1) The opening cash balance reflects the allocated cash balance as at September 30, 2012.
- 2) The cash flow forecast for weeks 56 and 57, which was previously presented in the Fifteenth Report, has been amended by Management to reflect the revised timing of the impact of a condo sale in Churchill which closed on September 21, 2012, for which proceeds were received in week 56.

NOTES AND REPRESENTATIONS TO THE CASH FLOW STATEMENT

NOTE A – PURPOSE AND WARNINGS

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

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

NOTE B – DEFINITIONS

CASH FLOW STATEMENT

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

HYPOTHETICAL ASSUMPTIONS

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

PROBABLE ASSUMPTIONS

Meaning assumptions that:

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

SUITABLY SUPPORTED

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

- (i) The past performance of Churchill;

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

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

ASSUMPTIONS

Assumptions	Source	Probable Assumption	Hypothetical Assumption
<u>Opening cash balance</u>	Based on allocated cash balances as at September 30, 2012	X	
<u>Exchange rates</u>	All cash flows are in Canadian dollars		X
<u>Forecast cash receipts</u>			
Condo sales proceeds	A condominium sale is projected to close in October 2012		X
GST collected	Based on applicable taxes on forecasted condo sales		X
GST ITC refund	Based on the previous months' taxable disbursements and the applicable tax rates. Refund is received approximately six weeks after it is submitted. No activity has been forecasted during the period	X	
Other receipts	Net proceeds of the Inverness Transaction, no activity has been forecasted during the period	X	
<u>Forecast cash disbursements</u>			
Commissions	Commissions are based on 5% of the projected sales		X
R&M	Repairs and maintenance expenses are based on previous expenses	X	
Property tax	Property tax is paid in monthly installments	X	
Professional fees	Legal and closing costs for sale of property		X
Insurance	Insurance has been pre-paid for the year	X	
Office & administrative	Bank fees and other miscellaneous costs. No activity has been forecasted during the period		
Condo fees	Condominium fees based on previous expenses	X	
GST remitted	GST paid based on applicable taxes on forecasted condo sales.	X	
<u>Ending cash balance</u>	Based on allocated cash transactions		X

Inverness Extended 9-week cash flow forecast (\$C)

Updated as of September 30, 2012

Inverness Estates Development Ltd.														
Extended cash flow statement from September 16 to December 15, 2012														
	15th report PUBLISHED				16th report									
Number of weeks:	11	56	57		58	59	60	61	62	63	64	65	66	
Beginning period:	30-Sep-12	30-Sep-12	7-Oct-12	TOTAL	14-Oct-12	21-Oct-12	28-Oct-12	4-Nov-12	11-Nov-12	18-Nov-12	25-Nov-12	2-Dec-12	9-Dec-12	TOTAL
Ending period:		6-Oct-12	13-Oct-12	2-Week Period	20-Oct-12	27-Oct-12	3-Nov-12	10-Nov-12	17-Nov-12	24-Nov-12	1-Dec-12	8-Dec-12	15-Dec-12	9-Week Period
		Forecast	Forecast		Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	
Cash inflows														
Condo sales proceeds		-	-	-	-	-	-	-	-	-	-	-	-	-
GST collected		-	-	-	-	-	-	-	-	-	-	-	-	-
GST ITC refund		-	-	-	-	-	-	-	-	-	-	-	-	-
Total cash inflows		-	-	-	-	-	-	-	-	-	-	-	-	-
Cash outflows														
Property tax		-	-	-	-	-	-	-	-	-	-	-	-	-
Professional fees		-	-	-	-	-	-	-	-	-	-	-	-	-
Insurance		-	-	-	-	-	-	-	-	-	-	-	-	-
GST remitted		-	-	-	-	-	-	-	-	-	-	-	-	-
Other expenditures		-	-	-	-	-	-	-	-	-	-	-	-	-
Total cash outflows		-	-	-	-	-	-	-	-	-	-	-	-	-
Opening cash balance		-	-	-	-	-	-	-	-	-	-	-	-	-
Funding from HII		-	-	-	-	-	-	-	-	-	-	-	-	-
Variation in cash balance		-	-	-	-	-	-	-	-	-	-	-	-	-
Exchange rate		-	-	-	-	-	-	-	-	-	-	-	-	-
Adjusted Ending cash balance		-	-	-	-	-	-	-	-	-	-	-	-	-

Notes:

- 1) The opening cash balance reflects the allocated cash balance as at September 30, 2012.

