APPENDIX H

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

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

PURPOSE OF THE SUPPLEMENTAL REPORT

1. In this Supplemental Report to the Fourth Report (the "**Supplemental Report**") of the Monitor, the following will be addressed:

   (i) An overview of the cash management processes enacted by Management and the Monitor to provide a complete summary of cash receipts and disbursements for all of HII's parties, including those located in Canada, the United States of America (the "**USA**"), the Netherlands, Germany, and the Baltics; and,

   (ii) Present budget-to-actual analysis for the months of September and October 2011 with commentary for all of HII's entities consolidated globally, as well as by region, including Canada, the USA, the Netherlands, Germany, and the Baltics.

TERMS OF REFERENCE

2. In preparing this Supplemental 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**"), further notices issued by the Court and its discussions with management of the HII Parties and their financial and 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.

3. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars. Capitalized terms not otherwise defined in this Supplemental Report are as defined in the First Report, the Second Report, the Third Report, Fourth Report, the Motion for Initial Order and further notices issued by the Court.

GLOBAL CASH MANAGEMENT PROCESS

4. HII's corporate structure is complex. In order to understand the global impact from all subsidiaries that HII either owns wholly or in part, the Monitor determined in conjunction with Management that some form of periodic cash flow monitoring was required. It was determined that the reporting and monitoring process would be completed monthly in order to best understand the direct cash flow impact on HII from its ownership of assets contained in its subsidiaries.

5. Management provided monthly cash flow forecasts by subsidiary, and on a property-by-property basis where possible, for the period from September 2011 to December 2012 to allow for budget to actual analysis to be completed, and to gain additional understanding of HII's cash movement. The individual cash flow forecasts were then combined by geographic region to provide a regional understanding of HII's overall cash flows. The regions upon which monthly budget to actual analysis is performed are as follows: Canada, the Netherlands, Germany, the USA, and the Baltics which are comprised of properties located in Latvia, Estonia, and Lithuania.

6. The cash flow forecast provided by Management for the Baltics did not include the month of September 2011, thus the budget to actual analysis for the Baltics is considered to be an actual to actual comparison for the month of September. From October 2011, the cash flow forecast provided and validated by the Monitor was utilized.

7. For this Supplemental Report, HII's regional and consolidated global cash flows are presented for the two-month period of September and October 2011. Based on the information provided to the Monitor, the budget to actual analysis included herein covers the following periods: September 9 to October 31, 2011 for Canada, The Netherlands and Germany; and September 1 to October 31, 2011 for the USA and the Baltics.

8. Since the subsidiaries located outside of Canada operate with a functional currency other than Canadian dollars, the forecasts and the results per region must be translated into Canadian dollars for HII's global cash flows to be analyzed. A foreign exchange impact is therefore included in the regional and global cash position due to the translation process. Please note that this foreign exchange impact is subject to change based on actual foreign currency fluctuations and could have a material impact on HII's cash flows.

9. The Monitor, in conjunction with Management, is currently in the process of validating the reasonability of the cash flow forecasts by subsidiary/property and consolidated by region. The validation has not yet been fully completed for the subsidiaries and properties located in Canada, the Netherlands, Germany, the USA and the Baltics. The cash flow forecasts are considered to be in draft form until finalized and are subject to change.

HII'S CONSOLIDATED GLOBAL BUDGET TO ACTUAL ANALYSIS

10. The following is the global consolidated budget to actual cash flow analysis for the months of September and October 2011 for HII, which consists of Canada, the Netherlands, Germany, the USA and the Baltics:

Cash Flow Summary
September to October 2011
HII Consolidated

(C$000) HII Consolidated	For the months of September and October 2011		
	Actual	Budget	Variance
Cash Inflow			
Rent	16,501	16,923	(422)
Other receipts	50,092	39,527	10,565
Proceeds of sale	805	2,406	(1,601)
Total Cash Inflow	**67,398**	**58,856**	**8,542**
Cash Outflow			
Payroll	403	309	(94)
Taxes	3,873	5,796	1,923
Mortgage principal and interest	9,601	11,691	2,090
Operating expenses	4,724	10,190	5,466
Professional fees	2,302	1,458	(844)
Capital expenditures	2,591	3,320	729
Other expenditures	20,444	36	(20,408)
Total Cash Outflow	**43,938**	**32,800**	**(11,138)**
Net Cash Flow	**23,460**	**26,056**	**(2,596)**
Opening Cash Balance	(4,342)	(4,342)	-
Add: Net Cash Flow	23,460	26,056	(2,596)
Add: FX Impact and Other Transactions	(93)	-	(93)
Ending Cash Balance	**19,025**	**21,714**	**(2,689)**
Cash Balance per Bank	**19,025**		

<u>Global consolidated budget to actual commentary</u>

11. Total cash inflows for HII globally were $67,398K for the period noted, while total cash outflows were $43,938K, which resulted in a positive net cash flow of $23,460K compared to a budgeted net cash flow of $26,056K.