NOTES AND REPRESENTATIONS TO THE CASH FLOW STATEMENT

NOTE A – PURPOSE AND WARNINGS

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

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

NOTE B – DEFINITIONS

CASH FLOW STATEMENT

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

HYPOTHETICAL ASSUMPTIONS

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

PROBABLE ASSUMPTIONS

Meaning assumptions that:

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

SUITABLY SUPPORTED

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

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

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

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

ASSUMPTIONS

Assumptions	Source	Probable Assumption	Hypothetical Assumption
<u>Opening cash balance</u>	Based on allocated cash balances as at September 30, 2012	X	
<u>Exchange rates</u>	All cash flows are in Canadian dollars		X
<u>Forecast cash receipts</u>			
GST ITC refund	GST ITC refund, no activity has been forecasted during the period	X	
<u>Forecast cash disbursements</u>			
Property tax	Based on previous property expenses paid semi-annually, no activity has been forecasted during the period	X	
Professional fees	Legal and closing costs for sale of property, no activity has been forecasted during the period		X
Insurance	Insurance has been prepaid, no activity has been forecasted during the period	X	
GST remitted	Based on GST paid on expenses incurred in the period of the cash flow, no activity has been forecasted during the period	X	
Other expenditures	Assumed that after retiring Romspen's secured debt on Inverness, the remaining proceeds will be used to retire Churchill's secured debt to Romspen as the amounts are cross-collateralized, no activity has been forecasted during the period		X
<u>Closing cash balance</u>	Based on allocated cash transactions		X

CP Extended 9-week cash flow forecast (\$C)

Updated as of September 30, 2012

CP Development Ltd. Extended cash flow statement from September 16 to December 15, 2012														
15th report AMENDED				16th report										
Number of weeks:	11	56	57	TOTAL	58	59	60	61	62	63	64	65	66	TOTAL
Beginning period:	30-Sep-12	30-Sep-12	7-Oct-12	TOTAL	14-Oct-12	21-Oct-12	28-Oct-12	4-Nov-12	11-Nov-12	18-Nov-12	25-Nov-12	2-Dec-12	9-Dec-12	TOTAL
Ending period:		6-Oct-12	13-Oct-12	2-Week Period	20-Oct-12	27-Oct-12	3-Nov-12	10-Nov-12	17-Nov-12	24-Nov-12	1-Dec-12	8-Dec-12	15-Dec-12	9-Week Period
		Forecast	Forecast		Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	
Cash inflows														
Costs reimbursed from escrow		-	-	-	-	-	-	-	-	950,000	-	-	-	950,000
GST refund from previous month		-	-	-	-	-	-	-	-	-	-	50,000	-	50,000
Total cash inflows		-	-	-	-	-	-	-	-	950,000	-	50,000	-	1,000,000
Cash outflow														
Construction costs (1,2&3)		-	-	-	-	-	-	-	1,000,000	-	-	-	-	1,000,000
Construction costs (4&5)		10,000	-	10,000	-	-	10,000	-	-	-	10,000	-	-	20,000
Professional fees		-	-	-	-	-	-	-	-	-	-	-	-	-
Mortgage principal		-	-	-	-	-	-	-	-	-	-	-	-	-
Mortgage interest		-	-	-	-	-	-	-	-	-	-	-	-	-
Property tax		-	-	-	-	-	-	-	-	-	-	-	-	-
Total cash outflows		10,000	-	10,000	-	-	10,000	-	1,000,000	-	10,000	-	-	1,020,000
Opening cash balance		568,700	558,700	568,700	558,700	558,700	558,700	548,700	548,700	(451,300)	498,700	488,700	538,700	558,700
Variation in cash balance		(10,000)	-	(10,000)	-	-	(10,000)	-	(1,000,000)	950,000	(10,000)	50,000	-	(20,000)
Exchange rate		-	-	-	-	-	-	-	-	-	-	-	-	-
Ending cash balance		558,700	558,700	558,700	558,700	558,700	548,700	548,700	(451,300)	498,700	488,700	538,700	538,700	538,700

Notes:

- 1) The opening cash balance reflects the allocated cash balance as at September 30, 2012.
- 2) The cash flow forecast for weeks 56 and 57, which was previously presented in the Fifteenth Report, has been amended by Management to reflect the revised timing of the impact of the payment of the construction costs for buildings 1, 2 & 3 previously budgeted in weeks 54 and 56.

NOTES AND REPRESENTATIONS TO THE CASH FLOW STATEMENT

NOTE A – PURPOSE AND WARNINGS

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

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

NOTE B – DEFINITIONS

CASH FLOW STATEMENT

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

HYPOTHETICAL ASSUMPTIONS

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

PROBABLE ASSUMPTIONS

Meaning assumptions that:

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

SUITABLY SUPPORTED

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

- (i) The past performance of CP;