12. As a result of the positive net cash flow of $23,460K, the opening cash balance of $(4,342K) increased to $19,025K after taking into consideration foreign exchange impact and other transactions of $(93K), which were not allocated regionally as at October 31, 2011.

13. The other receipts favorable variance of $10,565K and the other expenditures unfavorable variance of $(20,408K) were generated primarily as a result of cash transactions that occurred in the USA. Please refer to the USA regional budget to actual variance analysis performed for additional information.

14. A detailed explanation of the global cash inflow and outflow variances is presented on a regional basis; therefore, please refer to each of the regional budget to actual variance analysis performed below for additional information.

CANADA CONSOLIDATED CASH FLOWS

15. The following is the consolidated budget to actual cash flow analysis for Canada for the period from September 9 to October 31, 2011:

Cash Flow Summary
For the Period of September 9 to October 31, 2011
Canada

(C$000)	For the Period of September 9 to October 31, 2011		
Canada	Actuals	Budget	Variances
Cash Inflow			
Rent	1,103	1,073	30
Proceeds of sale	805	2,406	(1,601)
REIT distributions	1,554	1,633	(79)
REIT unit sale proceeds	25,000	34,500	(9,500)
Hotel receipts	107	189	(82)
Other receipts	4,285	2,646	1,639
Total Cash Inflow	**32,854**	**42,447**	**(9,593)**
Cash Outflow			
Payroll	398	301	(97)
Taxes	21	66	45
Mortgage principal and interest	177	712	535
Operating expenses	808	5,539	4,731
Professional fees	2,082	1,311	(771)
Capital expenditures	2,541	3,041	500
Other expenditures	1,759	-	(1,759)
Total Cash Outflow	**7,786**	**10,970**	**3,184**
Net Cash Flow	**25,068**	**31,477**	**(6,409)**
Opening Cash Balance	**(9,851)**	**(9,851)**	**-**
Add: Net Cash Flow	**25,068**	**31,477**	**(6,409)**
Ending Cash Balance	**15,217**	**21,626**	**(6,409)**

Canada consolidated budget to actual commentary

16. Total cash inflows for Canada were $32,854K for the period noted, while total cash outflows were $7,786K, which resulted in a positive net cash flow of $25,068K compared to a budgeted net cash flow of $31,477K.

17. As a result of the positive net cash flow of $25,068K, the opening cash balance of $(9,851K) increased to $15,217K as at October 31, 2011.

18. The Monitor's comments on the consolidated cash inflow and outflow variances for Canada for the period from September 9 to October 31, 2011 are as follows:

Inflows

19. Cash receipts from proceeds of sale of $805K were received compared to budgeted receipts of $2,406K, resulting in an unfavorable variance of $1,601K. This unfavorable variance can be attributed to the following:

i. Despite the fact that certain condominium units were sold at Inverness, in some cases no cash receipts were received from the sale of units since the proceeds of the sales were directly distributed to the associated lender in order to settle a portion of the mortgages outstanding. This resulted in an unfavorable variance of approximately $400K;

ii. Certain condominium units at Lougheed Estates (Homco 122 Realty Fund (122) LP) were sold; however, the proceeds from the sale were held in trust and not received by HII during the period from September 9 to October 31, 2011, which resulted in a negative timing variance of approximately $300K; and,

iii. It was expected that proceeds from sale of condominiums of approximately $900K primarily pertaining to Castello would be received from September 9 to October 31, 2011; however, since there were no condominium units sold, an unfavorable variance of approximately $900K was experienced.

20. REIT unit sale proceeds of $25,000K were received compared to budgeted receipts of $34,500K. As noted in the Fourth Report, the unfavorable variance is the result of transactions that occurred in the Osler trust account, which held the proceeds received from the Bought Deal prior to the funds being transferred to HII. Certain underwriters' commissions and other expenses totaling approximately $6,066K were paid directly from the trust account. The remaining $3,434K was subsequently transferred to HII in November 2011.

21. The positive variance for other receipts of $1,639K is explained in the Outflows section below.

Outflows

22. As noted above, certain expenses were paid directly from the Bought Deal proceeds held in the Osler trust account. In particular, head lease obligations of $3,226K pertaining to Jamieson and Canoxy, and commissions stemming from the Bought Deal of $1,380K, were paid directly from the Osler trust account. Combined, these payments represent approximately $4,606K of the favorable variance of $4,731K noted in the operating expenses line item.

23. Mortgage principal and interest payments of $177K were disbursed compared to a budgeted amount of $712K, which resulted in a favorable variance of $535K. This favorable variance can be directly attributed to the mortgage payments that were stayed for the Petitioners and Mis-en-cause.

24. Professional fees of $2,082K were disbursed through HII's accounts, which resulted in an unfavorable variance of $771K. As stated in paragraph 24.f) of the First Report, additional professional fees were incurred as a result of the Company's and Monitor's legal counsel, and the Monitor spending significant amounts of time on numerous material issues. Management has updated their budgets accordingly.

25. Other expenditures of $1,759K were incurred compared to budgeted other expenditures of nil, resulting in an unfavorable variance of $1,759K. The majority of this variance pertains to intercompany transfers from HII to ShareCo. Management occasionally uses the ShareCo European account as a holding account for various HII European transactions. Please note that the unfavorable other expenditures variance of $1,759K is offset by a favorable other receipts variance of $1,639K as a result of the transfer of funds from ShareCo to HII.

THE NETHERLANDS CONSOLIDATED CASH FLOWS

26. The following is the consolidated budget to actual cash flow analysis for the Netherlands for the period from September 9 to October 31, 2011:

Cash Flow Summary
For the Period of September 9 to October 31, 2011
Netherlands

(C$000) Netherlands	For the Period of September 9 to October 31, 2011 Actual	Budget	Variance
Cash Inflow			
Rent	5,798	6,259	(461)
Other receipts	34	4	30
Proceeds of sale	-	-	-
Total Cash Inflow	**5,832**	**6,263**	**(431)**
Cash Outflow			
Payroll	-	-	-
Taxes	1,559	4,122	2,563
Mortgage principal and interest	3,631	5,400	1,769
Operating expenses	1,228	2,552	1,324
Professional fees	-	51	51
Capital expenditures	-	-	-
Other expenditures	2	-	(2)
Total Cash Outflow	**6,420**	**12,125**	**5,705**
Net Cash Flow	**(588)**	**(5,862)**	**5,274**
Opening Cash Balance	23	23	-
Add: Net Cash Flow	(588)	(5,862)	5,274
Ending Cash Balance	**(565)**	**(5,839)**	**5,274**

Conversion rate used (Opening balance) 1.3626 as at 9/9/2011
Conversion rate used (Closing balance) 1.3856 as at 10/30/2011
Source: Bank of Canada

<u>The Netherlands consolidated budget to actual commentary</u>

27. Total cash inflows for the Netherlands were $5,832K for the period noted, while total cash outflows were $6,420K, which resulted in a negative net cash flow of $588K compared to a budgeted negative net cash flow of $5,862K.

28. As a result of the negative net cash flow of $588K, the opening cash balance of $23K was reduced to $(565K) as at October 31, 2011.

29. The Monitor's comments on the consolidated cash inflow and outflow variances for the Netherlands for the period from September 9 to October 31, 2011 are as follows:

Inflows

30. There were no significant cash inflow variations for the period September 9 to October 31, 2011.

Outflows

31. Taxes and operating expenses of $1,559K and $1,228K were incurred compared to budgeted amounts of $4,122K and $2,552K, respectively, resulting in a combined favorable variance of $3,887K. These variances are primarily due to timing.

32. Mortgage principal and interest charges totaling $3,631K were incurred between September 9 and October 31, 2011 compared to $5,400K budgeted for the same period. The favorable variance of $1,769K is mostly attributable to a number of mortgages that were unpaid during this period. These unpaid mortgages were paid in November 2011.