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

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

ASSUMPTIONS

Assumptions	Source	Probable Assumption	Hypothetical Assumption
<u>Opening cash balance</u>	Based on allocated cash balances as at September 30, 2012	X	
<u>Exchange rates</u>	All cash flows are in Canadian dollars		X
<u>Forecast cash receipts</u>			
Costs reimbursed from escrow	Funds in escrow received from Cominar REIT following the sale of three of the CP Development Ltd. properties. The funds are released from the escrow account once the construction costs have been paid.		X
GST refund from previous month	Based on the letter from CRA indicating that holdback refunds will be released, no activity has been forecasted during the period		X
<u>Forecast cash disbursements</u>			
Construction costs (1, 2 & 3)	Projected construction costs provided by Cuthbert & Smith (consulting), including GST		X
Construction costs (4&5)	Carrying costs for properties 4 and 5 for which construction has been halted (insurance, taxes and maintenance), including GST		X
Professional fees	No professional fees as per Management's assumptions, no activity has been forecasted during the period	X	
Mortgage principal	Amount stayed by proceedings	X	
Mortgage interest	Amount stayed by proceedings	X	
Property tax	Based on previous property expenses, no activity has been forecasted during the period	X	
<u>Ending cash balance</u>	Based on allocated cash transactions		X

NCLL Extended 9-week cash flow forecast (\$C)

Updated as of September 30, 2012

	<u>15th report PUBLISHED</u>				<u>16th report</u>									
Number of weeks:	11	18	19		20	21	22	23	24	25	26	27	28	
Beginning period:	30-Sep-12	30-Sep-12	7-Oct-12	TOTAL	14-Oct-12	21-Oct-12	28-Oct-12	4-Nov-12	11-Nov-12	18-Nov-12	25-Nov-12	2-Dec-12	9-Dec-12	TOTAL
Ending period:		6-Oct-12	13-Oct-12	2-Week Period	20-Oct-12	27-Oct-12	3-Nov-12	10-Nov-12	17-Nov-12	24-Nov-12	1-Dec-12	8-Dec-12	15-Dec-12	9-Week Period
		Forecast	Forecast		Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	
Cash inflows														
GST/HST received		-	-	-	-	-	-	-	-	-	-	-	-	-
Other receipts		-	-	-	-	-	-	-	-	-	-	-	-	-
Total cash inflows		-	-	-	-	-	-	-	-	-	-	-	-	-
Cash outflows														
Professional fees		-	-	-	-	-	-	-	-	-	-	-	-	-
Property tax		-	-	-	-	-	-	-	-	-	-	-	-	-
Insurance		-	-	-	-	-	-	-	-	-	-	-	-	-
Mortgage principal		-	-	-	-	-	-	-	-	-	-	-	-	-
Mortgage interest		-	-	-	-	-	-	-	-	-	-	-	-	-
GST/HST paid		-	-	-	-	-	-	-	-	-	-	-	-	-
Other expenditures		-	-	-	-	-	-	-	-	-	-	-	-	-
Total cash outflows		-	-	-	-	-	-	-	-	-	-	-	-	-
Opening cash balance		-	-	-	-	-	-	-	-	-	-	-	-	-
Funding from HII		-	-	-	-	-	-	-	-	-	-	-	-	-
Variation in cash balance		-	-	-	-	-	-	-	-	-	-	-	-	-
Exchange rate		-	-	-	-	-	-	-	-	-	-	-	-	-
Adjust ending cash balance		-	-	-	-	-	-	-	-	-	-	-	-	-

Notes:

- 1) The opening cash balance reflects the allocated cash balance as at September 30, 2012.

NOTES AND REPRESENTATIONS TO THE CASH FLOW STATEMENT

NOTE A – PURPOSE AND WARNINGS

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

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

NOTE B – DEFINITIONS

CASH FLOW STATEMENT

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

HYPOTHETICAL ASSUMPTIONS

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

PROBABLE ASSUMPTIONS

Meaning assumptions that:

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

SUITABLY SUPPORTED

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

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

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

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

ASSUMPTIONS

Assumptions	Source	Probable Assumption	Hypothetical Assumption
<u>Opening cash balance</u>	Based on allocated cash balances as at September 30, 2012	X	
<u>Exchange rates</u>	All cash flows are in Canadian dollars		X
<u>Forecast cash receipts</u>			
GST/HST received	Based on previous GST/HST reimbursements, no activity has been forecasted during the period		X
Other receipts	Other disbursements, no activity has been forecasted during the period	X	
<u>Forecast cash disbursements</u>			
Professional fees	Legal and closing costs for sale of property, no activity has been forecasted during the period		X
Property tax	Property tax is paid in one yearly installment, no activity has been forecasted during the period	X	
Insurance	Insurance has been pre-paid for the year, no activity has been forecasted during the period	X	
Mortgage principal	Amount stayed by proceedings	X	
Mortgage interest	Amount stayed by proceedings	X	
GST/HST paid	Based on previous GST/HST payments, no activity has been forecasted during the period	X	
Other expenditures	Other expenditures incurred, no activity has been forecasted during the period	X	
<u>Ending cash balance</u>	Based on allocated cash transactions		X