GERMANY CONSOLIDATED CASH FLOWS

33. The following is the consolidated budget to actual cash flow analysis for Germany for the period from September 9 to October 31, 2011:

Cash Flow Summary
For the Period of September 9 to October 31, 2011
Germany

(C$000) Germany	For the Period of September 9 to October 31, 2011		
	Actual	**Budget**	**Variance**
Cash Inflow			
Rent	2,207	2,192	15
Other receipts	135	-	135
Proceeds of sale	-	-	-
Total Cash Inflow	**2,342**	**2,192**	**150**
Cash Outflow			
Payroll	-	-	-
Taxes	1,339	986	(353)
Mortgage principal and interest	1,307	1,209	(98)
Operating expenses	224	134	(90)
Professional fees	3	14	11
Capital expenditures	-	-	-
Other expenditures	-	-	-
Total Cash Outflow	**2,873**	**2,343**	**(530)**
Net Cash Flow	**(531)**	**(151)**	**(380)**
Opening Cash Balance	2,737	2,737	-
Add: Net Cash Flow	(531)	(151)	(380)
Ending Cash Balance	**2,206**	**2,586**	**(380)**

Conversion rate used (Opening balance) 1.3626 as at 9/9/2011
Conversion rate used (Closing balance) 1.3856 as at 10/30/2011
Source: Bank of Canada

NOTE: The consolidated cash flow summary for Germany does not include Homco 110.

34. Please note that the actual and forecasted amounts for Germany do not include Homco 110, one of HII's largest assets by valuation, except for certain tax payments that were made for Homco 110. The cash flow forecast information and actual monthly results were not received from the property manager in time to be included with this Supplement Report. Management is working to obtain this information so that it may be included in the analysis performed going forward.

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

35. Total cash inflows for Germany were $2,342K for the period noted, while total cash outflows were $2,873K, which resulted in a negative net cash flow of $531K compared to a budgeted negative net cash flow of $151K.

36. As a result of the negative net cash flow of $531K, the opening cash balance of $2,737K was reduced to $2,206K.

37. The Monitor's comments on the consolidated cash inflow and outflow variances for Germany for the period from September 9 to October 31, 2011 are as follows:

Inflows

38. Other receipts of $135K were received compared to budgeted other receipts of nil, resulting in a positive variance of $135K. This variance is attributable to the receipt of a corporate tax refund that was not originally budgeted.

Outflows

39. Taxes of $1,339K were incurred compared to a budgeted amount of $986K, resulting in an unfavorable variance of $353K. This variance is mainly due to tax payments that were made for Homco 110, but were not reflected in the budgeted tax amount as the property manager did not provide a budget, as previously noted.

40. Operating expenses of $224K were incurred compared to a budgeted amount of $134K, resulting in an unfavorable variance of $90K. At the time the cash flow forecast was prepared, Management was renegotiating the agreement for property management services. Since an amount was not included in the budgeted operating expenses, an unfavorable variance was generated.

USA CONSOLIDATED CASH FLOWS

41. The following is the consolidated budget to actual cash flow analysis for the USA for the period from September 1 to October 31, 2011:

Cash Flow Summary
For the Period of September 1 to October 31, 2011
USA

(C$000) USA	For the Period of September 1 to October 31, 2011 Actual	Budget	Variance
Cash Inflow			
Rent	2,533	2,590	(57)
Other receipts	18,911	497	18,414
Proceeds of sale	-	-	-
Total Cash Inflow	**21,444**	**3,087**	**18,357**
Cash Outflow			
Payroll	5	8	3
Taxes	795	463	(332)
Mortgage principal and interest	1,406	1,293	(113)
Operating expenses	886	529	(357)
Professional fees	187	62	(125)
Capital expenditures	50	-	(50)
Other expenses	18,617	-	(18,617)
Total Cash Outflow	**21,946**	**2,355**	**(19,591)**
Net Cash Flow	**(502)**	**732**	**(1,234)**
Opening Cash Balance	1,965	1,965	-
Add: Net Cash Flow	(502)	732	(1,234)
Ending Cash Balance	**1,463**	**2,697**	**(1,234)**

Conversion rate used (Opening balance) 0.9971 as at 09/01/2011
Conversion rate used (Closing balance) 0.9935 as at 10/30/2011
Source: Bank of Canada

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

42. The USA budget to actual analysis is composed of both Cedar and HHUS properties. HII's ownership in the Cedar properties, which represents a significant portion of the USA cash flows, equals 80%. For the purposes of the USA consolidated budget to actual analysis and commentary contained within, no adjustment was made to the budgeted cash flows, or actual cash balances, to reflect HII's 80% ownership since the cash flow budgets and actuals take into account the cash flows of Cedar as a whole.

43. Total cash inflows for the USA were $21,444K for the period noted, while total cash outflows were $21,946K, which resulted in a negative net cash flow of $502K compared to a budgeted positive net cash flow of $732K.

44. As a result of the negative net cash flow of $502K, the opening cash balance of $1,965K was reduced to $1,463K as at October 31, 2011.

45. The Monitor's comments on the consolidated cash inflow and outflow variances for the USA for the period from September 1 to October 31, 2011 are as follows:

Inflows

46. In order to earn interest income on excess funds contained in HHUS's operating accounts, cash transfers are regularly made to and from the operating accounts to a cash management account. These cash movements are captured in the other receipts and other expenses line items. As a result of this form of cash management, other receipts of $18,911K represent the vast majority of cash transfers received from the cash management account. These other receipts are offset by other expenses in the amount of $18,617K. The net variance of $(203K) represents a timing variance resulting from HHUS's cash management practices.

Outflows

47. Disbursements pertaining to taxes of $795K were made compared to a budgeted amount of $463K, resulting in an unfavorable variance of $332K. The preliminary budgets provided by Management accounted for property taxes monthly on an accrual basis. Management has communicated that taxes are paid periodically, thus the unfavorable variance noted is attributable to timing.

48. Operating expenses and professional fees of $886K and $187K were incurred compared to budgeted amounts of $529K and $62K, respectively, which resulted in unfavorable variances of $357K and $125K. These expenses were higher than budgeted due to additional maintenance and repair expenses incurred as well as professional fees paid for audit and tax work performed.

49. The negative variance attributed to other expenditures has been explained in the Inflows section of the USA budget to actual commentary.

THE BALTICS CONSOLIDATED CASH FLOWS

50. The following is the consolidated budget to actual cash flow analysis for the Baltics for the period from September 1 to October 31, 2011:

Cash Flow Summary
For the Period of September 1 to October 31, 2011
Baltics

(C$000)	For the Period of September 1 to October 31, 2011		
Baltics	Actual	Budget	Variance
Cash Inflow			
Rent	4,860	4,809	51
Other receipts	66	58	8
Proceeds of sale	-	-	-
Total Cash Inflow	**4,926**	**4,867**	**59**
Cash Outflow			
Operating expenses	1,277	1,199	(78)
Loan interest & swap	2,413	2,414	1
Mortgage	667	663	(4)
Asset management fee	301	237	(64)
Professional fees	30	20	(10)
VAT payment	159	159	-
Capital expenditures	-	279	279
Other expenditures	66	36	(30)
Total Cash Outflow	**4,913**	**5,007**	**94**
Net Cash Flow	**13**	**(140)**	**153**
Opening Cash Balance	785	785	-
Add: Net Cash Flow	13	(140)	153
Ending Cash Balance	**798**	**645**	**153**

Conversion rate used (Opening balance) 1.3929 as at 9/1/2011
Conversion rate used (Closing balance) 1.3856 as at 10/30/2011
Source: Bank of Canada

<u>The Baltics consolidated budget to actual commentary</u>

51. Total cash inflows for the Baltics were $4,926K for the period noted, while total cash outflows were $4,913K, resulting in a net cash flow of $13K.

52. As a result of the positive net cash flow of $13K, the opening cash balance of $785K increased to $798K as at October 31, 2011.

53. As previously noted, a cash flow forecast was not received for the month of September 2011, thus an actual to actual analysis performed for the month of September was combined with a budget to actual analysis for the month of October 2011 to provide a comparative budget to actual analysis for the period from September 1 to October 31, 2011.

54. The Monitor's comments on the consolidated cash inflow and outflow variances for the Baltics for the period from September 1 to October 31, 2011 are as follows:

Inflows

55. There were no significant cash inflow variances identified for the period from September 1 to October 31, 2011.

Outflows

56. Management had budgeted capital expenditures of $279K to be incurred compared to actual capital expenditures of nil for the period analyzed, resulting in a favorable variance of $279K. It is expected that these capital expenditures will be incurred in future periods.